

CONTENTS

| | | |
|------------------|---|----------|
| Chapter 1 | Methods of Moments for Single Linear Equation Models | 1 |
| 1 | Least Squares Estimator (LSE) | 1 |
| 1.1 | LSE as a Method of Moment (MOM) | 1 |
| 1.1.1 | Linear Model | 1 |
| 1.1.2 | LSE and Moment Conditions | 2 |
| 1.1.3 | Zero Moments and Independence | 3 |
| 1.2 | Asymptotic Properties of LSE | 4 |
| 1.2.1 | LLN and LSE Consistency | 5 |
| 1.2.2 | CLT and \sqrt{N} -Consistency | 6 |
| 1.2.3 | LSE Asymptotic Distribution | 7 |
| 1.3 | Matrices and Linear Projection | 8 |
| 1.4 | R^2 and Two Examples | 10 |
| 1.5 | Partial Regression | 13 |
| 1.6 | Omitted Variable Bias | 15 |
| 2 | Heteroskedasticity and Homoskedasticity | 17 |
| 2.1 | Heteroskedasticity Sources | 18 |
| 2.1.1 | Forms of Heteroskedasticity | 18 |
| 2.1.2 | Heteroskedasticity due to Aggregation | 19 |
| 2.1.3 | Variance Decomposition | 20 |
| 2.1.4 | Analysis of Variance (ANOVA)* | 21 |
| 2.2 | Weighted LSE (WLS) | 23 |
| 2.3 | Heteroskedasticity Examples | 24 |
| 3 | Testing Linear Hypotheses | 25 |
| 3.1 | Wald Test | 25 |
| 3.2 | Remarks | 27 |
| 3.3 | Empirical Examples | 28 |
| 4 | Instrumental Variable Estimator (IVE) | 31 |
| 4.1 | IVE Basics | 31 |
| 4.1.1 | IVE in Narrow Sense | 31 |
| 4.1.2 | Instrumental Variable (IV) qualifications | 32 |
| 4.1.3 | Further Remarks | 34 |
| 4.2 | IVE Examples | 35 |
| 4.3 | IVE with More than Enough Instruments | 39 |
| 4.3.1 | IVE in Wide Sense | 39 |
| 4.3.2 | Various Interpretations of IVE | 40 |
| 4.3.3 | Further Remarks | 41 |

| | | |
|-----|--|----|
| 5 | Generalized Method-of-Moment Estimator (GMM) | 42 |
| 5.1 | GMM Basics | 43 |
| 5.2 | GMM Remarks | 44 |
| 5.3 | GMM Examples | 46 |
| 6 | Generalized Least Squares Estimator (GLS) | 48 |
| 6.1 | GLS Basics | 48 |
| 6.2 | GLS Remarks | 49 |
| 6.3 | Efficiency of LSE, GLS, and GMM | 50 |

Chapter 2 Methods of Moments for Multiple Linear Equation Systems 53

| | | |
|-------|--|----|
| 1 | System LSE, IVE, and GMM | 53 |
| 1.1 | System LSE | 53 |
| 1.1.1 | Multiple Linear Equations | 53 |
| 1.1.2 | System LSE and Motivation | 54 |
| 1.1.3 | Asymptotic Variance | 55 |
| 1.2 | System IVE and Rank Condition | 56 |
| 1.2.1 | Moment Conditions | 56 |
| 1.2.2 | System IVE and Separate IVE | 57 |
| 1.2.3 | Identification Conditions | 59 |
| 1.3 | System GMM and Link to Panel Data | 60 |
| 1.3.1 | System GMM | 60 |
| 1.3.2 | System GMM and Panel Data | 62 |
| 2 | Simultaneous Equations and Identification | 66 |
| 2.1 | Relationship Between Endogenous Variables | 66 |
| 2.2 | Conventional Approach to Rank Condition | 68 |
| 2.3 | Simpler Approach to Rank Condition | 69 |
| 2.4 | Avoiding Arbitrary Exclusion Restrictions* | 71 |
| 2.4.1 | Grouping and Assigning | 71 |
| 2.4.2 | Patterns in Reduced-Form Ratios | 72 |
| 2.4.3 | Meaning of Singular Systems | 74 |
| 3 | Methods of Moments for Panel Data | 75 |
| 3.1 | Panel Linear Model | 76 |
| 3.1.1 | Typical Panel Data Layout | 76 |
| 3.1.2 | Panel Model with a Cross-Section Look | 78 |
| 3.1.3 | Remarks* | 79 |
| 3.2 | Panel GMM and Constructing Instruments | 81 |
| 3.2.1 | Panel IVE and GMM | 81 |
| 3.2.2 | Instrument Construction | 82 |
| 3.2.3 | Specific Examples of Instruments | 82 |
| 3.3 | Within-Group and Between-Group Estimators | 84 |
| 3.3.1 | Within Group Estimator (WIT) | 84 |

| | | |
|-------|---|----|
| 3.3.2 | Between Group Estimator (BET) and Panel LSE and GLS | 86 |
| 3.3.3 | WIT as Fixed-Effect Estimator* | 87 |

