t-Test in Dynamic Panel Structural Equations

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abstract

This paper studies the asymptotic covariance estimation associated with the LIML estimator for large-T dynamic panel structural equations. The proposed simple estimation method is based on the fixed-N or large K-asymptotics relating to the number of backward-filtered instruments. We demonstrate the resulting t-Test which also does not need asymptotic bias correction works well with the large-K asymptotics and is robust to persintent panel data rather than a plug-in estimation method.

Keywords : Backward Filter, Covariance Estimation, large-K asymptotics.