

This Week's Citation Classic

Maddala G S. *Limited dependent and qualitative variables in econometrics.* Cambridge, England: Cambridge University Press. 1983. 401 p. [Center for Econometrics and Decision Sciences, University of Florida, Gainesville, FL]

Many economic variables encountered in practice are not continuously observed. They are truncated (observed only in some ranges) or qualitative (yes or no type). This book surveys the methods of estimation for models with such variables and gives a lot of empirical examples. [The SSC^{\circledR} and the SCI^{\circledR} indicate that this book has been cited in more than 1,110 publications.]

Econometrics with Partial Observability

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Before 1971, I worked in traditional econometrics involving variables that were observed with no truncation or censoring. I did not work with limited dependent variable models until Forrest Nelson, a graduate student at the University of Rochester, asked to do a dissertation under my supervision in this area. We did some joint work on disequilibrium models¹ and planned a book on limited dependent and qualitative variables, but never made any headway with it. In 1974 Lung-Fei Lee came to the University of Rochester and wrote a dissertation in this area and we too collaborated on several papers, along with Bob Trost, a student of mine at the University of Florida. Finally I decided to finish the book myself and wrote it completely during 1980-1981.

After finishing the book I sent it to MIT Press but they promptly rejected it. I then tried Academic Press,

McGraw-Hill, and two other publishers with no success. Finally, Colin Day from Cambridge University Press told me that the Econometric Society was putting out a series of monographs under the editorship of Dan McFadden and Angus Deaton and asked if I had any plans for writing a book. I gave him my manuscript and it was soon accepted for publication.

Since I was dejected by the rejection of my book by five publishers, I did not proofread the galleys carefully. Hence, many typos remain in the book, though I have been told that they could be easily corrected. The book went into several reprints before I even prepared a list of errors.

Considering the wide citations, the book seems to have made some impact on the profession. This area has been one of intense research, and enormous progress has been made in each of the topics covered in my book. I have been planning a revised edition covering this progress and also other subjects not covered in my 1983 book, such as panel data models, specification errors, and rational expectations. I wrote some reviews in these areas²³ but much progress has taken place. Some of these areas have been reviewed in the papers by Cosslett, Horowitz, Blundell and Smith, Lee, Hajivassiliou, and Keane in *Handbook of Statistics Volume 11*.⁴ It appears that the revised edition of my book will take some time. Hopefully, my revised edition, when it is finished, will give a comprehensive view of this important area of econometric research.

1. Maddala G S & Nelson FD. Maximum likelihood methods for markets in disequilibrium. *Econometrica* 42:1013-30. 1974.

2. Maddala G S. Limited dependent variable models using panel data. *J. Hum. Resour.* 22:307-38, 1987.

3. -----, Estimation of limited dependent variable models under rational expectations. (Maddala G S, Rao C R & Vinod H D, eds.) *Handbook of statistics. Volume 11: econometrics.* Amsterdam, The Netherlands: North Holland, 1993. p. 175-94.

4. Maddala G S, Rao C R & Vinod H D, eds. *Handbook of statistics. Volume 11: econometrics.* Amsterdam. The Netherlands: North Holland, 1993. 764 p.

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