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(Host: Timo Dimitriadis)

"Tests of No Cross-Sectional Error Dependence in Panel Quantile Regressions"

Abstract:

This paper argues that cross-sectional dependence is an indicator of misspecification in panel quantile regression rather than just a nuisance that may be accounted for with panel-robust standard errors.
This motivates the development of a novel test for panel quantile regression misspecification based on detecting cross-sectional dependence. The test possesses a standard normal limiting distribution under joint N,T asymptotics with restrictions on the relative rate at which N and T go to infinity. A finite-sample correction improves the applicability of the test for panels with larger N. An empirical application to housing markets illustrates the use of the proposed cross-sectional dependence test.