

Table 3 UNITED STATES, 1953–1986

$\Delta c_t = \mu + \sigma r_t$

| Row | Instruments | First-stage regressions | | σ estimate (s.e.) | Test of restrictions |
|-----|---|-------------------------|-------------------|-----------------------------|-------------------------|
| | | Δc equation | r equation | | |
| 1 | None (OLS) | — | — | 0.276 (0.079) | — |
| 2 | r_{t-2}, \dots, r_{t-4} | 0.063 (0.009) | 0.431 (0.000) | 0.270 (0.118) | 0.031 (0.029) |
| 3 | r_{t-2}, \dots, r_{t-6} | 0.067 (0.014) | 0.426 (0.000) | 0.281 (0.118) | 0.034 (0.050) |
| 4 | $\Delta c_{t-2}, \dots, \Delta c_{t-4}$ | 0.024 (0.101) | −0.021 (0.966) | −0.707 (2.586) | 0.000 (0.215) |
| 5 | $\Delta c_{t-2}, \dots, \Delta c_{t-6}$ | 0.018 (0.007) | 0.007 (0.316) | 0.992 (0.478) | 0.008 (0.189) |
| 6 | $\Delta i_{t-2}, \dots, \Delta i_{t-4}$ | 0.061 (0.010) | 0.024 (0.105) | 1.263 (0.545) | −0.021 (0.918) |
| 7 | $\Delta i_{t-2}, \dots, \Delta i_{t-6}$ | 0.102 (0.002) | 0.028 (0.119) | 1.213 (0.445) | −0.022 (0.700) |
| 8 | $r_{t-2}, \dots, r_{t-4},$ $\Delta c_{t-2}, \dots, \Delta c_{t+4},$ | 0.062 (0.026) | 0.455 (0.000) | 0.204 (0.114) | 0.047 (0.033) |
| 9 | $r_{t-2}, \dots, r_{t-4},$ $\Delta c_{t-2}, \dots, \Delta c_{t-4},$ $\Delta i_{t-2}, \dots, \Delta i_{t-4}$ | 0.103 (0.006) | 0.476 (0.000) | 0.150 (0.111) | 0.100 (0.005) |