

May 14, 2015

## HAR Inference: Recommendations for Practice

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### Abstract

Since the seminal paper of Andrews (1991), there has been an enormous body of work investigating methods for improved inference in the presence of heteroskedasticity and serial correlation, including expansions, focusing on controlling size distortions, and fixed-b asymptotics. Despite this mature econometric theory and direct practical relevance, empirical practice has not kept up with these developments and mainly uses methods dating from the 1980s and early 1990s. One possible reason for this lag of empirical practice is the lack of a clear recommendation emerging from the literature for what, precisely, should be done. This paper briefly reviews the large body of theory in this area, summarizes the main methods, and compares them in a range of controlled Monte Carlo experiments. The goal is to reach a recommendation for practitioners about how to compute standard errors in typical regression and GMM settings with heteroskedasticity and serial correlation, with the side constraint that it should be possible to explain the key elements of the method to an educated applied econometrician and that it should be readily implementable in common statistical software.