

TABLE 1
THE BASIC TWO-EQUATION AND THREE-EQUATION MODEL

ESTIMATION METHOD	DEPENDENT VARIABLE	$(R_m)_{-1}$	$\Delta_{-1}R_{it}$	$\Delta_{-1}\left(\frac{D}{Y}\right)^2$	$\Delta_{-1}\frac{Y}{Y^*}$	θ_y	$\Delta\frac{S_p}{Y^*}$	ΔR_m	
2SLS	ΔR_m	- 0.31 (8.9)	0.21 (2.5)		0.06 (2)		- 0.48 (3.2)		$\overline{R^2} = 0.18$ F= 5.085***
	$\Delta\frac{S_p}{Y^*}$			0.07 (4.3)	0.08 (3.5)	0.03 (1.4)		- 0.15 (2.2)	$\overline{R^2} = 0.10$ F= 2.017**
3SLS	ΔR_m	- 0.26 (7.6)	0.17 (2.2)		0.08 (2.8)		- 0.86 (6.1)		system weighted $R^2 = 0.21$
	$\Delta\frac{S_p}{Y^*}$			0.04 (3)	0.08 (3.7)	0.03 (1.5)		- 0.26 (4.1)	
2SLS	ΔR_m	- 0.32 (9)	0.22 (2.6)		0.06 (2)		- 0.42 (2.4)		$\overline{R^2} = 0.17$ F = 4.98***
	$\Delta\frac{T - G_i}{Y^*}$			0.03 (2.5)	0.01 (0.6)	0.31 (14.9)		0.06 (1)	$\overline{R^2} = 0.35$ F = 11.52
	$\Delta\frac{G_c + TR}{Y^*}$			- 0.04 (3.3)	- 0.06 (4.2)	0.27 (16.2)		0.15 (3.1)	$\overline{R^2} = 0.46$ F = 17.53
3SLS	ΔR_m	- 0.28 (8.2)	0.22 (2.8)		0.07 (2.6)		- 0.69 (4.1)		system weighted $R^2 = 0.35$
	$\Delta\left(\frac{T - G_i}{Y^*}\right)$			0.03 (2)	0.01 (0.6)	0.31 (15.1)		0.02 (0.3)	
	$\Delta\left(\frac{G_c + TR}{Y^*}\right)$			- 0.03 (2.6)	- 0.07 (4.3)	0.27 (16.6)		0.19 (4.1)	

Number of observations : 423. *t* value in parentheses.

** Indicates significance at the 5 percentage-point level.

*** Indicates significance at the 1 percentage-point level (higher F values still more significant).

TABLE 2
THE BASIC THREE-EQUATION MODEL (REVISED)

ESTIMATION METHOD	DEPENDENT VARIABLE	$(R_m)_{-1}$	$\Delta_{-1}R_{it}$	$\Delta_{-1}\left(\frac{D}{Y}\right)^2$	$\Delta_{-1}\frac{Y}{Y^*}$	$\Delta\frac{Y}{Y^*}$	$\Delta\frac{S_p}{Y^*}$	ΔR_m	
2SLS	ΔR_m	- 0.28 (8.5)	0.24 (2.9)		0.06 (2)		- 0.27 (1.7)		$\overline{R^2} = 0.16$ F = 6.06***
	$\Delta\frac{T - G_i}{Y^*}$			0.03 (2.3)	0.02 (1.2)	0.34 (20.4)		0.12 (2.2)	$\overline{R^2} = 0.51$ F = 28.38
	$\Delta\frac{G_c + TR}{Y^*}$			- 0.04 (3.8)	- 0.08 (4.9)	0.21 (12.8)		0.15 (2.8)	$\overline{R^2} = 0.37$ F = 16.8
3SLS	ΔR_m	- 0.27 (8.2)	0.24 (3.1)		0.07 (2.3)		- 0.39 (2.5)		system weighted $R^2 = 0.37$
	$\Delta\left(\frac{T - G_i}{Y^*}\right)$			0.03 (2.2)	0.02 (1.3)	0.34 (20.5)		0.12 (2.2)	
	$\Delta\left(\frac{G_c + TR}{Y^*}\right)$			- 0.04 (3.5)	- 0.08 (5.1)	0.21 (12.8)		0.19 (3.7)	

Number of observations : 423.

t value in parentheses.

