# An Analysis of Tests Based on the LIML Estimator in Dynamic Econometric Systems

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The small sample adequacy of asymptotic tests in an equation from a system of static linear simultaneous equations is well researched, but much less is known about the tests' behaviour in dynamic simultaneous systems. An important alternative to tests based on IV estimators (e.g., Nelson and Startz (1990)) is the class of tests based upon the limited information maximum likelihood (LIML) estimator (see, e.g., Morimune (1989)) and on modified LIML estimators. We use simulation-based methods to analyse the small sample behaviour of such tests in a single equation of a dynamic linear simultaneous equations systems with two endogenous variables.

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