Bootstrapping sequential tests for multiple structural breaks: A Monte Carlo analysis

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In this paper we report a series of Monte Carlo simulations to evaluate the sequential procedures proposed in Banerjee, Lazarova and Urga (2002). We present experiments where the marginal process is estimated using the endogenous sequential dummy procedure with and without splitting the sample. The main findings are that the bootstrap without splitting has better size distortions, in particular with respect to the size of the test. Finally, the endogenous break date approach is compared with the exogenous approach. The exogenous approach performs quite poorly in our experiments.

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