

TABLE 9

GENERALIZED METHOD OF MOMENTS ESTIMATION^a
 LINEAR SPECIFICATION: AVERAGE REAL YIELD SPREADS
 QUARTERLY DATA: 1953:2–1985:3

Model: $D(j)CA_{t+j+1} = \beta_0 + \beta_1 YS(j)_t + \beta_2 R(1)_t + \epsilon_{t+j+1} \quad j=1,2,3.$

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)	χ^2	d.f.	Prob.
<i>One Quarter Measures 1959:3–1985:2</i>												
105	.0047	.0011	4.12	.1109	.7287	0.15	.0433	.1356	0.31	1.03	1	.69
<i>Two Quarter Measures 1960:3–1985:1</i>												
101	.0078	.0028	2.76	.7644	.6664	1.14	-.0484	.2558	-0.18	2.09	1	.85
<i>Three Quarter Measures 1954:2–1984:4</i>												
126	.0133	.0034	3.88	.2145	.7471	0.28	.3022	.5048	0.59	0.92	1	.66

^aInstrumental estimation uses the technique of Hansen (1982). The standard errors are corrected for moving averages induced by the overlapping dependent variable and for conditional heteroskedasticity. The instrumentation consists of a constant, the expected real rate (parameters re-estimated at every point in the time series), the expected yield spread based on the time series model of inflation (parameters updated at every point in the time series) and the logarithm of ratio of yields on Moody's BBA and AAA rate bonds.