TABLE 10

ORDINARY LEAST SQUARES ESTIMATION[a]
LINEAR SPECIFICATION: AVERAGE INTEREST RATES
ANNUAL DATA: 1900–1984

Model: *(1)* $D(1)CA_{t+1} = \beta_0 + \beta_1 R(1)_t + \epsilon_{t+1}$
(2) $D(1)CA^N_{t+1} = \beta_0 + \beta_1 R(1)^N_t + \epsilon_{t+1}$

Model	Obs.	β_0	s(β_0)	t(β_0)	β_1	s(β_1)	t(β_1)	$\overline{R}^2$	$\overline{R}^{2*}$
full sample 1901–1984									
(1)	84	.0186	.0029	6.44	-.1585	.1301	-1.22	.068	
(2)	84	.0394	.01451	2.71	.1675	.2296	0.72	-.005	.064
first sub-period 1935–1984									
(1)	50	.0207	.0032	6.45	.0655	.0815	0.80	-.004	
(2)	50	.0542	.0122	4.41	.2084	.1770	1.17	.023	.073
final sub-period 1954–1984									
(1)	31	.0182	.0033	5.38	.0740	.1082	0.68	-.020	
$(1)^*$	31	.0197	.0032	6.04	.0100	.0998	0.10	-.034	
(2)	31	.0353	.0115	3.05	.4673	.1927	2.42	.273	.098
$(2)^*$	31	.0337	.0102	3.28	.5097	.1881	2.70	.340	.059

[a] Standard errors corrected for moving average process in residuals and for conditional heteroskedasticity. See White (1980) and Hansen (1982). D(1)CA = Real per capita growth in Consumption of Non-Durables and Services, $D(1)CA^N$ = Nominal Consumption growth, R(1) = expected real rate calculated by subtracting IMA(1,1) forecasts on the inflation rate from the nominal interest rate on a corporate bond (parameters updated at every point in series), $R(1)^N$ = Nominal interest rate, (Gov.) represents the nominal interest rate on a one year government bond. $\overline{R}^{2*}$ = the coefficient of determination that results from the regression of the nominal consumption growth predictions less the expected inflation rate on real consumption growth. $(1)^*$, $(2)^*$ calculated with yields on government instruments.