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ECo 602: Michael France Nelson

Week 8 Reading Questions

1. In a nonparametric model, it is not possible to specify the probability distribution for the stochastic piece, whereas in the parametric model, it is needed to specify both the deterministic and stochastic components.
2. Interpolation is used as a prediction within the measured range of the data, while extrapolation is used as a prediction beyond the measured range of the data.
3. Extrapolation is more problematic than interpolation because it is a prediction that is outside of what is known. Additionally, inappropriate model choice can drastically change the predictions beyond the measured range of the data.