In this toy example, let's use the **auto** dataset—that perennial favorite of the Stata manuals.

We'll start by fitting two regression models. The first model specifies **price** only as a function of the mileage (**mpg**) of the car. The second adds an indicator for whether the car was imported from outside the U.S. (**foreign**).

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| price | Coef. | Std. Err. | t | P>|t| | [95% Conf. Interval] |
| mpg | -238.8943 | 53.07669 | -4.50 | 0.000 | -344.7008 | -133.0879 |
| \_cons | 11253.06 | 1170.813 | 9.61 | 0.000 | 8919.088 | 13587.03 |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| price | Coef. | Std. Err. | t | P>|t| | [95% Conf. Interval] |
| mpg | -294.1955 | 55.69172 | -5.28 | 0.000 | -405.2417 | -183.1494 |
|  |  |  |  |  |  |  |
| foreign |  |  |  |  |  |  |
| Foreign | 1767.292 | 700.158 | 2.52 | 0.014 | 371.2169 | 3163.368 |
| \_cons | 11905.42 | 1158.634 | 10.28 | 0.000 | 9595.164 | 14215.67 |

|  |  |  |
| --- | --- | --- |
| Variable | model1    | model2    |
| mpg | -238.894\*\*\* | -294.196\*\*\* |
|  |     |     |
| foreign |     |     |
| Foreign |     | 1767.292\*   |
|  |     |     |
| \_cons | 11253.061\*\*\* | 11905.415\*\*\* |

|  |  |  |
| --- | --- | --- |
| Variable | model1    | model2    |
| Mileage (mpg) | -238.894\*\*\* | -294.196\*\*\* |
|  |     |     |
| Car type |     |     |
| Domestic |     | (base)    |
| Foreign |     | 1767.292\*   |
| Constant | 11253.061\*\*\* | 11905.415\*\*\* |
| N | 74    | 74    |
| r2 | 0.220    | 0.284    |
| r2\_a | 0.209    | 0.264    |

|  |  |  |
| --- | --- | --- |
| **Variable** | **model1** | **model2** |
| Mileage (mpg) | -238.894\*\*\* | -294.196\*\*\* |
| Car type |     |     |
| Domestic |     | (base)    |
| Foreign |     | 1767.292\*   |
| Constant | 11253.061\*\*\* | 11905.415\*\*\* |
| N | 74    | 74    |
| R-squared | 0.220    | 0.284    |
| Adj. R-squared | 0.209    | 0.264    |