| **Table 1: Democracy and Pollution Outsourcing** | | | | |
| --- | --- | --- | --- | --- |
|  | **Model 1** | **Model 2** | **Model 3** | **Model 4** |
| Democracy (Within) | 0.10\* |  | 0.16\*\*\* | 0.31\*\*\* |
|  | (0.06) |  | (0.05) | (0.05) |
| Democracy (Between) | 3.18\*\*\* |  | 0.65\*\* | 0.65\*\* |
|  | (0.55) |  | (0.30) | (0.31) |
| Population (Within) |  | -0.42\*\*\* | -0.43\*\*\* | -0.49\*\*\* |
|  |  | (0.05) | (0.05) | (0.05) |
| Population (Between) |  | 0.83\*\*\* | 0.83\*\*\* | 0.85\*\*\* |
|  |  | (0.04) | (0.04) | (0.04) |
| GDP per capita (Within) |  | -1.04\*\*\* | -1.07\*\*\* | 0.16 |
|  |  | (0.11) | (0.11) | (0.13) |
| GDP per capita2 (Within) |  | 0.09\*\*\* | 0.09\*\*\* | 0.02\*\* |
|  |  | (0.01) | (0.01) | (0.01) |
| GDP per capita (Between) |  | 0.86\* | 0.87\* | 1.12\*\* |
|  |  | (0.50) | (0.50) | (0.52) |
| GDP per capita2 (Between) |  | 0.01 | 0.00 | -0.01 |
|  |  | (0.03) | (0.03) | (0.03) |
| Constant | 1.33\*\*\* | -17.90\*\*\* | -17.97\*\*\* | -20.25\*\*\* |
|  | (0.32) | (2.23) | (2.20) | (2.30) |
| Controls | No | Yes | Yes | Yes |
| Country-FE | Yes | Yes | Yes | Yes |
| Year-FE | Yes | Yes | Yes | Yes |
| AIC | 2337.50 | 947.71 | 941.51 | -1173.02 |
| BIC | 2527.30 | 1161.14 | 1167.49 | -1007.31 |
| Log Likelihood | -1138.75 | -439.86 | -434.76 | 614.51 |
| Num. obs. | 4133 | 3933 | 3933 | 2747 |
| Num. groups: Country | 163 | 161 | 161 | 155 |
| Var: Country (Intercept) | 3.32 | 0.66 | 0.65 | 0.65 |
| Var: Residual | 0.07 | 0.06 | 0.06 | 0.03 |
| Notes: \*\*\*p < 0.01; \*\*p < 0.05; \*p < 0.1 | | | | |

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| **Table 2: Environmental Performance and Pollution Outsourcing** | | | |
| --- | --- | --- | --- |
|  | **Model 5** | **Model 6** | **Model 7** |
| Pollution Outsourcing (Within) | 0.07\*\*\* |  | 0.03\*\*\* |
|  | (0.01) |  | (0.01) |
| Pollution Outsourcing (Between) | 0.22\*\*\* |  | -0.05 |
|  | (0.03) |  | (0.04) |
| Democracy (Within) | 0.17\*\*\* |  | 0.14\*\*\* |
|  | (0.03) |  | (0.02) |
| Democracy (Between) | 0.60\*\* |  | -0.75\*\*\* |
|  | (0.25) |  | (0.14) |
| Population (Within) |  | 0.23\*\*\* | 0.23\*\*\* |
|  |  | (0.02) | (0.02) |
| Population (Between) |  | 0.04\* | 0.07\*\* |
|  |  | (0.02) | (0.04) |
| GDP per capita (Within) |  | 0.06 | 0.06 |
|  |  | (0.05) | (0.05) |
| GDP per capita2 (Within) |  | 0.02\*\*\* | 0.02\*\*\* |
|  |  | (0.00) | (0.00) |
| GDP per capita (Between) |  | 0.54\*\* | 0.55\*\* |
|  |  | (0.26) | (0.24) |
| GDP per capita2 (Between) |  | 0.00 | 0.01 |
|  |  | (0.02) | (0.01) |
| Constant | 0.36\*\*\* | -3.80\*\*\* | -4.52\*\*\* |
|  | (0.13) | (1.13) | (1.23) |
| Controls | No | Yes | Yes |
| Country-FE | Yes | Yes | Yes |
| Year-FE | Yes | Yes | Yes |
| AIC | -4009.55 | -4914.28 | -4965.35 |
| BIC | -3807.12 | -4700.88 | -4726.84 |
| Log Likelihood | 2036.78 | 2491.14 | 2520.67 |
| Num. obs. | 4130 | 3930 | 3930 |
| Num. groups: Country | 163 | 161 | 161 |
| Var: Country (Intercept) | 0.56 | 0.17 | 0.14 |
| Var: Residual | 0.02 | 0.01 | 0.01 |
| Notes: \*\*\*p < 0.01; \*\*p < 0.05; \*p < 0.1 | | | |

