Table 1: Aggregate Consumption Dynamics in Rep Agent Markov Economy (11 states)

$$\Delta \log \mathbf{C}_{t+1} = \varsigma + \chi \Delta \log \mathbf{C}_t + \eta \mathbb{E}_t[\Delta \log \mathbf{Y}_{t+1}] + \alpha A_t + \epsilon_{t+1}$$

Expectations : Dep Var Independent Variables			OLS or IV	2$^{\text{nd}}$ Stage $\bar{R}^2$	KP p-val Hansen J p val
Frictionless : $\Delta \log \mathbf{C}_{t+1}$					
$\Delta \log \mathbf{C}_t$	$\Delta \log \mathbf{Y}_{t+1}$	A_t			
-0.029			OLS	0.002	
(0.080)					
	0.301		IV	0.003	0.057
	(0.289)				0.480
		-0.57e-4	IV	0.003	0.000
		(0.98e-4)			0.517
-0.009	0.227	0.02e-4	IV	0.002	0.613
(0.665)	(0.500)	(1.76e-4)			
Memo: For instruments $\mathbf{Z}_t$, $\Delta \log \mathbf{C}_{t+1} = \mathbf{Z}_t \zeta$, $\bar{R}^2$ =0.002					
Sticky : $\Delta \log \widetilde{\mathbf{C}}_{t+1}$ (no measurement error)					
$\Delta \log \widetilde{\mathbf{C}}_t$	$\Delta \log \widetilde{\mathbf{Y}}_{t+1}$	A_t			
$0.767^{\bullet\bullet\bullet}$			OLS	0.587	
(0.049)					
Sticky : $\Delta \log \widetilde{\mathbf{C}}^*_{t+1}$ (with measurement error); $\widetilde{\mathbf{C}}^*_{t+1} = \widetilde{\mathbf{C}}_{t+1} \times \xi_t$					
$\Delta \log \widetilde{\mathbf{C}}^*_t$	$\Delta \log \widetilde{\mathbf{Y}}_{t+1}$	A_t			
$0.375^{\bullet\bullet\bullet}$			OLS	0.143	
(0.065)					
$0.767^{\bullet\bullet\bullet}$			IV	0.141	0.001
(0.148)					0.564
	$0.613^{\bullet\bullet\bullet}$		IV	0.097	0.046
	(0.157)				0.321
		-0.75e-4	IV	0.033	0.000
		(0.47e-4)			0.021
$0.594^{\bullet\bullet}$	0.170	-0.05e-4	IV	0.129	0.352
(0.249)	(0.273)	(0.67e-4)			
Memo: For instruments $\mathbf{Z}_t$, $\Delta \log \widetilde{\mathbf{C}}^*_{t+1} = \mathbf{Z}_t \zeta$, $\bar{R}^2$ =0.142					
var(ξ_t) =0.03e-4					

Notes: Reported statistics are the average values for 10 subsamples of 200 simulated quarters each. Bullets indicate that the average subsample coefficient divided by average subsample standard error is outside of the inner 90%, 95%, and 99% of the standard normal distribution. Instruments $\mathbf{Z}_t = \{\Delta \log \mathbf{C}_{t-2}, \Delta \log \mathbf{C}_{t-3}, \Delta \log \mathbf{Y}_{t-2}, \Delta \log \mathbf{Y}_{t-3}, A_{t-2}, A_{t-3}, \Delta_8 \log \mathbf{C}_{t-2}, \Delta_8 \log \mathbf{Y}_{t-2}\}$.

Table 2: Aggregate Consumption Dynamics in PE/SOE Markov Economy (11 states)

$$\Delta \log \mathbf{C}_{t+1} = \varsigma + \chi \Delta \log \mathbf{C}_t + \eta \mathbb{E}_t[\Delta \log \mathbf{Y}_{t+1}] + \alpha A_t + \epsilon_{t+1}$$

Expectations : Dep Var Independent Variables			OLS or IV	2^{nd} Stage $\bar{R}^2$	KP p-val Hansen J p val
Frictionless : $\Delta \log \mathbf{C}_{t+1}$					
$\Delta \log \mathbf{C}_t$	$\Delta \log \mathbf{Y}_{t+1}$	A_t			
$0.377^{\bullet\bullet\bullet}$			OLS	0.146	
(0.064)					
	$0.551^{\bullet\bullet}$		IV	0.065	0.142
	(0.220)				0.378
		$-11.26\text{e-}4^{\bullet}$	IV	0.052	0.000
		(6.54e-4)			0.280
0.439	0.346	0.79e-4	IV	0.072	0.494
(0.368)	(0.387)	(11.08e-4)			
Memo: For instruments $\mathbf{Z}_t$, $\Delta \log \mathbf{C}_{t+1} = \mathbf{Z}_t \zeta$, $\bar{R}^2 = 0.075$					
Sticky : $\Delta \log \widetilde{\mathbf{C}}_{t+1}$ (no measurement error)					
$\Delta \log \widetilde{\mathbf{C}}_t$	$\Delta \log \widetilde{\mathbf{Y}}_{t+1}$	A_t			
$0.827^{\bullet\bullet\bullet}$			OLS	0.688	
(0.038)					
Sticky : $\Delta \log \widetilde{\mathbf{C}}^*_{t+1}$ (with measurement error); $\widetilde{\mathbf{C}}^*_{t+1} = \widetilde{\mathbf{C}}_{t+1} \times \xi_t$					
$\Delta \log \widetilde{\mathbf{C}}^*_t$	$\Delta \log \widetilde{\mathbf{Y}}_{t+1}$	A_t			
$0.494^{\bullet\bullet\bullet}$			OLS	0.258	
(0.060)					
$0.771^{\bullet\bullet\bullet}$			IV	0.250	0.000
(0.105)					0.617
	$0.757^{\bullet\bullet\bullet}$		IV	0.186	0.114
	(0.179)				0.223
		$-13.86\text{e-}4^{\bullet\bullet\bullet}$	IV	0.107	0.000
		(4.49e-4)			0.025
$0.649^{\bullet\bullet\bullet}$	0.118	$-2.27\text{e-}4$	IV	0.213	0.463
(0.164)	(0.247)	(5.83e-4)			
Memo: For instruments $\mathbf{Z}_t$, $\Delta \log \widetilde{\mathbf{C}}^*_{t+1} = \mathbf{Z}_t \zeta$, $\bar{R}^2 = 0.246$					
var(ξ_t) =0.05e-4					

