

Important Thoughts Concerning Serious Things*

Term Paper

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October 6, 2021

Abstract

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JEL-Codes: Code1, Code2, Code3.

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List of Abbreviation

| | |
|------|-----------------------------------|
| MLE | Maximum likelihood estimator |
| OLS | Ordinary Least Squares |
| PML | Pseudo Maximum Likelihood |
| PPML | Poisson pseudo maximum likelihood |

1 Introduction

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2 The Model

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$$Y = F(K, L) \tag{1}$$

$$\Rightarrow dY = F_K dK + F_L dL. \tag{2}$$

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3 Estimation Strategy

I estimate variants of the following model:

$$DEM_{it} = \alpha DEM_{i,t-1} + \gamma \log(GDP_{i,t-1}) + \mathbf{x}'_{i,t-1} \boldsymbol{\beta} + \mu_t + \delta_i + u_{i,t}. \quad (3)$$

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4 Data

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5 Results

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Figure 1 depicts the association between the Freedom House measure of democracy

Table 1: Results of fixed-effects-regressions, base sample, 1960–2000

| Dependent Variable | Democracy | Democracy |
|------------------------------------|-------------------|------------------|
| | (1) Pooled OLS | (2) FE OLS |
| Democracy _{<i>t</i>−1} | 0.706 (0.036) | 0.379 (0.051) |
| Log GDP p.c. _{<i>t</i>−1} | 0.072 (0.010) | 0.010 (0.035) |
| <i>N</i> | 945 | 945 |
| Countries | 150 | 150 |
| <i>R</i> ² | 0.725 | 0.796 |

Notes: Base sample is an unbalanced panel, spanning from 1960–2000, with data at five-year intervals, where the start date of the panel refers to the dependent variable. The dependent variable is the Augmented Freedom House Political Rights Index. Standard errors are in round brackets. All regressions use robust standard errors and include time dummies. Column (1) contains results from a Pooled OLS regression, column (2) contains the results from Fixed-Effects OLS with country dummies. In column (3), the Anderson-Hsiao IV estimator is used.

and log income per capita in the 1990s.

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6 Conclusion

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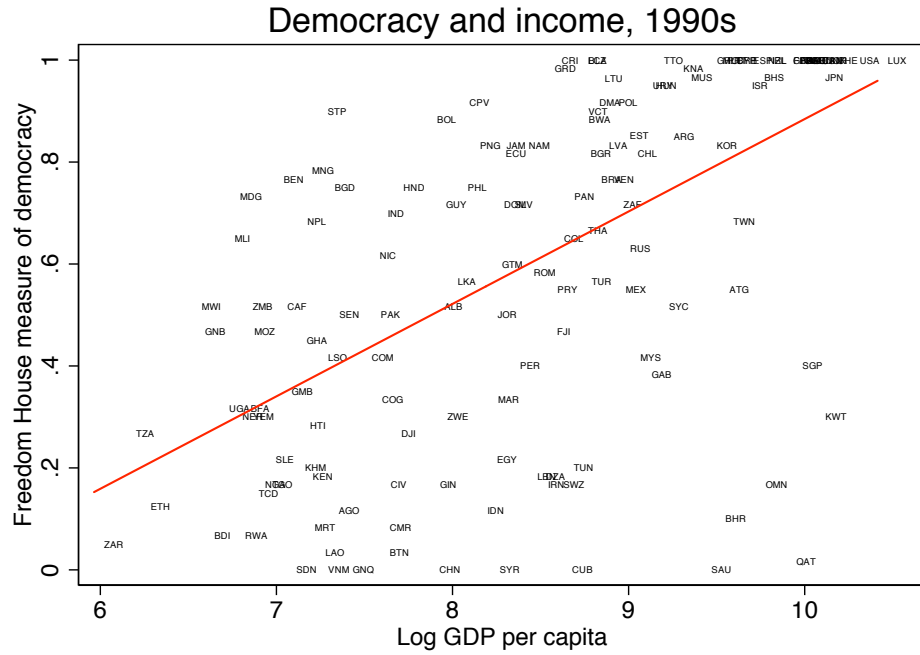


Figure 1: Democracy and income, 1990s.

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Eidesstattliche Versicherung

Hiermit versichere ich, Adam Smith, geboren am 5. Juni 1723, wohnhaft in der Joseph-Schumpeter-Allee 42 in 95444 Bayreuth, gegenüber der Rechts- und Wirtschaftswissenschaftlichen Fakultät der Universität Bayreuth an Eides statt, dass ich meine Abschlussarbeit

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