Chapter 3 M-Estimator and Maximum Likelihood Estimator (MLE) 91

| | | |
|-------|--|-----|
| 1 | M-Estimator | 91 |
| 1.1 | Four Issues and Main Points | 91 |
| 1.2 | Remarks for Asymptotic Distribution | 92 |
| 1.3 | Computation | 95 |
| 2 | Maximum Likelihood Estimator (MLE) | 96 |
| 2.1 | MLE Basics | 97 |
| 2.2 | MLE Identification | 99 |
| 2.3 | Asymptotic Variance Relative to M-estimator | 100 |
| 3 | M-Estimator with Nuisance Parameters | 102 |
| 3.1 | Two-Stage M-Estimator Basics | 102 |
| 3.2 | Influence Function and Correction Term | 103 |
| 3.3 | Various Forms of Asymptotic Variances | 105 |
| 3.4 | Examples of Two-Stage M-Estimators | 106 |
| 3.4.1 | No First-Stage Effect | 106 |
| 3.4.2 | First-Stage Effect | 108 |
| 4 | Method-of-Moment Tests (MMT) | 108 |
| 4.1 | Basics | 108 |
| 4.2 | Examples | 109 |
| 4.3 | Conditional Moment Tests | 112 |
| 5 | Tests Comparing Two Estimators | 112 |
| 5.1 | Two Estimators for the Same Parameter | 113 |
| 5.2 | Two Estimators for the Same Variance | 115 |
| 6 | Three Tests for MLE | 117 |
| 6.1 | Wald Test and Nonlinear Hypotheses | 118 |
| 6.2 | Likelihood Ratio (LR) Test | 119 |
| 6.2.1 | Restricted LSE | 119 |
| 6.2.2 | Restricted MLE and LR Test | 121 |
| 6.3 | Score (LM) Test and Effective Score Test | 122 |
| 6.4 | Further Remarks and an Empirical Example | 124 |
| 7 | Numerical Optimization and One-Step Efficient Estimation | 127 |
| 7.1 | Newton–Raphson Algorithm | 127 |
| 7.2 | Newton–Raphson Variants and Other Methods | 129 |
| 7.3 | One-Step Efficient Estimation | 131 |

| | | |
|------------------|--|------------|
| Chapter 4 | Nonlinear Models and Estimators | 133 |
| 1 | Nonlinear Least Squares Estimator (NLS) | 133 |
| 1.1 | Various Nonlinear Models | 134 |
| 1.1.1 | Index Models | 134 |
| 1.1.2 | Transformation-of-Variable Models | 135 |
| 1.1.3 | Mean, Median, and More Nonlinear Models | 136 |
| 1.2 | NLS and Its Asymptotic Properties | 138 |
| 1.3 | Three Tests for NLS | 141 |
| 1.4 | Gauss–Newton Algorithm | 143 |
| 1.5 | NLS-LM Test for Linear Models* | 144 |
| 2 | Quantile and Mode Regression | 145 |
| 2.1 | Median Regression | 146 |
| 2.2 | Quantile Regression | 147 |
| 2.2.1 | Asymmetric Absolute Loss and Quantile Function | 147 |
| 2.2.2 | Quantile Regression Estimator | 150 |
| 2.2.3 | Empirical Examples | 151 |
| 2.3 | Mode Regression | 153 |
| 2.4 | Treatment Effects | 154 |
| 3 | GMM for Nonlinear Models | 156 |
| 3.1 | GMM for Single Nonlinear Equation | 157 |
| 3.2 | Implementation and Examples | 159 |
| 3.3 | Three Tests in GMM | 163 |
| 3.4 | Efficiency of GMM | 164 |
| 3.5 | Weighting Matrices for Dependent Data | 165 |
| 3.6 | GMM for Multiple Nonlinear Equations* | 166 |
| 4 | Minimum Distance Estimation (MDE) | 168 |
| 4.1 | MDE Basics | 169 |
| 4.2 | Various MDE Cases | 171 |
| 4.3 | An Empirical Example from Panel Data | 174 |
| Chapter 5 | Parametric Methods for Single Equation LDV Models | 177 |
| 1 | Binary Response | 177 |
| 1.1 | Basics | 177 |
| 1.2 | Logit and Probit | 179 |
| 1.3 | Marginal Effects | 183 |
| 1.4 | Willingness to Pay and Treatment Effect | 185 |
| 1.4.1 | Willingness to Pay (WTP) | 185 |
| 1.4.2 | Remarks for WTP Estimation | 187 |
| 1.4.3 | Comparison to Treatment Effect | 188 |

