

TABLE 1

ESTIMATES OF THE INFLATION FORECASTING EQUATIONS

Full Sample Estimates

Freq.	Span	Equation	Obs.	R ²
Q	1948:2–1985:2	$I_t = I_{t-1} - .4951\epsilon_{t-1} + \epsilon_t$ (.0749)	153	.510
Q	1953:2–1985:2	$RATB_t = RATB_{t-1} - .5350\epsilon_{t-1} + \epsilon_t$ (.0741)	129	.571
Q	1952:2–1985:2	$RSTB_t = RSTB_{t-1} - .4951\epsilon_{t-1} + \epsilon_t$ (.0749)	133	.582
A	1872–1983	$I_t = .0067 + .4210I_{t-1} - .6657\epsilon_{t-1} + \epsilon_t$ (.0035) (.1004) (.0823)	112	.610
A	1900–1983	$RATB_t = .0042 + .6157RATB_{t-1} - .4040\epsilon_{t-1} + \epsilon_t$ (.0044) (.1063) (.1225)	84	.533

Standard Errors in Parentheses. I = Price Deflator for Non-Durables and Services.
 $RATB$ = Real Average Interest Rate. $RSTB$ = Real Spot Interest Rate.