Table 3. Basic Investment Equations: Tax-Adjusted q Model[a]

Model feature	*OLS*		*GMM*		*OLS*[b]		*GMM*[b]	
Independent variable								
$Q_{i,t}$	0.025	0.019	0.019	0.015	0.040	0.028	0.057	0.044
	(0.001)	(0.001)	(0.003)	(0.003)	(0.001)	(0.001)	(0.002)	(0.002)
Cash flow $(CF/K)_{i,t}$	. . .	0.164	. . .	0.154	. . .	0.193	. . .	0.344
		(0.005)		(0.026)		(0.006)		(0.013)
Instrumental variables	. . .	. . .	$Q_{i,t-2,\,t-3}$ $(I/K)_{i,t-2,\,t-3}$ $(CF/K)_{i,t-2,\,t-3}$		. . .	. . .	$QT_{i,t}$, $Q_{i,t-2,\,t-3}$ $(I/K)_{i,t-2,\,t-3}$ $(CF/K)_{i,t-2,\,t-3}$	
Fixed firm effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Fixed year effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
$\overline{R}^2$	0.039	0.049	. . .	. . .	0.068	0.127	. . .	. . .
$\chi^2_{(n-p)}$	. . .	. . .	13.18	11.75	. . .	. . .	500.46	448.98
(p-value)			(0.022)	(0.019)			(7×10^{-105})	(8×10^{-95})
Number of observations	19,855	19,855	18,729	18,399	18,168	18,168	18,129	17,973

Source: Authors' calculations using Compustat data.