| | | |
|-------|--|-----|
| 2 | Ordered Discrete Response | 189 |
| 2.1 | Basics | 189 |
| 2.2 | Digression on Re-parametrization in MLE | 191 |
| 2.3 | Ordered Probit | 192 |
| 2.4 | An Empirical Example: Contingent Valuation | 194 |
| 3 | Count Response | 198 |
| 3.1 | Basics and Poisson MLE | 198 |
| 3.2 | Poisson Over-dispersion Problem and Other Estimators | 200 |
| 3.2.1 | Negative Binomial (NB) MLE | 200 |
| 3.2.2 | Zero-Inflated Count Responses | 202 |
| 3.2.3 | Methods of Moments | 202 |
| 3.3 | An Empirical Example: Inequality Effect on Crime | 203 |
| 3.4 | IVE for Count or Positive Responses | 204 |
| 4 | Censored Response and Related LDV Models | 206 |
| 4.1 | Censored Models | 206 |
| 4.2 | Censored-Model MLE | 208 |
| 4.3 | Truncated Regression and Fractional Response | 210 |
| 4.4 | Marginal Effects for Censored/Selection Models | 211 |
| 4.5 | Empirical Examples | 213 |
| 5 | Parametric Estimators for Duration | 216 |
| 5.1 | Basics | 216 |
| 5.1.1 | Survival and Hazard Functions | 216 |
| 5.1.2 | Log-Likelihood Functions | 218 |
| 5.2 | Exponential Distribution for Duration | 219 |
| 5.3 | Weibull Distribution for Duration | 221 |
| 5.4 | Unobserved Heterogeneity and Other Parametric Hazards | 223 |
| 5.5 | Invariances and Extreme Value Distributions* | 225 |

Chapter 6 Parametric Methods for Multiple Equation LDV Models 229

| | | |
|-------|---|-----|
| 1 | Multinomial Choice Models | 229 |
| 1.1 | Basics | 230 |
| 1.2 | Multinomial Probit (MNP) | 231 |
| 1.2.1 | Choice Probabilities and Identified Parameters | 231 |
| 1.2.2 | Log-Likelihood Function and MOM | 233 |
| 1.2.3 | Implementation | 234 |
| 1.3 | Multinomial Logit (MNL) | 235 |
| 1.3.1 | Choice Probabilities and Implications | 235 |
| 1.3.2 | Further Remarks | 237 |

| | | |
|-------|---|-----|
| 1.3.3 | Marginal Effects | 238 |
| 1.3.4 | An Empirical Example: Presidential Election | 239 |
| 1.4 | Nested Logit (NES) | 242 |
| 2 | Methods of Simulated Moments (MSM) | 244 |
| 2.1 | Basic Idea with Frequency Simulator | 244 |
| 2.2 | GHK Smooth Simulator | 247 |
| 2.3 | Methods of Simulated Likelihood (MSL) | 250 |
| 3 | Sample-Selection Models | 252 |
| 3.1 | Various Selection Models | 253 |
| 3.2 | Selection Addition, Bias, and Correction Terms | 255 |
| 3.3 | MLE | 257 |
| 3.4 | Two-Stage Estimator | 258 |
| 3.5 | Selection Models for Some LDV's | 262 |
| 3.5.1 | Binary-Response Selection MLE | 262 |
| 3.5.2 | Count-Response Zero-Inflated MLE | 265 |
| 3.5.3 | Count-Response Selection MOM | 266 |
| 3.6 | Double and Multiple Hurdle Models | 267 |
| 4 | LDV's with Endogenous Regressors | 269 |
| 4.1 | Five Ways to Deal with Endogenous LDV's | 270 |
| 4.2 | A Recursive System | 273 |
| 4.3 | Simultaneous Systems in LDV's and Coherency Conditions | 275 |
| 4.3.1 | Incoherent System in Binary Responses | 275 |
| 4.3.2 | Coherent System in Censored Responses | 275 |
| 4.3.3 | Control Function Approach with a Censored Response | 277 |
| 4.4 | Simultaneous Systems in Latent Continuous Variables | 278 |
| 4.4.1 | Motivations and Justifications | 278 |
| 4.4.2 | Individual RF-Based Approach with MDE | 280 |
| 4.4.3 | An Empirical Example | 283 |
| 5 | Panel-Data Binary-Response Models | 285 |
| 5.1 | Panel Conditional Logit | 285 |
| 5.1.1 | Two Periods with Time-Varying Intercept | 286 |
| 5.1.2 | Three or More Periods | 288 |
| 5.1.3 | Digression on Sufficiency | 289 |
| 5.2 | Unrelated-Effect Panel Probit | 291 |
| 5.3 | Dynamic Panel Probit | 293 |

