

**TABLE 19**  
**COMPARISON OF FORECASTS:**  
**YIELD SPREAD MODEL VS. ALTERNATIVE MODELS**  
**QUARTERLY DATA: 1953:2–1985:3**

*Model (1):*  $D(j)CA_{t+1+j} = \beta_0 + \beta_1(\text{Real Spread Fitted})_t + \beta_2(\text{Cons. AR Fitted})_t + \epsilon_{t+1+j}$   
*(2):*  $D(j)CA_{t+1+j} = \beta_0 + \beta_1(\text{Real Spread Fitted})_t + \beta_2(\text{Stocks Fitted})_t + \epsilon_{t+1+j}$   
*(3):*  $D(j)CA_{t+1+j} = \beta_0 + \beta_1(\text{Nominal Spread Fitted})_t + \beta_2(\text{Cons. AR Fitted})_t + \epsilon_{t+1+j}$   
*(4):*  $D(j)CA_{t+1+j} = \beta_0 + \beta_1(\text{Nominal Spread Fitted})_t + \beta_2(\text{Stocks Fitted})_t + \epsilon_{t+1+j}$

Model	Obs.	$\beta_0$	s( $\beta_0$ )	t( $\beta_0$ )	$\beta_1$	s( $\beta_1$ )	t( $\beta_1$ )	$\beta_2$	s( $\beta_2$ )	t( $\beta_2$ )	$\overline{R}^2$
<i>One Quarter Measures 1959:3–1985:2 (full sample)</i>											
(1)	105	-.0059	.0071	-0.83	1.1882	1.3387	0.88	1.0456	.5150	2.03	.01
(2)	105	-.0055	.0110	-0.49	1.0426	1.4585	0.71	1.0976	1.7262	0.63	-.01
(3)	105	.0015	.0027	0.56	.1954	.1061	1.84	.4804	.5971	0.80	.04
(4)	105	.0029	.0075	0.38	.2207	.0995	2.21	.1737	1.5514	0.11	.04
<i>One Quarter Measures 1959:3–1971:4 (first sub-period)</i>											
(1)	50	-.0022	.0040	-0.54	.5846	.7717	0.75	.8103	.4005	2.02	.04
(2)	50	-.0054	.0200	-0.26	.9990	.7003	1.42	.9652	3.4264	0.28	.00
(3)	50	-.0110	.0026	-0.42	.3629	.3842	0.94	.8064	.4254	1.89	.04
(4)	50	-.0043	.0194	-0.22	.5704	.3512	1.62	1.1601	3.3808	0.34	.01
<i>One Quarter Measures 1959:3–1985:2 (second sub-period)</i>											
(1)	55	-.0011	.0092	-0.12	.9920	.3521	2.81	.2874	2.3116	0.12	.03
(2)	55	-.0046	.0041	-1.12	1.0155	.3438	2.95	1.1141	1.0746	1.03	.04
(3)	55	.0280	.0107	2.61	.4998	.1064	4.69	-6.3168	2.6367	-2.39	.19
(4)	55	.0034	.0040	0.85	.3377	.1036	3.25	-.1717	.9595	-0.17	.12
<i>Two Quarter Measures 1960:3–1985:1 (full sample)</i>											
(1)	101	-.0071	.0036	-1.98	.8691	.3702	2.34	.8630	.1672	5.16	.12
(2)	101	-.0067	.0049	-1.34	.9152	.4179	2.18	.7729	.5064	1.52	.08
(3)	101	.0023	.0019	1.18	.2336	.0957	2.44	.5292	.1877	2.81	.15
(4)	101	.0027	.0070	0.39	.2607	.0933	2.79	.4510	.6865	0.65	.14
<i>Two Quarter Measures 1960:3–1971:4 (first sub-period)</i>											
(1)	46	-.0044	.0060	-0.73	.8200	.7984	1.02	.5622	.4892	1.14	.04
(2)	46	-.0212	.0280	-0.76	1.0448	.6924	1.50	1.7915	2.2580	0.79	.04
(3)	46	-.0022	.0048	-0.47	.6589	.3872	1.70	.4744	.4848	0.97	.10
(4)	46	-.0051	.0050	-1.01	.6830	.3769	1.81	.7039	.4985	1.41	.11
<i>Two Quarter Measures 1972:1–1985:1 (second sub-period)</i>											
(1)	46	-.0024	.0013	-1.83	.9293	.2192	4.23	.3566	.1534	2.32	.24
(2)	55	-.0036	.0032	-1.10	.9364	.2198	4.26	.4978	.3278	1.51	.25
(3)	55	.0062	.0032	1.95	.3408	.1266	2.69	-.0763	.3531	-0.21	.20
(4)	55	.0067	.0109	0.61	.3362	.1104	3.04	-.1285	1.2711	-0.10	.19
<i>Three Quarter Measures 1954:2–1984:4 (full sample)</i>											
(1)	126	-.0115	.0127	-0.90	.8645	.8439	1.02	.9408	.3133	3.00	.05
(2)	126	-.0151	.0126	-1.20	1.0390	.8552	1.21	1.0185	.4103	2.48	.06
(3)	126	.0035	.0043	0.82	.1760	.1170	1.50	.5721	.3184	1.79	.09
(4)	126	.0036	.0064	0.55	.1734	.1243	1.39	.5725	.4759	1.20	.09
<i>Three Quarter Measures 1954:2–1971:4 (first sub-period)</i>											
(1)	71	-.0037	.0088	-0.42	.9625	.5011	1.92	.2726	.5061	0.53	.10
(2)	71	-.0147	.0085	-1.72	.9711	.4391	2.21	.9596	.3278	2.92	.18
(3)	71	.0104	.0109	0.95	.5443	.2529	2.15	-.2403	.7690	-0.31	.12
(4)	71	-.0017	.0055	-0.30	.4308	.2346	1.83	.6439	.3592	1.79	.15
<i>Three Quarter Measures 1972:1–1984:4 (second sub-period)</i>											
(1)	55	-.0033	.0032	-1.01	.9421	.2497	3.77	.3243	.2599	1.24	.24
(2)	55	-.0107	.0123	-0.86	.9941	.1991	4.99	.8722	.9753	0.89	.25
(3)	55	.0106	.0060	1.77	.2884	.1321	2.18	-.1379	.4925	-0.28	.19
(4)	55	.0168	.0172	0.98	.2936	.1206	2.43	-.6489	1.3765	-0.47	.20

Standard errors corrected for moving average process in residuals and for conditional heteroskedasticity. See White (1980) and Hansen (1982). Real per capita growth in Consumption of Non-Durables and Services, (j=1,2,3).