

Important Thoughts Concerning Serious Things*

Term Paper

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May 12, 2025

Abstract

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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 (1) Pooled OLS	Democracy (2) FE OLS
Democracy _{t-1}	0.706 (0.036)	0.379 (0.051)
Log GDP p.c. _{t-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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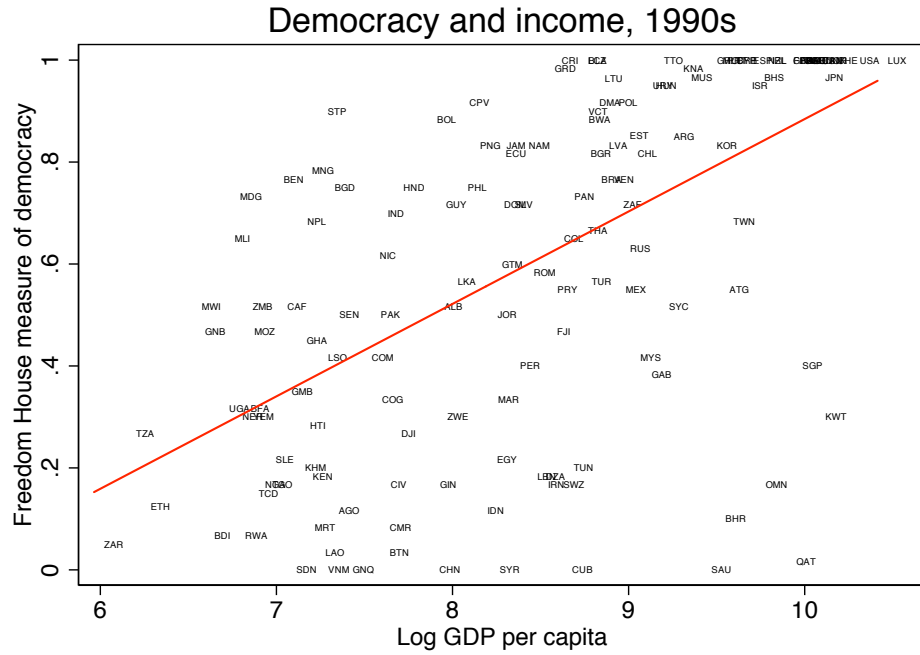


Figure 1: Democracy and income, 1990s.

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