

Table 4. Basic Investment Equations: Tax-Adjusted q Model (Focusing on Tax Variation)^a

Model feature	OLS					GMM				
	All years	1962	1972	1981	1986	All years	1962	1972	1981	1986
<i>Independent variable</i>										
$QT_{i,t}$	0.083 (0.006)	0.554 (0.165)	0.198 (0.067)	0.299 (0.091)	0.178 (0.083)	0.063 (0.006)	0.585 (0.161)	0.136 (0.065)	0.262 (0.090)	0.245 (0.085)
Instrumental variables			$QT_{i,t}$		
								$Q_{i,t-2, t-3}$		
								$(I/K)_{i,t-2, t-3}$		
								$(CF/K)_{i,t-2, t-3}$		
Second differences	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Fixed year effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
\bar{R}^2	0.011	0.041	0.015	0.012	0.010
χ^2_6 (<i>p</i> -value)	523.32 (8×10^{-10})	6.31 (0.390)	13.40 (0.037)	32.60 (1×10^{-5})	27.63 (1×10^{-4})
Number of observations	18,168	267	572	861	892	17,632	266	555	860	890

Source: Authors' calculations using Compustat data.