

Example 7-4

September 11, 2020

```
[ ]: # install the following packages and libraries
install.packages("plm")
install.packages("pder")

library("plm")

# import the data
data("DemocracyIncome", package = "pder")
```

```
[2]: ##-----Block 1-----

#### Example 7-4 ####

## -----

# Anderson and Hsiao Estimator
ahsiao <- plm(diff(democracy) ~ lag(diff(democracy)) +
             lag(diff(income)) + year - 1 |
             lag(democracy, 2) + lag(income, 2) + year - 1,
             DemocracyIncome, index = c("country", "year"),
             model = "pooling", subset = sample == 1)
coef(summary(ahsiao))[1:2, ]
```

	Estimate	Std. Error	z-value	Pr(> z)
lag(diff(democracy))	0.4686593	0.1181956	3.9651163	7.336016e-05
lag(diff(income))	-0.1035793	0.3048546	-0.3397662	7.340326e-01