Results

David Presberger

16 Februar 2018

Summary Statistics

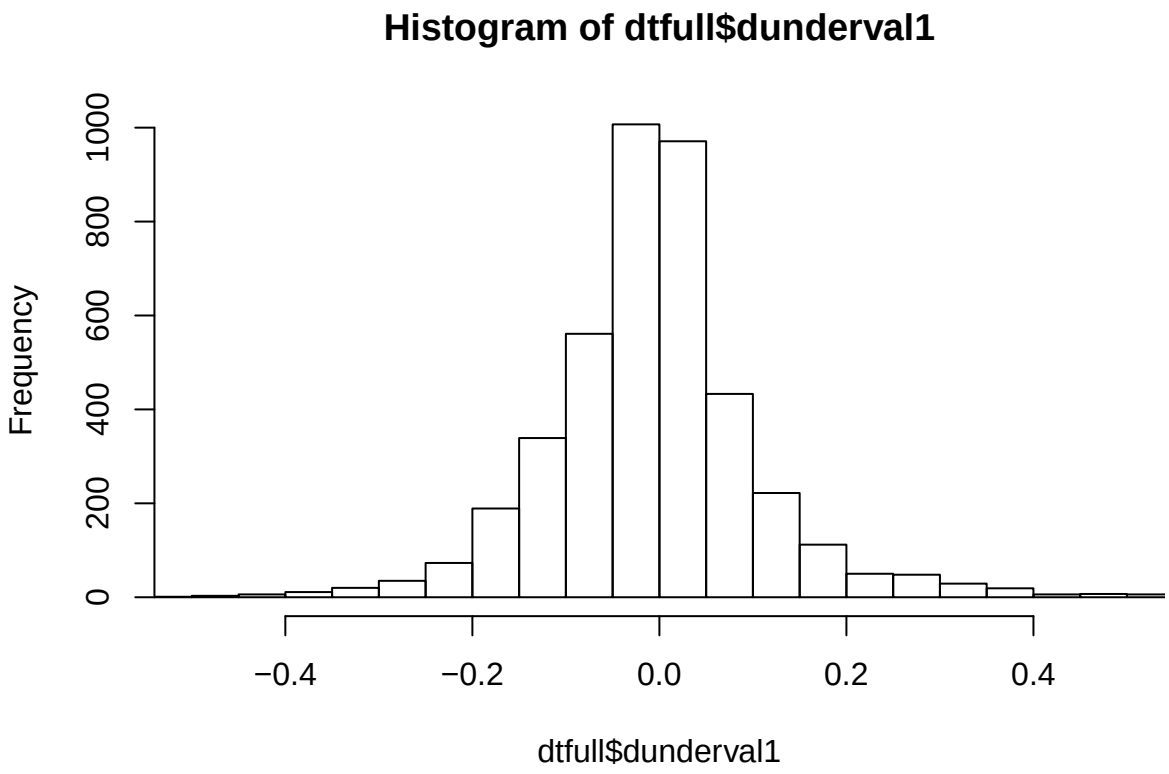
% latex table generated in R 3.4.0 by xtable 1.8-2 package % Fri Feb 23 14:32:11 2018

Variable	*Observations*	*Mean*	*Standard Deviation*	*Minimum*	*Maximum*
entryforceyear*	5119	13.72	7.80	1.00	31.00
agreementsigned	5115	0.28	0.45	0.00	1.00
depthacc	5115	6.24	18.71	0.00	176.00
gdp	4730	224.88	1104.84	0.01	18624.47
polity	3954	2.78	6.55	-10.00	10.00
lvau_garriga	3537	0.54	0.19	0.08	0.97
inflation	4651	41.56	517.04	-57.99	26762.02
nettrade	3949	-0.05	42.37	-761.72	357.87
debtext	3321	26.17	84.82	0.00	1770.54
debtgdp	3206	0.64	0.91	0.00	18.47
underval	4383	0.99	1.24	-5.43	23.70
dunderval1	4202	-0.00	0.31	-7.51	13.43
intrate	1180	8.68	11.68	-0.50	183.20
dprat1	1101	-0.43	6.62	-124.20	113.23
reer	2255	101.13	30.99	32.17	827.17
chreerplus1	2177	0.78	14.04	-87.91	472.17
crisis	4652	0.03	0.17	0.00	1.00

UNDERVAL

Difference Underval Descriptive

```
hist(dtfull$dunderval1, xlim = c(-0.5,0.5), breaks = 360)
```



