8- Heteroskedasity

Consequences? NO: Unbias or Inconsistency.R^2 unaffected. YES: OLS no longer BLUE. Test are not normally distributed

Roburst: Use it to get valid SE for t,F,LM test. Correct in large sample size. We don't use it because they only give right t-test for large sample size, whereas OLD is right for every size.

Heteroskedasity-Roburst LM test

1. Obtain ŭ from the restricted model.

2. Reg each of the indpt vars excluded on all of the included indpt vars; if there are q excluded variables, this leads to q sets of residuals (r̆1, r̆2.. r̆q).

3. Find the products between each r̆j and ŭ (for all observations).

4- Reg 1on r̆1 ŭ, r̆2ŭ,...,r̆qŭ ,w/out an intercept