

Accepted Manuscript

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PII: S0304-4076(16)30174-9

DOI: <http://dx.doi.org/10.1016/j.jeconom.2016.09.007>

Reference: ECONOM 4303

To appear in: *Journal of Econometrics*

Received date: 28 June 2015

Revised date: 14 September 2016

Accepted date: 15 September 2016



Please cite this article as: Gouriéroux, C., Monfort, A., Renne, J.-P., Statistical inference for independent component analysis: Application to structural VAR models. *Journal of Econometrics* (2016), <http://dx.doi.org/10.1016/j.jeconom.2016.09.007>

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Statistical Inference for Independent Component Analysis: Application to Structural VAR Models

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(September 2016, revised version)

Abstract

The well-known problem of non-identifiability of structural VAR models disappears if the structural shocks are independent and if at most one of them is Gaussian. In that case, the relevant estimation technique is the Independent Component Analysis (ICA). Since the introduction of ICA by Comon (1994), various semi-parametric estimation methods have been proposed for "orthogonalizing" the error terms. These methods include pseudo maximum likelihood (PML) approaches and recursive PML. The aim of our paper is to derive the asymptotic properties of the PML approaches, in particular to study their consistency. We conduct Monte Carlo studies exploring the relative performances of these methods. Finally, an application based on real data shows that structural VAR models can be estimated without additional identification restrictions in the non-Gaussian case and that the usual restrictions can be tested.

JEL Codes: C14, C32.

Key-words: Independent Component Analysis, Pseudo Maximum Likelihood, Identification, Cayley Transform, Structural Shocks, Structural VAR, Impulse Response Functions.

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The first two authors gratefully acknowledge support of the chair LCL: "New Challenges for New Data", of the LABEX: Finance et Croissance Durable, and of the chair ACPR on "Regulation and Systemic Risk". We are grateful to participants to the 2016 European Meeting of the Econometric Society.

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