

NATIONAL TAIWAN UNIVERSITY
Department of Finance
ECONOMETRIC THEORY II

Prof. C.-M. Kuan
Room 716, Bldg. 2

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ckuan@ntu.edu.tw

This is the second course in econometric theory for Ph.D. students; well prepared Master students are also welcome to take this course. As a prerequisite, students are expected to have completed Econometric Theory I at Ph.D. level or something equivalent. In this course, we will follow my own lecture notes and focus on three leading econometric methods: nonlinear least squares method, quasi-maximum likelihood method, and generalized method of moment. As in the first course, I will not provide “recipes” for these methods. Instead, I hope students will learn from this course *how* an econometric method is derived and *why* it works. All lectures will be in English; students are encouraged to participate classroom discussion which is a crucial part of the Ph.D. training.

Reading

1. Cameron, A. Colin and P. K. Trivedi, *Microeconometrics: Methods and Applications*, New York, NY: Cambridge University Press, 2005.
2. Lecture notes, available at ceiba.ntu.edu.tw/982econometrics2, or homepage.ntu.edu.tw/~ckuan; please constantly check for new versions.
3. White, H., *Estimation, Inference and Specification Analysis*, New York, NY: Cambridge University Press, 1994.

Supplemental Reading

1. Davidson, R. and J. G. MacKinnon, *Estimation and Inference in Econometrics*, New York, NY: Oxford University Press, 1993.
2. Greene, W. H., *Econometric Analysis*, 6th ed., Upper Saddle River, NJ: Pearson Prentice Hall, 2008.
3. Hamilton, J., *Time Series Analysis*, Princeton, NJ: Princeton University Press, 1994.

Course Outline

1. Review of the Least Squares Theory
2. Nonlinear Least Squares (NLS) Theory
 - 2.1 Nonlinear specifications
 - 2.2 NLS estimator

- 2.3 Asymptotic properties of the NLS estimator
- 2.4 Large sample tests
- 3. Quasi-Maximum Likelihood (QML) Theory
 - 3.1 Kullback-Leibler information criterion
 - 3.2 Asymptotic properties of the QML estimator
 - 3.3 Information matrix equality
 - 3.4 Large sample tests – Nested
 - 3.5 Large sample tests – Non-nested
 - 3.6 Applications: Microeconomic models
 - 3.7 Applications: ARMA models
 - 3.8 Applications: Volatility models
- 4. Generalized Method of Moment (GMM)
 - 4.1 GMM estimation
 - 4.2 Asymptotic properties of the GMM estimator
 - 4.3 Over-identifying restrictions test
 - 4.4 Other GMM estimators
 - 4.5 Estimation of conditional moment restrictions
 - 4.5 Applications:

Office Hours: Wednesday 3–5 or by appointment.

Grading: Homework (15%), midterm (40%), and final (45%).