

TABLE 2.—ESTIMATES OF THE EIS USING THE INTEREST RATE

Country	Sample Period	1/ $\psi$			$\psi$		
		TSLS	Fuller- $k$	LIML	TSLS	Fuller- $k$	LIML
USA	1947.3–1998.4	0.68 (0.48)	3.30 (3.20)	34.11 (112.50)	0.06 (0.09)	0.03 (0.10)	0.03 (0.10)
AUL	1970.3–1998.4	0.50 (0.48)	2.37 (2.45)	30.03 (107.71)	0.05 (0.11)	0.04 (0.12)	0.03 (0.12)
CAN	1970.3–1999.1	−1.04 (0.39)	−2.40 (1.13)	−2.98 (1.54)	−0.30 (0.16)	−0.33 (0.17)	−0.34 (0.17)
FR	1970.3–1998.3	−3.12 (3.75)	−1.83 (1.72)	−12.38 (29.61)	−0.08 (0.19)	−0.08 (0.19)	−0.08 (0.19)
GER	1979.1–1998.3	−1.05 (0.62)	−1.38 (0.90)	−2.29 (1.87)	−0.42 (0.35)	−0.43 (0.35)	−0.44 (0.36)
ITA	1971.4–1998.1	−3.34 (1.98)	−5.82 (4.47)	−14.81 (18.55)	−0.07 (0.08)	−0.07 (0.08)	−0.07 (0.08)
JAP	1970.3–1998.4	−0.18 (0.43)	−0.86 (1.23)	−21.56 (106.53)	−0.04 (0.21)	−0.04 (0.23)	−0.05 (0.23)
NTH	1977.3–1998.4	−0.53 (0.41)	−1.41 (1.33)	−6.94 (13.96)	−0.15 (0.28)	−0.15 (0.29)	−0.14 (0.29)
SWD	1970.3–1999.2	−0.10 (1.10)	−0.21 (1.54)	−399.86 (16075.06)	0.00 (0.10)	0.00 (0.10)	0.00 (0.10)
SWT	1976.2–1998.4	−1.56 (0.83)	−1.51 (0.79)	−2.00 (1.18)	−0.49 (0.29)	−0.49 (0.29)	−0.50 (0.29)
UK	1970.3–1999.1	1.06 (0.45)	3.76 (2.42)	6.21 (5.17)	0.17 (0.13)	0.16 (0.13)	0.16 (0.13)
USA	1970.3–1998.4	0.53 (0.50)	2.19 (2.60)	47.66 (249.47)	0.06 (0.09)	0.02 (0.11)	0.02 (0.11)
SWD	1921–1994	1.17 (1.13)	3.30 (3.34)	17.77 (38.67)	0.06 (0.11)	0.06 (0.12)	0.06 (0.12)
UK	1921–1994	2.40 (1.01)	2.99 (1.33)	3.52 (1.65)	0.26 (0.12)	0.27 (0.13)	0.28 (0.13)
USA	1891–1995	−0.38 (1.12)	−1.17 (2.90)	−39.71 (257.54)	−0.03 (0.11)	−0.03 (0.15)	−0.03 (0.16)

The reciprocal of the EIS is estimated from  $r_{f,t+1} = \mu_f + (1/\psi)\Delta c_{t+1} + \eta_{f,t+1}$ , and the EIS is estimated from  $\Delta c_{t+1} = \tau_f + \psi r_{f,t+1} + \xi_{f,t+1}$ . The instruments are the twice lagged nominal interest rate, inflation, consumption growth, and log dividend-price ratio. Standard errors in parentheses.