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# Financial Integration and Economic Growth

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# The Impacts of Financial Integration On Economic Growth between 1970 And 2012

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## Abstract

For decades, financial integration (FI) has become a center of debate for many governments. Despite theoretical impacts of financial liberalization on economic growth are largely positive, empirical evidences on the significance of FI are rather mixed. The following paper, therefore, studies possible impacts of financial integration under different economic conditions, such as financial and equity market development and trade openness. It applies mixture of models, namely General Methods of Moments (GMM), Ordinary Least Squares (OLS), two-staged OLS, transformed OLS, and Panel data approach with 14 financial integration measures, including three new ones over 217 countries between 1970 and 2012. The results confirm that countries with high current account surplus are better off under financial integration, particularly with less inflation and less strict rule-of-law. Financial development damages economic growth in financial repressed markets, unless financial integration measures are practiced simultaneously. Stock market, although its existence brings positive outcomes, its development decreases economic gains under financial integration. Trade openness and unemployment rates are positively associated with growth under FI. Foreign bank presence, although positively correlated with financial development, effects negatively on economic growth, particularly under higher financial openness. International organization (World Trade Organization (WTO), Organization for Economic Cooperation and Development (OECD), and World Bank (WB)) membership presents negative relations to economic growth. We conjecture that organizational contracts once believed to give advantageous gains for both sides are no longer advantageous, because of the recent rapid developments in emerging and developing countries.

*Keywords: financial integration, financial liberalization, financial openness, capital market integration, economic growth, financial repression, financial autarky, economic slowdown*

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# 1 Introduction

Studies, so far, have little success to establish a nexus between *financial integration*<sup>2</sup> (FI), defined by the level of financial openness of a country to global markets, and *economic growth* (growth). One possible reason to explain is the complexity of measuring FI across nations (Eichengreen, 2001; Edison et al., 2002). Because financial integration is hard to measure objectively, it is difficult to estimate its impact on an economy. For instance, International Monetary Fund (IMF) constructed its binary measure depending on the actuality of government capital restrictions, but failed to demonstrate the extent for which the restrictions were effective (Edison et al., 2002). Quinn (1997) undertook a parallel quest exhibiting degrees to financial transaction restraint strictness imposed by governments, and confronted with a similar problem. Chinn and Ito (2000) come up with a different method of computing financial openness (known as KAOPEN or ChinnIto index), using IMF's AREAER (Annual Report on Exchange Arrangements and Exchange Restrictions) database, but did not help form a relation between financial integration and economic growth. In a different manner, past researches (Edison et al., 2002; Bluedorn et al., 2011; Gilles and Benjamin, 2013; Harjoat et al., 2013) widely used actual capital flows to approximate financial integration level, where larger proportions of capital flows over Gross Domestic Product (GDP) indicate deeper integration. The benefits of recapturing such actual flows are that they are untroublesome to obtain and can be computed for longer periods. However, many factors stimulating capital flows do not defend financial integration reasons (Edison et al., 2002). Historical attempts to measure liberalization, therefore, have yet to justify the relevance of financial integration to economic growth (see Adam et al., 2002). Finding new methodology for financial integration measurement, as a result, becomes quite demanding.

Besides, direct effects of financial integration measures on economic growth are not well-grounded in theory. As to neoclassical economic theory, capital account openness leads to risk sharing between countries for which the side effects are largely dependent on domestic financial institutional performance and policy efficiency (Klein and Oliver, 2000; Levine, 2001; Edison et al., 2002; Mougani, 2012). Capital account liberalization, however, is believed to give Pareto efficient capital allocation, distributing assets for its best productivity. This brings itself

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<sup>2</sup> Financial integration should not be confused with financial globalization views, which embrace broader concept. Financial integration only defines the circumstances of how much domestic financial system is open to international market players (see Prasad et al., 2003; World Bank, 2010; Mougani, 2012). Financial liberalization, financial openness, and financial integration, on contrary, expose the same message.

enhanced investment space, new technology, knowledge, and economic growth (*see* Agenor, 2003). Nonetheless, post effects of financial openness also follow with price hikes caused by increased demand to domestic assets or huge capital outflows seeking for security abroad; these might deteriorate domestic welfare, and exaggerate drawbacks of financial integration (Beck et al., 2000). Only proper policy executions can bring better nuances for future prospects of a country.

Given the magnitude of financial integration issue, the following paper *revisits* and *contributes* past studies in four ways.

First, the paper uses three *new measures* of financial integration<sup>3</sup>. Capital flow based methods of financial integration miss to differentiate separate effects of capital inflow and outflow. New measurement of FI deducts excess value of capital inflow and outflow, leaving only absolute bidirectional flows. It includes Foreign Direct Investment (FDI), Portfolio-Equity Investment (PEI), and the total values of both. This way, the effect of FI is not misrepresented by the advantages and disadvantages of capital surplus and discount.

Second, the paper gathers all the models and FI indices used in previous papers, and analyzes *new data* within six models, namely cross-sectional Ordinary Least Squares (OLS), transformed OLS, two-staged OLS, Panel Data approach (Generalized Least Squares), Savings-Investment approach, and General Methods of Moments (GMM). The models embrace 14 financial integration indices, including IMF/Quinn's restriction indices and KAOPEN. The paper also applies tests, such as granger for causality, Hausman, and Breusch-Pagan Lagrange multiplier for identifying fixed or random effects, Cook-Weisberg for heteroscedasticity and Wooldridge for autocorrelation. Past studies have also applied the same methods, but with the inclusion of new data, the paper updates their results.

Third, it tests vast arrays of socio-economic conditions, such as foreign bank share, corruption, political stability, and business freedom<sup>4</sup>. The models also include domestic financial development, trade openness, stock development; education spending, current account, and stability indicators, such as inflation and institutional performances (*see* Edison et al., 2002). We also derive the impacts of being a member of global (trade) organizations, such as World Trade Organization (WTO), European Union (EU), Organization for Economic Cooperation and Development (OECD), and World Bank (WB). Such variety of control variables have never made in a single research paper, but the following paper does its best to outline the impacts of each.

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<sup>3</sup> We owe previous works of Edison et al. (2002) for motivation of creating these measures.

<sup>4</sup> Data accession acknowledgement goes to Heritage Foundation.

Fourth, the paper uses two methods of imputation and reanalyzes the data using the existing models. The first way is to insert *mean* values for absent figures and rerun the analysis. The second is to insert values according to variables' *linear* relationship with other variables and retest the significance of financial integration to economic growth. Such multiple imputation methods aid to alleviate significant missing data problem and gives us comparative results to our original regression models (*see* Schafer, 1997; Rubin, 1987 *for the benefits and use of imputation models*).

The results suggest that foreign bank presence, although positively correlated with financial development, effects negatively on economic growth, particularly under higher financial integration. Financial and equity developments turn significant, having negative and positive effects under financial repressed markets, and quite the opposite under financial openness. Inflation measure alone gives positive gains to growth, but under financial integration, its impact turns negative. The results further confirm that countries with higher natural unemployment or higher account surplus are better off by opening its financial system, and countries with deeper financial system are not recommended to open its financial system (all other things being equal). Country risk and credit ratings alone are significant, sharing negative and positive imprints. However, under financial integration, they become insignificant. The paper also examines growth effects of international organizations under financial integration; financial openness turned negatively associated with growth figures among each OECD, WTO, and World Bank members. Mougani (2010) has questioned these phenomena before, and explained the characteristics of member countries are almost alike, and they fall behind financial liberalization rates seen in developing countries for the last two decades.

At the global stage, financial liberalization steps have been widely debated across Asia, Middle East, and Latin America. The forces behind these were mainly poor macroeconomic positions, high costs of keeping financial autarky and outside pressure, including increased trade integrations, traveling, and migration (Dooley, 2000). To study all the possible impacts of financial liberalization and, thereby, join the debate, the paper lays the following research question and objectives:

“What are the overall impacts of financial integration on economic growth?”

To answer this, the paper pursues below steps:

- i. Measure the level of integration in each country and correlation between measures.
- ii. Identify impact of financial integration on economic growth
- iii. Identify impact of financial integration on economic growth under certain economic conditions, such as financial development, stock development, and institutional effectiveness.
- iv. Detect growth impulses of financial integration under crisis periods.

The rest of the paper is organized in eight sections; section II looks at empirical evidence; section III explains methodology and econometric models, and describes data; section IV presents research outcomes and comparative results to previous works; section V concludes and restates policy recommendations.

## 2 Literature Review

After the end of World War II, countries including Europe and Asia started prioritizing financial integration. First instances began with the establishment of Bretton Wood System, under the United States' leadership. Soon, they had to escape gold standard of US dollar, but even the failure of the system raised vigilance to foreign financial sectors, and led to the development of international capital markets. Although so-called Washington consensus encouraged interest rate liberalizations, financial reforms and restructuring worldwide turned wider than expected (World Bank, 2007). Countries struggling with financial repression back in 1970s and 1980s started to liberalize their financial systems. African countries, with the highest support of World Bank and International Monetary Fund, took several liberalization reforms in 1990s (Jeanne, 2004). East Asian countries such as Indonesia and South Korea were earlier to liberalize its capital market and later their interest rates (World Bank, 2007). Repressed financial regimes of South Asia (e.g. India and Pakistan) also exerted regulation easing in their interest rate and equity markets (Leaven, 2002, 2000). Latin America, although capital restrictions were being implemented in 1980s, had no choice other than opening its system for foreigners (Ayhan, 2009). Anti-communistic actions during 1990s also encouraged many transition economies to open their capital markets to foreign players (Chen et al., 2006).

Empirical studies and theories behind financial integration, for the most part, give a more confusing picture. According to Solow model, countries with lower capital per worker give higher return on capital. A poor country, where labor force is abundant, and capital is deficient, should attract more capital from rich countries, where capital per unit of labor is lower and savings are relatively higher (Romer, 1996). In theory, this should lead positive payoffs for each country (Edison et al., 2002). However, financial integration has mixed effects, usually performed by liberalizing three sectors: *capital account*, *banking*, or *equity markets* (Levine and Easterley, 2001). The following paragraphs discuss each in more details.

First, capital account openness leads to increased Foreign Direct Investment (FDI) and increased foreign competition in domestic business market (Blomstrom and Zejan, 1994; Edward, 1990/2001). When capital market is open for foreign firms, they become direct competitors to domestic manufacturers. Since it is difficult to compete with foreign firms at every industry, domestic manufacturers start to specialize in certain products (Bhagwati, 1998; and Rodrick, 2009; Stieglitz, 2010). The specialization leads to export revenue volatility due to external unexpected demand shocks, such as widespread of illnesses or natural disasters, or simply trade turndowns (Anthony, 2006). Firms start searching alternative buyers. The searching process or outcome also increases the volatility of domestic firm revenues. Now, if a firm



does not generate its revenue, it defaults on its bank debts, hurting domestic financial system and resulting negative domestic growth rates (John Bluedorn et al., 2010). Nevertheless, capital account liberalization benefits developing nations through FDI (Alicia, 2008). Firms not only bring investment, but also transfer of new technology, expertise, and skills (Wooldridge, 2007). This explicitly encourages domestic firms to update on their operations to become more competitive. However, the entering of large multinational corporations put a serious risk towards existing government regimes. They may manipulate domestic economy, favoring their own regulations and rules. This might also result in weakening of supervisory powers and negative growth.

Second, banking liberalization is done through at least three channels. Firstly, FI allows foreign bank to operate in domestic economy. The presence of foreign banks, usually incited by large trade integrations (Galindo et al., 2002), increases domestic industrial competition, leading to the development of domestic financial system. If domestic banking industry shows low management quality, and therefore lacks competitiveness, monetary power will be weakened. As foreign banks are allowed however, this brings improved domestic financial system, new industrial reforms, and leads to increased investment and positive gains in economy (Galindo et al., 2002). For instance, Mexican crisis (also known as “tequila crises”) was, for the most part, due to the bank privatizations held in 1991. Poor credit management led to currency crisis, and the government renationalized most banks. Later, banks were reprivatized for international financial institutions, which do not only manage and offer more financial services, but also absorb losses frankly (IMF, 2004). This proved the importance of quality check for privatization acts, and the solvency of banking system owing to financial openness. Besides, the presence of foreign banks also improves domestic credit lending. With an easy access to funds, domestic banks actively issues loans, despite their deposit amounts. They are now immune to severe credit risks under financial openness (Galindo et al., 2002). SME (Small and Medium Enterprises) benefits from such easy borrowings. It helps them reach their economies of scale (Gianetti et al., 2002) and increase country-level production.

Secondly, banking sector liberalization follows with interest liberalizations. If governments have proper policy management, the impact of interest liberalization is positive on growth (Solomon, 2010). However, external pressure, such as purportedly massive sell offs or purchases might make growth more volatile and uncontrollable (Bhagwati, 1998; Rodrick, 2009; Stieglitz, 2010). As in the case of emerging countries, interest rate liberalization dampens domestic monetary control (Anderson, et al., 2005), and increases risks of domestic financial crisis. Moreover, most emerging countries invest in foreign government bonds. As the result, their dependence on foreign currency rises (Philip Wooldridge, 2007). On this very note, Joseph

(2010) proposes that emerging countries, even though associated with higher factor productivity, were better off with financial autarky than full integration as recent Federal Reserve Bank (USA) tapering program caused desperate melancholy in developing nations.

Thirdly, financial integration leads to mobilization of savings. Savings and investment converges to global equilibrium, as financial integration occurs with low cross-border transactions (Walter, 1873; Hicks, 1969). With the help of banking sector, savings might turn investment in riskless assets or purchase of risky assets, which was the main reason behind crisis exposure in 2007-2009 (see Alicia, 2008). Reforms in many developed countries led to the outbreak of financial innovations and technological progresses. It allowed the creation of risky financial instruments (De Juan, 2002). The spread of risky instrument sales had gone up with the advance of technology. Even rating agencies were imperfect to prevent such actions (Prasad et al., 2003). As a result, countries at higher financial integration level exposed more risk (Hanson, 2003).

Finally yet importantly, as barriers between countries, such as capital restriction regulations and transaction costs, diminish, investors face an opportunity of portfolio diversification (Obstfeld 1994; Quinn, 1997; Acemoglu and Zilibotti, 1997; Edwards, 1990/2001). This goes through equity market liberalization. Diversified portfolio minimizes risk and stabilizes return. With a stable return and an easy access to funds, consumption also becomes smooth (Alesina et al., 1994). There are many advantages of consumption smoothing in macroeconomics. First, it gives stable growth, attracting more businesses. Second, with stable consumption, macroeconomic forecasts are to become more accurate, thus, policies being enacted afterwards will be more effective (Richard, 1996). However, equity liberalization might result bad outcomes, caused by increased volume of speculation, deterring the stability of growth. Excessive capital inflows could easily turn to excessive capital outflow, with risky speculations (IMF, 2004). The historical results of capital outflow, the outburst of Asian (1997/8) crisis, became a historical lesson for many countries.

Latin American countries, such as Brazil and Argentina's first attempt to financial integration led to the countries' recession. Then they began to impose capital impediments once again to stop capital outflows. Chilean economy also experienced tougher consequences of financial integration; financial openness caused domestic crisis (Kohli, 2009). It is widely understood then that if there is a delay in the spread of knowledge, income levels in rich and poor countries differ largely. Countries as they get access to the knowledge, the differences, however, will be eliminated (Rodrik and Arvin, 2009). With the presence of information asymmetry, positive impacts of financial integration fade (Galindo et al., 2002). Foreign banks cease lending domestic businesses directly (Mariassunta, et al., 2007). Domestic banks act as

intermediaries for private lending. This increases costs of borrowing and demotivates businesses. However, with increased financial development and decreasing imperfect information, foreign bank share in private credit increases more relative to domestic bank share (Clarke et al., 2002).

In a direct comparison, India's opening of its capital market - although led to the outbreak of large Vietnamese business shares in the domestic consumer market in the first stage - was a success, making Indian firms more competitive over time. With less regulations, and liberalized stock listings, the country gained increased volume of foreign investment, and improved financial infrastructure (Hanson, 2003). Most probably, the massive event for financial integration is the creation of European Union (Joshua and Reuven, 2008). However, it is yet early to call that European Union is a success that made new European member economies financially integrated to global markets (Alicio et al., 2007). Such regional monetary unity has been a question of scientists and policy makers, as crisis, austerity measures are still going on parts of Europe (Brown et al., 2010).

Although World Bank claims that financial liberalization policies were generally successful in 1990s, empirical studies yield contradictory conclusions about growth effects of FI. Studies (such as Grilli and Milesi-Ferretti, 1995; Rodrik, 1998; and Kraay, 1998; Chanda, 2000; Olivei, 2000; Edison et al., 2002; Mougani, 2012) find no link between economic growth and the IMF-restriction measure. Edward's (1990, 2001) conjecture on positive effects of FI is sensitive to small changes (cited in Edison et al., 2002). Researchers such as Zenasni Soumia and Benhabib (2013) did not consider multicollinearity for their outcome, as t statistics of their control variables are relatively low to its goodness of fit.

To conclude, balancing between maximizing benefits and simultaneously minimizing risks from external impulse shocks might be a good response for financial integration (A research undertaken by Asian Development Bank (ADB)). However, industrial revolution would not have happened, if there had not been improvements in international capital markets, argues Smith and Starr (1966). As Mario Draghi, current president of European Central Bank, state 'financial integration surely leads to bilateral gains, but the quality of financial integration should be the responsibility of both sides', financial liberaliation, after all, gives "greater role for markets in development" (World Bank, 2007).

## 3 Methodology

### 3.1 Data Description

The paper applies annual frequency data from World Development Indicator (WDI), International Monetary Fund, Euromoney, Heritage Foundation, and OECD Databases, at constant USD rates (see appendix). The research covers the period between 1970 and 2012, mainly because of 2 reasons. One is directly linked to the most availability of country level economic variables, and the other is to accelerating importance and level of capital flows since 1970s.

As the research covers 217 countries across the globe, our pooled data excludes top and bottom 5 per cent to eliminate outlier problems. Because the panel data is not strongly balanced (i.e. the availability of time-variant variables differs at periods), the paper tests variables in groups not to lose observations. If the values are complete for any variable, their observation stands at 8397, but the model components vary between 668 and 4404 observations depending on the type of financial integration indicators and variables involved.

To measure financial openness, the paper provides applications of twelve *de facto* FI indices (Edison et al., 2002; Kose et al., 2009; Stieglitz, 2010; Friedrich et al., 2010), and two *de jure* indicators, specifically Chinn-Ito and Quinn financial openness indices (see Quinn, 1997 and Chinn and Ito, 2007). '*De facto*' indices are the post-factors of financial openness, and '*de jure*' factors are rather focused on pre-conditional measures of financial integration, such as legislatives or existing exchange rate systems. Additionally, the paper contributes existing writings by adding three new measures. The new FI indicators only exhibit the flow of absolute bilateral flows, excluding capital surplus and deficits, because we believe that the benefits and drawbacks of excess capital inflow and outflows are distorting the true impact of financial integration volume on growth. Table 7.1.1 provides detailed description of FI measures (see appendix). For all FI indicators, the *higher* value means the *deeper* integration and openness.