| | | |
|--|--|------------|
| 6 | Competing Risks* | 296 |
| 6.1 | Observed Causes and Durations | 296 |
| 6.2 | Latent Causes and Durations | 298 |
| 6.3 | Dependent Latent Durations and Identification | 300 |
| Chapter 7 Kernel Nonparametric Estimation | | 303 |
| 1 | Kernel Density Estimator | 303 |
| 1.1 | Density Estimators | 303 |
| 1.2 | Density-Derivative Estimators | 307 |
| 1.3 | Further Remarks | 309 |
| 1.4 | Adaptive Kernel Estimator | 312 |
| 2 | Consistency and Bandwidth Choice | 313 |
| 2.1 | Bias and Order of Kernel | 313 |
| 2.2 | Variance and Consistency | 316 |
| 2.3 | Choosing Bandwidth with MSE | 318 |
| 2.4 | Choosing Bandwidth with Cross-Validation | 320 |
| 3 | Asymptotic Distribution | 322 |
| 3.1 | Lindeberg CLT | 323 |
| 3.2 | Confidence Intervals | 324 |
| 3.3 | Confidence Bands | 326 |
| 3.4 | An Empirical Example of Confidence Bands | 327 |
| 4 | Finding Modes* | 329 |
| 4.1 | Graphical Detection | 329 |
| 4.2 | A Multimodality Test | 330 |
| 4.3 | An Empirical Example: World Income Distribution | 332 |
| 5 | Survival and Hazard Under Random Right-Censoring* | 333 |
| 5.1 | Nelson–Aalen Cumulative-Hazard Estimator | 333 |
| 5.2 | Survival-Function Estimators | 336 |
| 5.2.1 | Cumulative-Hazard-Based Estimator | 336 |
| 5.2.2 | Kaplan–Meier Product Limit Estimator | 338 |
| 5.3 | Density and Hazard Estimators | 340 |
| 5.3.1 | Kernel Density Estimator | 340 |
| 5.3.2 | Kernel Hazard Estimator | 342 |
| 6 | Kernel Nonparametric Regression | 344 |
| 6.1 | Overview | 344 |
| 6.2 | Consistency | 347 |
| 6.3 | Asymptotic Distribution | 348 |
| 6.4 | Choosing Smoothing Parameter and Kernel | 350 |

