

TABLE 15

GENERALIZED METHOD OF MOMENTS ESTIMATION^a
 NON-LINEAR SPECIFICATION: AVERAGE REAL INTEREST RATES
 ANNUAL DATA: 1900-1984

$$\text{Model: } (1) E_t[\delta\{\frac{C_t}{C_{t+1}}\}^\alpha(1 + R_{1,t+1}) - 1] = 0$$

$$(2) E_t[\delta e^{\alpha(C_t - C_{t+1})}(1 + R_{1,t+1}) - 1] = 0$$

Model	Obs.	α	$s(\alpha)$	$t(\alpha)$	δ	$s(\delta)$	$t(\delta)$	χ^2	d.f.	Prob.
<i>full sample 1901-1984</i>										
(1)	83	-5.3008	4.3383	-1.22	.9046	.0728	12.42	0.02	1	.12
(2)	83	-3.2122	5.4271	-0.59	.8863	.1835	4.83	0.06	1	.19
<i>first sub-period 1934-1984</i>										
(1)	51	1.6637	1.8805	0.88	1.0314	.0459	22.44	1.81	1	.82
(2)	51	.9001	.4882	1.84	1.0468	.0297	35.24	2.72	1	.90
<i>final sub-period 1953-1984</i>										
(1)	32	1.8420	1.3754	1.33	1.0271	.0311	33.03	1.22	1	.73
(2)	32	.6973	.3508	1.98	1.0255	.0228	45.01	1.32	1	.75

^aInstrumental estimation uses the technique of Hansen (1982). The standard errors are corrected for a moving averages process in the errors for conditional heteroskedasticity. C_t/C_{t+1} is the ratio of real per capita consumption of non-durables and services. $R_{1,t+1}$ is the realized real rate of interest on a one year corporate bond. The instrumentation consists of a constant, the expected real 1 year rate and the expected short term real rate (parameters re-estimated at every point in the time series).