Q. Reference pages 26-33: Risk Premiums: Please confirm that the BJS research used a short term treasury bill yield as the risk free rate and used the actual beta coefficient.

A. Mr. MacDonald does not confirm. The risk-free rate was defined as the 30-day rate on U.S. Treasury Bills for the period 1948-66. For the period 1926-47 the dealer commercial paper rate was used because Treasury Bills rates were not available. Betas were estimated using least-squares analysis across 35 years of monthly data (420 observations).