[Glossary]

Generalised Least Squares

Subject: Business Economics

Course: B. A. (Hons.), 5th Semester,
                                     Undergraduate

Paper No. & Title: Paper – 531

                                     Elective Paper Q1 –
                                     Advanced Econometrics

Unit No. & Title: Unit – 1
                                     Relaxing the Assumptions
                                     of
                                     The Classical Linear Model

Lecture No. & Title: Lecture – 4
                                     Generalised Least Squares

Glossary

GLSE

Generalised Least Squares Estimators They are used to deal with heteroscadastic situation.

Heteroscadasticity It is a situation when the disturbance are non-spherical in nature. Variance of disturbance terms are not the same and also any pair of disturbances can be correlated.

WLSE Weighted Least Squares Estimators. They are used when $E(U_i^2) = \sigma_i^2$ are known and weights are inversely proportional to σ_i^2.

Milder and Harder Heteroscadasticity Harder heteroscadasticity when σ_i^2 is proportional to X_i^2. Milder heteroscadasticity when σ_i^2 is proportional to Xi.

2SLSE Two stage Least Squares Estimators. They are used when σ_i^2 are given by means of some assumptions.

Spurious correlation For transformed model under the case of heteroscadasticity it is the correlation between $\frac{Y_i}{X_i}$ and $\frac{1}{X_i}$ etc.