

Table 5: Tests for Correlation of the Ex Post Real Rate (EPRR) with Other Variables, Final Equations, Germany, 1970-2000 (after Mishkin (1981))

|               |                                     | Dependent Variable: EPRR<br>Estimation Method: Ordinary Least Squares<br>n = 324 to 337, depending on adjustments for endpoints |               |                             |           |           |           |           |           |           |           |             | Breusch-<br>Godfrey<br>Serial<br>Correlation<br>LM Test<br>Probability | White<br>Hetero-<br>skedasticity<br>Test<br>Probability |             |
|---------------|-------------------------------------|---|---------------|-----------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-------------|--|---|-------------|
| Equation      | Other Explanatory Variable          | Coefficient of  |               |                             |           |           |           |           |           |           | Wald Test |             | Breusch-<br>Godfrey<br>Serial<br>Correlation<br>LM Test<br>Probability | White<br>Hetero-<br>skedasticity<br>Test<br>Probability |             |
|               |                                     | Constant  | Inflation(-1) | Other Explanatory Variables |           |           |           |           |           | AdjustR^2 | Std Error | F-Statistic |  |   | Probability |
|               |                                     |   |               | -1                          | -2        | -3        | -6        | -9        | -12       |           |           |             |  |   |             |
| Equation 3.1  | M3                                  | 1.731171  |               | -0.09185                    | -0.040306 | -0.18301  | 0.121641  | 0.118762  | 0.157709  | 0.967917  | 0.073465  | 0.118736    | 0.994134   | 2E-06   | 0.013876    |
| t-statistics  |                                     | 10.22353  |               | -0.220842                   | -0.086591 | -0.447252 | 0.346686  | 0.339653  | 0.44598   |           |           |             |  |   |             |
| Equation 3.2  | Inflation + M3                      | 1.731646  | 0.807626      | -0.046205                   | -0.044485 | -0.158484 | 0.128727  | 0.138939  | 0.107292  | 0.967932  | 0.073448  | 0.093646    | 0.996955   | 2E-06   | 0.011005    |
| t-statistics  |                                     | 10.26442  | 1.074352      | -0.110444                   | -0.094995 | -0.386502 | 0.368041  | 0.398278  | 0.302912  |           |           |             |  |   |             |
| Equation 3.3  | Industrial Production               | 1.724696  |               | -0.138034                   | -0.331362 | -0.396046 | -0.034588 | 0.231011  | -0.156088 | 0.97122   | 0.072019  | 1.584766    | 0.150919   | 1E-06   | 0.318888    |
| t-statistics  |                                     | 10.05395  |               | -0.948151                   | -1.838128 | -2.431391 | -0.478436 | 1.707582  | -1.702097 |           |           |             |  |   |             |
| Equation 3.4  | Inflation + Industrial Production   | 1.725219  | 0.7147        | -0.127866                   | -0.322279 | -0.385546 | -0.030667 | 0.227073  | -0.156182 | 0.971223  | 0.072015  | 1.623524    | 0.139978   | 1E-06   | 0.315324    |
| t-statistics  |                                     | 10.09183  | 0.856179      | -0.880707                   | -1.820275 | -2.49949  | -0.411918 | 1.671012  | -1.733183 |           |           |             |  |   |             |
| Equation 3.5  | Government Revenues                 | 1.719255  |               | 0.03184                     | 0.045186  | 0.02613   | 0.002107  | 0.010535  | 0.017777  | 0.970083  | 0.073428  | 0.193889    | 0.978411   | 4E-06   | 0.729179    |
| t-statistics  |                                     | 9.948249  |               | 0.751495                    | 0.778084  | 0.612484  | 0.077299  | 0.388671  | 0.658367  |           |           |             |  |   |             |
| Equation 3.6  | Inflation + Government Revenues     | 1.719986  | 0.83095       | 0.032097                    | 0.043325  | 0.025093  | 0.001236  | 0.006775  | 0.016538  | 0.97011   | 0.073395  | 0.169554    | 0.984761   | 3E-06   | 0.563884    |
| t-statistics  |                                     | 9.984728  | 1.142651      | 0.757334                    | 0.74252   | 0.587494  | 0.045526  | 0.249611  | 0.614513  |           |           |             |  |   |             |
| Equation 3.7  | Government Expenditures             | 1.717285  |               | -0.042374                   | 0.02291   | 0.046125  | 0.009752  | -0.010181 | 0.021244  | 0.970332  | 0.073122  | 0.659397    | 0.682546   | 3E-06   | 0.167285    |
