

# Contents

PREFACE	iii
1. INTRODUCTION	1
1.1 Pooled Cross-Sectional and Time Series Data Defined	1
1.2 Special Problems Associated with Analyzing Pooled Data	2
1.3 Preliminaries: Generalized Least Squares Estimation and Notation	3
1.4 Historical Perspective	5
1.5 What Is Attempted in This Book?	8
2. SEPARATE REGRESSIONS AND CLASSICAL POOLING	11
2.1 Separate Regressions	11
2.2 Classical Pooling	12
2.3 Example: Investment Function Estimation	21
3. SEEMINGLY UNRELATED REGRESSIONS	29
3.1 The Seemingly Unrelated Regressions (SUR) Model	29
3.2 Analytic Results	37
3.3 Simulation Results	39
3.4 Inference in the SUR Model	40
3.5 Applications and Software	44
3.6 Example: Investment Function Estimation	45

4.	ERROR COMPONENTS MODELS	49
4.1	The Analysis of Covariance Model	49
4.2	The Error Components Model with Time and Individual Components	53
4.3	The Error Components Model with Individual Components Only	62
4.4	Other Error Components Model Developments	65
4.5	Analytic Results	68
4.6	Simulation Results	72
4.7	Inference in Error Components Models	74
4.8	Applications	77
4.9	Example: Investment Function Estimation	80
5.	RANDOM COEFFICIENT REGRESSION	83
5.1	The Random Coefficient Regression Model	83
5.2	The Mixed Random Coefficient Regression Model	91
5.3	Small Sample Properties of the RCR Model	95
5.4	Inference in the RCR Model	96
5.5	Other RCR Model Developments	102
5.6	Applications	104
5.7	Example: Tender Offer Mergers and Stockholder's Wealth	105
6.	TIME AND CROSS-SECTIONALLY VARYING PARAMETER MODELS	115
6.1	Introduction	115
6.2	The Hsiao Model	115
6.3	The Swamy and Mehta Model	127
6.4	Other Models with Time Varying Coefficients	138
6.5	Applications	140
7.	MODELS FOR DISCRETE DATA	141
7.1	Introduction	141
7.2	Analysis of Covariance with Discrete Dependent Variables	142
7.3	Dynamic Models for Discrete Panel Data	145
7.4	Further Research	150

Contents	vii
8. GUIDELINES FOR MODEL CHOICE	153
8.1 Introduction	153
8.2 A Simulation Study of RCR Procedures	153
8.3 Some Suggestions for Choosing an Appropriate Model	183
9. SUGGESTIONS FOR FUTURE RESEARCH	189
9.1 Variable Selection Procedures	189
9.2 Tests for Assumptions Made About Model Disturbances	192
9.3 Regression Diagnostics and Robust Estimation	205
9.4 Models with Time and Cross-Sectionally Varying Coefficients	206
9.5 Other Research Opportunities	207
APPENDIX A PROOF THAT THE CP ESTIMATOR IS UNBIASED WHEN COEFFICIENTS ARE RANDOM	209
APPENDIX B DERIVATION OF VARIABLE SELECTION RESULTS FOR THE GENERAL LINEAR REGRESSION MODEL	211
REFERENCES	215
INDEX	245