

TABLE 21
COMPARISON OF FORECASTS:
INTEREST RATE MODEL VS. ALTERNATIVE MODELS
ANNUAL DATA: 1900–1984

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

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)	\bar{R}^2
<i>full sample 1901–1984</i>											
(1)	84	-.5782	.0101	-0.56	.4427	.4394	1.00	.9139	.1836	4.97	.25
(2)	84	-.0155	.0222	-0.69	.9881	.7351	1.34	.9682	.8219	1.17	.09
(3)	84	.0030	.0031	0.96	-.0794	.0794	-1.00	.9176	.1774	5.17	.25
(4)	84	.0025	.0127	0.19	-.1772	.1328	-1.33	1.0767	.8063	1.33	.09
<i>first sub-period 1935–1984</i>											
(1)	50	-.0296	.0171	-1.73	1.2887	1.0252	1.25	1.1164	.3525	3.16	.03
(2)	50	-.0167	.0280	-0.59	.8673	1.1939	0.72	.9253	.4621	2.00	-.00
(3)	50	-.0050	.0062	-0.80	.2035	.0772	2.63	.9692	.4152	2.33	.10
(4)	50	.0058	.0087	0.66	.1902	.0833	2.28	.4716	.4032	1.16	.06
<i>final sub-period 1954–1984</i>											
(1)	31	-.0297	.0227	-1.34	1.3874	1.0132	1.36	1.0993	.4664	2.35	.02
(2)	31	-.0134	.0230	-0.58	.7259	1.2084	0.60	.9444	.4324	2.18	-.01
(3)	31	-.0056	.0118	-0.47	.2955	.1449	2.03	.8750	.5297	1.65	.12
(4)	31	.0087	.0117	0.74	.2968	.1908	1.55	.1580	.7508	0.21	.07
(1) ^a	31	-.0211	.1491	-0.14	1.0582	7.5020	0.14	1.0002	.3977	2.51	-.00
(2) ^a	31	.0236	.1700	0.13	-1.1950	8.4963	-0.14	1.0108	.3897	2.59	-.02
(3) ^a	31	-.0029	.0102	-0.28	.2526	.1683	1.50	.7990	.5381	1.48	.07
(4) ^a	31	.0062	.0090	0.68	.2486	.2236	1.11	.3472	.6548	0.53	.03

Standard errors corrected for moving average process in residuals and for conditional heteroskedasticity. See White (1980) and Hansen (1982). ^a Estimated with government one year bond.