For particular economic conditions, our model adopts several variables, and adds new ones (that theories support), in the anticipations of finding relevance. We primarily refer Edison et al. (2002), Levine et al., (2002) and Mougani (2012) for the inclusion of control variables. The paper uses log-transformed values for lessening autocorrelation and heteroscedasticity problems. For instance, economic *growth* is equal to logarithm of real per capita growth (see Edison et al., 2002). Since the main purpose of the paper is correlating domestic welfare to financial integration, real per capita change in output growth presents more accurate picture of welfare improvements or declines. *Investment* and *savings* are represented by the logarithm of gross fixed capital formation and gross savings, higher investment

rate changes than savings rate changes should imply that domestic economy is attracting more of foreign savings as an investment. *Inflation* constitutes growth rate of Consumer Price Index (CPI), and it is one of the main determinants of trade integration, and, therefore, financial integration. The paper also includes *trade openness, stock, and financial development*, represented in logarithmic values. Trade openness is the share of total exports and imports in GDP – studies found a significant positive relation between trade openness and capital openness. Stock development is the ratio of total stock market capitalization to GDP. Financial development is a percentage of private credit to GDP (see Edison et al., 2002; Mougani, 2010). *Budget deficit* and *current account deficit* are given in ratios to GDP. The paper also includes *country, credit, and political risk ratings*, where higher values implicate lower risk. *Education*, the main factor behind productivity and economic performance, is given in expense terms. Empirical evidences suggest positive impacts of education spending (see Jorgenson and Fraumeni 1992; Jung and Thorbecke, 2001; Ogujiuba and Adeniyi, 2005; Aziz et al., 2008; Chandra, 2010) for particularly East Asia, India and Pakistan. Romer (1990), Borenzstein et al., (1998), and Lucas (1988) provided theoretical prove for the importance of education on economic growth. *Foreign bank presence* and *foreign bank share* were extracted from Heritage Foundation. La Porta, (1997), Lopez and Shleifer, (1998), and Galindo et al., (2002) found that foreign bank presence is vital to study FI. Through the contributions of these studies, the models also include updated dummy variables for the location of financial centers.

According to data, capital openness and growth figures were different among regions of the world. Developed countries (high-income group, both OECD members and nonmembers) cleared more of their regulation in the last decade (2000-2012), increasing their minimum average capital openness indices twofold. Upper middle-income countries exercised capital impediments through 1970-1975 and 1985-1995s; lower middle-income countries through 1980-1995. Low-income countries had regulated their capital market between 1985 and 1990, where the average capital openness hit lowest levels; after that it again reached its previous level in 1995, but it is still considerably less open than developed countries. Regional growth rates also varied. Countries with high initial income encountered with lower growth rates (see Romer, 1996). However, when computed in real values, they account for significantly more than less income groups. Upper middle-income countries explicate more growth, whereas lower rates were seen in low-income countries. The figure for both had higher volatilities between 1990 and 2000.

### 3.2 Empirical Model

The paper adopts models developed by Edison et al. (2002) and Mougani (2010) to investigate possible effects of financial integration on domestic growth. They used combination of Ordinary Least Squares (OLS) and Generalized Least Squares (GLS) by including variety of economic variables. Similar methods had also been practiced by Quinn (1997), Rodrick (1998), Kraay (1998), Klein and Olivier (2000) before. They iterated the importance of certain economic conditions, such as initial income, stock market and financial market developments and inflation for financial integration impact.

First, the paper runs cross-sectional OLS regression. It tests for pure cross-sectional impact of (a) financial integration, and then for (b) financial integration under certain economic conditions (Quinn, 1997; Rodrick, 1998; Kraay, 1998; Klein and Olivier, 2000).

$$(i) \quad \ln growth_i = \beta_1 + \beta_2 FI_{2i} + \beta_3 X_{3i} + \varepsilon_i$$

$$(ii) \quad \ln growth_i = \beta_1 + \beta_2 FI_{2i} + \beta_3 (X_{3i} FI_{2i}) + \beta_4 X_{3i} + \varepsilon_i$$

Here,  $i$  represents individual country;

$FI$  for financial integration, and  $X$  for economic variables

Financial integration measures ( $FI$ ) - based on capital flows - are represented by Foreign Direct Investment and Portfolio Equity flows only. The capital flow measures did not include periodic grants, loans from international agencies, such as World Bank and International Monetary Fund, or other small irregular capital inflows as previous works (such as Edison et al., 2002, Mougani, 2010) did not mention and consider such minor capital flows. The paper tests overall 12 de facto indices and 2 de jure, having 14 regression model runs for each indicator. The coefficients of the model ( $\beta_3, \beta_4$ ) imply relative elasticity of control variables. However, the cross-sectional model itself is very simple, and does not fully reveal country specific features (Arteta et al., 2001; Schularick and Steger, 2006). Therefore, the paper further employs panel data approach.

Panel data analysis does better to explain the impact of financial integration. It gives informative results, more variability, less collinearity and thus better efficiency. For that, the paper results largely rely on panel-data analysis outcomes.

$$(iii) \quad \ln growth_{it} = \beta_1 + \beta_2 FI_{2it} + \beta_3 X_{3it} + \varepsilon_{it}$$

$$(iv) \quad \ln growth_{it} = \beta_1 + \beta_2 FI_{2it} + \beta_3 (X_{3it} FI_{2it}) + \beta_4 X_{3it} + \varepsilon_{it}$$

Here,  $i$  represents individual country;  $t$  represents time span  
 $FI$  for financial integration, and  $X$  for economic variables

The equations (iii) and (iv) are estimated by Random Effect Model (REM) or Fixed Effect Model (FEM), depending on the results of Breusch-Pagan Lagrange multiplier and Hausman tests for random effects on each 14 different runs of the models. The null hypothesis is that FEM and REM estimates do not differ substantially. If null hypothesis is rejected at 1 percent probability, we conclude that FEM matches the corresponding model better. Considering test outcomes, models involving financial integration measures 1, 2, 4, 8, 9, 10, 11, and 12 are estimated with FEM, and models involving the rest of the FI indices (i.e. 3, 5, 6, 7 and KAOPEN) with REM. Both methods have their properties. If error term  $\varepsilon_{it}$  is correlated with  $X_{3it}$ , fixed approach is more suitable for the model, giving unbiased coefficients. If not, random approach fits better. The results of tests are provided in the appendix section.

The models are tested for heteroscedasticity and autocorrelation using Breusch-Pagan / Cook-Weisberg and Wooldridge tests respectively. As results were mixed, the paper persists to use bootstrap standard error correction method. By doing so, the paper reduces both heteroscedasticity and autocorrelation (see Baltagi et al, 2010; McCullagh and Nelder, 2011).

Second, the paper also transforms (i) and (ii) models to reduce risks of multicollinearity, and follows the same path to explain impacts of financial integration. We choose logarithmic (log-log) model in that it gives lower degrees of heteroscedasticity and autocorrelation. The following describes the process:

From equation (i) we know this:

$$(v) \quad \ln Growth_{it} = \beta_{0k} + \beta_{1k} NetCapitalFlow_{it} + X'_{it} \beta_{ik} + \varepsilon_{it}$$

The equation should also satisfy lagged values:

$$(vi) \quad \ln Growth_{it-1} = \beta_{0j} + \beta_{1j} NetCapitalFlow_{it-1} + X'_{it-1} \beta_{ij} + \varepsilon_{it}$$

Subtracting equation (vi) from equation (v), we get following:

$$(i) \quad (\ln Growth_{it} - \ln Growth_{it-1}) = \beta_{1j} (NetCapitalFlow_{it} - NetCapitalFlow_{it-1}) + (X'_{it} - X'_{it-1}) \beta_{ij} + \gamma_{it}$$

Beta coefficient above is conducive to financial integration impact. The transformed model now better describes the dynamics of change.

Third, full integration brings efficient resource allocations, which allows a country not to equalize savings and investment. Feldstein and Horioko (1980) first examined it among 21 industrialized countries. Levine et al., (1997) to describe the context of financial integration, then

adopted the model. It puts forward following linear relations between investment and savings:

$$(ii) \quad \left(\frac{I}{Y}\right)_{i,t} = \mu + \beta \left(\frac{S}{Y}\right)_{i,t} + u_{i,t}$$

here,  $I$  is investment,  $S$  savings and  
 $Y$  output level of a country

Any divergence of beta coefficient from 1 (one) shows higher level of financial integration in a country. The more difference means higher integration between domestic and foreign countries, because in a liberalized capital market, savings spread over the whole world evenly, having insignificant effect on domestic investment.

Fourth, the paper attempts to run advanced model, General Methods of Moments (GMM). It is the recent improvement in understanding the impacts of financial integration (see Edison et al., 2002; Mougani, 2010). The model utilizes both cross-sectional and time dimensional data. Due to the model transformations, observation number rises. Most importantly, the model takes endogeneity of independent variables into account. The paper uses the below model, which are developed in first differences:

$$\begin{aligned} & (\ln Growth_{it} - \ln Growth_{it-1}) \\ & = \beta_{i0} (\ln Growth_{it-1} - \ln Growth_{it-2}) \\ & + \beta_{1j} (FI_{it} - FI_{it-1}) + \beta_{ij} (X'_{it} - X'_{it-1}) + \gamma_{it} \end{aligned}$$

The paper also tests FI indices with growth for causality at 4-6 lags. We first run regression to growth with lagged effects of FI indices, and then each indicators with lagged effects of growth. We then conclude causality depending on the significance of coefficients.

$$(iii) \quad Growth_t = \alpha + \beta_i Growth_{t-1} + \beta_{ik} FI_{t-k} + \varepsilon$$

$$(iv) \quad FI_t = \alpha + \beta_i FI_{t-1} + \beta_{ik} Growth_{t-k} + \varepsilon$$



## 4 Results

Pairwise correlation between types of financial integration suggests positive but insignificant relations to trade openness, FDI inflows and growth. Chinn-Ito index share less correlation to growth than FDI outflows and inflows, where both show positive signs. Trade openness and our calculated absolute FDI inflows and outflows show collinear to Chinn-Ito's constructed indicator KAOPEN at 25%. Pairwise correlations of growth to macroeconomic indicators show no significant relationship; only investment and research expenditure showed 25% and 18% respectively. Many studies claimed that foreign bank presence should be encouraged, because they bring betterment to domestic financial system. However, cross correlation between two terms gives positive but very insignificant outcomes.

The paper estimated the impacts of financial openness with economic indicators (dividing them into: output and investment, trade, doing business, financial and stock market development), and concludes that financial integration has influenced the economy at least in seven ways.

First, stricter rule of law demotivates capital inflow and outflow, and diminishes financial integration. Under the existence of high rule of law, financial integration damages domestic economy. Political stability and corruption, on the other hand seem to have insignificant, but negative effects on growth. Country risk and credit ratings alone are significant, sharing negative and positive imprints. However, under financial integration, they become insignificant.

Second, financial and equity development is vital for growth. They individually bring negative and positive outcomes respectively. Under financial integration, their influences change. Countries with higher financial integration gain more growth when their financial market is developed and equity market is underdeveloped. Countries invest in foreign domestic equity market for either short term or long term. Financial development makes investments easy, whereas undeveloped stock market prevents investors from short term investing and speculative sell-offs. The results are the same for OLS, Panel and GMM models.

Third, current account and inflation turned significant in all models. Current account, although individually insignificant to growth, influence positively under financial integration. For inflation, models suggest two different impacts, both negative and positive. Both OLS and Panel data found inflation negatively effecting growth under financial integration. Transformed OLS and GMM, on the other hand, gave positive results. Their outcomes are significant at 5 and 1 percent. This represents two views. First, under high inflation, external players are demotivated entering domestic economy, because high inflation rates are usually unstable. Second, under high inflation, domestic manufacturers are motivated to export their products for foreign currency, because now

foreign currency becomes relatively more expensive than domestic over time.

Fourth, unemployment has effected economies negatively alone and positively under financial integration. If unemployment is high, factor costs for production decreases. Foreign investors seize this opportunity by investing huge into domestic economy. The results suggest the same outcomes in both OLS and Panel data.

Fifth, WTO and World Bank membership are related negatively to economic growth under financial integration. Previous researchers questioned this issue as well (see Mougani, 2012). The paper assumes that member countries are in Pareto efficient allocation. Their trade relations therefore keep them not trading with nonmember countries who could offer more benefits. Nonmember countries, on the other hand, are opportunists; they trade with the ones offering higher gains.

Sixth, stock market and financial center existences are crucial to economic growth, constituting negative and positive relations alone. However, under financial integration, stock market existence is a positive impact to growth. Financial center locations give negative influence to economic growth under financial integration. The results are significant at 5 per cent.

Seventh, financial depth, which is defined by the ratio of M2 money to GDP, also gives similar results like equity market development and unemployment. Individually, it has positive influences on growth, but under financial integration, impacts turn negative at 5-10 per cent significance.

Other variables gave insignificant and mixed effects on growth. These include trade openness, initial income, consumption, investment, and education. Public expenditure on education has not acquitted itself giving negative relations under most FI indicators. Previous studies also give mixed results on these. Psacharopoulos and Patrinos, (2004), for instance, argued that, "It is difficult to estimate social returns of education investment". Gounden (1967) noted that it gives returns very late. Goel (1974) warns that education expenditure should not be related to growth as it gives quantitative than qualitative measuring. However, we assume that countries spend more to education sector, once they feel their people's literacy hit the bottom. This explains negative relations to economic growth. To prove this, the paper ran lagged effect of education spending and found strong causality (10) at 0.0141 probability. Although negative at first, its midterm effects were positive.

Furthermore, the paper also tests causality between the types of financial integration measures and economic growth. Granger causality test only confirmed causality from FI2, FI4, and FI5 to growth at lag 6, which shows that FDI flows and portfolio outflows granger cause growth at 5 and 10% significance.

[Further notes for Uzbekistan]

Uzbekistan has decreasing rates of capital openness since 1990s; it reached its lowest level in the recent two years i.e. 2010-2011. Growth per capita declined rapidly after the dissolution of USSR, and it took 15 years to recover its initial output per capita growth. Capital market regulations so far have a little to explain per capita output growth values, having negative 0.02 correlation. Domestic bank loans are limited to bank capability of lending. Domestic currency is not freely convertible. Business Doing Easiness index, although ranked higher than the average among Asian countries, tend to face struggles to pursue their businesses in the end. Small Medium Enterprises (SME) lending is not effective. Bank trust declined. Compulsory cash circulation is intended to increase the volatility of domestic currency. The main policies ahead of the nation are developing financial system, attracting more foreign investment, and improving overall economy. In this, financial integration might bring increased foreign investment, foreign competition, foreign financial institutions, and stabilized domestic consumption.

## 5 Conclusion

Financial integration, as a part of intensive globalization, eventually effects on every country. However, proper policy enactments should be studied further from past evidences. The results of the following paper are biased in two conditions: shadow economy significance and biased economic measures. Because underground economy, including smuggling activities are hard to measure, we assume that such practices are absent, and economic activities only take place under government's scope of control. While the values taken from official agencies and private sources may be twisted, the paper can only presume the reliability of data gathered is consistent.

The paper followed three steps. First, it measured financial integration level in 12 ways. Second, it tested the impacts of financial integration on economic growth. Third, it studied and commented on the influences of economic variables. The paper did not come up with a simple effect of financial integration; it only outlined statistically proven indirect effects of financial liberalization through different economic conditions.

Although full financial integration of a country does not solve economic problems, financial autarky also hinders development and growth. In order to pave future success, countries should balance the risks and benefits of financial openness by creating fundamentally strong financial institutions and financial structure. As for the timeliness of integration process, although fast integration results in worse outcomes, emerging countries including Central Asia should consider accelerating the process of integration in order to achieve higher level of growth and increase economic life, as they have been facing with higher account surpluses and high unemployment levels in recent years.

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## 7 Appendix

7.1.1 Flow Diagram of Financial Integration

7.1.2 Table of Description of Financial Integration Indicators

7.1.3 Table of Variable Definitions and Descriptive Statistics

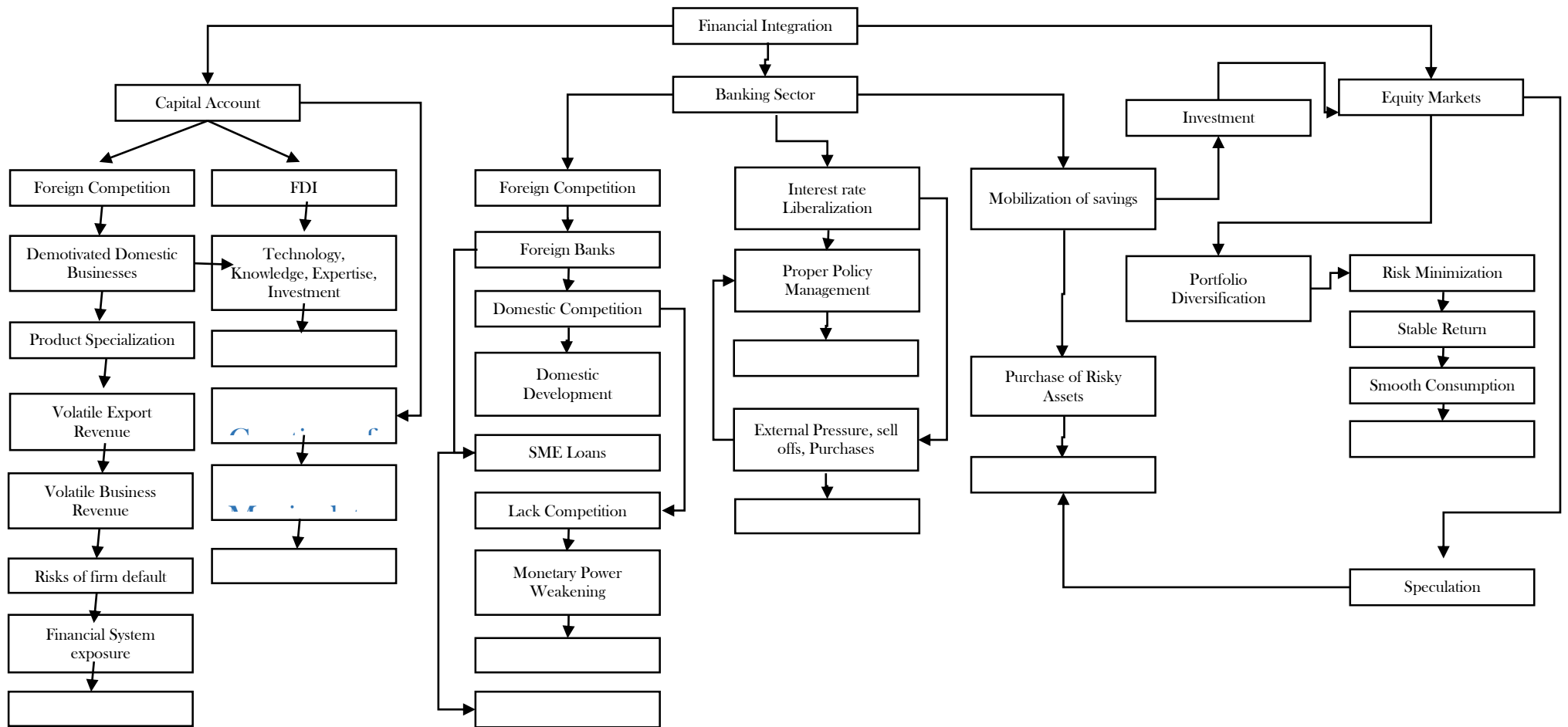
7.1.4 Table of Regional Growth and Capital Openness Range  
between 1970 And 2012

7.1.5 Table of Financial Integration Indicator Correlation

7.1.6 Stata Results, Attempt 1-7 (OLS, GLS &GMM)

7.1.7 Hausman Test Results

7.1.8 Recent Worldwide Graph of the Financial Openness  
across Countries



7.1.1. Flow Diagram of Financial Integration

Table 7.1.2 Description of Financial Integration Indicators

Financial integration 1	Financial assets and liabilities as a ratio of output; it is portfolio and FDI inflows and outflows as a percentage of GDP
Financial integration 2	Only FDI inflows as a ratio of GDP
Financial integration 3	Only Portfolio inflows as a ratio of GDP
Financial integration 4	FDI and Portfolio inflows as a ratio of GDP
Financial integration 5	Only FDI outflows as a ratio of GDP
Financial integration 6	Only Portfolio outflows as a ratio of GDP
Financial integration 7	FDI and Portfolio outflows as a ratio of GDP
Financial integration 8	Total value of FDI inflows and outflows as a ratio of GDP
Financial integration 9	Total value of portfolio inflows and outflows as a ratio of GDP
Financial integration 10	Absolute bilateral FDI inflows and outflows as a ratio of GDP (total value of FDI inflows and outflows less the absolute change between the two)
Financial integration 11	Absolute bilateral Portfolio inflows and outflows as a ratio of GDP (total value of Portfolio inflows and outflows less the absolute change between the two)
Financial integration 12	Absolute bilateral FDI and Portfolio inflows and outflows as a ratio of GDP (total value of indicators 10 and 11)
KAOPEN or Chinn Ito	IMF's AREAER based index
Quinn Index	Quinn's version of IMF Restriction index, it is highly correlated with IMF's measure at 0.9.