| | | |
|--|---|------------|
| 7 | Topics in Kernel Nonparametric Regression | 353 |
| 7.1 | Mixed Regressors and Structural Breaks | 353 |
| 7.2 | Estimating Derivatives | 356 |
| 7.3 | Nonparameric MLE and Quantile Regression | 359 |
| 7.4 | Local Linear Regression | 360 |
| Chapter 8 Bandwidth-Free Semiparametric Methods | | 363 |
| 1 | Quantile Regression for LDV models | 363 |
| 1.1 | Binary and Multinomial Responses | 364 |
| 1.2 | Ordered Discrete Responses | 367 |
| 1.3 | Count Responses | 369 |
| 1.3.1 | Main Idea | 369 |
| 1.3.2 | Quantile Regression of a Transformed Variable | 371 |
| 1.3.3 | Further Remarks | 372 |
| 1.4 | Censored Responses | 373 |
| 1.4.1 | Censored Quantile Estimators | 373 |
| 1.4.2 | Two-Stage Procedures and Unobserved Censoring Point | 375 |
| 1.4.3 | An Empirical Example | 379 |
| 1.4.4 | Median Rational Expectation* | 381 |
| 2 | Methods Based on Modality and Symmetry | 383 |
| 2.1 | Mode Regression for Truncated Model and Robustness | 384 |
| 2.2 | Symmetrized LSE for Truncated and Censored Models | 386 |
| 2.2.1 | Symmetrically Trimmed LSE | 386 |
| 2.2.2 | Symmetrically Censored LSE | 388 |
| 2.3 | Partial-Symmetry-Based Estimators | 389 |
| 2.3.1 | Quadratic Mode Regression Estimator (QME) | 389 |
| 2.3.2 | Remarks for QME | 391 |
| 2.3.3 | Winsorized Mean Estimator (WME) | 393 |
| 2.4 | Estimators for Censored-Selection Models | 396 |
| 3 | Rank-Based Methods | 397 |
| 3.1 | Single Index Models (SIM) | 398 |
| 3.1.1 | Single Index and Transformation of Variables | 398 |
| 3.1.2 | Simple Single-Index Model Estimator | 399 |
| 3.1.3 | Double or Multiple Indices | 400 |
| 3.2 | Kendall Rank Correlation Estimator (KRE) | 401 |
| 3.2.1 | Estimator and Identification | 402 |
| 3.2.2 | Asymptotic Distribution | 404 |
| 3.2.3 | Randomly Censored Duration with Unknown Transformation | 406 |
| 3.3 | Spearman Rank Correlation Estimator (SRE) | 408 |

| | | |
|------------------|--|------------|
| 3.4 | Pairwise-Difference Rank for Response Transformations | 410 |
| 3.4.1 | Main Idea and Estimator | 410 |
| 3.4.2 | Remarks | 411 |
| 3.4.3 | An Empirical Example | 412 |
| 3.5 | Rank-Based Estimation of Transformation Function | 413 |
| 4 | Differencing-Based Estimators | 415 |
| 4.1 | Pairwise-Difference for Censored and Truncated Models | 415 |
| 4.1.1 | Differencing Idea | 415 |
| 4.1.2 | Censored Regression | 416 |
| 4.1.3 | Truncated Regression | 417 |
| 4.2 | Differencing Estimator for Semi-linear Models | 418 |
| 5 | Estimators for Duration Models | 421 |
| 5.1 | Discrete Durations | 421 |
| 5.2 | Piecewise Constant Hazard | 424 |
| 5.2.1 | Discrete-Time-Varying Regressors | 424 |
| 5.2.2 | Ordered Discrete Response Model for Time-Constant Regressors | 425 |
| 5.2.3 | An Empirical Example | 428 |
| 5.3 | Partial Likelihood Estimator (PLE) | 429 |
| 6 | Integrated-Moment Specification Tests* | 431 |
| 6.1 | Integrated Moment Tests (IMT) | 432 |
| 6.2 | Integrated Regression Function Specification Test | 434 |
| 6.2.1 | Main Idea | 434 |
| 6.2.2 | Bootstrap Inference | 435 |
| 6.2.3 | Further Remarks | 437 |
| 6.3 | Conditional Kolmogorov Test | 437 |
| Chapter 9 | Bandwidth-Dependent Semiparametric Methods | 441 |
| 1 | Two-Stage Estimator with Nonparametric First-Stage | 441 |
| 1.1 | Density or Conditional Mean for First Stage | 442 |
| 1.2 | Other Nonparametric Nuisance Parameters* | 444 |
| 1.3 | Examples | 446 |
| 1.3.1 | Moments with Nonparametric Nuisance Parameters | 446 |
| 1.3.2 | Nonparametric WLS | 446 |
| 1.3.3 | Nonparametric Heteroskedasticity Test | 447 |

