KEYNES' "SIMPLEST MODEL":
E-VIEWS ESTIMATIONS and SOLUTIONS

DATA:
West Germany 1970 - 1991
Warning: Due to aggregation, only (private and government) consumption is a well-defined variable.

EQUATIONS:

Reduced Form:
(1) equation eq_y.ls y_=c(11)+c(12)*I
(2) equation eq_c.ls c_=c(21)+c(22)*I

In Model:
(3) eq_c_6.ls c_=c(61)/(1-c(62))+c(62)/(1-c(62))*i
(4) y_ = c_ + i

E-VIEWS ESTIMATES:

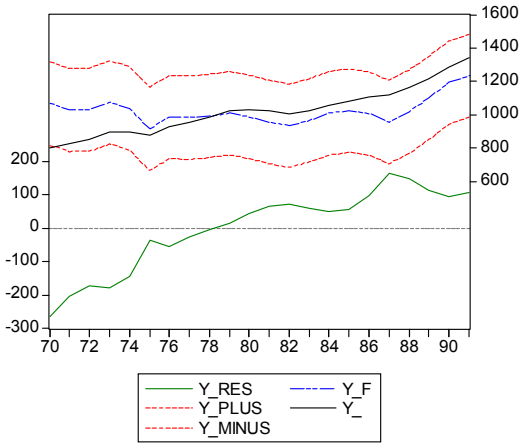
C_12	C_22	C_62
2.873338	1.873338	0.651973

RELATIONS of COEFFICIENTS

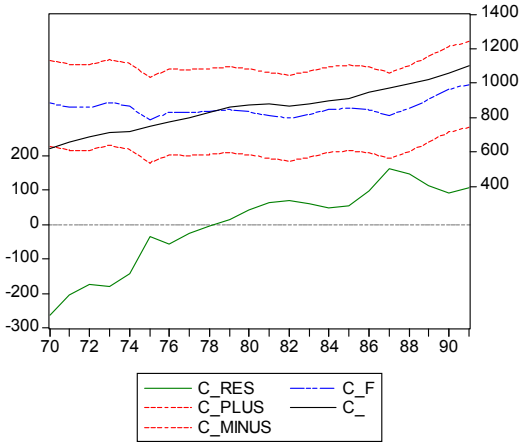
$\beta = \text{c(32)}=0.65$ $\qquad 1/(1-\beta) = 2.87=\text{c(12)}$ $\qquad \beta/(1-\beta) = 1.87=\text{c(22)}$

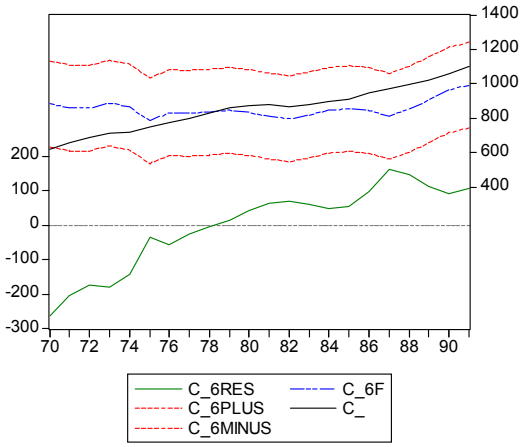
SOLUTIONS OF SINGLE EQUATIONS:

Equation 1:

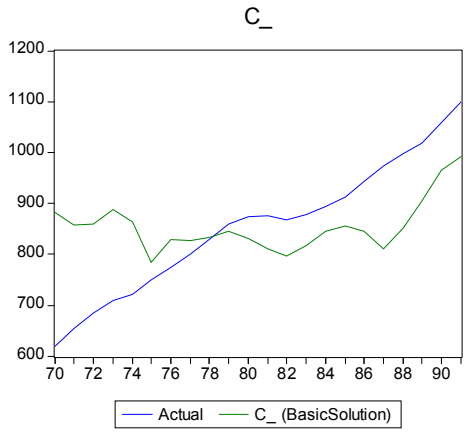


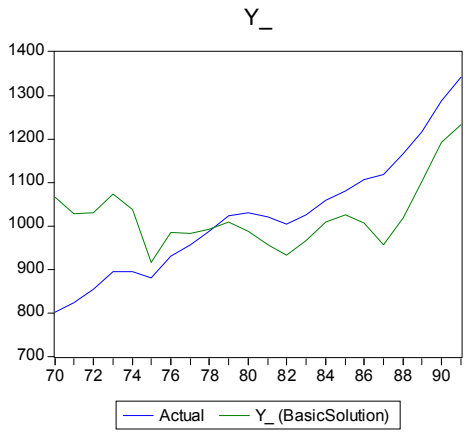
Equation 2:





BASIC SOLUTION OF THE MODEL





In this special case, there is no difference between the forecast by a single equation or by the model as a whole:

Last updated: 08/25/05 - 16:08
Modified: 1970 1991 // c_dif = c__bs - c_6f

1970	1.39E-05
1971	-2.02E-05
1972	1.86E-05
1973	1.29E-05
1974	-2.14E-05
1975	4.86E-05
1976	-1.39E-05
1977	-2.16E-05
1978	-4.11E-05
1979	2.15E-05
1980	3.38E-05
1981	3.23E-05
1982	-2.88E-06
1983	7.23E-06
1984	-4.49E-05
1985	1.06E-05
1986	-1.26E-05
1987	-2.02E-06
1988	3.83E-05
1989	2.97E-05
1990	-3.02E-07
1991	1.36E-05