Table 7.1.3. Variable Definitions and Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
Budget Deficit	1908	-0.016142	0.070333	-2.026967	0.4041633
Current Account	1288	-0.02138	0.195105	-0.65113	2.91402
Inflation	6081	0.3119809	3.906892	-0.176404	237.7313
Financial Development	6292	-0.932297	0.88448	-9.283893	1.245128
Trade Openness	6829	-0.380182	0.617166	-5.780222	1.726439
Consumption	6439	-0.210532	0.216697	-2.265938	0.9462313
Initial Income	7011	23.32	2.465121	16.5909	31.60508
Investment	6346	-1.580879	0.392198	-5.833198	0.436941
Savings	5945	-1.801992	0.825419	-7.702497	0.4283315
Stock Development	2344	-3.232153	2.426462	-12.59928	2.003618
Education Spending	3232	-3.208461	0.482112	-5.911545	-0.813419
Unemployment	2849	9.022576	6.383318	0.1	59.5
Financial Depth	2711	3.427272	0.602404	-0.867501	5.165586
Financial Integration 1	865	0.1692807	0.739108	-0.533064	9.507073
Financial Integration 2	6381	0.0345242	0.102228	-0.829274	3.663567
Financial Integration 3	4907	0.0110113	0.189342	-2.411279	7.332038
Financial Integration 4	4793	0.0397763	0.208316	-2.103415	7.506405
Financial Integration 5	1035	0.0676042	0.470868	-0.235405	6.552318
Financial Integration 6	1158	0.0060044	0.255172	-4.295155	2.887178
Financial Integration 7	976	0.068746	0.403588	-0.521102	5.787372
Financial Integration 8	1035	0.1261909	0.496686	-0.356927	6.759519
Financial Integration 9	948	0.0302874	0.336581	-3.100715	6.055302
Financial Integration 10	1035	0.0370818	0.133707	-1.10131	1.494212
Financial Integration 11	948	-0.065142	0.438257	-8.59031	2.296382
Financial Integration 12	865	-0.028831	0.441432	-7.579854	3.103563
Chinn Ito/KAOPEN index	6211	-0.001976	1.529553	-1.863972	2.439009
Quinn Index	589	10.99321	2.581486	4	14

Variable	Description	Data Source
Dependent Variables		
Growth	Per capita real GDP growth	World Development Indicator (WDI, IMF)
Investment	Gross fixed capita formation	WDI
Independent Variables		
Financial Integration Indicators- <i>see DATA Section</i>		
Output and Investment		
Real GDP per capita	At Constant 2005 USD , logarithmic	WDI
Investment	defined by gross capital formation, logarithmic	WDI
Gross Domestic Savings	At Constant 2005 USD, logarithmic	WDI
Macroeconomic Indicators		
Inflation	equal to the growth rate of CPI	WDI
Current Account Balance	Current Account Balance as a ratio of GDP, %	WDI
Budget Deficit	defined by cash surpluses and deficits, %	WDI
World Interest Rate	Defined by US rates	WDI
Trade (Trade openness)	Measured by the total value of export and imports as a ratio of GDP, logarithmic	WDI
Education Expenditure	Public Spending on Education, logarithmic	WDI
R&D Expenditure	Expenditure on Research and Development, logarithmic	WDI
Financial and Stock Market		
Financial Development	equals to private credit as a ratio of GDP, logarithmic	WDI
Stock Market Development	defined by the ratio of total transactions to stock market capitalization, logarithmic	WDI
Doing Business		
Ease of Doing Business	Index, the higher the easier	WDI
Cross Border Transaction Costs	measured by total value of export and import costs	
Paying Tax	Tax rank, for businesses	Doing Business, World Bank
Risk Ratings		
Country Risk Rating	Index ranging 0 to 100 for its level of risk, 100 is riskless	Euromoney, Heritage Foundation
Credit Risk Rating	Index ranging 0 to 10 for its level of risk, 10 is best	Euromoney, Heritage Foundation
Political Risk Rating	Index ranging 0 to 25 for its level of risk, 0 is no chances of payment	Euromoney, Heritage Foundation
Dummy Variables		
Location of Financial Centers	Dummy variable, 1 if there is, 0 otherwise	
World Trade Organization (WTO) membership	Dummy variable, 1 for each membership years, 0 otherwise	WTO
World Bank Membership	Dummy variable, 1 for each membership years, 0 otherwise	World Bank

Table 7.1.4. Regional Growth and Capital Openness Range between 1970 And 2012

Regional Groups	Growth Range (1970-2012)	Capital Openness	Further Notes
Low income	(-0.5) to 1	(-2) to 2.5	High growth volatility between 1990 and 2000
Lower middle income	(-0.45) to 0.45	(-2) to 2.5	Stable low growth, Regulations were stricter between 1980 and 1995
Upper middle income	(-0.4) to 0.9	(-2) to 2.5	High growth volatility between 1990 and 2000, regulations were stricter through 1970-75, 1985-95s.
High income - OECD members	(-0.25) to 0.25	(-2) to 2.5	Since 2000, minimum capital openness level for those countries doubled, from -2 to -1
High income - non OECD members	(-0.35) to 0.65	(-2) to 2.5	High growth volatility between 1995 and 2005, more open in 1985/95.
Euro area	(-1.5) to 2.1	(-2) to 2.5	Euro area, since 2003, they are opening their capital market very drastically, showing changes in minimum capital flow index from -1 to 1.5

Table 7.1.5 Financial Integration Indicator Correlation Table

	finintg1	finintg2	finintg3	finintg4	finintg5	finintg6	finintg7	finintg8	finintg9	finintg10	finintg11	finintg12	kaopen	
finintg1	1													
finintg2	0.4182	1												
finintg3	0.6066	0.1621	1											
finintg4	0.668	0.7796	0.7444	1										
finintg5	0.8544	0.1699	0.5078	0.4373	1									
finintg6	0.3189	0.0734	-0.0641	0.009	-0.1209	1								
finintg7	0.9529	0.1945	0.4397	0.4107	0.8685	0.387	1							
finintg8	0.8974	0.4282	0.5098	0.6134	0.9633	-0.0909	0.8494	1						
finintg9	0.5776	0.1436	0.4142	0.36	0.1297	0.8818	0.5608	0.1581	1					
finintg10	0.4321	0.7101	0.224	0.6227	0.2889	0.0142	0.2755	0.4584	0.1189	1				
finintg11	0.038	-0.0637	-0.1027	-0.1083	-0.2718	0.6871	0.0907	-0.2666	0.5781	-0.079	1			
finintg12	0.3049	0.397	0.057	0.3049	-0.0415	0.5763	0.2493	0.0701	0.5526	0.5679	0.7757	1		
kaopen	0.1488	0.1784	0.1125	0.1921	0.1062	0.0105	0.1039	0.146	0.0628	0.2655	-0.0955	0.0892	1	
quinn index	-	-	-	-	-	-	-	-	-	-	-	-	-	0.7913



OLS RESULTS: ATTEMPT 1

	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH
Financial Integration (FI)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(KAOPEN)
FI	5.706 <sup>***</sup> (2.005)	5.789 (5.310)	17.34 (13.19)	10.42 <sup>***</sup> (2.671)	11.56 <sup>***</sup> (2.583)	7.167 (5.003)	7.834 (3.808)	6.929 <sup>***</sup> (1.940)	4.150 (5.078)	5.902 <sup>*</sup> (2.750)	2.173 (6.977)	7.160 <sup>***</sup> (1.849)	0.0709 (0.125)
Country Risk Rating	-0.0136 (0.0175)	-0.00225 (0.00812)	-0.0146 <sup>*</sup> (0.00654)	-0.00303 (0.00832)	-0.0403 <sup>*</sup> (0.0182)	-0.0202 (0.0140)	-0.0251 (0.0162)	-0.0302 (0.0214)	-0.0249 (0.0157)	-0.0380 <sup>*</sup> (0.0192)	-0.0260 <sup>*</sup> (0.0139)	-0.0231 <sup>*</sup> (0.0131)	-0.00414 (0.00609)
Credit Rating	0.0686 (0.0902)	0.0251 (0.0470)	0.104 <sup>**</sup> (0.0375)	0.0462 (0.0457)	0.268 <sup>*</sup> (0.109)	0.160 <sup>*</sup> (0.0789)	0.151 (0.0920)	0.212 <sup>*</sup> (0.128)	0.159 <sup>*</sup> (0.0805)	0.258 <sup>*</sup> (0.113)	0.187 <sup>*</sup> (0.0760)	0.141 <sup>*</sup> (0.0741)	0.0894 <sup>*</sup> (0.0350)
Rule of Law	-0.186 (0.249)	-0.196 <sup>*</sup> (0.104)	-0.242 <sup>**</sup> (0.0869)	-0.242 <sup>*</sup> (0.105)	-0.0604 (0.196)	-0.107 (0.175)	-0.0566 (0.189)	-0.0604 (0.252)	-0.211 (0.194)	-0.0430 (0.205)	-0.142 (0.210)	-0.0647 (0.186)	-0.0937 (0.0917)
Political Stability	0.112 (0.178)	0.0301 (0.0837)	0.0492 (0.0808)	0.0397 (0.127)	0.0752 (0.160)	0.106 (0.147)	0.166 (0.147)	0.0688 (0.186)	0.0791 (0.157)	0.0632 (0.165)	0.110 (0.168)	0.159 (0.150)	0.0488 (0.0645)
Corruption	-0.00397 (0.00878)	-0.00655 <sup>*</sup> (0.00310)	-0.00432 (0.00293)	-0.00562 (0.00350)	-0.00945 (0.00706)	-0.0121 <sup>*</sup> (0.00626)	-0.00853 (0.00687)	-0.00987 (0.00839)	-0.00611 (0.00646)	-0.00987 (0.00720)	-0.00996 (0.00712)	-0.00875 (0.00693)	-0.00761 <sup>**</sup> (0.00289)
Country Risk Rating under FI	-0.142 (0.128)	-0.0640 (0.184)	0.0795 (0.291)	-0.190 (0.138)	-0.359 <sup>*</sup> (0.204)	-0.250 (0.214)	-0.229 (0.204)	-0.182 (0.129)	-0.153 (0.203)	-0.238 (0.178)	-0.145 (0.211)	-0.263 <sup>*</sup> (0.137)	-0.00419 (0.00385)
Credit Rating under FI	0.830 (0.795)	0.984 (0.997)	-2.033 (1.777)	0.739 (0.685)	1.419 (1.509)	2.083 (1.576)	2.072 (1.483)	0.817 (0.929)	1.485 (1.500)	1.061 (1.318)	1.279 (1.572)	1.994 <sup>*</sup> (1.118)	-0.00219 (0.0231)
Rule of Law under FI	2.137 (2.553)	0.251 (2.180)	5.265 (6.060)	0.493 (1.550)	1.276 (3.790)	3.989 (3.532)	2.901 (2.992)	0.746 (2.235)	3.833 (3.495)	0.286 (3.202)	0.317 (4.318)	0.144 (2.096)	-0.260 <sup>***</sup> (0.0593)
Political Stability under FI	0.940 (2.000)	-0.141 (1.913)	-2.324 (4.511)	0.401 (2.856)	3.897 (2.927)	-0.0692 (2.616)	1.457 (2.425)	1.248 (1.948)	0.0796 (2.217)	3.485 (3.004)	1.647 (2.198)	2.943 (1.898)	0.108 <sup>*</sup> (0.0455)
Corruption under FI	-0.0600 (0.0502)	-0.0800 <sup>*</sup> (0.0444)	-0.131 (0.134)	-0.00345 (0.0453)	0.0248 (0.0846)	-0.127 (0.0772)	-0.151 <sup>*</sup> (0.0671)	0.000114 (0.0462)	-0.128 (0.0813)	0.0225 (0.0656)	-0.0439 (0.106)	-0.0673 <sup>*</sup> (0.0363)	0.00537 <sup>**</sup> (0.00178)
_cons	-2.741 <sup>***</sup> (0.493)	-3.227 <sup>***</sup> (0.262)	-2.855 <sup>***</sup> (0.209)	-3.316 <sup>***</sup> (0.240)	-1.976 <sup>***</sup> (0.480)	-2.448 <sup>***</sup> (0.387)	-2.378 <sup>***</sup> (0.459)	-2.356 <sup>***</sup> (0.541)	-2.326 <sup>***</sup> (0.454)	-2.037 <sup>***</sup> (0.504)	-2.303 <sup>***</sup> (0.410)	-2.394 <sup>***</sup> (0.387)	-3.214 <sup>***</sup> (0.211)
<i>N</i>	192	931	771	771	214	228	205	214	207	214	207	192	936
adj. <i>R</i> <sup>2</sup>	0.089	0.067	0.035	0.056	0.119	0.055	0.107	0.123	0.052	0.115	0.040	0.091	0.069
<i>AIC</i>	501.0	2546.8	2133.7	2117.4	571.8	603.7	533.6	570.8	549.9	572.8	552.4	500.6	2562.7
<i>BIC</i>	540.0	2604.8	2189.4	2173.2	612.1	644.8	573.5	611.2	589.8	613.2	592.4	539.7	2620.8

Standard errors in parentheses  
<sup>\*</sup>  $p < 0.10$ , <sup>\*\*</sup>  $p < 0.05$ , <sup>\*\*\*</sup>  $p < 0.01$ , <sup>\*\*\*\*</sup>  $p < 0.001$

OLS RESULTS: ATTEMPT 2

	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH
Financial Integration (FI)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(KAOPEN)
FI	14.74 (44.70)	67.43 (114.1)	-364.5 (654.7)	93.63 (159.3)	52.94 (105.2)	-36.19 (100.2)	-38.74 (49.49)	57.59 (69.96)	-139.1 (187.5)	45.48 (80.48)	-96.36 (104.3)	-39.51 (49.53)	5.708 (10.86)
Budget Deficit	-2.792 (3.850)	-3.988 (3.500)	0.441 (2.877)	-2.463 (4.693)	-1.315 (3.193)	-0.367 (2.536)	-3.191 (2.745)	-2.862 (5.220)	-0.404 (2.467)	-1.215 (3.236)	0.672 (3.056)	-1.693 (2.370)	5.160 (11.33)
Current Account	0.0840 (3.393)	-0.619 (2.556)	-0.897 (2.151)	-1.553 (2.943)	-2.456 (1.775)	0.000208 (2.196)	-0.714 (2.216)	-1.629 (3.034)	0.672 (2.389)	-2.789 (1.968)	-0.950 (2.660)	-1.423 (2.071)	-7.195 (6.320)
Inflation	1.687 (3.874)	2.125 (4.715)	-4.768 (4.407)	2.456 (4.342)	-1.955 (3.065)	-5.378 (5.518)	-1.108 (3.813)	1.630 (3.967)	-5.122 (6.196)	-2.003 (3.217)	-4.353 (4.864)	-2.518 (3.279)	-14.93 (12.46)
Financial Development	-1.059 <sup>~</sup> (0.316)	-1.216 <sup>***</sup> (0.314)	-0.547 <sup>~</sup> (0.313)	-1.228 <sup>~</sup> (0.367)	-0.815 <sup>~</sup> (0.310)	-0.528 <sup>~</sup> (0.226)	-0.907 <sup>***</sup> (0.234)	-1.116 <sup>***</sup> (0.316)	-0.655 <sup>~</sup> (0.250)	-0.896 <sup>~</sup> (0.293)	-0.560 <sup>~</sup> (0.307)	-0.760 <sup>~</sup> (0.292)	-0.476 (0.615)
Trade Openness	0.192 (0.401)	0.242 (0.445)	-0.207 (0.322)	0.168 (0.509)	0.175 (0.351)	-0.106 (0.229)	0.265 (0.287)	0.141 (0.435)	-0.0433 (0.248)	0.176 (0.339)	0.0412 (0.256)	0.238 (0.300)	0.217 (0.496)
Consumption	-1.388 (2.921)	-3.901 (3.381)	-1.759 (2.239)	-3.504 (3.839)	-0.790 (1.729)	-1.238 (1.673)	0.0404 (1.960)	-2.670 (2.782)	0.0257 (1.731)	-0.778 (1.809)	-1.105 (1.964)	-0.373 (1.482)	-6.066 (14.03)
Initial Income	0.120 (0.190)	0.236 (0.257)	-0.215 (0.156)	0.250 (0.361)	0.00176 (0.150)	-0.170 (0.126)	-0.0964 (0.109)	0.210 (0.251)	-0.158 (0.133)	0.0319 (0.166)	-0.0640 (0.170)	-0.0963 (0.105)	-0.0680 (0.449)
Investment	0.741 (1.406)	0.0264 (1.249)	0.841 (1.019)	0.0453 (1.584)	1.508 (0.913)	1.650 (1.130)	1.423 (1.244)	0.312 (1.441)	1.835 <sup>~</sup> (1.047)	1.345 (0.922)	1.102 (1.339)	0.953 (1.160)	-1.923 (3.838)
Savings	-0.0844 (0.867)	-0.866 (1.003)	-0.565 (0.667)	-0.493 (1.168)	0.0883 (0.476)	-0.515 (0.410)	0.0245 (0.385)	-0.0464 (0.839)	-0.296 (0.440)	0.129 (0.469)	-0.419 (0.616)	-0.0412 (0.381)	-1.249 (4.793)
Stock Development	0.352 <sup>~</sup> (0.135)	0.356 <sup>~</sup> (0.140)	0.258 <sup>~</sup> (0.121)	0.360 <sup>~</sup> (0.163)	0.428 <sup>~</sup> (0.127)	0.256 <sup>~</sup> (0.0984)	0.377 <sup>~</sup> (0.120)	0.377 <sup>~</sup> (0.158)	0.267 <sup>~</sup> (0.113)	0.439 <sup>~</sup> (0.131)	0.191 (0.165)	0.333 <sup>~</sup> (0.135)	-0.0141 (0.257)
Education Spending	0.154 (0.630)	0.573 (0.443)	-0.224 (0.485)	0.669 (0.579)	-0.384 (0.433)	-0.253 (0.364)	-0.218 (0.523)	0.0129 (0.579)	-0.0106 (0.397)	-0.302 (0.439)	-0.325 (0.461)	-0.251 (0.439)	-0.296 (0.631)
Unemployment	-0.0107 (0.0388)	-0.0464 (0.0424)	-0.0367 (0.0340)	-0.0472 (0.0525)	0.0315 (0.0290)	-0.0143 (0.0321)	0.00284 (0.0321)	-0.00558 (0.0590)	-0.0126 (0.0412)	0.0377 (0.0338)	-0.0160 (0.0527)	-0.00238 (0.0357)	-0.0766 (0.0840)
Financial Depth	0.412 (0.344)	0.719 (0.361)	0.275 (0.296)	0.631 (0.438)	0.256 (0.259)	0.188 (0.158)	0.224 (0.203)	0.531 (0.401)	0.194 (0.174)	0.333 (0.289)	0.356 (0.261)	0.281 (0.220)	0.0770 (0.754)
Budget Deficit Under FI	5.843 (17.69)	-0.745 (49.29)	-46.21 (173.0)	-16.57 (67.33)	14.10 (54.87)	10.39 (45.76)	15.91 (20.21)	1.083 (39.08)	6.374 (57.93)	3.815 (41.57)	26.90 (51.07)	12.69 (15.02)	-2.377 (4.907)
Current Account under FI	12.82 (13.43)	35.31 (29.16)	-24.55 (158.4)	38.40 (39.84)	11.94 (33.57)	21.38 (45.77)	8.349 (17.87)	22.80 (19.44)	-26.04 (69.55)	6.712 (25.73)	-32.59 (48.59)	-0.632 (12.57)	3.542 (3.232)
Inflation Under FI	-43.47 (18.63)	-90.22 (38.66)	21.71 (217.4)	-74.24 <sup>~</sup> (44.27)	-57.09 (54.27)	-41.39 (113.7)	-73.74 <sup>~</sup> (31.55)	-48.40 <sup>~</sup> (27.75)	-6.355 (119.5)	-23.91 (35.17)	40.48 (140.0)	-30.16 (23.93)	3.472 (5.964)
Financial Development Under FI	3.167 (1.645)	8.321 <sup>~</sup> (3.090)	-11.20 (31.12)	7.228 <sup>~</sup> (3.868)	11.03 <sup>~</sup> (4.385)	6.744 (7.774)	7.098 (2.851)	5.017 <sup>~</sup> (2.469)	1.806 (7.360)	7.322 <sup>~</sup> (2.922)	0.314 (6.027)	3.720 <sup>~</sup> (1.854)	0.162 (0.285)
Trade Openness Under FI	-1.441 (1.917)	-3.519 (4.026)	28.08 (28.58)	-1.623 (5.540)	0.464 (4.501)	-3.399 (5.956)	-3.480 (2.430)	-0.612 (2.829)	0.832 (7.333)	0.727 (3.149)	-3.839 (4.733)	-0.985 (1.662)	-0.245 (0.225)
Consumption Under FI	4.753 (23.30)	32.96 (38.99)	88.73 (171.2)	30.59 (48.66)	-15.64 (55.19)	-12.94 (62.18)	-16.57 (42.41)	8.690 (25.75)	-55.62 (112.3)	-9.958 (36.88)	7.179 (47.27)	-5.189 (28.81)	1.747 (5.982)
Initial Income Under FI	-0.977 (1.267)	-2.273 (3.063)	17.77 (20.36)	-4.613 (4.545)	-0.042 (2.871)	-0.384 (3.675)	-0.476 (1.317)	-2.318 (2.245)	2.104 (4.062)	-3.165 (2.316)	-0.250 (3.054)	0.244 (1.222)	-0.153 (0.196)
Investment Under FI	5.797 (7.046)	17.47 (14.74)	16.47 (118.7)	15.94 (21.60)	-18.74 (14.12)	7.073 (21.49)	-1.821 (10.30)	6.187 (11.41)	-9.869 (26.22)	-16.71 (11.30)	-7.996 (21.06)	-3.305 (8.031)	1.367 (1.741)
Savings Under FI	-4.258	1.867	40.15	0.215	-7.467	-12.22	-9.802	-5.813	-18.00	-4.963	1.250	-1.696	0.0441

