Online appendix for: A Bayesian Approach to Dynamic Panel Models with Endogenous Rarely Changing Variables

This appendix provides the description of the values used for prior distributions. The values of the hyperparameters for priors used in the simulation and application are the same, which is summarized in Table A1. The values are chosen to present vague priors for parameters of interest.

Table A1: Values for the Prior Distributions in the Simulation and Application

Parameters	Prior Distribution	Values for Hyperparameter
σ_{ε}^2	Inv-Gamma$(v_0/2, d_0/2)$	$v_0/2 = 0.01, d_0/2 = 100$
$\boldsymbol{\beta}$	$\mathrm{N}(\boldsymbol{b}_0, \boldsymbol{B}_0)$	$\boldsymbol{b}_0 = \mathbf{0}, \boldsymbol{B}_0 = 10000\mathbf{I}$
σ_{ξ}^2	Inv-Gamma$(g_0/2, h_0/2)$	$g_0/2 = 0.01, h_0/2 = 100$
ζ_0	$\mathrm{N}(m_0, a_0)$	$m_0 = 0, a_0 = 10000$
$\boldsymbol{\Omega}$	Inv-Wishart$_p(\nu_0, \boldsymbol{\Lambda}_0^{-1})$	$\nu_0 = p + 1, \boldsymbol{\Lambda}_0^{-1} = \mathbf{I}_p$