The χ^2 statistic reported in Table 1 examines the hypothesis $H_0: -\beta_1 = \beta_2 = \beta_3$. That is, the χ^2 statistic examines the validity of the homogeneity postulate. For same-day travel spending, homogeneity is rejected which indicates consumers do respond differently to movements in the components of the real exchange rate. Put differently, the real exchange rate is not an appropriate measure of relative prices.

The estimated elasticity of same-day travel spending with respect to expected U.S. price suggests that Canadian travel spending is extremely sensitive to movements in expected foreign prices. The effect of the nominal exchange rate is also large in magnitude. The influence of Canadian prices, however, is slight in comparison. Tests for the equality of the estimated coefficients for expected foreign prices and domestic prices, and the exchange rate and domestic prices reject equivalence at the 1-percent level.[17] Overall, the effects of expected foreign prices together with the nominal exchange rate exert the greatest influence on same-day travel spending.

Both uncertainty terms are statistically significant determinants of same-day travel spending. The coefficient estimates suggests that Canadians are more responsive to uncertainty surrounding the forecast based on past U.S. price rather than purchasing power parity. Specifically, we reject the hypothesis $H_0: \beta_5 = -\beta_6$ at the 1-percent level (not shown). This most likely traces to the finding that the forecast generated from past prices is more accurate. That is, consumers rely more heavily on this forecast, and changes in uncertainty have a more profound effect. In contrast, consumers attach little credence to the forecast based on purchasing power parity. As a result, greater uncertainty associated with this forecast has less

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[17] The χ^2 statistic is 77.01 and 50.23, respectively.