	(8.705)	(12.16)	(53.28)	(14.90)	(25.47)	(22.89)	(16.82)	(9.404)	(37.28)	(14.49)	(16.72)	(12.26)	(2.019)
Stock Development	-1.231 <sup>*</sup>	-3.170 <sup>*</sup>	-6.931	-2.282	-3.104	-1.446	-2.206 <sup>*</sup>	-1.828 <sup>*</sup>	-0.866	-2.319	-1.317	-1.559 <sup>*</sup>	0.1000
under FI	(0.724)	(1.618)	(10.10)	(1.790)	(1.872)	(2.805)	(0.998)	(1.037)	(2.818)	(1.525)	(3.114)	(0.768)	(0.110)
Education Spending	-5.694	-14.52	12.83	-13.91	-0.389	-8.902	-8.519 <sup>*</sup>	-4.273	-2.808	-0.291	-4.736	-6.134	-0.187
Under FI	(4.140)	(9.678)	(37.70)	(9.979)	(8.490)	(10.68)	(4.869)	(6.873)	(10.12)	(7.088)	(7.628)	(3.750)	(0.365)
Unemployment under FI	0.0682	0.234	4.501	0.434	-0.187	-0.184	0.0275	-0.0260	0.0776	-0.551	-0.0703	0.0787	0.00446
	(0.373)	(0.761)	(3.459)	(0.773)	(0.815)	(0.969)	(0.647)	(0.643)	(1.096)	(0.766)	(0.721)	(0.511)	(0.0406)
Financial Depth	-0.270	-3.549	4.704	-3.289	2.068	3.875	2.367	-1.685	6.591	0.561	1.920	1.801	0.0610
Under FI	(2.216)	(3.909)	(29.78)	(4.993)	(4.033)	(6.227)	(2.937)	(3.091)	(7.121)	(3.493)	(4.719)	(2.202)	(0.326)
_cons	-6.629	-12.14	1.190	-11.11	-2.907	1.571	0.207	-10.71	2.899	-3.877	-2.698	-0.842	-8.059
	(8.030)	(11.03)	(6.074)	(14.33)	(5.911)	(4.119)	(5.289)	(9.274)	(4.601)	(6.568)	(6.539)	(4.894)	(24.98)
<i>N</i>	97	101	99	99	98	101	98	98	99	98	99	97	97
adj. <i>R</i> <sup>2</sup>	0.489	0.529	0.283	0.483	0.483	0.230	0.470	0.493	0.231	0.478	0.216	0.461	0.273
<i>AIC</i>	162.5	157.7	198.3	165.9	164.5	207.4	167.0	162.8	205.1	165.5	207.0	167.9	195.1
<i>BIC</i>	234.6	230.9	270.9	238.6	236.9	280.6	239.4	235.1	277.8	237.9	279.7	239.9	267.2

Standard errors in parentheses

<sup>\*</sup>  $p < 0.10$ , <sup>\*</sup>  $p < 0.05$ , <sup>\*\*</sup>  $p < 0.01$ , <sup>\*\*\*</sup>  $p < 0.001$

**OLS RESULTS: ATTEMPT 3**

	GROWTH (2)	GROWTH (3)	GROWTH (4)	GROWTH (KAOPEN)
Financial Integration (FI)				
FI	3.645 (9.675)	28.74 (16.35)	2.066 (6.769)	0.214 (0.172)
Financial Centre	0.355*** (0.106)	0.228 (0.108)	0.361*** (0.101)	0.702** (0.0774)
World Bank	0.170 (0.284)	-0.00486 (0.187)	0.238 (0.254)	0.102 (0.297)
World Trade Organization	0.115 (0.0706)	0.131 (0.0619)	0.219** (0.0686)	0.0454 (0.0554)
Stock Market Existence	-0.129 (0.0742)	-0.0356 (0.0690)	-0.164 (0.108)	0.0107 (0.0765)
Financial Centre under FI	-4.341 (6.190)	2.733 (15.68)	-3.383 (3.244)	-0.325*** (0.0463)
World Bank under FI	-1.690 (9.455)	6.146 (20.53)	-1.296 (3.831)	-0.236 (0.165)
World Trade Organization under FI	-4.558 (2.197)	-15.04 (9.935)	-7.692*** (1.716)	-0.0499 (0.0347)
Stock Market Existence under FI	5.323** (1.966)	-19.46 (15.76)	7.925 (5.637)	0.0781 (0.0560)
_cons	-3.888*** (0.292)	-3.734*** (0.182)	-3.962*** (0.277)	-3.839*** (0.305)
<i>N</i>	1421	1319	1288	1447
adj. <i>R</i> <sup>2</sup>	0.017	0.005	0.020	0.013
<i>AIC</i>	3987.5	3717.5	3614.7	4067.0
<i>BIC</i>	4040.1	3769.3	3666.3	4119.8

Standard errors in parentheses

\*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ , \*\*\*\*  $p < 0.001$

**OLS RESULTS: ATTEMPT 4**

Investment (% GDP)	
Savings (% GDP)	0.163*** (0.00541)
_cons	-1.275*** (0.0106)
<i>N</i>	5723
adj. <i>R</i> <sup>2</sup>	0.137
<i>AIC</i>	3429.8
<i>BIC</i>	3443.1

Standard errors in parentheses

\*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ , \*\*\*\*  $p < 0.001$

OLS IMPUTATION RESULTS: ATTEMPT 5 (mean variance)

	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(KAOPEN)
Financial Integration (FI)	-4.437	-8.253	-74.94	-8.667	5.724	-13.83	-1.905	2.635	-26.77	-7.393	-21.99	-7.918	-0.0367
	(9.168)	(3.989)	(37.68)	(7.210)	(20.16)	(14.73)	(14.75)	(9.380)	(14.71)	(16.85)	(16.94)	(13.24)	(0.252)
Budget Deficit	0.972	-0.151	0.516	-0.403	1.394	2.106	2.142	0.936	1.146	1.440	1.262	1.421	0.150
	(1.128)	(0.847)	(0.724)	(0.873)	(1.028)	(1.000)	(1.103)	(1.063)	(1.033)	(1.019)	(0.966)	(1.050)	(0.766)
Current Account	-0.597	0.526	-0.892	-0.694	-0.141	0.277	-0.440	0.112	0.0409	-0.0926	0.199	-0.425	0.175
	(0.789)	(0.153)	(0.361)	(0.493)	(0.334)	(0.533)	(0.556)	(0.286)	(0.575)	(0.460)	(0.614)	(0.623)	(0.397)
Inflation	1.124	0.0228	-0.00770	0.0171	1.361	0.513	1.137	1.949	0.123	1.373	0.483	1.075	0.0369
	(0.994)	(0.0203)	(0.0246)	(0.0525)	(0.623)	(0.619)	(0.668)	(0.881)	(0.655)	(0.669)	(0.738)	(0.741)	(0.0741)
Financial Development	-0.192	-0.0813	-0.102	-0.0923	-0.0797	-0.166	-0.120	-0.0372	-0.150	-0.0921	-0.162	-0.227	-0.0661
	(0.0796)	(0.0336)	(0.0273)	(0.0338)	(0.0758)	(0.0660)	(0.0779)	(0.0812)	(0.0625)	(0.0772)	(0.0636)	(0.0663)	(0.0278)
Trade Openness	0.188	0.0677	0.0652	0.0379	0.175	0.134	0.138	0.195	0.0990	0.165	0.200	0.174	0.0578
	(0.110)	(0.0399)	(0.0389)	(0.0454)	(0.0918)	(0.0853)	(0.0938)	(0.103)	(0.0971)	(0.0919)	(0.0925)	(0.0940)	(0.0332)
Consumption	0.0570	-0.347	-0.614	-0.691	-0.173	-0.425	-0.369	0.0471	-0.405	-0.179	-0.190	-0.112	-0.375
	(0.488)	(0.140)	(0.181)	(0.208)	(0.272)	(0.305)	(0.321)	(0.342)	(0.362)	(0.289)	(0.335)	(0.383)	(0.144)
Initial Income	0.00899	-0.0350	-0.0572	-0.0633	0.00305	0.0114	0.0120	0.00118	-0.0335	-0.00578	-0.00824	0.0113	-0.0151
	(0.0372)	(0.0104)	(0.0113)	(0.0142)	(0.0266)	(0.0260)	(0.0305)	(0.0309)	(0.0311)	(0.0275)	(0.0328)	(0.0309)	(0.0104)
Investment	1.094	0.399	0.476	0.460	0.731	0.900	0.782	0.766	1.132	0.725	1.237	1.073	0.424
	(0.218)	(0.0662)	(0.0751)	(0.0821)	(0.161)	(0.181)	(0.202)	(0.175)	(0.194)	(0.170)	(0.192)	(0.193)	(0.0706)
Savings	0.336	0.0563	0.0865	0.0784	0.131	0.0758	0.187	0.147	0.160	0.151	0.121	0.242	0.0779
	(0.158)	(0.0384)	(0.0392)	(0.0467)	(0.0900)	(0.0886)	(0.0977)	(0.133)	(0.0933)	(0.0992)	(0.0926)	(0.108)	(0.0370)
Stock Development	-0.00763	0.0158	0.0315	0.0407	-0.0205	-0.0223	-0.0273	-0.0221	-0.00321	-0.0211	-0.00856	-0.00837	0.0457
	(0.0240)	(0.0124)	(0.0123)	(0.0135)	(0.0199)	(0.0198)	(0.0194)	(0.0217)	(0.0234)	(0.0200)	(0.0253)	(0.0225)	(0.0124)
Education Spending	-0.321	-0.175	-0.262	-0.190	-0.325	-0.262	-0.291	-0.367	-0.310	-0.276	-0.333	-0.201	-0.201
	(0.139)	(0.0523)	(0.0588)	(0.0723)	(0.120)	(0.108)	(0.121)	(0.142)	(0.110)	(0.123)	(0.113)	(0.121)	(0.0494)
Unemployment	0.0287	-0.00142	0.000781	-0.00278	0.0123	0.0103	0.0165	0.0150	0.0169	0.0116	0.00945	0.0157	-0.00304
	(0.00860)	(0.00512)	(0.00449)	(0.00604)	(0.00552)	(0.00495)	(0.00491)	(0.00994)	(0.00640)	(0.00583)	(0.00781)	(0.00713)	(0.00395)
Financial Depth	0.0720	0.0608	0.0838	0.0802	0.0294	0.0571	0.0503	0.0306	0.0454	0.0176	0.00108	0.0799	0.0197
	(0.101)	(0.0610)	(0.0605)	(0.0677)	(0.0906)	(0.0850)	(0.0856)	(0.103)	(0.0860)	(0.0897)	(0.0896)	(0.0905)	(0.0541)
Budget Deficit Under FI	5.281	11.02	-8.239	15.06	6.591	-1.099	0.773	7.620	6.239	4.592	-8.912	5.119	0.739
	(5.832)	(11.45)	(46.17)	(8.544)	(15.47)	(8.501)	(8.355)	(8.775)	(12.73)	(15.85)	(14.50)	(11.20)	(0.395)
Current Account under FI	-0.131	-1.479	3.236	1.764	-4.130	-0.550	1.345	-1.028	-5.155	-0.411	2.112	2.092	-0.591
	(3.365)	(1.917)	(8.561)	(2.395)	(7.166)	(1.690)	(4.306)	(2.993)	(5.773)	(7.302)	(8.984)	(5.050)	(0.228)
Inflation Under FI	-2.164	-0.476	2.789	-0.443	-23.51	11.05	2.041	-11.54	16.34	-18.48	19.62	0.0111	0.0286
	(7.889)	(1.886)	(1.884)	(2.840)	(13.80)	(13.82)	(9.123)	(8.059)	(12.48)	(14.12)	(17.96)	(10.92)	(0.0491)
Financial Development Under FI	-0.592	-0.0694	-2.099	-0.179	-0.748	0.468	-0.399	-0.768	-1.000	-0.116	0.974	-0.317	-0.0277
	(0.546)	(0.396)	(1.954)	(0.557)	(1.234)	(1.111)	(0.758)	(0.485)	(1.226)	(0.858)	(1.016)	(0.622)	(0.0184)
Trade Openness Under FI	-0.419	-0.858	2.389	-0.363	-1.595	2.487	0.476	-0.875	2.456	-1.374	4.226	-0.532	0.0338
	(0.586)	(0.541)	(3.653)	(0.663)	(1.261)	(1.015)	(0.827)	(0.644)	(1.091)	(0.867)	(1.711)	(0.766)	(0.0207)
Consumption Under FI	-2.465	1.260	-13.05	3.728	-5.643	3.888	-4.231	-1.763	1.479	-4.041	10.09	-2.751	0.171
	(2.638)	(1.035)	(22.65)	(1.782)	(5.618)	(5.014)	(4.855)	(1.766)	(4.655)	(5.897)	(9.535)	(5.116)	(0.102)
Initial Income Under FI	-0.00633	0.171	2.290	0.209	-0.772	0.488	-0.273	-0.187	0.940	-0.288	1.332	-0.0525	-0.000189
	(0.297)	(0.122)	(1.348)	(0.244)	(0.603)	(0.419)	(0.404)	(0.278)	(0.478)	(0.462)	(0.524)	(0.342)	(0.00686)
Investment Under FI	-1.069	0.515	2.628	0.550	-1.533	-0.817	-0.339	-0.530	0.0378	0.245	4.437	-0.289	0.0694
	(1.018)	(0.559)	(6.566)	(0.664)	(2.897)	(1.767)	(1.674)	(1.338)	(1.640)	(2.527)	(2.861)	(1.851)	(0.0534)
Savings Under FI	-1.213	0.274	-9.787	0.429	0.0857	-0.381	-2.317	-0.0593	-2.035	-1.801	-1.329	-1.317	0.0627

	(1.246)	(0.567)	(7.186)	(0.588)	(2.743)	(2.481)	(2.378)	(1.256)	(2.208)	(2.421)	(3.356)	(2.308)	(0.0247)
Stock Development under	0.0105	-0.0944	-0.582	-0.236	0.412	-0.0520	0.0618	0.0572	-0.285	0.154	-0.734	0.0257	-0.0299 <sup>***</sup>
FI	(0.146)	(0.164)	(0.855)	(0.154)	(0.351)	(0.224)	(0.212)	(0.160)	(0.287)	(0.297)	(0.344)	(0.201)	(0.00738)
Education Spending	-0.361	-1.682	-0.827	-1.856	-3.314	0.855	-0.316	-0.470	0.422	-3.506	2.279	-1.396	-0.0698 <sup>*</sup>
Under FI	(1.059)	(0.660)	(6.280)	(1.436)	(2.407)	(1.919)	(1.310)	(1.289)	(1.627)	(2.191)	(2.194)	(1.506)	(0.0313)
Unemployment under FI	-0.158	0.0113	0.0178	0.0924	-0.267	-0.0376	-0.262	-0.0776	-0.227	-0.0763	-0.201	-0.181	0.00984 <sup>***</sup>
	(0.0820)	(0.0682)	(0.558)	(0.112)	(0.297)	(0.234)	(0.153)	(0.116)	(0.116)	(0.250)	(0.129)	(0.142)	(0.00294)
Financial Depth	0.202	0.332	-0.0965	-0.0245	0.769	0.860	1.065	0.172	0.696	0.762	0.536	0.889	-0.0405
Under FI	(0.432)	(0.587)	(1.896)	(0.547)	(1.181)	(1.078)	(1.032)	(0.526)	(0.863)	(0.866)	(0.884)	(0.762)	(0.0364)
_cons	-3.203 <sup>*</sup>	-2.893 <sup>**</sup>	-2.566 <sup>***</sup>	-2.216 <sup>***</sup>	-3.700 <sup>***</sup>	-3.711 <sup>***</sup>	-3.823 <sup>***</sup>	-3.725 <sup>***</sup>	-2.173 <sup>*</sup>	-3.399 <sup>**</sup>	-2.363 <sup>*</sup>	-3.447 <sup>***</sup>	-3.042 <sup>***</sup>
	(1.197)	(0.382)	(0.422)	(0.499)	(0.876)	(0.902)	(1.028)	(1.024)	(1.025)	(0.944)	(1.090)	(1.024)	(0.365)
<i>N</i>	668	4404	3446	3392	805	899	754	805	744	805	744	668	4213
adj. <i>R</i> <sup>2</sup>	0.189	0.058	0.066	0.069	0.132	0.112	0.155	0.129	0.150	0.132	0.158	0.191	0.068
<i>AIC</i>	1757.9	12531.3	9713.3	9550.9	2157.6	2508.6	2002.3	2160.4	2004.2	2157.5	1997.8	1756.2	12018.6
<i>BIC</i>	1884.0	12710.2	9885.4	9722.5	2289.0	2643.0	2131.8	2291.7	2133.4	2288.8	2126.9	1882.3	12196.3

Standard errors in parentheses

<sup>\*</sup>  $p < 0.10$ , <sup>\*\*</sup>  $p < 0.05$ , <sup>\*\*\*</sup>  $p < 0.01$ , <sup>\*\*\*\*</sup>  $p < 0.001$

OLS IMPUTATION RESULTS: ATTEMPT 6 (linear variance)

