Smooth Approximations to Monotone Concave Functions in Production Analysis: An Alternative to Nonparametric Concave Least Squares

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Highlights

- Smooth alternative to nonparametric segmented concave least squares.
- We use a differentiable approximation using smoothly mixing Cobb-Douglas anchor functions.
- Bayesian techniques organized around Markov Chain Monte Carlo.
- Approximation properties investigated with Monte Carlo experiment.
- Applications to a large US banking data set and global banking data.