

Table VII
Estimated Model with Seven Covariates

The estimated model is: $r_{it} = \alpha_i + \beta_i x_t + \varepsilon_{it}$, $i = 1, 2$, where α_i is the i -th intercept, β_i is the i -th slope, $r_{1t} = r_{LARGE}$, $r_{2t} = r_{SMALL}$, $x_t = (r_{VW}, r_{VW}, r_{DEF}, r_{TERM}, g_{IP}, g_{CONS}, \pi_{UI}, g_{MON})'$ (see notes for Table I for variables' definitions) and ε_{it} is the regression error that may be conditionally heteroskedastic and/or serially correlated. Reported are OLS estimates of the model parameters with VARHAC standard errors in parentheses.

		independent variable							
years	f. size	intrcpt	r_{VW}	r_{DEF}	r_{TERM}	g_{IP}	g_{CONS}	π_{UI}	g_{MON}
59-99	small	-0.001	1.138	3.572	-0.241	-0.133	0.756	-0.594	-0.694
		0.003	0.053	1.973	0.091	0.169	0.286	0.631	0.323
	large	0.000	0.994	-0.030	0.015	0.007	-0.042	0.019	0.001
		0.000	0.003	0.137	0.006	0.009	0.019	0.041	0.029
59-79	small	-0.001	1.259	2.732	-0.116	-0.121	0.433	0.010	0.226
		0.004	0.098	3.150	0.167	0.209	0.377	0.976	0.641
	large	0.000	0.986	0.053	0.004	0.005	-0.015	-0.006	-0.031
		0.000	0.005	0.182	0.010	0.010	0.022	0.050	0.037
80-99	small	-0.019	1.020	12.986	-0.325	-0.271	0.950	-1.393	-1.113
		0.006	0.054	3.274	0.096	0.241	0.448	0.735	0.359
	large	0.002	1.001	-0.885	0.023	0.018	-0.053	0.059	0.016
		0.000	0.004	0.273	0.008	0.019	0.034	0.066	0.043

Table VIII
Tests for Residual Heteroskedasticity and Correlation

The estimated model is: $r_{it} = \alpha_i + \beta_i x_t + \varepsilon_{it}$, $i = 1, 2$, where α_i is the i -th intercept, β_i is the i -th slope, $r_{1t} = r_{LARGE}$, $r_{2t} = r_{SMALL}$, $x_t = (r_{VW}, r_{VW}, r_{DEF}, r_{TERM}, g_{IP}, g_{CONS}, \pi_{UI}, g_{MON})'$ (see notes for Table I for variables' definitions) and ε_{it} is the regression error that may be conditionally heteroskedastic and/or serially correlated. Residuals are calculated using OLS estimates, equation by equation ; Pearson = chi-square test for correlation; White test = F test with no cross terms; Q = Q statistic for testing 12 lags of autocorrelation; p-values in parentheses.

Residual Property		Size	test	59-99	59-79	80-99
correlation	across equations		Pearson	-0.839 (0.000)	-0.914 (0.000)	-0.742 (0.000)
	across time	small	Q	79.352 (0.000)	90.247 (0.000)	15.047 (0.239)
		large	Q	44.538 (0.000)	63.056 (0.000)	11.809 (0.461)
heteroskedasticity	small		White	6.726 (0.000)	10.872 (0.000)	1.221 (0.261)
	large		White	4.410 (0.000)	5.906 (0.000)	4.799 (0.000)

Table IX
Tests of Seven Covariate Model

The unrestricted model is defined as $r_{it} = \alpha_i + \beta_i x_t + \varepsilon_{it}$, $i = 1, 2$, where α_i is the i -th intercept, β_i is the i -th slope, $r_{1t} = r_{LARGE}$, $r_{2t} = r_{SMALL}$, elements of x_t are r_{VW} and of one the following variables: r_{VW} , r_{DEF} , r_{TERM} , g_{IP} , g_{CONS} , π_{UI} , g_{MON} (see notes for Table I for variables' definitions) and ε_{it} is the regression error that may be conditionally heteroskedastic and/or serially correlated. Reported are respectively statistics for the score/VARHAC tests of equality of all parameters across the two equations, equality of market slopes only, equality of slopes across equations for a given covariate, equality of intercepts only and of both intercepts being equal to zero. P-values are in parentheses.

hypothesis	period		
	59-99	59-79	80-99
equal parameters	19.918 (0.011)	16.963 (0.030)	27.577 (0.001)
equal slopes:			
r_{VW}	6.050 (0.014)	7.602 (0.006)	0.097 (0.755)
r_{DEF}	2.875 (0.090)	0.633 (0.426)	11.083 (0.001)
r_{TERM}	6.909 (0.009)	0.464 (0.496)	7.407 (0.006)
r_{IP}	0.608 (0.436)	0.330 (0.566)	1.213 (0.271)
g_{CONS}	6.587 (0.010)	1.261 (0.262)	3.562 (0.059)
π_{UI}	0.810 (0.368)	0.000 (0.988)	3.133 (0.077)
g_{MON}	3.638 (0.056)	0.147 (0.702)	0.043 (0.835)
equal intercepts	0.236 (0.627)	0.111 (0.739)	9.025 (0.003)
zero intercepts	0.489 (0.783)	2.896 (0.235)	12.666 (0.002)