

fourth unit:

$$E(\epsilon|X) = \sigma^2$$

$P$  is also a  $n \times n$  matrix

feasible GLS where we estimate the  $P$  and the  $\Psi$

1) Assignment applied articles where th problem has been addressed empirically. plus solutions based on theoretical work

2) no STATA comments. theory: contextual issues. which assumptions is strongest. conceptual understanding.

$$C_1 = (1+r)^{-\sigma} \beta^{-\sigma} [(1+r)(Y_1 - C_1) + Y_2]$$

$$C_1 = \frac{1}{1+(1+r)^{\sigma-1} \beta^{\sigma}} [Y_1 + \frac{Y_2}{1+r}]$$

$$\mathbb{E}(x) = \alpha_0 + \alpha_1 x^* + \alpha_2 z \text{ and } \mathbb{E}(y) = \beta_0 + \beta_1 x + f(c)$$

where  $x^*$  is some latent part of  $x$  and  $c$  is still unobserved

1) Assignment No 1 (20