** Indicates significance at the 5 percentage-point level.

*** Indicates significance at the 1 percentage-point level (higher F values still more significant).

TABLE 3
3SLS TESTS OF ROBUSTNESS

SUBJECT	DEPENDENT VARIABLE	$(R_m)_{-1}$	$\Delta_{-1}R_{it}$	$\Delta_{-1}\left(\frac{D}{Y}\right)^2$	$\Delta_{-1}\frac{Y}{Y^*}$	θ_y	$\Delta\frac{S_p}{Y^*}$	ΔR_m	
1. THE EUROPEAN UNION	ΔR_m	- 0.30 (7.2)	0.22 (2.5)		0.03 (1)		- 0.33 (1.9)		system weighted $R^2 = 0.39$ number of observations = 302
	$\Delta\left(\frac{T - G_i}{Y^*}\right)$			0.03 (1.9)	$\cong 0$	0.31 (13.8)		0.03 (0.4)	
	$\Delta\left(\frac{G_c - TR}{Y^*}\right)$			- 0.03 (2.1)	- 0.05 (3.2)	0.29 (15.9)		0.22 (4.1)	
2. THE EUROPEAN UNION WITHOUT GERMANY	ΔR_m	- 0.31 (7)	0.21 (2.3)		0.02 (0.6)		- 0.17 (1)		system weighted $R^2 = 0.40$ number of observations = 271
	$\Delta\left(\frac{T - G_i}{Y^*}\right)$			0.03 (2.1)	0.01 (0.4)	0.32 (13.6)		- 0.07 (1)	
	$\Delta\left(\frac{G_c + TR}{Y^*}\right)$			- 0.03 (2.1)	- 0.05 (2.8)	0.29 (15.5)		0.22 (3.7)	
3. COMMON INFLUENCES OF TIME ¹	ΔR_m	- 0.38 (10)	0.19 (2.4)		0.05 (1.8)		- 0.48 (3.1)		system weighted $R^2 = 0.40$ number of observations = 423
	$\Delta\left(\frac{T - G_i}{Y^*}\right)$			0.04 (2.6)	0.02 (0.8)	0.31 (15.4)		- 0.04 (0.7)	
	$\Delta\left(\frac{G_c + TR}{Y^*}\right)$			- 0.03 (2.8)	- 0.06 (4)	0.27 (16.3)		0.08 (1.9)	

TABLE 3
3SLS TESTS OF ROBUSTNESS (cont.)

SUBJECT	DEPENDENT VARIABLE	$(R_m)_{-1}$	$\Delta_{-1}R_{it}$	$\Delta_{-1}\left(\frac{D}{Y}\right)^2$	$\Delta_{-1}\frac{Y}{Y^*}$	θ_y	$\Delta\frac{S_p}{Y^*}$	ΔR_m	
4. COMMON INFLUENCES OF TIME : THE EU WITHOUT GERMANY ²	ΔR_m	- 0.38 (7.4)	0.15 (1.5)		0.01 (0.5)		- 0.29 (1.6)		system weighted $R^2 = 0.45$ number of observations = 271
	$\Delta\left(\frac{T - G_i}{Y^*}\right)$			0.03 (2)	0.01 (0.3)	0.32 (13.6)		- 0.08 (0.1)	
	$\Delta\left(\frac{G_c + TR}{Y^*}\right)$			- 0.03 (2.2)	- 0.04 (2.5)	0.29 (15.7)		0.13 (2.3)	

1. The dummy variables for time are 1963-68, 1969-73, 1974-78, 1979-84, 1985-90, 1991-94. The significant ones (all positive) are as follows (Student t 's in parentheses): in the first equation, 1979-84 (3.6) and 1985-90 (1.9); in the second equation, 1963-68 (2.1); in the third equation 1969-73 (2.6) and 1974-78 (3).

2. The dummy variables for time are 1974-78, 1979-84, 1985-90 and 1991-95 (starting date of estimation period 1973). The significant ones are as follows : (Student t 's and signs in parentheses): in the first equation, 1979-84 (3); in the second equation 1985-90 (-2.4) and 1991-95 (-2.6) ; in the third equation, 1974-78 (2).

