WILD-BOOTSTRAPPED T-STATISTICS

A small number of clusters seriously affects the validity of clustered standard error.

Wild-bootstrapped t-statistics perform well, even with numbers of clusters as low as 10 (Cameron et al., 2008). As a useful rule of thumb, you should use wild bootstraps for inference when your number of clusters in at least one clustering dimension is below 40.

Wild bootstraps are implemented in Stata with the `boottest` command.

The command saves the p-value of the tested hypothesis in `r(p)` and plots the empirical distribution of the test-statistic.

The syntax:
First run your normal regression (e.g. `reg y treatment`). Then you can use the following syntax:

```
boottest treatment=0, cluster(cluster1 cluster2) reps() seed()
```

- `treatment=0` is the hypothesis of interest. You can also specify more than one hypothesis and bootstrap Wald-tests of significance.
- `cluster(cluster1 cluster2)` defines the clustering dimensions. The boottest command allows multiple dimensions of clustering and bootstraps using all specified clustering dimensions.
- `reps` specifies the number of bootstrap replications.
- `seed` is a random seed for the boottest command. You should always set a seed to ensure that others can replicate your results.