

# Convergence Clubs and Regression Trees

0686 - Spatial Economics

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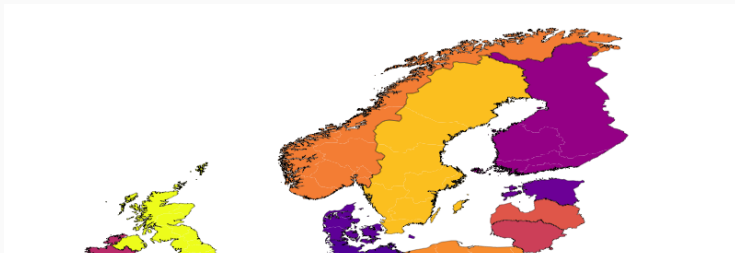
Recap: European Regional Database by Cambridge Econometrics

We limit the dataset to:

- timeframe 2000-2015
- no Croatia (i.e. two fewer NUTS 2 regions)

This means we get to:

- use the full set of variables
- keep a detailed London (five NUTS 2 regions)



## Oh what a merry regression tree

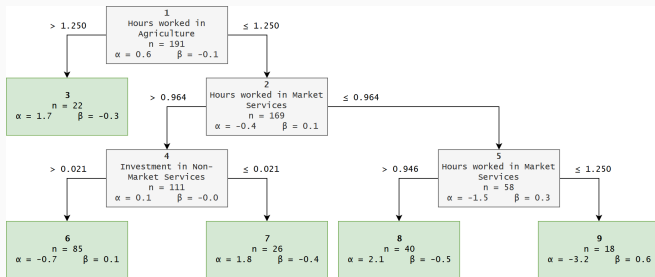
Split observations into clubs:

```
tree <- function(data, split_vars, end_criteria) {  
  split <- find_best_split(...)  
  if (!end_criteria) {  
    return(list(tree(split$data1, ...),  
                tree(split$data2, ...)))  
  } else { # if(end_criteria)  
    return(data)  
  }  
}
```

# Regression Tree

We receive a recursive, tree-like data structure that is:

- hard to deal with (a **lot** of helper functions are necessary)
- pretty nice

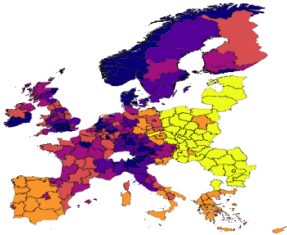


# Regression Tree

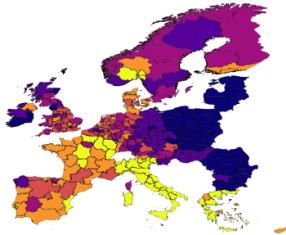
Our results are comparable to partykit (Hothorn and Zeileis 2015).

Still there's the caveat of spatially filtering the data. ## Motivation

GDP p.c. in 2000  
Quantile map



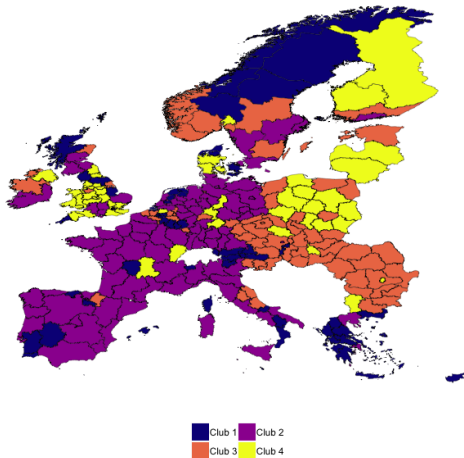
GDP p.c. growth 2000-15  
Quantile map



# Results

Convergence clubs NUTS 2

Unfiltered data



**Table 1:** Regression results using unfiltered data

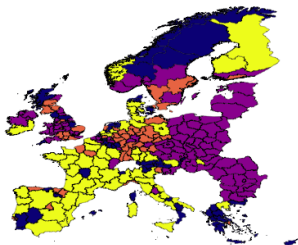
	<i>Dependent variable:</i>			
	GDP p.c. growth rate 2000-15			
	(1)	(2)	(3)	(4)
Constant	-1.139*** (0.323)	-0.265 (0.360)	1.769*** (0.146)	2.922*** (0.147)
Initial GDP p.c.	0.120*** (0.032)	0.035 (0.036)	-0.159*** (0.016)	-0.275*** (0.015)
Observations	63	92	67	51
Residual Std. Error	0.118 (df = 61)	0.105 (df = 90)	0.129 (df = 65)	0.086 (df = 49)

*Note:*

\* $p < 0.1$ ; \*\* $p < 0.05$ ; \*\*\* $p < 0.01$

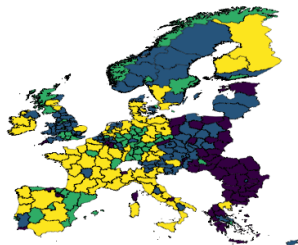
# Results

Convergence clubs NUTS 2  
SAR-filtered data



Club 1 Club 2  
Club 3 Club 4

Convergence clubs NUTS 2  
SEM-filtered data



Club 1 Club 2  
Club 3 Club 4



**Table 2:** Regression results using SAR-filtered data

	<i>Dependent variable:</i>			
	GDP p.c. growth rate 2000-15			
	(1)	(2)	(3)	(4)
Constant	-1.174*** (0.343)	1.445*** (0.122)	1.296*** (0.383)	-0.037 (0.470)
Initial GDP p.c.	0.109*** (0.034)	-0.142*** (0.013)	-0.128*** (0.037)	-0.003 (0.047)
Observations	63	97	55	58
Residual Std. Error	0.125 (df = 61)	0.124 (df = 95)	0.073 (df = 53)	0.110 (df = 56)

Note:

\*  $p < 0.1$ ; \*\*  $p < 0.05$ ; \*\*\*  $p < 0.01$

- partykit
- flattening trees
- try model on all?
- only spatial filtering

**Table 3:** Regression results using SEM-filtered data

	<i>Dependent variable:</i>			
	GDP p.c. growth rate 2000-15			
	(1)	(2)	(3)	(4)
Constant	−0.039** (0.018)	0.088*** (0.014)	0.016 (0.020)	−0.021 (0.022)
Initial GDP p.c.	−0.277*** (0.022)	−0.265*** (0.026)	−0.061** (0.028)	−0.132*** (0.047)
Observations	55	89	59	70
Residual Std. Error	0.117 (df = 53)	0.120 (df = 87)	0.086 (df = 57)	0.106 (df = 68)

Note:

\*  $p < 0.1$ ; \*\*  $p < 0.05$ ; \*\*\*  $p < 0.01$

- where are our clubs
- why are they split this way
- how do they compare (unfiltered, sar, sem)

Hothorn, Torsten, and Achim Zeileis. 2015. "partykit: A Modular Toolkit for Recursive Partytioning in R." *Journal of Machine Learning Research* 16: 3905–9.  
<http://jmlr.org/papers/v16/hothorn15a.html>.