

**TABLE 6**

ORDINARY LEAST SQUARES ESTIMATION<sup>a</sup>  
 LINEAR SPECIFICATION: AVERAGE INTEREST RATES  
 QUARTERLY DATA: 1953:2–1985:3

*Model:* (1)  $D(j)CA_{t+j} = \beta_0 + \beta_1 R(j)_t + \epsilon_{t+j} \quad j=1,2,3,4.$   
 (2)  $D(j)CA_{t+j}^N = \beta_0 + \beta_1 R^N(j)_t + \epsilon_{t+j} \quad j=1,2,3,4.$

Model	Obs.	$\beta_0$	s( $\beta_0$ )	t( $\beta_0$ )	$\beta_1$	s( $\beta_1$ )	t( $\beta_1$ )	$\bar{R}^2$	$\bar{R}^{2*}$
<i>One Quarter Measures 1953:2–1985:2</i>									
(1)	129	.00476	.00067	7.10	-.06331	.09623	-0.65	-.004	
(2)	129	.00897	.00155	5.76	.48715	.11961	4.07	.248	.015
<i>Two Quarter Measures 1959:3–1985:1</i>									
(1)	105	.01008	.00170	5.91	-.05619	.09740	-0.57	-.004	
(2)	105	.02364	.00563	4.19	.33633	.16616	2.02	.146	.084
<i>Three Quarter Measures 1960:3–1984:4</i>									
(1)	101	.01454	.00290	5.00	.00825	.10419	0.07	-.010	
(2)	101	.03739	.01013	3.68	.30534	.19366	1.57	.126	.161
<i>Four Quarter Measures 1954:2–1984:3</i>									
(1)	126	.01833	.00289	6.33	.00322	.07661	0.04	-.008	
(2)	126	.03647	.00919	3.96	.45210	.16513	2.73	.293	.067

<sup>a</sup> Standard errors corrected for moving average process in residuals and for conditional heteroskedasticity. See White (1980) and Hansen (1982).  $D(j)CA$  = Real per capita growth in Consumption of Non-Durables and Services,  $D(j)CA^N$  = the nominal consumption measure,  $R(j)$  = expected real rate calculated by subtracting IMA(1,1) forecasts on the inflation rate from the nominal interest rate (parameters updated at every point in series),  $R(j)^N$  is the nominal interest rate,  $\bar{R}^{2*}$  = coefficient of determination that results from the regression of the nominal consumption growth predictions less the expected inflation rate on real consumption growth.