TABLE 12

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

Model: *(1)* $D(1)CA_{t+1} = \beta_0 + \beta_1 YS(1)_t + \beta_2 R(1)_t + \eta_{t+1}$
(2) $D(1)CA^N_{t+1} = \beta_0 + \beta_1 YS(1)^N_t + \beta_2 R(1)^N_t + \eta_{t+1}$

Model	Obs.	β_0	s(β_0)	t(β_0)	β_1	s(β_1)	t(β_1)	β_2	s(β_2)	t(β_2)	$\overline{R}^2$	$\overline{R}^{2*}$
full sample 1901–1984												
(1)	84	.0184	.0027	6.76	.0577	.2287	0.25	-.1627	.1246	-1.30	.06	
(2)	84	.0421	.0138	3.03	-1.2019	.9552	-1.25	.2472	.2534	0.97	.03	.06
first sub-period 1935–1984												
(1)	50	.0165	.0028	5.83	.6515	.2060	3.16	.0357	.0833	0.42	.04	
(2)	50	.0564	.0124	4.53	-.4629	.4976	-0.93	.2316	.1745	1.32	.01	.05
final sub-period 1954–1984												
(1)	31	.0174	.0032	5.32	.5231	.2566	2.03	-.0460	.1232	-0.37	.03	
(1)*	31	.0149	.0049	3.03	1.4032	.9206	1.52	-.6434	.0947	-0.67	.02	
(2)	31	.0373	.0099	3.75	-.8027	.5084	-1.57	.5282	.1736	3.04	.31	.02
(2)*	31	.0299	.0115	2.59	1.0637	1.7911	0.59	.4898	.1838	2.66	.33	.09

[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, R1 = real rate calculated by subtracting IMA(1,1) forecasts on the inflation rate from the nominal corporate bond rate, $D(1)CA^N$ = nominal consumption growth, R1 (Gov.) = real rate calculated by subtracting IMA(1,1) forecasts on the inflation rate from a one year nominal government bond rate. YS(1) = spread calculated as the difference between two expected real rates (annualized) on instruments with different time to maturity. Long term instrument is the yield on a one year corporate bond. Short term instrument is the yield on 90 day commercial paper, 1900–1919, and 90 day Treasury bills, 1920-1984. $YS(1)^N$ = nominal yield spread, (1)*, (2)* = government bond is used as longer term instrument.