	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(KAOPEN)
Financial Integration (FI)	-1.621	37.55	-85.26	-4.124	22.72	-18.42	-6.665	-1.342	-25.94	6.283	-34.65	-7.880	2.187
	(12.21)	(24.69)	(90.07)	(21.06)	(48.95)	(23.91)	(18.31)	(18.03)	(27.33)	(26.23)	(21.84)	(18.40)	(1.016)
Budget Deficit	1.309	1.844	2.315	1.822	1.111	2.473	1.275	1.326	2.584	2.460	2.149	1.988	4.815
	(2.362)	(1.813)	(1.359)	(1.921)	(2.182)	(1.319)	(1.654)	(2.478)	(1.379)	(1.595)	(1.281)	(1.426)	(1.453)
Current Account	-1.820	-0.861	-1.338	-1.362	-2.220	-0.621	-1.472	-1.517	-1.173	-1.374	-1.410	-1.459	-0.0561
	(1.482)	(1.228)	(0.900)	(1.335)	(1.131)	(1.010)	(1.096)	(1.666)	(1.016)	(1.082)	(0.905)	(0.967)	(1.189)
Inflation	0.762	4.148	-0.721	2.226	-0.241	-0.217	-0.422	1.432	-0.395	0.753	-0.830	-0.627	-1.833
	(4.388)	(2.528)	(1.368)	(2.988)	(1.789)	(1.388)	(2.103)	(3.803)	(1.336)	(1.476)	(1.446)	(1.394)	(1.627)
Financial Development	-0.476	-0.387	-0.369	-0.389	-0.468	-0.365	-0.464	-0.429	-0.358	-0.513	-0.419	-0.474	-0.427
	(0.129)	(0.128)	(0.106)	(0.134)	(0.116)	(0.0977)	(0.116)	(0.134)	(0.0974)	(0.0989)	(0.108)	(0.104)	(0.173)
Trade Openness	0.304	0.197	0.130	0.348	0.324	0.0167	0.246	0.309	0.0416	0.239	0.187	0.229	0.413
	(0.179)	(0.179)	(0.149)	(0.188)	(0.167)	(0.138)	(0.145)	(0.202)	(0.145)	(0.137)	(0.132)	(0.133)	(0.177)
Consumption	1.682	0.339	0.847	1.422	1.867	-0.144	1.628	1.916	0.273	1.269	0.343	1.688	1.106
	(1.381)	(1.243)	(1.197)	(1.448)	(1.251)	(1.223)	(1.289)	(1.453)	(1.232)	(1.051)	(1.195)	(1.283)	(1.171)
Initial Income	-0.0182	0.0194	-0.0668	-0.0273	0.00675	-0.0533	-0.0279	-0.0116	-0.0477	0.00700	-0.000841	-0.0220	0.0842
	(0.0538)	(0.0674)	(0.0469)	(0.0681)	(0.0545)	(0.0492)	(0.0503)	(0.0625)	(0.0502)	(0.0525)	(0.0501)	(0.0496)	(0.0573)
Investment	0.874	0.401	0.724	0.683	0.744	0.872	0.800	0.867	0.795	0.742	0.921	0.827	0.801
	(0.451)	(0.392)	(0.322)	(0.380)	(0.372)	(0.355)	(0.377)	(0.461)	(0.347)	(0.367)	(0.344)	(0.358)	(0.373)
Savings	0.762	0.646	0.618	0.687	0.827	0.342	0.801	0.839	0.479	0.749	0.397	0.736	0.355
	(0.491)	(0.344)	(0.353)	(0.443)	(0.367)	(0.346)	(0.387)	(0.492)	(0.351)	(0.340)	(0.317)	(0.392)	(0.338)
Stock Development	0.0270	0.0371	0.0284	0.0387	0.0145	0.00357	0.0214	0.0116	0.0137	0.00788	0.00505	0.0268	0.00242
	(0.0393)	(0.0405)	(0.0309)	(0.0383)	(0.0344)	(0.0290)	(0.0291)	(0.0406)	(0.0295)	(0.0299)	(0.0316)	(0.0313)	(0.0473)
Education Spending	-0.341	-0.0746	-0.435	-0.289	-0.454	-0.304	-0.392	-0.323	-0.374	-0.311	-0.314	-0.451	-0.314
	(0.235)	(0.239)	(0.175)	(0.272)	(0.194)	(0.169)	(0.227)	(0.237)	(0.177)	(0.181)	(0.176)	(0.188)	(0.196)
Unemployment	0.0171	0.0123	0.00505	0.00997	0.00905	0.0133	0.0126	0.0145	0.0169	0.00746	0.00825	0.00690	0.00732
	(0.0158)	(0.0183)	(0.0108)	(0.0236)	(0.0127)	(0.0102)	(0.0112)	(0.0205)	(0.0104)	(0.0116)	(0.0133)	(0.0121)	(0.0118)
Financial Depth	0.0837	0.0438	0.0299	0.0304	0.0926	-0.0117	0.0162	0.0896	0.0106	0.0131	0.0111	0.0737	-0.305
	(0.147)	(0.154)	(0.122)	(0.147)	(0.157)	(0.114)	(0.127)	(0.176)	(0.111)	(0.129)	(0.127)	(0.120)	(0.149)
Budget Deficit Under FI	5.561	-14.22	1.343	4.438	21.60	5.530	9.016	9.031	-6.977	-12.18	-7.681	3.230	-1.542
	(17.89)	(22.88)	(73.44)	(20.44)	(47.93)	(21.01)	(20.50)	(22.51)	(17.37)	(19.16)	(20.19)	(13.88)	(0.799)
Current Account under FI	0.482	13.16	-6.008	-3.521	6.318	-4.657	3.126	-2.448	-5.143	1.283	-12.61	-4.487	0.0890
	(6.557)	(12.04)	(26.32)	(10.13)	(22.67)	(14.34)	(9.385)	(9.934)	(13.31)	(12.66)	(10.96)	(8.444)	(0.616)
Inflation Under FI	-13.99	-78.96	-6.097	-41.51	-24.54	-16.04	-12.59	-24.80	-26.58	-61.78	3.052	-24.00	-0.341
	(46.13)	(32.45)	(58.48)	(37.68)	(99.64)	(27.49)	(80.30)	(43.91)	(35.98)	(31.79)	(19.33)	(25.23)	(1.068)
Financial Development Under FI	0.0899	-0.267	-3.619	-0.356	-0.290	0.0567	0.376	-0.787	-1.404	0.0755	-1.593	-0.368	0.0682
	(0.871)	(1.756)	(5.865)	(1.421)	(2.962)	(1.943)	(2.044)	(1.193)	(2.249)	(1.703)	(1.665)	(1.094)	(0.0891)
Trade Openness Under FI	-1.156	-2.302	2.172	-2.342	-4.122	2.697	-1.237	-1.561	2.594	-2.130	4.248	-1.356	-0.146
	(0.837)	(2.053)	(10.18)	(1.875)	(3.137)	(2.018)	(1.236)	(1.389)	(1.971)	(1.369)	(2.392)	(1.091)	(0.0902)
Consumption Under FI	-1.561	9.140	-6.192	-4.683	-3.105	6.222	-8.716	-5.576	-9.582	-7.797	-2.416	-7.483	0.349
	(11.09)	(12.87)	(46.98)	(10.87)	(34.86)	(16.27)	(18.68)	(12.46)	(13.58)	(12.28)	(12.35)	(11.91)	(0.701)
Initial Income Under FI	-0.193	-1.584	2.833	-0.280	-1.540	0.715	-0.561	-0.380	1.113	-1.331	1.538	-0.298	-0.0958
	(0.327)	(1.004)	(3.608)	(0.818)	(1.160)	(0.780)	(0.539)	(0.514)	(0.871)	(0.676)	(0.853)	(0.523)	(0.0346)
Investment Under FI	-1.270	5.312	1.608	-0.789	-8.115	2.057	-2.405	-2.934	4.600	-2.968	3.356	-2.050	0.189
	(3.063)	(6.444)	(15.04)	(4.082)	(10.10)	(6.419)	(4.809)	(4.248)	(3.936)	(5.292)	(3.996)	(4.434)	(0.213)
Savings Under FI	-0.160	-1.707	-3.863	-0.202	1.629	0.180	-2.899	-1.076	-5.792	-5.154	-4.029	-1.199	0.176

	(4.530)	(4.567)	(18.85)	(4.815)	(13.90)	(6.850)	(7.313)	(5.466)	(5.720)	(5.107)	(6.053)	(5.392)	(0.192)
Stock Development under	0.0628	-0.461	-1.182	0.0335	0.661	-0.147	0.295	0.236	-0.0687	0.379	-0.377	0.339	0.00815
FI	(0.332)	(0.622)	(2.246)	(0.411)	(1.118)	(0.530)	(0.574)	(0.438)	(0.424)	(0.503)	(0.422)	(0.392)	(0.0278)
Education Spending	-1.494	-6.358	-2.101	-3.244	-3.459	-0.496	-1.728	-1.659	2.921	-5.420	2.651	-2.290	-0.129
Under FI	(1.859)	(4.426)	(11.24)	(3.643)	(5.343)	(3.243)	(3.779)	(2.344)	(3.546)	(2.567)	(3.307)	(2.320)	(0.117)
Unemployment under FI	-0.105	-0.304	1.150	-0.0207	-0.114	-0.180	-0.168	-0.173	-0.135	-0.0456	-0.216	-0.0970	-0.00581
	(0.159)	(0.315)	(0.423)	(0.379)	(0.685)	(0.189)	(0.191)	(0.294)	(0.337)	(0.325)	(0.182)	(0.218)	(0.00767)
Financial Depth	0.246	-0.717	-1.919	0.190	-0.525	1.665	2.120	0.316	1.257	0.479	0.842	1.098	0.150
Under FI	(0.635)	(1.494)	(4.274)	(1.020)	(3.406)	(1.910)	(1.662)	(1.007)	(1.197)	(1.494)	(1.323)	(1.371)	(0.0830)
_cons	-1.546	-2.977	-0.970	-1.422	-2.541	-1.381	-1.223	-1.533	-1.606	-2.195	-2.458	-1.744	-3.355
	(2.026)	(1.878)	(1.613)	(2.023)	(1.982)	(1.732)	(1.857)	(2.188)	(1.788)	(1.880)	(1.706)	(1.859)	(1.801)
<i>N</i>	307	351	337	337	315	333	313	315	324	315	324	307	338
adj. <i>R</i> <sup>2</sup>	0.326	0.343	0.280	0.306	0.362	0.270	0.331	0.346	0.281	0.394	0.291	0.333	0.319
<i>AIC</i>	676.6	732.7	743.3	731.1	674.7	741.7	685.0	682.3	721.4	658.6	717.1	673.7	719.5
<i>BIC</i>	781.0	840.8	850.2	838.1	779.8	848.3	789.9	787.4	827.3	763.7	823.0	778.1	826.6

Standard errors in parentheses

+ p < 0.10, \* p < 0.05, \*\* p < 0.01, \*\*\* p < 0.001



OLS (TRANSFORMED) RESULTS: ATTEMPT 7

	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH
Financial Integration (FI)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(KAOPEN)
FI	1.169 (9.017)	-3.211 (7.368)	10.89 (15.14)	-1.444 (12.22)	-6.921 (19.86)	3.023 (7.749)	1.677 (8.013)	-0.508 (6.938)	6.897 (8.457)	-3.711 (10.79)	3.737 (6.863)	4.399 (8.068)	1.942 (38.07)
Budget Deficit	5.700 (10.74)	3.992 (9.390)	-0.653 (10.87)	1.247 (11.38)	-2.825 (9.453)	1.168 (13.11)	7.276 (10.06)	3.941 (11.37)	-0.222 (11.77)	2.132 (9.722)	-7.020 (14.56)	5.457 (9.441)	-4.458 (15.99)
Current Account	-9.317 (11.03)	-8.818 (10.63)	-6.855 (6.299)	-5.398 (10.02)	-0.142 (6.775)	-7.636 (10.12)	-9.610 (8.543)	-7.541 (9.739)	-8.301 (8.613)	-5.573 (7.838)	-1.784 (7.221)	-4.055 (6.193)	-6.933 (9.290)
Inflation	-3.408 (10.05)	-3.843 (9.549)	-8.595 (7.794)	-1.219 (9.692)	-0.994 (8.143)	-3.210 (13.46)	0.0872 (9.855)	-1.973 (10.57)	-9.398 (15.35)	-2.887 (11.49)	-9.783 (17.23)	-1.901 (9.329)	-13.77 (18.06)
Financial Development	1.047 (2.318)	0.994 (2.136)	-0.129 (1.481)	-0.0683 (2.499)	0.271 (1.596)	-0.175 (2.108)	1.335 (1.954)	0.601 (2.334)	-0.135 (2.058)	0.490 (1.936)	0.149 (3.011)	2.124 (1.735)	-0.427 (2.806)
Trade Openness	-1.111 (2.418)	-0.0480 (2.994)	-0.221 (1.511)	1.996 (3.706)	1.236 (1.798)	-1.406 (3.372)	-0.949 (3.239)	0.277 (4.122)	-2.436 (4.209)	-0.714 (2.603)	-0.873 (3.706)	-0.920 (2.280)	0.894 (2.737)
Consumption	-6.004 (14.93)	-5.330 (17.45)	-11.38 (15.22)	2.387 (19.19)	-3.490 (9.435)	-13.29 (12.76)	-8.139 (12.67)	-3.549 (18.54)	-6.930 (14.94)	-5.936 (10.72)	-1.945 (17.62)	7.965 (19.13)	-4.031 (15.05)
Initial Income	-16.95 (9.549)	-16.69 (7.156)	-15.84 (9.414)	-13.50 (8.217)	-17.80 (7.314)	-12.60 (12.16)	-20.43 (8.368)	-17.67 (7.056)	-16.32 (11.05)	-15.46 (7.787)	-11.45 (11.86)	-18.61 (7.725)	-8.827 (10.71)
Investment	0.454 (4.942)	1.662 (3.292)	3.747 (2.918)	-0.186 (5.049)	2.842 (2.417)	1.162 (3.524)	0.663 (3.019)	0.711 (3.818)	0.901 (3.828)	1.368 (3.415)	3.034 (3.333)	-1.392 (3.586)	1.852 (2.399)
Savings	0.180 (3.852)	-0.111 (3.878)	-1.645 (3.119)	0.864 (5.611)	-1.315 (2.497)	-1.965 (3.859)	0.324 (3.769)	0.149 (4.377)	0.871 (5.092)	-0.282 (3.699)	0.120 (6.297)	3.192 (6.851)	1.598 (4.459)
Stock Development	0.258 (0.531)	0.171 (0.656)	-0.135 (0.391)	0.380 (0.638)	0.355 (0.365)	0.0257 (0.492)	0.310 (0.422)	0.131 (0.789)	0.130 (0.557)	0.227 (0.422)	0.207 (0.560)	0.0828 (0.400)	-0.0473 (0.637)
Education Spending	-4.148 (5.903)	-4.080 (4.226)	-3.827 (3.504)	-2.765 (3.884)	-1.670 (2.971)	-2.941 (4.536)	-3.128 (4.303)	-2.833 (4.238)	-3.425 (5.136)	-1.856 (3.098)	-2.664 (4.741)	-4.125 (4.148)	-0.266 (3.839)
Unemployment	-0.0130 (0.242)	0.0665 (0.141)	0.0295 (0.138)	-0.0178 (0.187)	-0.0173 (0.111)	0.0337 (0.146)	0.0269 (0.146)	0.000940 (0.155)	-0.132 (0.223)	-0.0264 (0.126)	-0.0600 (0.191)	-0.0792 (0.175)	0.0418 (0.129)
Financial Depth	1.515 (1.707)	0.572 (1.159)	0.407 (0.979)	0.167 (1.470)	1.310 (1.753)	0.870 (1.402)	1.715 (1.748)	1.282 (1.641)	1.279 (1.844)	1.546 (1.843)	1.012 (1.795)	2.014 (1.550)	0.345 (0.649)
Budget Deficit Under FI	-75.78 (162.4)	132.9 (225.0)	205.3 (204.0)	-91.20 (295.2)	-184.0 (277.9)	-26.27 (204.9)	-35.29 (167.6)	30.60 (200.6)	-4.901 (278.6)	-46.03 (197.4)	10.71 (166.8)	-38.49 (101.2)	13.46 (124.6)
Current Account under FI	-22.87 (120.9)	-61.81 (133.0)	-82.51 (363.5)	-40.86 (253.0)	5.721 (365.4)	13.78 (137.9)	44.07 (191.1)	-49.67 (157.7)	191.1 (258.4)	-11.05 (205.7)	-72.51 (130.5)	-87.76 (145.4)	-7.091 (187.5)
Inflation Under FI	1.406 (189.4)	-266.6 (236.5)	568.6 (430.3)	-99.12 (316.9)	-101.5 (439.0)	-325.6 (477.4)	-117.0 (213.0)	-109.9 (290.0)	-67.41 (504.4)	-19.53 (198.6)	-43.87 (365.0)	-3.821 (157.5)	-20.69 (498.3)
Financial Development Under FI	-38.22 (29.43)	-33.39 (34.60)	-26.66 (72.68)	-51.61 (55.15)	-0.721 (72.27)	-25.94 (52.60)	-29.01 (63.99)	-35.98 (30.92)	-35.27 (67.50)	-29.71 (41.68)	-16.60 (38.42)	-48.29 (36.49)	-2.775 (108.9)
Trade Openness Under FI	-3.188 (46.02)	2.536 (60.64)	137.4 (185.8)	-18.44 (65.52)	-50.69 (95.24)	-37.69 (124.0)	-5.176 (34.23)	-4.338 (72.50)	21.84 (128.0)	8.229 (56.82)	-46.55 (89.21)	-40.21 (51.07)	-8.475 (31.35)
Consumption Under FI	2.957 (213.0)	-50.69 (284.2)	-821.3 (714.4)	-89.62 (428.5)	-387.6 (796.7)	241.2 (335.7)	212.9 (354.4)	-131.6 (290.9)	-111.3 (545.4)	-1.170 (433.8)	-53.97 (341.9)	-159.4 (316.8)	75.10 (695.4)
Initial Income Under FI	61.52 (201.4)	174.9 (213.7)	-219.0 (385.8)	142.0 (188.8)	134.0 (460.2)	36.42 (206.1)	52.64 (155.1)	110.6 (169.2)	-13.92 (187.7)	132.8 (214.1)	-5.404 (161.8)	76.31 (98.42)	-30.90 (941.9)
Investment Under FI	4.964	-15.89	53.52	33.55	6.889	23.77	22.75	-13.40	60.75	-20.10	-12.14	-41.85	-6.795

	(54.83)	(64.12)	(127.1)	(97.24)	(132.1)	(66.55)	(54.55)	(79.74)	(110.2)	(87.76)	(57.04)	(43.81)	(74.54)
Savings Under FI	-13.39	-28.99	-286.9	-71.61	-156.2	64.73	75.10	-43.61	-42.96	4.127	-10.71	12.99	33.43
	(119.8)	(106.4)	(253.8)	(145.3)	(281.4)	(108.6)	(136.8)	(95.40)	(195.1)	(146.8)	(124.7)	(116.2)	(270.5)
Stock Development under FI	2.012	-2.922	21.51	4.728	33.12	-4.675	-5.864	2.502	-6.382	-0.762	-3.385	-8.395	0
	(7.743)	(8.876)	(19.67)	(15.53)	(27.33)	(10.30)	(9.040)	(8.859)	(13.87)	(18.52)	(12.10)	(10.31)	(.)
Education Spending Under FI	59.32	94.65	-104.8	52.84	58.67	29.58	44.02	68.55	113.8	33.29	29.88	83.12	0
	(84.50)	(125.5)	(130.8)	(103.7)	(191.6)	(90.45)	(120.8)	(94.27)	(159.8)	(87.18)	(71.06)	(80.77)	(.)
Unemployment under FI	1.744	1.367	22.87	3.884	-0.335	-2.118	0.758	0.579	3.818	-1.433	0.230	-1.322	0
	(7.354)	(3.997)	(14.60)	(7.542)	(7.212)	(5.974)	(5.633)	(3.524)	(8.473)	(4.659)	(4.988)	(6.804)	(.)
Financial Depth Under FI	-10.60	-15.15	-1.250	12.76	22.04	15.52	-15.43	4.424	29.24	1.363	10.15	-0.781	0
	(33.29)	(47.15)	(66.43)	(30.72)	(48.10)	(30.06)	(46.12)	(26.12)	(63.61)	(26.14)	(23.31)	(21.54)	(.)
_cons	0.679	0.706	0.648	0.576	0.681	0.619	0.875	0.666	0.738	0.551	0.426	0.689	0.503
	(0.460)	(0.379)	(0.612)	(0.487)	(0.428)	(0.604)	(0.469)	(0.407)	(0.527)	(0.490)	(0.635)	(0.439)	(0.465)
<i>N</i>	57	58	58	58	57	58	57	57	58	57	58	57	56
adj. <i>R</i> <sup>2</sup>	0.358	0.315	0.275	0.221	0.255	0.062	0.340	0.252	0.028	0.202	-0.123	0.275	0.195
<i>AIC</i>	129.4	134.6	137.9	142.1	137.9	152.8	131.1	138.2	154.9	141.8	163.3	136.4	120.0
<i>BIC</i>	186.6	192.2	195.5	199.8	195.1	210.5	188.3	195.4	212.6	199.0	220.9	193.6	148.3

