Vol. 28, No. 3 June 2012

ECONOMETRIC THEORY



$$(\hat{A}^{+} - A)F = [A_T - B_T C_T]D_T^{-1} F'F$$

Editor:
Peter C.B. Phillips
Yale University

$$\beta' y_t = U_{1t} = \underbrace{\beta' \varepsilon_t}_{u_{1t}} + \underbrace{(-G(F-I)y_{2t-1})}_{\tilde{u}_{1t}}$$

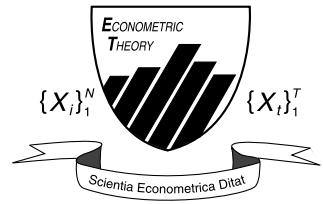
$$\beta' \Delta y_t = \Delta U_{1t} = \underbrace{\beta' \Delta \varepsilon_t}_{\Delta u_{1t}} + \underbrace{(-G(F-I)^2 y_{2t-2} - G(F-I)\varepsilon_{2t-1})}_{\Delta \tilde{u}_{1t}}$$

$$T^{-1} \sum_{t=1}^{T} \varepsilon_t y'_{2t-1}(I + G'G) \Rightarrow \begin{pmatrix} \Sigma_{11}^{1/2} & \int_0^1 dW_1 J_C' \Sigma_{22}^{1/2} \\ \Sigma_{22}^{1/2} & \int_0^1 dW_2 J_C' \Sigma_{22}^{1/2} \end{pmatrix} (I + G'G)$$

CAMBRIDGE UNIVERSITY PRESS

https://doi.org/10.1017/S0266466611000739 Published online by Cambridge University Press

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Subscriptions: *Econometric Theory* (ISSN 0266-4666) is published bimonthly by Cambridge University Press, 32 Avenue of the Americas, New York, NY 10013-2473 / Cambridge University Press, The Edinburgh Building, Shaftesbury Road, Cambridge CB2 2RU, UK.

Rates for 2012: Institutions, print plus online, US $943.00 in the US, Canada, and Mexico; UK £555.00 + VAT elsewhere. Institutions, online only: US $801.00 in the US, Canada, and Mexico; UK £470.00 + VAT elsewhere. Individuals, print plus online: US $270.00 in the US, Canada, and Mexico; UK £158.00 + VAT elsewhere (prepayment by personal check or credit card only). Single parts: US $155.00 (£95.00 + VAT). Prices include postage and insurance; air mail or registered mail extra. Back volume prices upon request.

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https://doi.org/10.1017/S0266466611000739 Published online by Cambridge University Press