| t-statistics  |                                     | 9.971323  |               | -0.959047                   | 0.43822   | 1.088214  | 0.344933  | -0.380742 | 0.708993  |           |           |             |  |   |             |
| Equation 3.8  | Inflation + Government Expenditures | 1.718201  | 0.73703       | -0.040056                   | 0.019021  | 0.046179  | 0.009475  | -0.005419 | 0.02064   | 0.970332  | 0.073122  | 0.645211    | 0.693991   | 2E-06   | 0.179925    |
| t-statistics  |                                     | 10.01458  | 0.806254      | -0.903193                   | 0.346453  | 1.078641  | 0.329661  | -0.202823 | 0.6806    |           |           |             |  |   |             |
| Equation 3.9  | Surplus/Deficit                     | 1.683119  |               | -4.43E-06                   | -0.000651 | -0.000293 | 0.000342  | 3.04E-05  | -0.000175 | 0.968225  | 0.075572  | 0.046616    | 0.999582   | 0   | 0.050958    |
| t-statistics  |                                     | 10.05431  |               | -0.003204                   | -0.400334 | -0.208475 | 0.274659  | 0.024927  | -0.14061  |           |           |             |  |   |             |
| Equation 3.10 | Inflation + (Surplus/Deficit)       | 1.683237  | 0.742083      | -9.93E-06                   | -0.000561 | -0.000304 | 0.000299  | 7.09E-08  | -0.000234 | 0.968217  | 0.07558   | 0.100054    | 0.996341   | 0   | 0.068465    |
| t-statistics  |                                     | 10.42512  | 0.80658       | -0.0124                     | -0.437169 | -0.288473 | 0.503399  | 9.51E-05  | -0.312566 |           |           |             |  |   |             |
| Equation 3.11 | Unemployment                        | 2.406063  |               | -0.00443                    | -0.026316 | 0.005553  | -0.031811 | -0.018172 | -0.029711 | 0.968975  | 0.074571  | 1.176497    | 0.318504   | 0   | 0           |
| t-statistics  |                                     | 4.877395  |               | -0.187846                   | -1.191288 | 0.255721  | -1.650903 | -0.976361 | -1.586551 |           |           |             |  |   |             |
| Equation 3.12 | Inflation + Unemployment            | 2.394607  | 0.597768      | -0.007557                   | -0.023239 | 0.004427  | -0.031306 | -0.017936 | -0.027627 | 0.968936  | 0.074618  | 1.084415    | 0.371514   | 0   | 0           |
| t-statistics  |                                     | 4.85526   | 0.651297      | -0.322025                   | -1.060225 | 0.207292  | -1.608285 | -0.961371 | -1.488167 |           |           |             |  |   |             |
| Equation 3.13 | Stock Market                        | 1.672526  |               | 3.44E-06                    | -2.29E-06 | -9.22E-06 | -6.74E-06 | 7.4E-06   | 5.61E-06  | 0.973922  | 0.069312  | 0.080232    | 0.998026   | 0.00016   | 0.906607    |
| t-statistics  |                                     | 10.38905  |               | 0.288585                    | -0.114464 | -0.463502 | -0.429682 | 0.396415  | 0.279356  |           |           |             |  |   |             |
| Equation 3.14 | Inflation + Stock Market            | 1.673105  | 0.774638      | 2.22E-06                    | -2.28E-06 | -1.11E-05 | -9.56E-06 | 5.97E-06  | 4.42E-06  | 0.973945  | 0.069282  | 0.104823    | 0.995835   | 0.000147  | 0.894242    |
| t-statistics  |                                     | 10.41184  | 0.930941      | 0.178366                    | -0.113674 | -0.564704 | -0.602945 | 0.316055  | 0.220205  |           |           |             |  |   |             |
| Equation 3.15 | Leading Indicators                  | 1.674845  |               | 0.000508                    | -0.004673 | -0.001058 | -0.000896 | 0.000909  | -0.00214  | 0.97436   | 0.068728  | 1.418274    | 0.207091   | 9.2E-05   | 0.518922    |
| t-statistics  |                                     | 10.57208  |               | 0.224831                    | -1.025006 | -0.380857 | -0.669273 | 0.459225  | -0.643918 |           |           |             |  |   |             |
| Equation 3.16 | Inflation + Leading Indicators      | 1.674977  | 0.576388      | 0.000279                    | -0.004457 | -0.00099  | -0.000988 | 0.000841  | -0.002226 | 0.974335  | 0.068761  | 1.168714    | 0.322881   | 0.000104  | 0.476488    |
| t-statistics  |                                     | 10.58745  | 0.670704      | 0.118806                    | -0.969439 | -0.352005 | -0.70872  | 0.414155  | -0.678891 |           |           |             |  |   |             |