Cheatography

Econometrics Cheat Sheet

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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 ũ 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 (r̃1, r̃2.. r̃q).
3. Find the products between each r̃j and ũ (for all observations).

4- Reg 1on r̃1 ũ, r̃2ũ,...,r̃qũ,w/out an intercept

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