Standard errors in parentheses

+ p < 0.10, \* p < 0.05, \*\* p < 0.01, \*\*\* p < 0.001

GLS RESULTS: ATTEMPT 1

	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(KAOPEN)
Financial Integration (FI)	1.409	2.733	12.22	7.349	8.136	1.151	0.955	3.214	-2.060	3.596	-0.426	2.391	0.123
FI	(3.650)	(5.626)	(9.119)	(4.025)	(3.523)	(2.922)	(4.314)	(3.796)	(4.066)	(3.026)	(5.313)	(4.886)	(0.140)
Country Risk Rating	-0.0364	-0.00331	-0.0119	-0.00302	-0.0439	-0.0291	-0.0400	-0.0438	-0.0342	-0.0433	-0.0306	-0.0337	-0.00310
	(0.0193)	(0.00831)	(0.00629)	(0.00788)	(0.0159)	(0.0139)	(0.0161)	(0.0188)	(0.0174)	(0.0160)	(0.0164)	(0.0146)	(0.00628)
Credit Rating	0.267	0.0198	0.0965	0.0336	0.320	0.241	0.278	0.316	0.274	0.310	0.280	0.265	0.0693
	(0.143)	(0.0495)	(0.0366)	(0.0529)	(0.0839)	(0.0835)	(0.0982)	(0.104)	(0.0943)	(0.0865)	(0.0831)	(0.0875)	(0.0336)
Rule of Law	-0.0583	-0.135	-0.182	-0.175	-0.0136	-0.0946	0.0563	0.0190	-0.200	0.0294	-0.175	-0.0293	-0.0628
	(0.351)	(0.140)	(0.132)	(0.163)	(0.229)	(0.227)	(0.244)	(0.299)	(0.249)	(0.240)	(0.260)	(0.239)	(0.130)
Political Stability	0.0753	0.0667	0.0346	0.0454	0.109	-0.00807	0.0559	0.166	-0.0259	0.148	0.00893	0.130	0.0937
	(0.207)	(0.103)	(0.111)	(0.170)	(0.198)	(0.185)	(0.164)	(0.236)	(0.201)	(0.205)	(0.206)	(0.175)	(0.0921)
Corruption	-0.00996	-0.00444	-0.00446	-0.00515	-0.0119	-0.0131	-0.0104	-0.0111	-0.0103	-0.0106	-0.0156	-0.0143	-0.00454
	(0.0137)	(0.00337)	(0.00322)	(0.00344)	(0.00847)	(0.00697)	(0.00887)	(0.00985)	(0.00876)	(0.00813)	(0.00867)	(0.00929)	(0.00327)
Country Risk Rating under FI	-0.00387	-0.0243	0.137	-0.164	-0.190	-0.0210	0.0121	-0.0166	0.0355	-0.0952	-0.0443	-0.0485	-0.00175
	(0.114)	(0.213)	(0.124)	(0.107)	(0.192)	(0.112)	(0.118)	(0.160)	(0.136)	(0.170)	(0.171)	(0.118)	(0.00403)
Credit Rating under FI	0.0282	0.830	-1.888	1.068	0.349	0.513	0.339	-0.0714	0.244	0.526	0.583	0.499	0.0138
	(0.874)	(1.095)	(1.252)	(0.833)	(1.365)	(0.806)	(0.762)	(0.858)	(0.852)	(1.241)	(0.935)	(0.720)	(0.0241)
Rule of Law under FI	0.874	-0.813	3.934	0.113	1.405	0.0459	-1.190	0.401	1.522	-0.334	-0.986	-0.266	-0.221
	(4.201)	(2.593)	(3.012)	(2.787)	(3.492)	(2.929)	(3.279)	(2.727)	(3.661)	(3.312)	(3.010)	(3.162)	(0.0878)
Political Stability under FI	0.558	0.354	-2.896	-0.751	3.149	1.182	-2.896	3.011	0.507	2.411	1.121	1.619	0.0389
	(2.289)	(2.304)	(6.806)	(4.050)	(2.637)	(1.571)	(2.063)	(2.208)	(2.917)	(2.914)	(1.208)	(1.775)	(0.0580)
Corruption under FI	-0.0427	-0.0603	-0.117	-0.00823	0.00220	-0.0760	-0.0845	-0.0218	-0.0853	-0.0273	-0.0130	-0.0551	0.000212
	(0.0794)	(0.0517)	(0.0795)	(0.0369)	(0.0792)	(0.0591)	(0.0775)	(0.0736)	(0.0642)	(0.0741)	(0.0802)	(0.0785)	(0.00204)
_cons	-2.170	-3.280	-3.014	-3.313	-1.988	-2.245	-2.057	-2.138	-2.111	-2.072	-2.174	-2.156	-3.396
	(0.549)	(0.270)	(0.230)	(0.273)	(0.438)	(0.406)	(0.456)	(0.476)	(0.508)	(0.447)	(0.486)	(0.446)	(0.243)
<i>N</i>	192	931	771	771	214	228	205	214	207	214	207	192	936
adj. <i>R</i> <sup>2</sup>	.	.	.	.	.	.	.	.	.	.	.	.	.
<i>AIC</i>	.	.	.	.	.	.	.	.	.	.	.	.	.
<i>BIC</i>	.	.	.	.	.	.	.	.	.	.	.	.	.

Standard errors in parentheses

+ p < 0.10, \* p < 0.05, \*\* p < 0.01, \*\*\* p < 0.001

**GLS RESULTS: ATTEMPT 2**

	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(KAOPEN)
Financial Integration	14.74	67.43	-364.5	93.63	52.94	-36.19	-38.74	57.59	-139.1	45.48	-96.36	-39.51	5.708
(FI)	(44.34)	(115.3)	(683.3)	(163.6)	(125.0)	(102.3)	(49.25)	(81.85)	(182.1)	(80.79)	(113.4)	(54.58)	(10.72)
FI	-2.792	-3.988	0.441	-2.463	-1.315	-0.367	-3.191	-2.862	-0.404	-1.215	0.672	-1.693	5.160
	(5.171)	(3.704)	(4.090)	(6.058)	(5.600)	(4.848)	(4.834)	(5.792)	(4.634)	(5.075)	(4.739)	(3.987)	(10.84)
Budget Deficit	0.0840	-0.619	-0.897	-1.553	-2.456	0.000208	-0.714	-1.629	0.672	-2.789	-0.950	-1.423	-7.195
	(3.919)	(3.300)	(3.053)	(3.771)	(3.122)	(3.122)	(3.832)	(4.224)	(3.745)	(3.167)	(3.667)	(2.687)	(6.163)
Current Account	1.687	2.125	-4.768	2.456	-1.955	-5.378	-1.108	1.630	-5.122	-2.003	-4.353	-2.518	-14.93
	(5.144)	(5.572)	(5.954)	(5.750)	(4.729)	(8.615)	(5.298)	(5.664)	(8.491)	(4.853)	(7.398)	(5.527)	(12.38)
Inflation	-1.059	-1.216	-0.547	-1.228	-0.815	-0.528	-0.907	-1.116	-0.655	-0.896	-0.560	-0.760	-0.476
	(0.327)	(0.291)	(0.407)	(0.405)	(0.315)	(0.326)	(0.262)	(0.286)	(0.267)	(0.271)	(0.365)	(0.289)	(1.049)
Financial	0.192	0.242	-0.207	0.168	0.175	-0.106	0.265	0.141	-0.0433	0.176	0.0412	0.238	0.217
Development	(0.457)	(0.443)	(0.464)	(0.480)	(0.365)	(0.404)	(0.282)	(0.517)	(0.415)	(0.360)	(0.426)	(0.332)	(0.465)
Trade Openness	-1.388	-3.901	-1.759	-3.504	-0.790	-1.238	0.0404	-2.670	0.0257	-0.778	-1.105	-0.373	-6.066
	(3.604)	(3.780)	(4.240)	(5.472)	(2.540)	(3.398)	(2.670)	(3.533)	(3.807)	(2.565)	(4.759)	(2.275)	(7.937)
Consumption	0.120	0.236	-0.215	0.250	0.00176	-0.170	-0.0964	0.210	-0.158	0.0319	-0.0640	-0.0963	-0.0680
	(0.212)	(0.252)	(0.217)	(0.405)	(0.199)	(0.226)	(0.175)	(0.249)	(0.242)	(0.211)	(0.255)	(0.165)	(0.475)
Initial Income	0.741	0.0264	0.841	0.0453	1.508	1.650	1.423	0.312	1.835	1.345	1.102	0.953	-1.923
	(1.789)	(1.442)	(1.239)	(1.990)	(1.192)	(1.678)	(1.677)	(1.722)	(1.646)	(1.186)	(1.620)	(1.635)	(3.862)
Investment	-0.0844	-0.866	-0.565	-0.493	0.0883	-0.515	0.0245	-0.0464	-0.296	0.129	-0.419	-0.0412	-1.249
	(1.026)	(0.957)	(1.487)	(1.502)	(0.549)	(1.138)	(0.614)	(0.833)	(1.284)	(0.549)	(1.867)	(0.571)	(2.817)
Savings	0.352	0.356	0.258	0.360	0.428	0.256	0.377	0.377	0.267	0.439	0.191	0.333	-0.0141
	(0.208)	(0.162)	(0.161)	(0.197)	(0.163)	(0.172)	(0.201)	(0.192)	(0.168)	(0.167)	(0.223)	(0.203)	(0.283)
Stock Development	0.154	0.573	-0.224	0.669	-0.384	0.253	-0.218	0.0129	-0.0106	-0.302	-0.325	-0.251	-0.296
	(0.837)	(0.510)	(0.552)	(0.770)	(0.458)	(0.534)	(0.639)	(0.640)	(0.477)	(0.510)	(0.634)	(0.487)	(1.610)
Education Spending	-0.0107	-0.0464	-0.0367	-0.0472	0.0315	-0.0143	0.00284	-0.00558	-0.0126	0.0377	-0.0160	-0.00238	-0.0766
	(0.0600)	(0.0449)	(0.0415)	(0.0609)	(0.0275)	(0.0504)	(0.0611)	(0.0512)	(0.0496)	(0.0349)	(0.0565)	(0.0596)	(0.108)
Unemployment	0.412	0.719	0.275	0.631	0.256	0.188	0.224	0.531	0.194	0.333	0.356	0.281	0.0770
	(0.415)	(0.400)	(0.321)	(0.469)	(0.316)	(0.215)	(0.308)	(0.472)	(0.253)	(0.337)	(0.313)	(0.251)	(0.695)
Financial Depth	5.843	-0.745	-46.21	-16.57	14.10	10.39	15.91	1.083	6.374	3.815	26.90	12.69	-2.377
	(19.83)	(49.84)	(189.4)	(74.72)	(68.33)	(51.10)	(25.24)	(44.50)	(27.06)	(46.34)	(43.32)	(17.60)	(5.340)
Budget Deficit Under	12.82	35.31	-24.55	38.40	11.94	21.38	8.349	22.80	-26.04	6.712	-32.59	-0.632	3.542
FI	(15.44)	(29.03)	(196.8)	(44.84)	(33.19)	(69.91)	(20.77)	(26.62)	(51.97)	(18.71)	(67.28)	(15.20)	(4.489)
Current Account	-43.47	-90.22	21.71	-74.24	-57.09	-41.39	-73.74	-48.40	-6.355	-23.91	40.48	-30.16	3.472
under FI	(17.32)	(39.90)	(194.0)	(46.06)	(34.85)	(144.7)	(26.84)	(27.23)	(110.5)	(14.60)	(159.5)	(15.20)	(7.259)
Inflation Under FI	3.167	8.321	-11.20	7.228	11.03	6.744	7.098	5.017	1.806	7.322	0.314	3.720	0.162
	(2.343)	(3.581)	(31.00)	(4.802)	(5.269)	(7.773)	(4.682)	(1.859)	(8.133)	(1.919)	(6.477)	(3.039)	(0.460)
Financial	-1.441	-3.519	28.08	-1.623	0.464	-3.399	-3.480	-0.612	0.832	0.727	3.839	-0.985	-0.245
Development	(2.506)	(4.653)	(33.18)	(5.727)	(4.849)	(7.020)	(3.896)	(3.665)	(6.392)	(2.516)	(5.917)	(2.753)	(0.334)
Under FI													
Trade Openness	4.753	32.96	88.73	30.59	-15.64	-12.94	-16.57	8.690	-55.62	-9.958	7.179	-5.189	1.747
Under FI	(25.19)	(34.42)	(168.3)	(65.19)	(47.94)	(59.61)	(40.25)	(22.25)	(113.5)	(25.90)	(56.06)	(24.74)	(3.749)
Consumption Under	-0.977	-2.273	17.77	-3.613	-4.042	-0.384	-0.476	-2.318	2.104	-3.165	2.530	0.244	-0.153
FI	(1.375)	(3.136)	(22.79)	(4.688)	(3.439)	(4.499)	(1.921)	(2.331)	(4.580)	(2.588)	(3.071)	(1.889)	(0.286)
Initial Income Under	5.797	17.47	16.47	15.94	-18.74	7.073	-1.821	6.187	-9.869	-16.71	-7.996	-3.305	1.367
FI	(8.257)	(13.65)	(126.8)	(22.07)	(17.27)	(29.66)	(9.403)	(9.757)	(21.59)	(10.55)	(26.38)	(6.417)	(2.163)

Investment Under FI	-4.258 (9.356)	1.867 (10.97)	40.15 (36.36)	0.215 (18.91)	-7.467 (22.35)	-12.22 (20.70)	-9.802 (17.73)	-5.813 (8.071)	-18.00 (37.50)	-4.963 (11.77)	1.250 (21.44)	-1.696 (12.01)	0.0441 (1.273)
Savings Under FI	-1.231 (0.829)	-3.170 (1.437)	-6.931 (9.345)	-2.282 (1.550)	-3.104 (1.728)	-1.446 (5.174)	-2.206 (1.184)	-1.828 (0.899)	-0.866 (3.478)	-2.319 (1.172)	-1.317 (4.106)	-1.559 (0.701)	0.1000 (0.142)
Stock Development under FI	-5.694 (5.328)	-14.52 (7.594)	12.83 (40.16)	-13.91 (13.84)	-0.389 (7.907)	-8.902 (16.26)	-8.519 (9.067)	-4.273 (5.117)	-2.808 (14.45)	-0.291 (5.897)	-4.736 (14.35)	-6.134 (5.459)	-0.187 (0.733)
Education Spending Under FI	0.0682 (0.392)	0.234 (0.727)	4.501 (3.741)	0.434 (0.746)	-0.187 (1.041)	-0.184 (1.113)	0.0275 (0.635)	-0.0260 (0.573)	0.0776 (1.117)	-0.551 (0.773)	-0.0703 (0.734)	0.0787 (0.530)	0.00446 (0.0736)
Unemployment under FI	-0.270 (2.710)	-3.549 (5.156)	4.704 (28.92)	-3.289 (4.921)	2.068 (3.989)	3.875 (6.273)	2.367 (3.778)	-1.685 (3.712)	6.591 (6.956)	0.561 (2.794)	1.920 (4.214)	1.801 (2.550)	0.0610 (0.358)
_cons	-6.629 (8.685)	-12.14 (10.63)	1.190 (8.742)	-11.11 (15.81)	-2.907 (8.044)	1.571 (7.875)	0.207 (6.864)	-10.71 (10.20)	2.899 (8.702)	-3.877 (8.572)	-2.698 (10.65)	-0.842 (6.656)	-8.059 (19.84)
<i>N</i>	97	101	99	99	98	101	98	98	99	98	99	97	97
adj. <i>R</i> <sup>2</sup>													
<i>AIC</i>	.	.	.	.	.	.	.	.	.	.	.	.	.
<i>BIC</i>	.	.	.	.	.	.	.	.	.	.	.	.	.

Standard errors in parentheses

+ p < 0.10, \* p < 0.05, \*\* p < 0.01, \*\*\* p < 0.001

**GLS RESULTS: ATTEMPT 3**

	GROWTH	GROWTH	GROWTH	GROWTH
	(2)	(3)	(4)	(KAOPEN)
Financial Integration (FI)				
FI	-0.703 (11.06)	30.30 <sup>*</sup> (12.36)	-0.244 (10.93)	0.282 (0.195)
Financial Centre	0.316 (0.290)	0.287 (0.238)	0.356 (0.271)	0.605 (0.997)
World Bank	-0.0682 (0.316)	-0.000808 (0.179)	-0.0171 (0.342)	0.169 (0.407)
World Trade Organization	0.157 <sup>*</sup> (0.0802)	0.176 <sup>**</sup> (0.0636)	0.246 <sup>**</sup> (0.0798)	0.0773 (0.0630)
Stock Market Existence	-0.176 <sup>*</sup> (0.0937)	-0.0879 (0.0966)	-0.235 (0.152)	-0.0508 (0.0998)
Financial Centre under FI	-2.287 (9.989)	-4.528 (11.00)	-2.163 (4.579)	-0.279 (0.421)
World Bank under FI	2.131 (10.74)	-0.678 (10.96)	0.349 (6.564)	-0.270 (0.188)
World Trade Organization under FI	-4.166 (2.576)	-13.87 <sup>*</sup> (7.039)	-6.918 <sup>**</sup> (2.208)	-0.0298 (0.0425)
Stock Market Existence under FI	5.299 (2.470)	-14.59 (11.33)	7.948 (8.552)	0.0506 (0.0648)
_cons	-3.624 <sup>**</sup> (0.323)	-3.725 <sup>**</sup> (0.179)	-3.675 <sup>**</sup> (0.376)	-3.863 <sup>**</sup> (0.412)
<i>N</i>	1421	1319	1288	1447
adj. <i>R</i> <sup>2</sup>				
<i>AIC</i>	.	.	.	.
<i>BIC</i>	.	.	.	.

Standard errors in parentheses

+ p < 0.10, \* p < 0.05, \*\* p < 0.01, \*\*\* p < 0.001

**GLS RESULTS: ATTEMPT 4**

	Investment (% GDP)
	(1)
Savings (% GDP)	0.115 <sup>**</sup> (0.00609)
_cons	-1.356 <sup>**</sup> (0.0224)
<i>N</i>	5723
adj. <i>R</i> <sup>2</sup>	
<i>AIC</i>	.
<i>BIC</i>	.