| | | |
|-------|---|-----|
| 2 | Nonparametric TSE for Endogenous Regressors | 449 |
| 2.1 | Linear Model and Nonparametric 2SLSE | 449 |
| 2.2 | Smooth Nonlinear Models and Nonparametric SUB | 451 |
| 2.3 | Non-smooth Models and Nonparametric SUB* | 452 |
| 2.4 | Nonparametric Second-Stage and Integral Equation* | 454 |
| 3 | Control-Function (CF) Approaches | 456 |
| 3.1 | Linear Models | 456 |
| 3.2 | Nonlinear Models | 458 |
| 3.3 | Average Structural Function (ASF) | 460 |
| 3.4 | Pairwise Differencing for Nonparametric CF | 461 |
| 3.5 | Nonparametric Second-Stage* | 462 |
| 4 | Single Index Models | 464 |
| 4.1 | Density-Weighted Average Derivative (WADE) | 464 |
| 4.2 | Average Derivative Estimators (ADE) | 467 |
| 4.2.1 | Motivations | 467 |
| 4.2.2 | Estimators | 468 |
| 4.2.3 | Remarks | 469 |
| 4.3 | Nonparametric LSE | 471 |
| 4.4 | Quasi-MLE for Binary Response | 473 |
| 4.5 | Discrete Regressors* | 475 |
| 4.6 | Extensions to Multiple Index Models* | 476 |
| 5 | Semi-linear Models | 479 |
| 5.1 | Two-Stage Procedure | 479 |
| 5.2 | Empirical Application: Hedonic Price Indices | 483 |
| 5.3 | Pair-wise Differencing for Semi-linear LDV Models | 485 |
| 6 | Additive Models | 488 |
| 6.1 | Backfitting | 488 |
| 6.2 | Smoothed Backfitting | 489 |
| 6.3 | Marginal Integration | 491 |
| 6.4 | Further Generalizations* | 494 |
| 7 | Transformation of Response Variables | 497 |
| 7.1 | Density-Weighted Response Approach | 497 |
| 7.1.1 | Main Idea | 497 |
| 7.1.2 | Asymptotic Distribution | 499 |
| 7.1.3 | Further Remarks | 500 |
| 7.2 | Extensions of Density-Weighted Response Approach | 501 |
| 7.2.1 | Endogenous Regressors | 501 |
| 7.2.2 | Ordered Discrete Response | 504 |
| 7.2.3 | Panel Binary Response* | 506 |
| 7.3 | Unknown Transformation of Response* | 508 |

| | | |
|-------|---|-----|
| 8 | Nonparametric Specification and Significance Tests | 510 |
| 8.1 | Omitted-Variable-Based LM-Type Tests | 510 |
| 8.2 | Wald-Type Tests with Parametric and Nonparametric Fits . . | 513 |
| 8.3 | LR-Type Tests | 516 |
| 8.4 | Model-Selection-Based Tests* | 518 |
| 8.5 | Single-Index Model Fitness Tests | 520 |
| 8.6 | Nonparametric Significance Tests | 524 |
| 8.6.1 | Two-bandwidth Tests | 524 |
| 8.6.2 | One-Bandwidth Test | 526 |
| 8.6.3 | Cross-Validation Approach for Mixed Regressors | 527 |
| 8.7 | Non-nested Model Tests and Multi-sample Tests* | 527 |
| 8.7.1 | LM-Type Tests for Non-nested Models | 527 |
| 8.7.2 | LR-Type Test for Non-nested Models | 528 |
| 8.7.3 | Multi-sample Tests for Multiple Treatments | 529 |

Appendix I: Mathematical Backgrounds and Chapter Appendices **531**

| | | |
|-------|---|-----|
| 1 | Mathematical and Statistical Backgrounds | 531 |
| 1.1 | Bounds, Limits, and Functions | 531 |
| 1.2 | Continuity and Differentiability of Functions | 534 |
| 1.3 | Probability Space and Random Variables | 536 |
| 1.4 | Integrals | 538 |
| 1.5 | Density and Conditional Mean | 541 |
| 1.6 | Dominated and Monotone Convergences | 544 |
| 1.7 | Convergence of Random Variables and Laws | 545 |
| 1.8 | LLN and CLT | 547 |
| 2 | Appendix for Chapter 2 | 549 |
| 2.1 | Seemingly Unrelated Regression (SUR) | 549 |
| 2.1.1 | Two-Equation SUR | 549 |
| 2.1.2 | Asymptotic Distribution | 550 |
| 2.1.3 | Efficiency Gain | 551 |
| 2.2 | On System GMM Efficiency Gain | 553 |
| 2.3 | Classical Simultaneous Equation Estimators | 554 |
| 2.3.1 | Full-Information MLE (FIML) | 554 |
| 2.3.2 | Limited-Information MLE (LIML) | 557 |
| 2.3.3 | Three-Stage LSE (3SLSE) | 558 |
| 3 | Appendix for Chapter 3 | 560 |
| 3.1 | Details on Four Issues for M-Estimator | 560 |
| 3.2 | MLE with LSE First-Stage and Control Function | 563 |