Models

% Table created by stargazer v.5.2 by Marek Hlavac, Harvard University. E-mail: hlavac at fas.harvard.edu
% Date and time: Fr, Feb 23, 2018 - 14:32:23

Interaction Effect

```
interaction_plot_continuous <- function(model, effect, moderator, interaction, varcov="default", minimu

  # Define a function to make colors transparent
  makeTransparent<-function(someColor, alpha=alph){
    newColor<-col2rgb(someColor)
    apply(newColor, 2, function(curcoldata){rgb(red=curcoldata[1], green=curcoldata[2],
      blue=curcoldata[3],alpha=alpha, maxColorValue=255)})
  }

  # Extract Variance Covariance matrix
  if (varcov == "default"){
    covMat = vcov(model)
  }else{
    covMat = varcov
  }
```

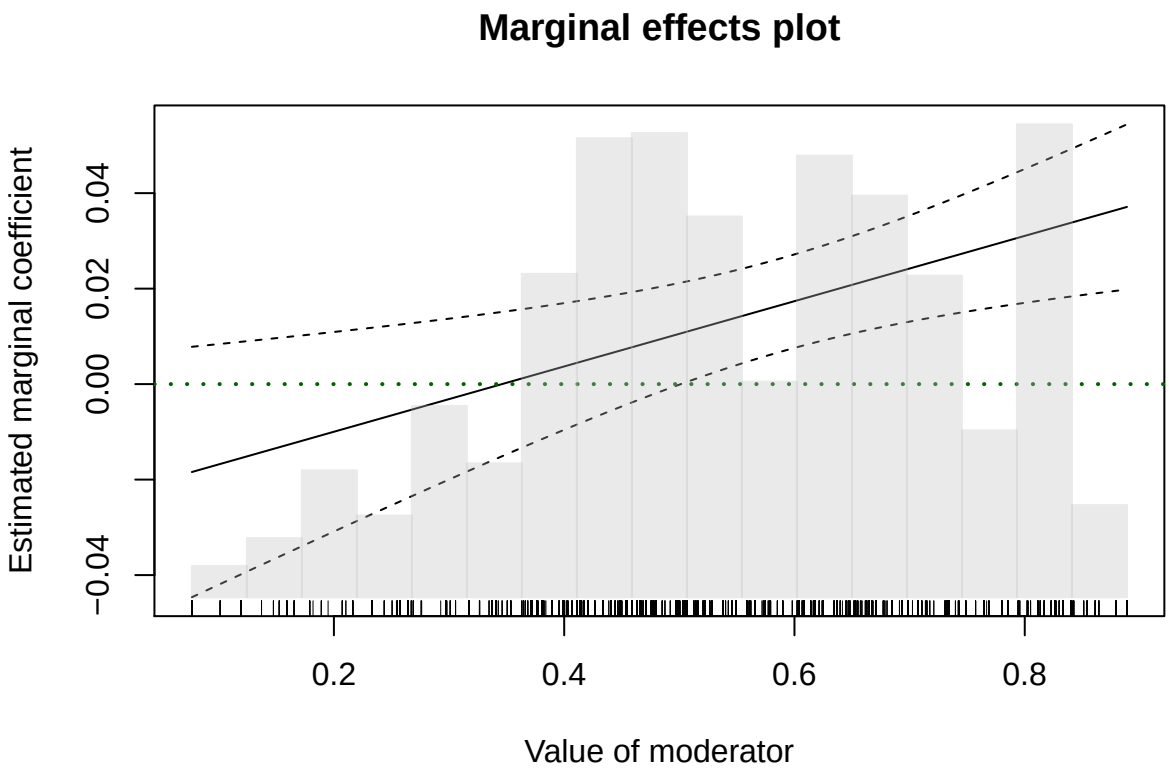
Table 1: Effect on Undervaluation

	Dependent variable:				
	UNVAL+1	dUNVAL	REER	negsqrt(dunderval3)	negsqrt(chreerplu
	(1)	(2)	(3)	(4)	(5)
log1p(depthacc)	−0.012	0.006	−0.024	−0.054*	0.149
	(0.023)	(0.004)	(0.015)	(0.032)	(0.496)
negsqrt(nettrade)	0.007	−0.010***	−0.018***	−0.041***	0.522***
	(0.005)	(0.003)	(0.004)	(0.006)	(0.087)
lvau_garriga	−0.163**	0.089	−0.013	0.037	−0.022
	(0.072)	(0.061)	(0.073)	(0.093)	(1.401)
debtgdp	0.017			−0.039	0.002
	(0.033)			(0.043)	(0.656)
inflation	0.00003	−0.0001***	−0.0001***	−0.0001***	0.001
	(0.00002)	(0.00002)	(0.00003)	(0.00003)	(0.0004)
log(gdp)	−0.390***		0.463***	0.593***	−5.035***
	(0.027)		(0.027)	(0.035)	(0.533)
polity	0.004*	−0.003	−0.006**	−0.005*	0.124***
	(0.002)	(0.002)	(0.003)	(0.003)	(0.046)
crisis	0.027	−0.055	−0.085**	−0.056	0.500
	(0.035)	(0.037)	(0.042)	(0.046)	(0.662)
agreementsigned				−0.003	−0.189
				(0.034)	(0.521)
log1p(depthacc):negsqrt(nettrade)	0.001	−0.0002	−0.0003	0.001	−0.015
	(0.002)	(0.001)	(0.001)	(0.002)	(0.030)
log1p(depthacc):lvau_garriga	−0.010		0.068***	0.088**	−0.930
	(0.027)		(0.024)	(0.035)	(0.591)
log1p(depthacc):debtgdp	0.028			0.020	0.699*
	(0.022)			(0.029)	(0.424)
Observations	1,838	2,537	2,510	1,829	863
R^2	0.146	0.019	0.144	0.214	0.180

Note: *p<0.1; **p<0.05; ***p<0

```
# Extract the data frame of the model
mod_frame = model.frame(model)

# Get coefficients of variables
beta_1 = model$coefficients[[effect]]
beta_3 = model$coefficients[[interaction]]

# Set range of the moderator variable
# Minimum
if (minimum == "min"){
  min_val = min(mod_frame[[moderator]])
