Hendry

FS claim linear relation between

m, p, i, R_s, R_e.

Supposed to be stable.

Hendry "seeks to reject" the hypothesis that residuals of a regression of m on p etc were a random walk.

This can not be rejected.

2. Linear relationship connects

V_m, $\dot{p}$, R_s, and R_e

Again the residuals are a random walk.

The velocity is a result of the steps and not a constant.

Deviations from a constant V_m are random walks.

A simple regression on its own past value explains V_m (velocity) better than FS models (it encompasses them, meaning the σ^2 (residuals squared) is smaller.