| | | |
|-------|--|-----|
| 4 | Appendix for Chapter 4 | 566 |
| 4.1 | LR and LM tests in NLS | 566 |
| 4.2 | Topics for GMM | 568 |
| 4.2.1 | LR and LM tests | 568 |
| 4.2.2 | Optimal Weighting Matrix | 570 |
| 4.2.3 | Over-Identification Test | 570 |
| 5 | Appendix for Chapter 5 | 572 |
| 5.1 | Proportional Hazard and Accelerated Failure Time | 572 |
| 5.1.1 | Proportional Hazard | 572 |
| 5.1.2 | Accelerated Failure Time (AFT) | 573 |
| 5.1.3 | Further Remarks | 574 |
| 6 | Appendix for Chapter 6 | 575 |
| 6.1 | Type-I Extreme Errors to Multinomial Logit | 575 |
| 6.2 | Two-Level Nested Logit | 577 |
| 6.2.1 | Lower-Level MNL | 577 |
| 6.2.2 | Upper-Level MNL | 579 |
| 6.2.3 | Final-Stage MLE and Remarks | 580 |
| 6.3 | Asymptotic Distribution of MSM estimators | 582 |
| 7 | Appendix for Chapter 7 | 584 |
| 7.1 | Other Density Estimation Ideas | 584 |
| 7.1.1 | Nearest-Neighbor Method | 584 |
| 7.1.2 | Maximum Penalized Likelihood Estimator | 585 |
| 7.1.3 | Series Approximation | 585 |
| 7.2 | Asymptotic Distribution for Kernel Regression Estimator | 587 |
| 7.3 | Other Nonparametric Regression Methods | 589 |
| 7.3.1 | Nearest-Neighbor Estimator | 589 |
| 7.3.2 | Spline Smoothing | 590 |
| 7.3.3 | Series Approximation | 591 |
| 7.4 | Asymptotic Normality of Series Estimators | 594 |
| 8 | Appendix for Chapter 8 | 596 |
| 8.1 | U-Statistics | 596 |
| 8.1.1 | Motivations | 596 |
| 8.1.2 | Symmetrization | 597 |
| 8.1.3 | Examples | 599 |
| 8.2 | GMM with Integrated Squared Moments | 600 |
| 8.3 | Goodness-of-Fit Tests for Distribution Functions | 603 |
| 8.3.1 | Brownian Motion and Brownian Bridge | 603 |
| 8.3.2 | Kolmogorov–Smirnov (KS) test | 605 |
| 8.3.3 | Cramer–von-Mises (CM) and Anderson–Darling (AD) tests | 606 |
| 8.4 | Joint Test for All Quantiles | 607 |

| | | |
|-------|---|------------|
| 9 | Appendix for Chapter 9 | 610 |
| 9.1 | Asymptotic Variance of Marginal Integration | 610 |
| 9.2 | CLT for Degenerate U-Statistics | 613 |
| | Appendix II: Supplementary Topics | 615 |
| 1 | Appendix for Hypothesis Test | 615 |
| 1.1 | Basics | 615 |
| 1.2 | Comparison of Tests and Local Alternatives | 617 |
| 1.2.1 | Efficacy and Relative Efficiency | 617 |
| 1.2.2 | Finding Distribution Under Alternatives | 620 |
| 1.2.3 | Wald Test Under Local Alternatives to Linear Hypotheses | 622 |
| 1.3 | Non-nested Hypothesis Testing | 623 |
| 1.3.1 | Terminologies | 623 |
| 1.3.2 | LR Test for Strictly Non-nested Hypotheses | 625 |
| 1.3.3 | Centered LR Test and Encompassing | 627 |
| 1.3.4 | J-Test and Score Test Under Artificial Nesting | 627 |
| 1.4 | Pearson Chi-Square Goodness-of-Fit Test | 628 |
| 2 | Stratified Sampling and Weighted M-Estimator | 632 |
| 2.1 | Three Stratified Sampling Methods | 633 |
| 2.1.1 | Standard Stratified Sampling (SSS) | 633 |
| 2.1.2 | Variable Probability Sampling (VPS) | 634 |
| 2.1.3 | Multinomial Sampling (MNS) | 635 |
| 2.2 | Infeasible MLE | 635 |
| 2.3 | Weighted M-Estimator | 637 |
| 2.3.1 | Consistency | 638 |
| 2.3.2 | Asymptotic Distribution | 638 |
| 2.3.3 | An Example: Weighted M-Estimator for Mean | 640 |
| 2.4 | Logit Slope Consistency in Response-Based Samples | 642 |
| 2.5 | Truncated Samples with Zero Cell Probability | 644 |
| 2.6 | Truncated Count Response Under On-Site Sampling | 645 |
| 3 | Empirical Likelihood Estimator | 646 |
| 3.1 | Empirical Likelihood (EL) Method | 647 |
| 3.2 | Exponential Tilting Estimator | 650 |
| 3.3 | Minimum Discrepancy Estimator | 652 |
| 4 | Stochastic-Process Convergence and Applications | 654 |
| 4.1 | Motivations | 654 |
| 4.2 | Stochastic Process and Weak Convergence | 656 |
| 4.2.1 | Stochastic Process | 656 |
| 4.2.2 | Weak Convergence | 659 |

