

TABLE V
CALIBRATED MODEL FOR RATES OF RETURN

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
			Parameters				
	No disasters	Baseline	Low θ	High p	Low q	Low γ	Low ρ
θ (coeff. of relative risk aversion)	4	4	3	4	4	4	4
σ (s.d. of growth rate, no disasters)	0.02	0.02	0.02	0.02	0.02	0.02	0.02
ρ (rate of time preference)	0.03	0.03	0.03	0.03	0.03	0.03	0.02
γ (growth rate, deterministic part)	0.025	0.025	0.025	0.025	0.025	0.020	0.025
p (disaster probability)	0	0.017	0.017	0.025	0.017	0.017	0.017
q (bill default probability in disaster)	0	0.4	0.4	0.4	0.3	0.4	0.4
			Variables				
Expected equity rate	0.128	0.071	0.076	0.044	0.071	0.051	0.061
Expected bill rate	0.127	0.035	0.061–0.007		0.029	0.015	0.025
Equity premium	0.0016	0.036	0.016	0.052	0.042	0.036	0.036