}else{
  min_val = minimum
}
# Maximum
if (maximum == "max"){
  max_val = max(mod_frame[[moderator]])
}else{
  max_val = maximum
}

# Check if minimum smaller than maximum
if (min_val > max_val){
  stop("Error: Minimum moderator value greater than maximum value.")
}

# Determine intervals between values of the moderator
if (incr == "default"){
  increment = (max_val - min_val)/(num_points - 1)
}else{
  increment = incr
}

# Create list of moderator values at which marginal effect is evaluated
x_2 <- seq(from=min_val, to=max_val, by=increment)

# Compute marginal effects
delta_1 = beta_1 + beta_3*x_2

# Compute variances
var_1 = covMat[effect,effect] + (x_2^2)*covMat[interaction, interaction] + 2*x_2*covMat[effect, intera

# Standard errors
se_1 = sqrt(var_1)

# Upper and lower confidence bounds
z_score = qnorm(1 - ((1 - conf)/2))
upper_bound = delta_1 + z_score*se_1
lower_bound = delta_1 - z_score*se_1

# Determine the bounds of the graphing area
max_y = max(upper_bound)
min_y = min(lower_bound)
```

```
  # Make the histogram color
  hist_col = makeTransparent("grey")

  # Initialize plotting window
  plot(x=c(), y=c(), ylim=c(min_y, max_y), xlim=c(min_val, max_val), xlab=xlabel, ylab=ylabel, main=titl

  # Plot estimated effects
  lines(y=delta_1, x=x_2)
  lines(y=upper_bound, x=x_2, lty=2)
  lines(y=lower_bound, x=x_2, lty=2)

  # Add a dashed horizontal line for zero
  abline(h=0, lty=3, lwd=2, col="darkgreen")

  # Add a vertical line at the mean
  if (mean){
    abline(v = mean(mod_frame[[moderator]]), lty=2, col="red")
  }

  # Add a vertical line at the median
  if (median){
    abline(v = median(mod_frame[[moderator]]), lty=3, col="blue")
  }

  # Add Rug plot
  if (rugplot){
    rug(mod_frame[[moderator]])
  }
  # Add Histogram (Histogram only plots when minimum and maximum are the min/max of the moderator)
  if (histogram & minimum=="min" & maximum=="max"){
    par(new=T)
    hist(mod_frame[[moderator]], axes=F, xlab="", ylab="",main="", border=hist_col, col=hist_col)
  }
}

interaction_plot_continuous(modunval3,"log1p(depthacc)","lvau_garriga","log1p(depthacc):lvau_garriga")
```



POLICY RATES

% Table created by stargazer v.5.2 by Marek Hlavac, Harvard University. E-mail: hlavac at fas.harvard.edu
% Date and time: Fr, Feb 23, 2018 - 14:32:57

