

Model Equivalence Tests for Overidentification Restrictions

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I propose a new theoretical framework to assess the approximate validity of overidentification moment restrictions. Their approximate validity is evaluated by the divergence between the true probability measure and the closest measure that imposes the moment restrictions of interest. The divergence can be chosen as any of the Cressie-Read family. The considered alternative hypothesis states that the divergence is smaller than some user-chosen threshold. I derive the semi-parametric power envelope of invariant tests and I propose tests that each this envelope.