

Table 6
The riskfree rate puzzle^a

Country	Sample period	\bar{r}_f	$\bar{\Delta c}$	$\sigma(\Delta c)$	RRA(1)	TPR(1)	RRA(2)	TPR(2)
USA	1947.2–1996.3	0.794	1.908	1.084	246.556	−112.474	47.600	−76.710
AUL	1970.1–1996.2	1.820	1.854	2.142	45.704	−34.995	7.107	−10.196
CAN	1970.1–1996.2	2.738	1.948	2.034	56.434	−41.346	8.965	−13.066
FR	1973.2–1996.2	2.736	1.581	2.130	< 0	N/A	14.634	−15.536
GER	1978.4–1996.2	3.338	1.576	2.495	343.133	>1000	13.327	−12.142
ITA	1971.2–1995.2	2.064	2.424	1.684	>1000	>1000	4.703	−9.021
JPN	1970.2–1996.2	1.538	3.416	2.353	134.118	41.222	13.440	−39.375
NTH	1977.2–1996.1	3.705	1.466	2.654	>1000	>1000	23.970	−11.201
SWD	1970.1–1994.4	1.520	0.750	1.917	>1000	>1000	20.705	−6.126
SWT	1982.2–1996.2	1.466	0.414	2.261	< 0	N/A	26.785	8.698
UK	1970.1–1996.2	1.081	2.025	2.589	156.308	503.692	14.858	−21.600
USA	1970.1–1996.3	1.350	1.710	0.919	150.136	−160.275	37.255	−56.505
SWD	1920–1993	2.073	1.748	2.862	65.642	63.778	11.091	−12.274
UK	1919–1993	1.198	1.358	2.820	39.914	10.364	14.174	−10.057
USA	1891–1994	1.955	1.742	3.257	20.861	−11.305	10.366	−10.406

^a \bar{r}_f is the mean money market return from Table 2, in annualized percentage points. $\bar{\Delta c}$ and $\sigma(\Delta c)$ are the mean and standard deviation of consumption growth from Table 3, in annualized percentage points. RRA(1) and RRA(2) are the risk aversion coefficients from Table 5. $TPR(1) = \bar{r}_f - RRA(1)\bar{\Delta c} + RRA(1)^2\sigma^2(\Delta c)/200$, and $TPR(2) = \bar{r}_f - RRA(2)\bar{\Delta c} + RRA(2)^2\sigma^2(\Delta c)/200$. From Equation (17), these time preference rates give the real interest rate, in annualized percentage points, that would prevail if consumption growth had zero mean and zero standard deviation and risk aversion were RRA(1) or RRA(2), respectively.