TABLE 18

COMPARISON OF FORECASTS: INTEREST RATE MODEL VS. ALTERNATIVE MODELS QUARTERLY DATA: 1953:2–1985:3

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

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)	$\overline{R}^2$
One Quarter Measures 1953:2–1985:2											
(1)	130	-.0079	.0052	-1.52	1.6666	1.1209	1.48	1.0605	.3044	3.48	.06
(2)	130	-.0048	.0050	-0.95	1.0460	1.1452	0.91	1.0019	.2646	3.78	.08
(3)	130	.0001	.0014	0.04	.0859	.0887	0.96	.8977	.2997	2.99	.05
(4)	130	-.0002	.0014	-0.15	.1081	.0941	1.14	.9385	.2507	3.74	.08
Two Quarter Measures 1959:3–1985:1											
(1)	105	-.0135	.0116	-1.16	1.3523	1.1701	1.15	1.0413	.3671	2.83	.05
(2)	105	-.0117	.0123	-0.94	1.1795	1.3455	0.87	1.0329	.5661	1.82	.02
(3)	105	.0019	.0034	0.55	.1853	.0832	2.22	.6172	.3741	1.64	.10
(4)	105	.0016	.0045	0.36	.2067	.0920	2.24	.6184	.4316	1.43	.09
Three Quarter Measures 1960:3–1984:4											
(1)	101	.0320	.1281	0.24	-2.1961	8.6824	-0.25	1.0103	.1858	5.43	.09
(2)	101	.0279	.1382	0.20	-1.9138	9.2674	-0.20	1.0116	.3773	2.68	.05
(3)	101	.0026	.0024	1.10	.2165	.0975	2.22	.5982	.1341	4.46	.18
(4)	101	.0024	.0060	0.40	.2331	.1086	2.14	.5947	.3909	1.52	.18
Four Quarter Measures 1954:2–1984:4											
(1)	126	.1413	.3621	0.38	-7.7082	19.6334	-0.39	1.0279	.1333	7.71	.05
(2)	126	.1362	.3387	0.40	-7.4328	18.3178	-0.40	1.0207	.3268	3.12	.07
(3)	126	.0027	.0007	3.79	.1355	.0998	1.35	.7123	.1463	4.86	.09
(4)	126	.0026	.0055	0.47	.1220	.1149	1.06	.7312	.3635	2.01	.10

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 (j=1,2,3,4).