


Advanced Dynamic Panel Data Methods

A Detailed Empirical Illustration

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Empirical Example

The logo for STATA, consisting of the word "STATA" in a bold, blue, sans-serif font. The letters are stylized with a slight shadow effect, giving them a three-dimensional appearance. The "S" and "A"s have a distinctive shape with a small gap at the top.

Conclusion

- Model specification is difficult and application specific.
 - There is no guarantee that a model specification can be found which passes all specification tests.
 - Expert judgment should be used alongside statistical tests.
 - The specification process should be reported transparently to enable replicability and to avoid accusations of specification hacking.
- Panel data cannot solve all problems.
 - While it is possible to account for dynamic feedback effects and time-invariant unobserved effects, omitted time-varying variables and the lack of relevant instruments can still cause identification problems.
- Further problems not considered here can arise from neglected cross-sectional dependence.