Table 1: Small Open Economy Aggregate Consumption Dynamics

Expectations:Dep Var Independent Variables			OLS or IV	2nd Stage $\bar{R}^2$	IV F p-val IV OID
Frictionless: $\Delta \log \mathbf{C}_{t+1}$					
$\Delta \log \mathbf{C}_t$	$\Delta \log \mathbf{Y}_{t+1}$	A_t			
0.258			OLS	0.002	
(0.200)					
	−0.132		IV		0.310
	(0.407)				0.360
		−0.0037	OLS	0.003	
		(0.0031)			
5.203	0.447	0.0791	IV	0.000	
(34.434)	(5.793)	(0.5586)			
Sticky					
$\Delta \log \bar{\mathbf{C}}_t$	$\Delta \log \bar{\mathbf{Y}}_{t+1}$	$\bar{A}_t$			
0.821			OLS	0.666	
(0.046)					
$\Delta \log \tilde{\bar{\mathbf{C}}}_t$					
0.416			OLS	0.146	
(0.078)					
1.018			IV	0.369	0.000
(0.128)					0.056
	1.320		IV	0.354	0.000
	(0.120)				0.289
		0.0040	OLS	-0.005	
		(0.0081)			
0.113	1.194	0.0057	IV	0.379	
(0.304)	(0.374)	(0.0076)			0.112
Memo: For instruments $\mathbf{Z}_t$, $\Delta \log \mathbf{C}_{t+1} = \mathbf{Z}_t \zeta$, $\bar{R}^2 =$				0.398	

Notes: Model was simulated for 5000 periods (quarters); to generate results comparable to the roughly 40 year span of U.S. empirical data, the table reports mean outcomes across nonoverlapping 160 period subsamples. Bars indicate the sticky expectations model data, and $\sim$ indicates the presence of introduced measurement error as discussed in the text. 'IV' indicates instruments that include lags of $\Delta \log \mathbf{C}_t, \Delta \log \mathbf{Y}_t, A_t$ and Θ_t (resp. $\Delta \log \bar{\mathbf{C}}_t, \Delta \log \bar{\mathbf{Y}}_t, \bar{A}_t$ and $\bar{\Theta}_t$). The average robust standard across the simulations is presented in parentheses. The penultimate column reports the $\bar{R}^2$ from a regression of the dependent variable on the RHS variables (instrumented, when indicated); the final column reports two tests of instrument validity: The p-value from the **?** test of first-stage instrument validity (top), and the p-value from the Sargan overidentification test (bottom).