

Review of "Technological Development and Software Piracy"

Overview

This paper presents an empirical analysis of software piracy using a large panel data set describing 111 countries over a seven-year period. The authors start with a very general model with many explanatory variables and use the Incremental Forward Stagewise Regression to refine the model to be more parsimonious. The empirical results show that life expectancy is negatively related to software piracy and that taxes are positively related to software piracy. The authors find mixed evidence about the relationship between technological development and software piracy. Finally, the authors investigate social structure including legal frameworks and find that software piracy is negatively related to legal systems based on common law and in societies that have greater diversity.

General Comments

The paper is relatively well written and well-motivated. The research question is clearly stated and the data used in the empirical analysis appears to be appropriate. The econometric methodologies also appear to be appropriate for the problem at hand. The general to specific approach that the authors use is obviously a matter of taste, however there are so many variables included with relatively little theoretical justification that the general to specific approach is necessary. While the title suggests that the focus is on technological development and software piracy, it seems that the technological development is only one of several major influences on software piracy. The title might need to be revised to more closely match the body of the text.

Specific Comments

Table 1 lists the outcomes of the Likert-scale questions. However, the answers to the questions are not very helpful. For example, the response for the variable EMM is "1=dominated by a few" but what does that response mean? Many of the variables appear to be subjectively answers rather than objectively answered and therefore their connection to software piracy would appear to be weak at best.

In the methodology section, equation set (3) seems to use bad notation. I think the authors are trying to explain that the beta parameter vector is expanding in dimension but the notation appears to indicate that the parameter vector is changing in magnitude? Perhaps I am misreading the notation and, if so, then the authors need to do a better job in describing exactly what is going on.

In the methodology section, what does equation (4) contribute to the discussion? The "shrinkage parameter" seems to pop up out of nowhere and it is not clear where it fits into the process. This needs to be addressed in the next iteration of the paper.

In Table 4, are not the results subject to a generated regressand problem? One solution is to use a bootstrap to calculate the standard errors. This should be done and at least mentioned if not reported in the table.