TABLE 4
THE DECOMPOSITION OF GOVERNMENT CONSUMPTION AND TRANSFER PAYMENTS

ESTIMATION METHOD	DEPENDENT VARIABLE	$(R_m)_{-1}$	$\Delta_{-1}R_{it}$	$\Delta_{-1}\left(\frac{D}{Y}\right)^2$	$\Delta_{-1}\frac{Y}{Y^*}$	θ_y	$\Delta\frac{S_p}{Y^*}$	R_m	
2SLS	ΔR_m	- 0.32 (9.2)	0.22 (2.9)		0.05 (1.7)		- 0.27 (1.8)		$\overline{R^2} = 0.17$ F = 4.9***
	$\Delta\left(\frac{T-G_i}{Y^*}\right)$			0.03 (2.1)	0.03 (1.5)	0.32 (14.2)		0.03 (0.5)	$\overline{R^2} = 0.33$ F = 10.5
	$\Delta\left(\frac{G_c}{Y^*}\right)$			- 0.03 (5.3)	- 0.01 (1.3)	0.14 (16.5)		0.02 (1)	$\overline{R^2} = 0.46$ F = 17.5
	$\Delta\frac{TR}{Y^*}$			- 0.01 (1.8)	- 0.04 (3.5)	0.14 (11)		0.07 (2.2)	$\overline{R^2} = 0.30$ F = 9.3
3SLS	ΔR_m	- 0.30 (8.9)	0.22 (3)		0.06 (2.1)		- 0.42 (2.8)		system weighted $R^2 = 0.29$
	$\Delta\left(\frac{T-G_i}{Y^*}\right)$			0.03 (1.8)	0.03 (1.6)	0.32 (14.4)		0.01 (0.1)	
	$\Delta\frac{G_c}{Y^*}$			- 0.03 (5.2)	- 0.01 (1.3)	0.14 (16.4)		0.03 (1.2)	
	$\Delta\frac{TR}{Y^*}$			- 0.01 (1.5)	- 0.04 (3.6)	0.14 (11)		0.09 (2.7)	

Number of observations: 423.

*** indicates significance at the 1 percentage-point level (higher F values still more significant).

TABLE 5
LARGE-SCALE FISCAL POLICY EPISODES (3SLS)

	DEPENDENT VARIABLE	$(R_m)_{-1}$	$\Delta_{-1}R_{it}$	$\Delta_{-1}\left(\frac{D}{Y}\right)^2$	$\Delta_{-1}\frac{Y}{Y^*}$	θ_y	$\Delta\frac{S_p}{Y^*}$	R_m	LARGE EXPANSION	LARGE RETRENCHMENT
ALESINA-PEROTTI system weighted $R^2 = 0.36$	ΔR_m	- 0.3 (8.9)	0.29 (3.7)		0.05 (2)		- 0.4 (2.6)		- 0.55 (1.6)	0.91 (2.8)
	$\Delta\left(\frac{T - G_i}{Y^*}\right)$			0.03 (2.4)	0.01 (0.7)	0.31 (14.8)		0.07 (1.1)	0.08 (0.3)	- 0.17 (0.8)
	$\Delta\left(\frac{G_c + TR}{Y^*}\right)$			- 0.03 (3.1)	- 0.06 (3.6)	0.28 (16.9)		0.18 (4)	0.63 (3.4)	- 0.41 (2.3)
COUR ET AL. system weighted $R^2 = 0.37$	ΔR_m	- 0.31 (9.1)	0.26 (3.3)		0.07 (2.4)		- 0.44 (2.7)		- 0.75 (1.7)	0.62 (1.8)
	$\Delta\left(\frac{T - G_i}{Y^*}\right)$			0.04 (2.9)	0.01 (0.8)	0.31 (15.1)		0.08 (1.3)	- 0.85 (3.2)	- 0.1 (0.5)
	$\Delta\left(\frac{G_c + TR}{Y^*}\right)$			- 0.03 (3)	- 0.07 (4.7)	0.27 (16.5)		0.15 (3.4)	0.53 (2.6)	- 0.57 (3.2)

Number of observations : 423