Standard errors in parentheses

+ p < 0.10, \* p < 0.05, \*\* p < 0.01, \*\*\* p < 0.001

**GLS IMPUTATION RESULTS: ATTEMPT 5 (mean variance)**

	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(KAOPEN)
Financial Integration (FI)	-7.267	-4.841	-66.19	-2.167	-3.786	-15.75	-6.009	6.110	-28.28	-13.02	-21.91	-9.988	-0.00359
	(11.18)	(6.734)	(61.31)	(8.159)	(23.64)	(13.06)	(15.29)	(12.65)	(27.08)	(18.26)	(16.96)	(14.72)	(0.351)
Budget Deficit	1.756	0.00242	0.479	-0.205	1.642	2.378	2.517	1.724	1.602	1.744	1.841	1.861	-0.148
	(1.211)	(1.131)	(0.985)	(1.146)	(1.157)	(1.078)	(1.172)	(1.273)	(1.170)	(1.170)	(1.125)	(1.108)	(0.976)
Current Account	-0.849	0.485	-0.646	-0.506	-0.108	0.0795	-0.437	0.110	-0.0137	-0.0877	0.147	-0.544	0.241
	(0.960)	(0.221)	(0.459)	(0.582)	(0.370)	(0.678)	(0.710)	(0.396)	(0.767)	(0.440)	(0.787)	(0.800)	(0.451)
Inflation	0.207	0.00481	-0.0160	-0.00263	0.441	-0.348	0.339	0.694	-0.845	0.516	-0.519	0.199	0.00667
	(1.012)	(0.0119)	(0.109)	(0.0536)	(0.752)	(0.678)	(0.789)	(1.122)	(0.693)	(0.808)	(0.800)	(0.856)	(0.151)
Financial Development	-0.275	-0.0763	-0.114	-0.102	-0.0798	-0.165	-0.122	-0.0681	-0.206	-0.0905	-0.222	-0.288	-0.0652
	(0.114)	(0.0499)	(0.0443)	(0.0550)	(0.118)	(0.105)	(0.125)	(0.142)	(0.0937)	(0.121)	(0.0944)	(0.0962)	(0.0492)
Trade Openness	0.253	0.0681	0.100	0.0625	0.191	0.0847	0.152	0.269	0.0835	0.188	0.201	0.220	0.0316
	(0.164)	(0.0618)	(0.0660)	(0.0707)	(0.143)	(0.132)	(0.141)	(0.175)	(0.149)	(0.148)	(0.137)	(0.132)	(0.0897)
Consumption	-0.304	-0.418	-0.634	-0.690	-0.565	-0.884	-0.754	-0.361	-0.869	-0.627	-0.552	-0.504	-0.511
	(0.743)	(0.217)	(0.283)	(0.300)	(0.413)	(0.464)	(0.545)	(0.541)	(0.587)	(0.428)	(0.508)	(0.547)	(0.193)
Initial Income	-0.0112	-0.0576	-0.0747	-0.0761	-0.0439	-0.0375	-0.0262	-0.0295	-0.0675	-0.0517	-0.0423	-0.00719	-0.0430
	(0.0479)	(0.0181)	(0.0187)	(0.0208)	(0.0427)	(0.0412)	(0.0485)	(0.0527)	(0.0424)	(0.0434)	(0.0428)	(0.0408)	(0.0217)
Investment	1.194	0.322	0.388	0.372	0.719	0.904	0.769	0.734	1.249	0.697	1.353	1.178	0.323
	(0.284)	(0.114)	(0.123)	(0.134)	(0.216)	(0.250)	(0.272)	(0.292)	(0.268)	(0.225)	(0.261)	(0.265)	(0.125)
Savings	0.258	0.0556	0.0772	0.0620	0.0521	0.0256	0.101	0.0212	0.0684	0.0686	0.0378	0.150	0.0829
	(0.213)	(0.0393)	(0.0434)	(0.0477)	(0.123)	(0.123)	(0.148)	(0.180)	(0.139)	(0.124)	(0.128)	(0.154)	(0.0399)
Stock Development	0.0325	0.0219	0.0376	0.0423	0.0333	0.0303	0.0255	0.0294	0.0351	0.0349	0.0323	0.0312	0.0458
	(0.0432)	(0.0172)	(0.0182)	(0.0198)	(0.0384)	(0.0343)	(0.0380)	(0.0459)	(0.0378)	(0.0384)	(0.0406)	(0.0400)	(0.0161)
Education Spending	-0.0703	-0.0500	-0.0903	-0.0560	-0.0807	-0.00660	-0.0631	-0.111	-0.0842	-0.0599	-0.0416	-0.127	-0.151
	(0.277)	(0.0624)	(0.0750)	(0.0829)	(0.149)	(0.149)	(0.161)	(0.298)	(0.157)	(0.145)	(0.159)	(0.165)	(0.0593)
Unemployment	0.0201	0.00279	0.00302	0.00188	0.0106	0.00665	0.0146	0.00348	0.00929	0.00925	0.00308	0.0106	-0.000391
	(0.0108)	(0.00632)	(0.00628)	(0.00715)	(0.00569)	(0.00608)	(0.00513)	(0.0154)	(0.00815)	(0.00610)	(0.00816)	(0.00834)	(0.00521)
Financial Depth	0.0930	0.0850	0.130	0.134	0.0896	0.0917	0.0783	0.0955	0.0797	0.0741	0.0412	0.107	0.0502
	(0.160)	(0.0793)	(0.0855)	(0.0878)	(0.145)	(0.131)	(0.134)	(0.176)	(0.129)	(0.143)	(0.128)	(0.141)	(0.0804)
Budget Deficit Under FI	2.597	7.548	-5.454	10.85	10.97	1.096	2.575	2.689	9.728	3.882	-3.490	5.397	0.774
	(7.986)	(12.13)	(45.41)	(10.65)	(22.47)	(7.231)	(10.59)	(12.61)	(11.63)	(23.77)	(19.52)	(18.38)	(0.559)
Current Account under FI	1.457	-1.056	3.126	0.965	-3.667	-0.585	1.378	0.105	-4.686	-1.007	0.233	0.576	-0.524
	(3.165)	(2.275)	(31.30)	(2.493)	(6.624)	(2.450)	(3.518)	(4.589)	(5.481)	(6.151)	(13.67)	(4.782)	(0.284)
Inflation Under FI	-1.382	-0.220	2.252	-0.125	-21.30	10.53	0.567	-6.529	16.97	-17.49	17.96	-0.0384	0.0106
	(7.302)	(0.325)	(10.89)	(2.146)	(18.22)	(11.86)	(7.059)	(11.88)	(8.923)	(16.33)	(27.89)	(10.64)	(0.0671)
Financial Development Under FI	-0.243	-0.0975	-1.068	-0.0461	-1.108	0.557	-0.406	-0.163	-0.686	-0.0932	0.587	-0.310	-0.0476
	(0.725)	(0.484)	(6.121)	(0.678)	(1.377)	(1.136)	(0.904)	(1.062)	(1.835)	(0.923)	(1.223)	(0.687)	(0.0323)
Trade Openness Under FI	-0.694	-0.538	2.052	-0.245	-2.561	2.668	0.384	-1.541	2.974	-1.961	3.971	-0.745	0.00454
	(0.832)	(0.824)	(2.401)	(0.985)	(2.087)	(0.929)	(1.133)	(1.442)	(1.921)	(1.427)	(2.043)	(1.044)	(0.0540)
Consumption Under FI	-3.083	0.726	-7.936	2.966	-3.779	4.669	-3.872	-1.980	3.534	-3.521	8.694	-4.273	0.126
	(3.965)	(1.243)	(19.87)	(2.910)	(7.238)	(3.051)	(7.013)	(5.081)	(5.649)	(6.504)	(12.86)	(7.422)	(0.140)
Initial Income Under FI	0.0581	0.0109	2.215	0.0737	-0.356	0.527	-0.109	-0.289	1.006	-0.0933	1.257	-0.0215	0.000408
	(0.390)	(0.173)	(1.722)	(0.299)	(0.873)	(0.395)	(0.484)	(0.515)	(0.955)	(0.568)	(0.633)	(0.389)	(0.0128)
Investment Under FI	-0.579	0.353	3.879	0.595	-2.305	-0.757	-0.356	-0.305	0.237	-0.529	3.273	-0.840	0.0376
	(1.384)	(0.712)	(5.795)	(0.615)	(4.041)	(1.626)	(1.747)	(2.073)	(2.070)	(2.346)	(4.978)	(1.701)	(0.0877)
Savings Under FI	-1.397	0.234	-7.315	0.735	0.373	-0.170	-2.212	0.623	-1.593	-1.444	-1.566	-1.534	0.0578

	(2.122)	(0.571)	(7.237)	(0.722)	(3.841)	(1.966)	(2.769)	(2.269)	(3.959)	(3.058)	(4.064)	(2.836)	(0.0250)
Stock Development under	0.000749	0.0511	-0.670	-0.102	0.175	-0.0162	0.00739	0.108	-0.251	0.0876	-0.723	0.0504	-0.0226
FI	(0.262)	(0.197)	(1.313)	(0.228)	(0.787)	(0.269)	(0.316)	(0.500)	(0.570)	(0.450)	(0.410)	(0.290)	(0.00949)
Education Spending	-0.616	-1.539	-0.158	-1.141	-3.585	0.632	-0.151	-0.552	0.303	-4.027	2.542	-1.201	-0.0503
Under FI	(2.237)	(0.834)	(9.300)	(1.576)	(3.187)	(1.529)	(1.363)	(3.451)	(1.805)	(2.571)	(2.369)	(1.770)	(0.0368)
Unemployment under FI	-0.103	-0.0190	0.133	0.0556	-0.308	-0.00447	-0.200	0.0590	-0.154	-0.0487	-0.203	-0.135	0.00532
	(0.0964)	(0.0726)	(0.799)	(0.100)	(0.379)	(0.175)	(0.129)	(0.171)	(0.114)	(0.285)	(0.130)	(0.150)	(0.00293)
Financial Depth	0.324	0.470	0.377	-0.134	0.381	1.124	1.249	-0.0564	0.902	0.359	0.602	0.919	-0.0379
Under FI	(0.495)	(0.904)	(2.161)	(0.466)	(0.821)	(1.248)	(1.305)	(0.862)	(0.943)	(1.099)	(0.652)	(1.052)	(0.0576)
_cons	-1.887	-2.166	-1.915	-1.850	-2.067	-1.842	-2.368	-2.479	-0.664	-1.789	-0.806	-2.374	-2.526
	(1.459)	(0.552)	(0.602)	(0.668)	(1.341)	(1.297)	(1.514)	(1.517)	(1.402)	(1.336)	(1.403)	(1.388)	(0.575)
<i>N</i>	668	4404	3446	3392	805	899	754	805	744	805	744	668	4213
adj. <i>R</i> <sup>2</sup>													
<i>AIC</i>	.	.	.	.	.	.	.	.	.	.	.	.	.
<i>BIC</i>	.	.	.	.	.	.	.	.	.	.	.	.	.

Standard errors in parentheses

+ p < 0.10, \* p < 0.05, \*\* p < 0.01, \*\*\* p < 0.001



**GLS IMPUTATION RESULTS: ATTEMPT 6 (linear variance)**

	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(KAOPEN)
Financial Integration (FI)													
FI	-3.948	24.63	-73.99	-10.69	19.09	-27.32	-10.34	-3.575	-30.15	2.513	-41.02	-6.231	2.205
	(26.27)	(34.60)	(79.83)	(37.23)	(78.21)	(20.89)	(22.94)	(32.97)	(30.02)	(48.95)	(25.96)	(31.31)	(1.447)
Budget Deficit	1.573	2.920	2.433	2.587	1.501	3.197	1.403	2.204	2.839	2.690	2.409	2.315	5.208
	(2.594)	(2.372)	(1.478)	(2.487)	(2.166)	(1.546)	(1.896)	(2.628)	(1.482)	(1.933)	(1.568)	(1.625)	(1.699)
Current Account	-2.928	-1.871	-2.006	-2.417	-2.841	-1.354	-2.153	-2.640	-1.810	-1.923	-1.971	-1.866	-0.262
	(2.752)	(1.931)	(1.192)	(2.049)	(1.875)	(1.606)	(1.640)	(2.475)	(1.506)	(1.594)	(1.324)	(1.421)	(1.289)
Inflation	-1.074	2.802	-2.031	0.362	-1.603	-1.927	-1.559	-0.379	-1.936	-0.477	-2.458	-1.966	-3.061
	(4.867)	(2.509)	(1.663)	(3.287)	(2.016)	(1.739)	(2.019)	(4.377)	(1.682)	(1.455)	(1.574)	(1.632)	(1.748)
Financial Development	-0.556	-0.427	-0.430	-0.450	-0.525	-0.435	-0.532	-0.499	-0.423	-0.567	-0.493	-0.540	-0.465
	(0.174)	(0.199)	(0.140)	(0.194)	(0.147)	(0.131)	(0.159)	(0.185)	(0.128)	(0.141)	(0.146)	(0.140)	(0.204)
Trade Openness	0.290	0.153	0.124	0.357	0.295	-0.00843	0.213	0.283	0.0170	0.199	0.201	0.215	0.381
	(0.217)	(0.246)	(0.176)	(0.232)	(0.192)	(0.181)	(0.171)	(0.262)	(0.195)	(0.185)	(0.157)	(0.166)	(0.218)
Consumption	1.423	0.650	0.709	1.553	1.925	-0.377	1.638	1.943	-0.00528	1.151	0.243	1.568	1.084
	(2.868)	(2.029)	(1.299)	(2.306)	(1.643)	(1.569)	(1.558)	(2.553)	(1.498)	(1.560)	(1.436)	(1.557)	(1.780)
Initial Income	-0.0231	0.000161	-0.0674	-0.0496	-0.00717	-0.0607	-0.0291	-0.0253	-0.0556	-0.00794	-0.00868	-0.0281	0.0756
	(0.0649)	(0.0838)	(0.0627)	(0.0975)	(0.0695)	(0.0642)	(0.0638)	(0.0781)	(0.0669)	(0.0793)	(0.0625)	(0.0630)	(0.0752)
Investment	0.802	0.283	0.701	0.519	0.822	0.908	0.815	0.790	0.820	0.795	0.996	0.867	0.781
	(0.668)	(0.546)	(0.416)	(0.498)	(0.542)	(0.490)	(0.467)	(0.783)	(0.459)	(0.472)	(0.477)	(0.493)	(0.438)
Savings	0.811	0.870	0.637	0.870	0.837	0.325	0.837	0.939	0.466	0.778	0.390	0.720	0.395
	(0.655)	(0.419)	(0.299)	(0.602)	(0.296)	(0.359)	(0.336)	(0.633)	(0.343)	(0.272)	(0.285)	(0.362)	(0.454)
Stock Development	0.0419	0.0471	0.0445	0.0637	0.0307	0.0343	0.0328	0.0288	0.0366	0.0243	0.0314	0.0427	0.0201
	(0.0507)	(0.0631)	(0.0413)	(0.0533)	(0.0470)	(0.0424)	(0.0417)	(0.0519)	(0.0421)	(0.0457)	(0.0454)	(0.0459)	(0.0592)
Education Spending	-0.367	-0.0865	-0.428	-0.316	-0.467	-0.343	-0.400	-0.334	-0.380	-0.297	-0.309	-0.455	-0.303
	(0.313)	(0.307)	(0.204)	(0.389)	(0.249)	(0.221)	(0.223)	(0.366)	(0.212)	(0.204)	(0.219)	(0.235)	(0.271)
Unemployment	0.00691	-0.00239	-0.000915	-0.00720	-0.00130	0.00518	0.00615	0.00288	0.00712	-0.0000602	-0.00104	-0.00225	0.000897
	(0.0215)	(0.0264)	(0.0111)	(0.0278)	(0.0167)	(0.0135)	(0.0164)	(0.0280)	(0.0140)	(0.0168)	(0.0138)	(0.0154)	(0.0104)
Financial Depth	0.153	0.0688	0.0538	0.0817	0.161	0.0692	0.0631	0.182	0.0728	0.0686	0.0521	0.130	-0.266
	(0.219)	(0.195)	(0.136)	(0.167)	(0.241)	(0.152)	(0.188)	(0.248)	(0.146)	(0.193)	(0.166)	(0.178)	(0.142)
Budget Deficit Under FI	3.953	-26.13	12.17	-4.948	26.13	3.115	10.67	3.823	-7.879	-9.684	-6.717	2.675	-1.747
	(22.51)	(34.35)	(76.21)	(31.92)	(55.20)	(20.17)	(23.80)	(26.80)	(16.51)	(26.06)	(26.27)	(27.62)	(1.001)
Current Account under FI	2.394	15.49	-8.998	-0.233	8.228	-4.845	3.719	0.0889	-5.064	3.156	-11.76	-4.007	-0.00931
	(12.75)	(15.28)	(32.51)	(11.72)	(39.06)	(26.14)	(13.94)	(17.42)	(18.45)	(18.27)	(19.64)	(11.39)	(0.776)
Inflation Under FI	-9.939	-77.34	-15.00	-36.18	-23.76	-13.94	-11.33	-20.01	-26.94	-56.51	6.653	-24.35	-0.279
	(47.15)	(33.81)	(70.37)	(40.11)	(91.03)	(23.70)	(69.78)	(48.28)	(34.14)	(14.12)	(21.73)	(25.45)	(1.335)
Financial Development Under FI	0.130	-0.0588	-3.393	-0.215	-0.543	-0.564	0.242	-0.751	-1.541	0.0425	-1.734	-0.532	0.0764
	(1.041)	(2.545)	(6.338)	(2.273)	(3.813)	(2.513)	(1.931)	(1.701)	(1.921)	(2.315)	(1.794)	(1.509)	(0.104)
Trade Openness Under FI	-1.218	-2.657	1.962	-2.776	-4.377	3.504	-1.098	-1.840	3.452	-2.132	5.066	-1.131	-0.119
	(1.275)	(2.925)	(7.573)	(3.467)	(5.083)	(1.998)	(1.322)	(2.990)	(1.915)	(1.754)	(2.396)	(2.000)	(0.113)
Consumption Under FI	-2.804	1.011	1.120	-8.863	-2.196	1.576	-8.582	-8.398	-10.56	-6.905	-3.124	-7.422	0.473
	(22.19)	(19.15)	(35.60)	(23.61)	(64.30)	(19.55)	(25.44)	(25.43)	(12.63)	(28.41)	(14.65)	(26.35)	(0.985)
Initial Income Under FI	-0.120	-1.378	2.440	-0.0782	-1.390	1.076	-0.400	-0.336	1.321	-1.227	1.799	-0.230	-0.0925
	(0.382)	(1.162)	(3.299)	(1.346)	(1.028)	(0.808)	(0.553)	(0.690)	(1.057)	(1.173)	(0.945)	(0.494)	(0.0502)
Investment Under FI	-1.138	6.094	0.233	0.434	-9.081	2.992	-2.397	-2.457	5.141	-3.357	3.886	-1.178	0.234
	(5.602)	(8.572)	(26.14)	(5.239)	(20.04)	(11.68)	(5.161)	(9.118)	(9.804)	(10.20)	(7.371)	(6.481)	(0.260)
Savings Under FI	-0.926	-4.503	0.0381	-1.702	1.473	-2.459	-3.180	-2.090	-6.900	-5.451	-5.643	-1.448	0.185

	(6.713)	(4.832)	(17.24)	(7.196)	(19.53)	(8.237)	(8.430)	(7.817)	(6.541)	(8.146)	(7.541)	(8.134)	(0.231)
Stock Development under	0.0567	-0.266	-1.220	-0.00113	0.571	-0.0736	0.266	0.285	-0.0180	0.296	-0.468	0.287	0.00147
FI	(0.320)	(0.930)	(1.122)	(0.484)	(0.806)	(0.779)	(0.572)	(0.392)	(0.618)	(0.658)	(0.602)	(0.290)	(0.0370)
Education Spending	-1.203	-6.518	-3.573	-3.030	-3.260	0.813	-1.551	-1.567	3.674	-5.542	3.570	-1.575	-0.142
Under FI	(3.632)	(5.791)	(9.881)	(5.688)	(6.947)	(5.335)	(2.838)	(3.953)	(4.257)	(3.893)	(3.458)	(3.269)	(0.145)
Unemployment under FI	-0.0776	-0.153	1.297	0.115	-0.0709	-0.174	-0.148	-0.122	-0.117	-0.0544	-0.278	-0.0644	-0.00754
	(0.169)	(0.348)	(0.768)	(0.398)	(0.728)	(0.146)	(0.197)	(0.317)	(0.237)	(0.366)	(0.182)	(0.223)	(0.00875)
Financial Depth	0.210	-0.233	-2.236	0.0642	-0.823	1.727	2.073	0.175	1.327	0.455	1.105	0.940	0.137
Under FI	(1.501)	(2.369)	(3.371)	(1.516)	(5.515)	(1.743)	(2.087)	(1.949)	(2.221)	(2.508)	(1.164)	(2.444)	(0.0755)
_cons	-1.673	-2.205	-0.936	-0.849	-2.129	-1.442	-1.208	-1.305	-1.524	-1.736	-2.122	-1.629	-3.055
	(3.005)	(2.367)	(1.935)	(2.641)	(2.455)	(2.220)	(2.109)	(2.932)	(2.182)	(2.547)	(2.153)	(2.347)	(2.256)
<i>N</i>	307	351	337	337	315	333	313	315	324	315	324	307	338
adj. <i>R</i> <sup>2</sup>													
<i>AIC</i>	.	.	.	.	.	.	.	.	.	.	.	.	.
<i>BIC</i>	.	.	.	.	.	.	.	.	.	.	.	.	.