Notes: Reported statistics are the average values for 10 subsamples of 200 simulated quarters each. Bullets indicate that the average subsample coefficient divided by average subsample standard error is outside of the inner 90%, 95%, and 99% of the standard normal distribution. Instruments $\mathbf{Z}_t = \{\Delta \log \mathbf{C}_{t-2}, \Delta \log \mathbf{C}_{t-3}, \Delta \log \mathbf{Y}_{t-2}, \Delta \log \mathbf{Y}_{t-3}, A_{t-2}, A_{t-3}, \Delta_8 \log \mathbf{C}_{t-2}, \Delta_8 \log \mathbf{Y}_{t-2}\}$.

Table 3: Aggregate Consumption Dynamics in HA-DSGE Markov Economy (11 states)

$$\Delta \log \mathbf{C}_{t+1} = \varsigma + \chi \Delta \log \mathbf{C}_t + \eta \mathbb{E}_t[\Delta \log \mathbf{Y}_{t+1}] + \alpha A_t + \epsilon_{t+1}$$

Expectations : Dep Var Independent Variables			OLS or IV	2nd Stage $\bar{R}^2$	KP p-val Hansen J p val
Frictionless : $\Delta \log \mathbf{C}_{t+1}$					
$\Delta \log \mathbf{C}_t$	$\Delta \log \mathbf{Y}_{t+1}$	A_t			
0.373•••			OLS	0.147	
(0.063)					
	0.534•••		IV	0.091	0.110
	(0.197)				0.326
		−4.59e-4•••	IV	0.092	0.000
		(1.68e-4)			0.337
0.382	0.126	−1.67e-4	IV	0.108	0.491
(0.360)	(0.374)	(3.55e-4)			
Memo: For instruments $\mathbf{Z}_t$, $\Delta \log \mathbf{C}_{t+1} = \mathbf{Z}_t \zeta$, $\bar{R}^2$ =0.108					
Sticky : $\Delta \log \widetilde{\mathbf{C}}_{t+1}$ (no measurement error)					
$\Delta \log \widetilde{\mathbf{C}}_t$	$\Delta \log \widetilde{\mathbf{Y}}_{t+1}$	A_t			
0.834•••			OLS	0.699	
(0.038)					
Sticky : $\Delta \log \widetilde{\mathbf{C}}^*_{t+1}$ (with measurement error); $\widetilde{\mathbf{C}}^*_{t+1} = \widetilde{\mathbf{C}}_{t+1} \times \xi_t$					
$\Delta \log \widetilde{\mathbf{C}}^*_t$	$\Delta \log \widetilde{\mathbf{Y}}_{t+1}$	A_t			
0.458•••			OLS	0.224	
(0.061)					
0.784•••			IV	0.283	0.000
(0.105)					0.563
	0.730•••		IV	0.218	0.091
	(0.164)				0.274
		−5.87e-4•••	IV	0.183	0.000
		(1.18e-4)			0.034
0.631•••	0.022	−1.71e-4	IV	0.263	0.489
(0.189)	(0.270)	(2.11e-4)			
Memo: For instruments $\mathbf{Z}_t$, $\Delta \log \widetilde{\mathbf{C}}^*_{t+1} = \mathbf{Z}_t \zeta$, $\bar{R}^2$ =0.284					
var(ξ_t) =0.03e-4					

Notes: Reported statistics are the average values for 10 subsamples of 200 simulated quarters each. Bullets indicate that the average subsample coefficient divided by average subsample standard error is outside of the inner 90%, 95%, and 99% of the standard normal distribution. Instruments $\mathbf{Z}_t = \{\Delta \log \mathbf{C}_{t-2}, \Delta \log \mathbf{C}_{t-3}, \Delta \log \mathbf{Y}_{t-2}, \Delta \log \mathbf{Y}_{t-3}, A_{t-2}, A_{t-3}, \Delta_8 \log \mathbf{C}_{t-2}, \Delta_8 \log \mathbf{Y}_{t-2}\}$.