| | | |
|-------|---|-----|
| 4.2.3 | Stochastically Equicontinuous Empirical Processes | 661 |
| 4.2.4 | Applications | 663 |
| 4.3 | Goodness-of-Fit Tests with Nuisance Parameters | 665 |
| 4.3.1 | Some Stochastic Integrals | 665 |
| 4.3.2 | Weak Limit of GOF tests with Nuisance Parameters | 668 |
| 4.3.3 | Asymptotically Distribution-Free (ADF) Transformation | 671 |
| 5 | Bootstrap | 675 |
| 5.1 | Review on Asymptotic Statistical Inference | 675 |
| 5.2 | Bootstrap for Distribution Functions | 677 |
| 5.2.1 | Main Idea | 677 |
| 5.2.2 | Percentile-t, Centered-Percentile, and Percentile | 680 |
| 5.2.3 | Transformation and Percentile Method Invariance | 682 |
| 5.3 | Bootstrap Consistency and Confidence Intervals | 683 |
| 5.3.1 | Defining Bootstrap Consistency | 683 |
| 5.3.2 | Bootstrap Consistency with Empirical Processes | 684 |
| 5.3.3 | Confidence Intervals with Bootstrap Quantiles | 685 |
| 5.4 | High-Order Improvement for Asymptotic Normality | 687 |
| 5.5 | Edgeworth Expansion | 690 |
| 5.5.1 | Cumulant Generating Function | 690 |
| 5.5.2 | Density of Normalized Sums | 692 |
| 5.5.3 | Distribution Function of Normalized Sums | 694 |
| 5.5.4 | Moments | 695 |
| 5.6 | Other Bootstrap Topics | 697 |
| 5.6.1 | Bootstrap Test | 697 |
| 5.6.2 | Bootstrap Bias-Correction | 699 |
| 5.6.3 | Estimating Asymptotic Variance with Bootstrap Quantiles | 702 |
| 5.6.4 | Bootstrap Iteration and Pre-pivoting | 702 |

Appendix III: Select GAUSS Programs 705

| | | |
|---|--|-----|
| 1 | LSE, IVE, GMM and Wald Test | 705 |
| 2 | System LSE | 707 |
| 3 | Method-of-Moment Test for Symmetry | 708 |
| 4 | Quantile Regression | 709 |

| | | |
|-----|---|------------|
| 5 | Univariate Parametric LDV Models | 710 |
| 5.1 | Probit | 710 |
| 5.2 | Ordered Probit | 711 |
| 5.3 | Tobit | 712 |
| 5.4 | Weibull MLE under Random Censoring | 713 |
| 6 | Multivariate Parametric LDV Models | 714 |
| 6.1 | Multinomial Logit (MNL) | 714 |
| 6.2 | Two-Stage Estimator for Sample Selection | 715 |
| 7 | Nonparametric Regression and Hazard | 716 |
| 7.1 | Univariate Density | 716 |
| 7.2 | Bivariate Regression Function | 717 |
| 7.3 | Regression Derivative and Confidence Interval | 718 |
| 8 | Bandwidth-Free Semiparametric Methods | 720 |
| 8.1 | Winsorized Mean Estimator (WME) for Censored Model | 720 |
| 8.2 | Differencing for Semi-Linear Model | 722 |
| 9 | Bandwidth-Dependent Semiparametric Methods | 723 |
| 9.1 | Two-Stage Estimator for Semi-Linear Model | 723 |
| 9.2 | Quasi-MLE for Single-Index Binary Response | 725 |
| | References | 727 |
| | Index | 759 |

Micro-Econometrics

Methods of Moments and Limited Dependent Variables

Lee, M.-j.

2010, XXVII, 770 p., Hardcover

ISBN: 978-0-387-95376-2