

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

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Subscriptions: *Econometric Theory* (ISSN 0266-4666) is published bimonthly by Cambridge University Press, One Liberty Plaza, Floor 20, New York, NY 10006 / Cambridge University Press, University Printing House, Shaftesbury Road, Cambridge CB2 8BS, UK.

Rates for 2022: Institutions, print plus online, US \$1695.00 in the US, Canada, and Mexico; UK £1009.00 + VAT elsewhere. Institutions, online only: US \$1309.00 in the US, Canada, and Mexico; UK £774.00 + VAT elsewhere. Individuals, print plus online: US \$452.00 in the US, Canada, and Mexico; UK £265.00 + VAT elsewhere (prepayment by personal check or credit card only). Prices include postage and insurance; air mail or registered mail extra. Back volume prices upon request.

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