| **Table 3: Environmental Performance and Pollution Outsourcing** | | |
| --- | --- | --- |
| **by Level of Democracy (Within)** | | |
|  | **Lower dem.** | **Higher dem.** |
| Pollution Outsourcing (Within) | 0.04\*\*\* | -0.07\*\*\* |
|  | (0.01) | (0.01) |
| Pollution Outsourcing (Between) | -0.07 | -0.13\*\*\* |
|  | (0.04) | (0.04) |
| Population (Within) | 0.02 | 0.36\*\*\* |
|  | (0.03) | (0.04) |
| Population (Between) | 0.11\*\*\* | 0.13\*\*\* |
|  | (0.04) | (0.04) |
| GDP per capita (Within) | -0.32\*\*\* | 1.10\*\*\* |
|  | (0.08) | (0.10) |
| GDP per capita2 (Within) | 0.04\*\*\* | -0.03\*\*\* |
|  | (0.01) | (0.01) |
| GDP per capita (Between) | -0.49 | 0.88\*\*\* |
|  | (0.34) | (0.33) |
| GDP per capita2 (Between) | 0.08\*\*\* | -0.01 |
|  | (0.02) | (0.02) |
| Constant | -1.65 | -6.85\*\*\* |
|  | (1.50) | (1.66) |
| Controls | Yes | Yes |
| Country-FE | Yes | Yes |
| Year-FE | Yes | Yes |
| AIC | -2128.61 | -2948.03 |
| BIC | -1928.86 | -2745.82 |
| Log Likelihood | 1100.31 | 1510.01 |
| Num. obs. | 1898 | 2032 |
| Num. groups: Country | 109 | 105 |
| Var: Country (Intercept) | 0.16 | 0.14 |
| Var: Residual | 0.01 | 0.01 |
| Notes: \*\*\*p < 0.01; \*\*p < 0.05; \*p < 0.1, Cut-off at the median of democracy variable. | | |

| **Table 4. Environmental Performance and Pollution Outsourcing**  **by Level of Democracy (Between)** | | |
| --- | --- | --- |
|  | **Lower dem.** | **Higher dem.** |
| Pollution Outsourcing (Within) | 0.00 | 0.03\*\* |
|  | (0.01) | (0.01) |
| Pollution Outsourcing (Between) | -0.04 | -0.09\* |
|  | (0.05) | (0.05) |
| Population (Within) | 0.01 | 0.49\*\*\* |
|  | (0.03) | (0.04) |
| Population (Between) | 0.12\*\*\* | 0.10\* |
|  | (0.05) | (0.05) |
| GDP per capita (Within) | -0.40\*\*\* | 0.87\*\*\* |
|  | (0.07) | (0.09) |
| GDP per capita2 (Within) | 0.04\*\*\* | -0.02\*\*\* |
|  | (0.01) | (0.01) |
| GDP per capita (Between) | -0.30 | 0.82\* |
|  | (0.34) | (0.43) |
| GDP per capita2 (Between) | 0.06\*\*\* | -0.01 |
|  | (0.02) | (0.02) |
| Constant | -2.60\* | -6.04\*\*\* |
|  | (1.54) | (2.30) |
| Controls | Yes | Yes |
| Country-FE | Yes | Yes |
| Year-FE | Yes | Yes |
| AIC | -2258.10 | -2768.54 |
| BIC | -2058.29 | -2566.39 |
| Log Likelihood | 1165.05 | 1420.27 |
| Num. obs. | 1901 | 2029 |
| Num. groups: Country | 79 | 82 |
| Var: Country (Intercept) | 0.14 | 0.14 |
| Var: Residual | 0.01 | 0.01 |
| Notes: \*\*\*p < 0.01; \*\*p < 0.05; \*p < 0.1, Cut-off at the median of *mean* democracy variable. | | |

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Left-hand panel: This plot visually summarizes the main findings of the model on the split sample for the within-effect of *Pollution Outsourcing* on CO2 emission levels (within countries). In less democratic settings, an increase in *Pollution Outsourcing* in comparison to the long-term average of a country is associated with an increase in CO2 emissions. For less democratic settings, the picture is reversed: Increases in Pollution Outsourcing relative to the country-mean are associated with decreases in CO2 emissions.

Right-hand panel: This plot visually summarizes the main findings of the model on the split sample for the between-effect of *Pollution Outsourcing* on CO2 emission levels (between countries). In the set of less democratic countries, more outsourcing is not significantly associated with CO2 emissions. In the set of more democratic countries, more outsourcing is negatively associated with lower CO2 emission levels.

Why do we have different models? As interactions in within-between random effects models are very complex, we opt for working with a sample split to demonstrate the diverging effects of outsourcing in more vs. less democratic settings. We split the sample in two different manners for the within- and the between-effects. For the within-effects, the sample is split in more and less democratic contexts based on the variable *Democracy*. Thereby, every country-year falling below the median of this variable ends up in the lower democracy sample, while country-year observations above or equal to the median comprise the higher democracy sample.

For the between-effects however, we use the median of the mean\_democracy variable to do the sample split. Because the observation level is here the country and not the country-year, splitting observations based on the democracy mean per country makes more sense.

Substantively: First differences between

* Pollution outsourcing within (more – less democratic)
* Pollution outsourcing between (more – less democratic)