ROBUSTNESS

% Table created by stargazer v.5.2 by Marek Hlavac, Harvard University. E-mail: hlavac at fas.harvard.edu
% Date and time: Fr, Feb 23, 2018 - 14:33:07

Table 2: Effect on Policy Rates

	Dependent variable:					
	PRAT+1	PRAT+1	PRAT+1	dPRAT+1	dPRAT+2	dPRAT+3
	(1)	(2)	(3)	(4)	(5)	(6)
log1p(depthacc)	2.475	2.399	0.719	−0.004	−0.125	−0.515
	(1.656)	(1.615)	(1.622)	(0.320)	(0.356)	(0.371)
lvau_garriga	−15.837***	−10.516**	−8.261	−0.279	−0.553	−0.780
	(5.438)	(5.313)	(5.293)	(1.054)	(1.169)	(1.218)
debtgdp	−1.562	−2.829	−4.501	−0.443	−0.683	−0.911
	(3.273)	(3.192)	(3.145)	(0.638)	(0.711)	(0.741)
negsqrt(nettrade)	0.340	0.177	0.111	−0.194**	−0.310***	−0.296***
	(0.396)	(0.384)	(0.385)	(0.076)	(0.084)	(0.088)
inflation	0.236***	0.055***	0.046***	−0.009	−0.016**	−0.019**
	(0.026)	(0.015)	(0.016)	(0.007)	(0.007)	(0.008)
log(gdp)	2.400	3.436*	1.767	0.655	1.289***	1.193**
	(2.169)	(2.078)	(2.053)	(0.433)	(0.482)	(0.502)
polity	−0.235	−0.103	−0.032	0.003	0.015	0.003
	(0.199)	(0.198)	(0.195)	(0.037)	(0.041)	(0.042)
crisis	−9.871***	12.661***	−1.348	1.222*	2.185***	0.772
	(3.638)	(3.040)	(3.126)	(0.729)	(0.811)	(0.845)
agreementsigned	0.113	3.247	2.628	0.164	0.493	0.574
	(2.127)	(2.076)	(2.078)	(0.420)	(0.468)	(0.487)
log1p(depthacc):lvau_garriga	−5.766***	−6.792***	−4.625***	−0.399	−0.250	0.164
	(1.752)	(1.718)	(1.736)	(0.332)	(0.370)	(0.385)
log1p(depthacc):debtgdp	1.697	1.717	2.036	0.242	0.282	0.389
	(1.502)	(1.455)	(1.456)	(0.287)	(0.320)	(0.333)
log1p(depthacc):negsqrt(nettrade)	0.213*	0.333***	0.308**	0.018	0.067**	0.045
	(0.125)	(0.124)	(0.124)	(0.024)	(0.027)	(0.028)
Observations	544	584	620	502	502	501
R^2	0.253	0.182	0.079	0.039	0.078	0.071

Note: *p<0.1; **p<0.05; ***p<0.01

Table 3: Effect on Undervaluation Broken Down

	Dependent variable:			
	UNVALp1			
	(1)	(2)	(3)	(4)
log1p(depthacc)	0.007	0.042	−0.105**	−0.111**
	(0.041)	(0.093)	(0.052)	(0.052)
lvau_garriga	0.004	0.025	0.435***	0.429**
	(0.112)	(0.231)	(0.167)	(0.178)
debtgdp	0.017	−0.099	−0.041	0.080
	(0.059)	(0.180)	(0.075)	(0.080)
inflation	−0.0002***	−0.0001	0.00000	0.0001
	(0.00004)	(0.0002)	(0.00004)	(0.001)
log(gdp)	0.518***	0.603***	0.358***	0.510***
	(0.054)	(0.115)	(0.055)	(0.075)
polity	0.001	0.013*	−0.008*	−0.012***
	(0.003)	(0.008)	(0.005)	(0.005)
crisis	−0.182***	−0.285**	0.248***	0.119
	(0.051)	(0.126)	(0.075)	(0.086)
agreementsigned	0.049	0.063	0.032	0.112**
	(0.038)	(0.095)	(0.058)	(0.056)
log1p(depthacc):lvau_garriga	0.029	0.048	0.095*	0.049
	(0.049)	(0.115)	(0.051)	(0.051)
log1p(depthacc):debtgdp	−0.041	−0.117	0.062	0.066
	(0.033)	(0.087)	(0.043)	(0.043)
Observations	991	211	1,036	741
R^2	0.157	0.344	0.082	0.106
Note:				*p<0.1; **p<0.05; ***p<0.01