

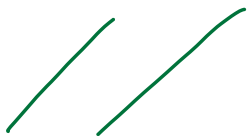
REDUCED FORM MODEL

$$① Y = (Z\Gamma + \mu)\beta + \epsilon$$


$$Y = \underset{(L \times 1)}{Z\Gamma} + \mu$$

this is the reduced form model

$$v = \epsilon + \mu\beta$$



X is the closest representation of the
treated data that do not have now
- the problem of endogeneity



VALID INSTRUMENTS
ARE NOT WEAK