

---

# APPLIED ECONOMETRICS

---

J. L. BRIDGE 1

*Faculty of Economic and Social Studies  
University of Manchester*



1971



NORTH-HOLLAND PUBLISHING COMPANY - AMSTERDAM • LONDON

## CONTENTS

<i>Preface</i>	vii
<i>Chapter 1. The structure and uses of macro econometric models</i>	1
1.1. Introduction	1
1.2. Exogenous and endogenous variables in simultaneous equations	2
1.3. Recursive difference equations	3
1.4. The nature of macro models	6
1.5. The stochastic term	7
1.6. The uses of econometric macro models	9
1.7. An example, Klein I	10
1.8. Conclusion	18
<i>Chapter 2. Consumption</i>	19
2.1. Introduction	19
2.2. Early consumption functions	20
2.3. The theory	21
2.4. The stochastic term	31
2.5. Summary	31
2.6. Aggregate time series	31
2.7. Cross section studies	58
2.8. Conclusion	70
<i>Chapter 3. Demand functions</i>	72
3.1. Introduction	72
3.2. The static theory of the consumer	73
3.3. Time series studies	88

3.4. Cross-section studies	128
3.5. Mixed data studies	139
3.6. Dynamic studies	150
3.7. Conclusion	160
3.8. Summary	161
<i>Chapter 4. Investment</i>	163
4.1. Introduction	163
4.2. Survey of the theory: certainty	164
4.3. Survey of the theory: uncertainty	168
4.4. Adjustment problems	173
4.5. Realisation functions	182
4.6. Empirical studies: time series data	184
4.7. Cross-section data	239
4.8. Conclusion	245
<i>Chapter 5. Inventories</i>	249
5.1. Introduction	249
5.2. The flexible accelerator approach	251
5.3. The production decision approach	254
5.4. Expectations	267
5.5. Seasonality	269
5.6. Empirical studies based on the flexible accelerator approach	275
5.7. Empirical studies based on the production decision approach	287
5.8. Empirical studies based on anticipations data	310
5.9. Conclusion	320
<i>Chapter 6. Production functions</i>	321
6.1. Introduction	321
6.2. The form of the production function	323
6.3. Technical progress	331
6.4. Models of firm behaviour	332
6.5. Identification problems	340

6.6. Measurement of the variables	342
6.7. Estimation methods	343
6.8. Aggregation	348
6.9. Empirical studies	353
6.10. Aggregate time series	353
6.11. Aggregate cross-section studies	365
6.12. Industry time series	371
6.13. Industry cross-section studies	375
6.14. Firm cross-section studies	393
6.15. Conclusion	395
<i>Chapter 7. Summary and conclusions</i>	398
<i>References</i>	406
<i>Author index</i>	415
<i>Subject index</i>	419