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**Use Simmons and Elkins Libcap.dta dataset for investigation of causal mechanisms

**To generate the Expected Relationship we begin with the relevant regressions

** As described in the text we use a framework where we use Logit instead of Survival Analysis

**first need to make splines -- using mkspline to make 4 cubic splines

mkspline YearSpline = year, cubic nknots(4)

set more off

**Then, need to estimate models.
**Reduced Model without variable for Policies of Capital Competitors
logit cap mnlbcap tclbcap hglbcap tplbcap btlbcap ptlbcap rllbcap cllbcap lglbcap cagdp2 chgdp
gdppcap usint crisis openness democ execnat cbi comlaw imfcred odapcap bdlbcap nblbcap mer cur
YearSpline1 YearSpline2 YearSpline3, vce(robust)

predict NoCapCompLogitModel

**in this model 379 observations are dropped b/c when ExecNat is not 0, failure is perfectly
predicted

**Full model from Simmons and Elkins, but using Logit and restricted to same observations as the
reduced model
logit cap cclbcap mnlbcap tclbcap hglbcap tplbcap btlbcap ptlbcap rllbcap cllbcap lglbcap cagdp2
chgdp gdppcap usint crisis openness democ cbi comlaw imfcred odapcap bdlbcap nblbcap mer cur
YearSpline1 YearSpline2 YearSpline3 if e(sample), vce(robust)

predict FullLogitModel
gen ChangeProbFullMinusReduced= FullLogitModel-NoCapCompLogitModel

**Figure 5.2 Histogram of key explanatory variable
histogram cclbcap, percent

**Figure 5.3 Showing Expected Relationship and X1 values
graph twoway (scatter ChangeProbFullMinusReduced cclbcap if cap==0, msymbol(smcircle)) (scatter
ChangeProbFullMinusReduced cclbcap if cap==1, msymbol(X)), legend(off)

**to compute the marginal effects:

margins, at(cclbcap=(0 1 2 3 4 5 6 7 8 9 10)) atmeans vsquish post

marginsplot
marginsplot, noci

mat t=J(11,3,.)

mat a = (0\1\2\3\4\5\6\7\8\9\10) /* get the 11 "at" values */

forvalues i=1/11 {
    mat t[`i',1] = _b[`i'._at] /* get probability estimates */
    mat t[`i',2] = _b[`i'._at] - 1.96*_se[`i'._at] /* compute lower limit */
    mat t[`i',3] = _b[`i'._at] + 1.96*_se[`i'._at] /* compute upper limit */
}

mat t=t,a /* horizontal concatenation */
mat colnames t = prob ll ul at /* fix column names */
svmat t, names(col) /* save matrix as data */

twoway (rarea ll ul at)(line prob at), legend(off) ///
xtitle(CapCompetitors) ytitle(probability) scheme(lean1)

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