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Volume Title: Annals of Economic and Social Measurement, Volume 6, number 4

Volume Author/Editor: Sanford V. Berg, ed.

Volume Publisher: NBER

Volume URL: <http://www.nber.org/books/aesm77-4>

Publication Date: 1977

Chapter Title: NBER Computer Research Center Notes

Chapter Author: NBER

Chapter URL: <http://www.nber.org/chapters/c10532>

Chapter pages in book: (p. 477)

## NBER COMPUTER RESEARCH CENTER NOTES

*Following are abstracts of two recent working papers of the NBER Computer Research Center. The complete texts are available for \$1.50 per copy from Support Staff Manager, NBER Computer Research Center, 575 Technology Square, Cambridge, MA 02139.*

Friedman, Benjamin M., and V. Vance Roley. "Investors' Portfolio Behavior Under Alternative Models of Long-Term Interest Rate Expectations: Unitary, Rational, or Autoregressive." NBER Working Paper 178. April 1977.

This paper develops behavioral relationships explaining investors' demands for long-term bonds, using three alternative hypotheses about investors' expectations of future bond prices (yields). The results, based on U.S. data for six major categories of bond market investors, consistently support an autoregressive expectations model. In addition, these results imply either that investors are highly risk averse or that investors expect bond yields to return quickly to their long-run level after observed departures from that level. Further results indicate that expectations of price inflation reduce most investors' demands for bonds, that corporate equities are the financial asset more closely substitutable for bonds, and that most investors' speeds of portfolio adjustment out of equilibrium are more rapid than previous studies have typically found.

Friedman, Benjamin M., and V. Vance Roley. "Identifying Identical Distributed Lag Structures by the Use of Prior Sum Constraints." NBER Working 179. April 1977.

This paper derives an estimation procedure which, when the same distributed lag appears twice in an equation to be estimated by least-squares regression, identifies all of the relevant coefficients and lag weights and also constrains the two sets of individual lag weights to be identical. The procedure for solving this identification-constraint problem involves *prior* imposition of a restriction on the lag weight sum—i.e., it is necessary to impose the sum restriction *before* estimating the equation. A further useful feature of the derived procedure is that it facilitates conveniently imposing the sum restriction on all of the weights in a distributed lag even if the leading weight is independent of a polynomial restriction imposed on the others.