

Of Silk Purses and Sow's Ears: Inference in the Presence of Weak Instruments

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Abstract

Over the past decade there has been a steady stream of papers concerned with aspects of inference in simultaneous equations models estimated by instrumental variables techniques using weak instruments. These contributions have been motivated by the observation that standard asymptotics appear to work poorly in such cases. One problem with this literature is the lack of unanimity as to the appropriate characterization of weak instruments. The aim of this paper are to combine the different branches of the literature into a single unifying framework and to explore the lessons that can be taken from it.