and misleading are the results reported by ETI. For the possibly spurious regression (CPT as the dependent variable), as noted in the ETI evidence, the temporary change hypothesis is rejected. This is not surprising given the fact that the test is biased against this hypothesis (see the earlier influential outliers analysis). However, what ETI chose not to report is the fact that the permanent change hypothesis is also rejected, despite the fact that the test is biased in favour of this hypothesis.

The Cox Test results for the regression with CPDIFF as the dependent variable are not reported by ETI in their tables A9 and A10, in spite of the fact that they report corresponding results for all earlier analyses (tables A4, A5, and A8). The results they chose not to report are damaging to their viewpoint. For both the 1949-92 and 1949-93 data sets the permanent change hypothesis is rejected. Only for the 1949-93 data set is the temporary change hypothesis rejected. It is not rejected for the 1949-92 data set, which was the data set used by Bush and Uretsky. Thus, even though the test is biased in favour of the permanent change hypothesis, the permanent change hypothesis does not perform as well as the temporary change hypothesis.[23]

[23] For the Christensen 2 (NERA) data set and the non-spurious regression (NPDIFF as the dependent variable) the temporary change hypothesis is accepted for both the 1949-92 and 1949-93 data sets. The permanent change hypothesis continues to be rejected. In this case there is no bias in the test since the 1990 data point is an outlier with respect to both hypotheses. However, it is not an influential outlier since dropping the 1990 data point does not affect the decision that the permanent change hypothesis is rejected and the temporary change hypothesis is accepted.

Table D-1

Tests of the Normality Requirement: 1949-1992

Hypothesis	Dependent Variable	
	CPT	CPDIFF
Temporary Change	0.69	1.48
Permanent Change	0.70	0.99

Tests of the Normality Requirement: 1949-1993

Hypothesis	Dependent Variable	
	CPT	CPDIFF
Temporary Change	0.61	1.71
Permanent Change	0.59	0.87

Table D-2

Studentized Residuals for the 1990 Data Point: 1949-1992

Hypothesis	Dependent Variable	
	CPT	CPDIFF
Temporary Change	1.60	1.81
Permanent Change	3.68	3.29

Studentized Residuals for the 1990 Data Point: 1949-1993

Hypothesis	Dependent Variable	
	CPT	CPDIFF
Temporary Change	1.65	1.84
Permanent Change	3.71	3.30

Table D-3

Testing the Two Competing Hypotheses Using the Cox Test
Data to 1992 (1990 Data Point Excluded)

Data Set and Equation Nos.	Hypothesis	Standard Normal Statistic (N) for α	Critical 5% Value of N	P-Value
Christensen Eqs (2)&(4)	H1 is correct	-2.49	-1.96	.0126
(CPT is dependent variable)	H2 is correct	-2.25*	-1.96	.0244
Christensen Eqs (3) &(5)	H1 is correct	-2.05	-1.96	.0400
(CPDIFF is dependent variable)	H2 is correct	-1.25	-1.96	.2095

* This is the only test statistic which ETI presents in its incomplete version of the non-nested hypothesis test (table A10).

Table D-4

Testing the Two Competing Hypotheses Using the Cox Test
Data to 1993 (1990 Data Point Excluded)

Data Set and Equation Nos.	Hypothesis	Standard Normal Statistic (N) for α	Critical 5% Value of N	P-Value
Christensen Eqs (2)&(4)	H1 is correct	-2.34	-1.96	.0194
(CPT is dependent variable)	H2 is correct	-3.77*	-1.96	.0002
Christensen Eqs (3) &(5)	H1 is correct	-2.09	-1.96	.0364
(CPDIFF is dependent variable)	H2 is correct	-2.08	-1.96	.0372

* This is the only test statistic which ETI presents in its incomplete version of the non-nested hypothesis test (table A11).

Attachment A

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