Standard errors in parentheses

+ p < 0.10, \* p < 0.05, \*\* p < 0.01, \*\*\* p < 0.001

**GLS (TRANSFORMED) RESULTS: ATTEMPT 7**

	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH
Financial Integration (FI)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(KAOPEN)
FI	1.169 (8.903)	-3.211 (12.85)	10.89 (28.09)	-1.444 (10.72)	-6.921 (21.74)	3.023 (10.93)	1.677 (6.105)	-0.508 (6.821)	6.897 (7.427)	-3.711 (14.75)	3.737 (7.848)	4.399 (10.78)	1.942 (39.20)
Budget Deficit	5.700 (6.695)	3.992 (7.346)	-0.653 (6.897)	1.247 (9.703)	-2.825 (9.402)	1.168 (8.692)	7.276 (4.809)	3.941 (10.34)	-0.222 (9.331)	2.132 (7.740)	-7.020 (11.17)	5.457 (5.686)	-4.458 (16.36)
Current Account	-9.317 (11.90)	-8.818 (10.33)	-6.855 (6.283)	-5.398 (10.87)	-0.142 (8.126)	-7.636 (10.42)	-9.610 (8.798)	-7.541 (10.53)	-8.301 (8.435)	-5.573 (7.897)	-1.784 (9.878)	-4.055 (6.829)	-6.933 (8.444)
Inflation	-3.408 (11.01)	-3.843 (10.65)	-8.595 (8.814)	-1.219 (10.20)	-0.994 (9.018)	-3.210 (16.43)	0.0872 (11.83)	-1.973 (12.57)	-9.398 (16.14)	-2.887 (12.04)	-9.783 (18.49)	-1.901 (10.73)	-13.77 (19.74)
Financial Development	1.047 (2.393)	0.994 (2.192)	-0.129 (2.033)	-0.0683 (2.437)	0.271 (1.478)	-0.175 (2.048)	1.335 (1.868)	0.601 (2.336)	-0.135 (2.320)	0.490 (2.380)	0.149 (1.897)	2.124 (1.615)	-0.427 (2.778)
Trade Openness	-1.111 (1.899)	-0.0480 (2.670)	-0.221 (1.466)	1.996 (3.523)	1.236 (1.714)	-1.406 (3.039)	-0.949 (2.352)	0.277 (4.101)	-2.436 (3.961)	-0.714 (2.470)	-0.873 (3.187)	-0.920 (3.062)	0.894 (1.715)
Consumption	-6.004 (17.61)	-5.330 (18.54)	-11.38 (12.88)	2.387 (20.76)	-3.490 (8.428)	-13.29 (13.60)	-8.139 (9.222)	-3.549 (21.25)	-6.930 (15.72)	-5.936 (10.97)	-1.945 (17.00)	7.965 (16.24)	-4.031 (20.52)
Initial Income	-16.95 (10.27)	-16.69 (8.451)	-15.84 (9.008)	-13.50 (8.392)	-17.80 (7.578)	-12.60 (14.37)	-20.43 (8.159)	-17.67 (7.877)	-16.32 (13.21)	-15.46 (9.259)	-11.45 (13.93)	-18.61 (6.156)	-8.827 (9.959)
Investment	0.454 (4.796)	1.662 (4.103)	3.747 (3.750)	-0.186 (5.672)	2.842 (2.762)	1.162 (3.753)	0.663 (2.898)	0.711 (3.549)	0.901 (3.302)	1.368 (3.264)	3.034 (2.873)	-1.392 (2.867)	1.852 (2.400)
Savings	0.180 (5.589)	-0.111 (5.605)	-1.645 (3.167)	0.864 (6.788)	-1.315 (3.104)	-1.965 (3.950)	0.324 (2.633)	0.149 (6.354)	-0.871 (3.895)	-0.282 (4.205)	0.120 (5.352)	3.192 (6.342)	1.598 (5.246)
Stock Development	0.258 (0.529)	0.171 (0.625)	-0.135 (0.451)	0.380 (0.562)	0.355 (0.407)	0.0257 (0.626)	0.310 (0.439)	0.131 (0.771)	0.130 (0.631)	0.227 (0.480)	0.207 (0.646)	0.0828 (0.396)	-0.0473 (0.680)
Education Spending	-4.148 (5.047)	-4.080 (3.536)	-3.827 (2.821)	-2.765 (3.452)	-1.670 (2.485)	-2.941 (3.574)	-3.128 (3.683)	-2.833 (3.287)	-3.425 (4.987)	-1.856 (2.406)	-2.664 (4.038)	-4.125 (2.970)	-0.266 (2.355)
Unemployment	-0.0130 (0.211)	0.0665 (0.163)	0.0295 (0.172)	-0.0178 (0.198)	-0.0173 (0.0975)	0.0337 (0.167)	0.0269 (0.118)	0.000940 (0.171)	-0.132 (0.190)	-0.0264 (0.155)	-0.0600 (0.166)	-0.0792 (0.142)	0.0418 (0.260)
Financial Depth	1.515 (1.221)	0.572 (0.794)	0.407 (0.727)	0.167 (0.738)	1.310 (1.286)	0.870 (1.224)	1.715 (1.560)	1.282 (1.391)	1.279 (1.615)	1.546 (1.708)	1.012 (1.363)	2.014 (1.054)	0.345 (0.397)
Budget Deficit Under FI	-75.78 (158.9)	132.9 (151.3)	205.3 (151.7)	-91.20 (357.8)	-184.0 (181.0)	-26.27 (202.7)	-35.29 (168.2)	30.60 (226.2)	-4.901 (387.1)	-46.03 (286.0)	10.71 (182.7)	-38.49 (88.90)	13.46 (130.2)
Current Account under FI	-22.87 (111.4)	-61.81 (130.5)	-82.51 (326.6)	-40.86 (285.8)	5.721 (303.9)	13.78 (115.8)	44.07 (161.6)	-49.67 (166.7)	191.1 (230.9)	-11.05 (194.1)	-72.51 (115.2)	-87.76 (132.6)	-7.091 (192.1)
Inflation Under FI	1.406 (189.7)	-266.6 (160.6)	568.6 (336.3)	-99.12 (392.8)	-101.5 (464.3)	-325.6 (462.4)	-117.0 (205.3)	-109.9 (283.0)	-67.41 (392.6)	-19.53 (297.3)	-43.87 (367.8)	-3.821 (153.6)	-20.69 (501.4)
Financial Development Under FI	-38.22 (29.76)	-33.39 (35.43)	-26.66 (99.40)	-51.61 (52.00)	-0.721 (80.28)	-25.94 (67.12)	-29.01 (78.30)	-35.98 (25.60)	-35.27 (64.06)	-29.71 (53.64)	-16.60 (39.30)	-48.29 (31.27)	-2.775 (109.9)
Trade Openness Under FI	-3.188 (36.90)	2.536 (58.56)	137.4 (175.9)	-18.44 (54.45)	-50.69 (114.5)	-37.69 (106.6)	-5.176 (29.93)	-4.338 (69.83)	21.84 (94.06)	8.229 (52.92)	-46.55 (80.10)	-40.21 (38.89)	-8.475 (30.92)
Consumption Under FI	2.957 (228.5)	-50.69 (333.4)	-821.3 (871.6)	-89.62 (436.3)	-387.6 (782.9)	241.2 (325.3)	212.9 (351.6)	-131.6 (289.1)	-111.3 (495.8)	-1.170 (429.0)	-53.97 (412.9)	-159.4 (362.5)	75.10 (713.0)
Initial Income Under FI	61.52 (199.9)	174.9 (303.9)	-219.0 (544.7)	142.0 (173.3)	134.0 (546.7)	36.42 (200.3)	52.64 (174.5)	110.6 (172.5)	-13.92 (171.3)	132.8 (316.6)	-5.404 (162.4)	76.31 (96.28)	-30.90 (963.7)
Investment Under FI	4.964 (50.67)	-15.89 (61.34)	53.52 (114.9)	33.55 (113.1)	6.889 (238.0)	23.77 (64.25)	22.75 (43.61)	-13.40 (77.01)	60.75 (131.5)	-20.10 (142.0)	-12.14 (58.87)	-41.85 (38.75)	-6.795 (74.34)
Savings Under FI	-13.39	-28.99	-286.9	-71.61	-156.2	64.73	75.10	-43.61	-42.96	4.127	-10.71	12.99	33.43

	(147.6)	(98.13)	(336.4)	(109.4)	(297.3)	(101.1)	(145.3)	(86.62)	(213.4)	(167.8)	(171.7)	(147.9)	(276.4)
Stock Development under	2.012	-2.922	21.51	4.728	33.12	-4.675	-5.864	2.502	-6.382	-0.762	-3.385	-8.395	0
FI	(4.394)	(9.067)	(22.69)	(16.83)	(19.44)	(11.75)	(10.64)	(8.909)	(15.61)	(18.31)	(11.16)	(8.350)	(.)
Education Spending	59.32	94.65	-104.8	52.84	58.67	29.58	44.02	68.55	113.8	33.29	29.88	83.12	0
Under FI	(63.69)	(91.66)	(107.9)	(97.32)	(192.0)	(90.70)	(101.8)	(89.95)	(154.2)	(83.23)	(63.54)	(68.94)	(.)
Unemployment under FI	1.744	1.367	22.87	3.884	-0.335	-2.118	0.758	0.579	3.818	-1.433	0.230	-1.322	0
	(6.776)	(3.862)	(23.56)	(6.625)	(10.36)	(5.823)	(3.775)	(2.836)	(7.846)	(6.794)	(6.817)	(8.887)	(.)
Financial Depth	-10.60	-15.15	-1.250	12.76	22.04	15.52	-15.43	4.424	29.24	1.363	10.15	-0.781	0
Under FI	(31.44)	(49.48)	(97.68)	(28.76)	(42.08)	(36.74)	(42.10)	(23.39)	(75.21)	(30.54)	(29.84)	(22.70)	(.)
_cons	0.679	0.706	0.648	0.576	0.681	0.619	0.875	0.666	0.738	0.551	0.426	0.689	0.503
	(0.461)	(0.379)	(0.494)	(0.422)	(0.316)	(0.604)	(0.412)	(0.350)	(0.587)	(0.401)	(0.629)	(0.315)	(0.394)
<i>N</i>	57	58	58	58	57	58	57	57	58	57	58	57	56
adj. <i>R</i> <sup>2</sup>													
<i>AIC</i>	.	.	.	.	.	.	.	.	.	.	.	.	.
<i>BIC</i>	.	.	.	.	.	.	.	.	.	.	.	.	.

Standard errors in parentheses

+ p < 0.10, \* p < 0.05, \*\* p < 0.01, \*\*\* p < 0.001

GMM RESULTS: ATTEMPT 1

	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH	GROWTH
Financial Integration (FI)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(KAOPEN)
FI	8.443 (4.972)	11.69 (8.924)	-13.40 (22.80)	-0.0159 (13.36)	-0.527 (13.66)	-3.215 (14.77)	13.13 (14.75)	9.914 (8.915)	-11.43 (22.11)	6.968 (7.402)	-0.687 (10.14)	1.325 (11.94)	9.577 (25.32)
Growth (1)	0.516 <sup>***</sup> (0.130)	0.545 <sup>***</sup> (0.141)	0.560 <sup>***</sup> (0.174)	0.508 <sup>***</sup> (0.142)	0.576 <sup>***</sup> (0.113)	0.555 <sup>***</sup> (0.152)	0.576 <sup>***</sup> (0.113)	0.612 <sup>***</sup> (0.119)	0.569 <sup>***</sup> (0.169)	0.612 <sup>***</sup> (0.129)	0.614 <sup>***</sup> (0.154)	0.530 <sup>***</sup> (0.156)	0.531 <sup>***</sup> (0.133)
Budget Deficit	10.32 (9.938)	7.918 (7.592)	7.189 (9.931)	5.196 (10.19)	18.08 (12.71)	4.477 (11.52)	13.33 (8.434)	13.98 (14.77)	1.640 (10.50)	13.53 (13.57)	2.174 (13.55)	9.275 (12.97)	1.818 (8.359)
Current Account	-6.455 (8.343)	-4.135 (6.861)	-2.200 (5.900)	-4.297 (7.523)	2.615 (5.862)	-1.874 (8.281)	-1.027 (4.792)	-4.499 (11.03)	-7.941 (9.117)	-1.133 (8.340)	1.098 (6.667)	-1.686 (6.334)	-5.539 (5.784)
Inflation	1.887 (7.776)	-4.473 (7.101)	-6.494 (12.65)	-1.996 (8.083)	6.853 (8.010)	1.866 (9.953)	-11.09 (8.807)	-6.853 (7.203)	-5.601 (11.80)	2.508 (8.998)	-1.755 (9.452)	0.245 (10.16)	-7.202 (9.492)
Financial Development	0.670 (2.018)	-0.0564 (1.307)	0.503 (1.602)	-0.147 (2.051)	1.022 (1.566)	-1.188 (1.903)	-0.730 (1.591)	-0.307 (2.896)	-1.751 (1.683)	-0.156 (1.863)	-0.105 (2.906)	0.783 (2.077)	-0.917 (1.448)
Trade Openness	-1.489 (2.208)	0.0607 (2.912)	1.153 (1.872)	0.872 (3.170)	2.228 (2.848)	-0.139 (2.813)	1.111 (2.662)	0.0210 (4.280)	1.131 (2.337)	0.00741 (2.814)	-1.576 (3.416)	-1.016 (2.677)	1.536 (2.110)
Consumption	-3.707 (12.59)	5.463 (12.47)	4.878 (17.44)	7.194 (16.37)	7.180 (8.156)	-7.395 (13.32)	-6.118 (8.303)	11.76 (27.09)	-6.459 (13.49)	4.890 (13.97)	5.723 (14.56)	1.735 (15.54)	1.794 (7.562)
Initial Income	2.048 (9.358)	4.895 (8.839)	7.965 (13.14)	3.661 (9.841)	8.518 (9.022)	2.950 (12.12)	11.92 (8.914)	9.867 (13.94)	4.512 (13.67)	10.92 (10.57)	4.594 (15.21)	2.561 (11.74)	8.089 (10.74)
Investment	2.293 (3.532)	0.839 (2.771)	0.673 (1.920)	0.164 (3.455)	-0.631 (2.610)	0.955 (3.177)	3.865 (2.537)	0.796 (3.895)	0.529 (2.721)	0.481 (2.918)	2.856 (3.184)	1.520 (2.590)	0.824 (1.635)
Savings	2.630 (4.144)	4.745 (3.554)	4.024 (5.812)	4.483 (6.930)	1.009 (4.008)	-1.483 (5.646)	-2.788 (2.553)	7.387 (8.061)	0.723 (4.732)	1.826 (4.744)	2.185 (4.952)	0.699 (5.025)	3.376 (3.489)
Stock Development	0.399 (0.344)	-0.0167 (0.396)	-0.159 (0.364)	0.213 (0.440)	0.344 (0.291)	0.114 (0.457)	0.217 (0.340)	-0.260 (0.520)	-0.0795 (0.538)	0.0747 (0.323)	0.0872 (0.379)	0.140 (0.410)	-0.0248 (0.375)
Education Spending	-2.023 (3.283)	-2.685 (1.945)	-2.517 (2.472)	-2.534 (2.567)	-2.152 (1.726)	-1.581 (3.004)	-1.765 (2.544)	-2.409 (2.728)	-1.890 (3.886)	-3.013 (2.221)	-3.675 (3.643)	-3.283 (3.528)	-0.674 (1.855)
Unemployment	0.0231 (0.216)	0.000539 (0.113)	-0.0153 (0.134)	-0.0250 (0.131)	-0.0563 (0.0888)	-0.0873 (0.124)	-0.0825 (0.117)	-0.00700 (0.115)	-0.151 (0.166)	-0.0425 (0.101)	-0.0512 (0.146)	-0.0514 (0.119)	-0.0238 (0.0994)
Financial Depth	1.429 (1.631)	0.480 (0.648)	0.301 (0.756)	0.239 (0.763)	1.840 (1.651)	0.423 (0.942)	2.078 (1.561)	1.508 (2.225)	0.230 (1.337)	1.332 (1.688)	0.315 (1.139)	1.290 (1.648)	0.392 (0.473)
Budget Deficit Under FI	-54.23 (139.0)	41.20 (143.0)	127.1 (263.2)	-33.31 (315.3)	-100.2 (143.6)	-13.99 (191.8)	-298.4 (210.5)	71.97 (255.2)	25.82 (392.4)	-88.17 (110.0)	12.75 (163.9)	-45.21 (173.7)	-44.96 (163.5)
Current Account under FI	20.85 (96.46)	-88.17 (97.43)	91.65 (362.7)	5.929 (224.4)	640.1 (461.0)	-95.55 (139.4)	-192.2 (185.4)	-57.65 (140.1)	-25.40 (244.8)	100.3 (252.6)	22.38 (127.0)	41.74 (150.2)	-39.75 (105.5)
Inflation Under FI	-11.52 (152.0)	-118.5 (170.9)	284.4* (551.1)	-103.8 (344.1)	-281.4 (277.9)	-326.3 (324.5)	365.9 (334.2)	-152.4* (409.6)	-227.9 (346.3)	-57.55 (178.0)	-17.54 (253.8)	8.941 (218.9)	9.191* (37.76)
Financial Development Under FI	2.086 (19.42)	13.72 (36.27)	12.23 (83.81)	-8.513 (41.30)	129.3 (86.39)	-10.72 (50.05)	-18.04 (49.90)	21.29 (58.27)	-24.88 (62.35)	37.15 (45.75)	-12.85 (29.78)	-17.59 (51.43)	-8.889 (16.08)
Trade Openness Under FI	-29.76 (31.71)	-55.12 (51.72)	180.3 (162.5)	-26.03 (64.79)	-185.0 (127.6)	-21.70 (110.8)	-32.09 (33.03)	-68.85 (67.10)	60.10 (167.9)	-80.88 (82.39)	-13.08 (86.12)	3.465 (47.38)	-6.586 (10.97)
Consumption Under FI	286.0 (229.5)	233.1 (271.2)	148.4 (639.0)	56.16 (311.7)	-636.2 (892.1)	37.97 (327.0)	-79.71 (429.0)	174.9 (378.2)	-272.3 (683.2)	-54.95 (516.1)	-114.6 (293.9)	-117.5 (368.9)	-46.20 (108.3)
Initial Income Under FI	-145.3 (140.7)	-215.5 (232.1)	209.6 (507.8)	53.16 (284.9)	37.45 (255.2)	163.1 (346.9)	-341.6 (316.3)	-151.7 (247.6)	353.2 (551.6)	-86.78 (177.6)	50.98 (247.0)	23.25 (310.0)	-182.1 (494.8)
Investment Under FI	-38.59	-30.75	-35.52	45.94	-187.2	-5.575	-42.35	-89.33	18.35	-87.60	-18.03	-10.50	0

	(66.97)	(93.94)	(228.7)	(112.4)	(166.8)	(84.56)	(85.08)	(154.3)	(165.7)	(108.6)	(74.96)	(77.02)	(.)
Savings Under FI	106.3	175.8	207.7	22.51	-39.92	15.56	89.18	175.6	-95.55	73.61	-62.17	-44.29	0
Stock Development under FI	(114.2)	(128.7)	(359.8)	(152.0)	(277.4)	(219.3)	(165.5)	(181.6)	(311.4)	(146.8)	(125.9)	(158.7)	(.)
Education Spending Under FI	-1.263	-0.546	2.695	3.055	6.330	-0.577	-5.312	0.452	-4.285	-2.650	-1.027	-3.318	0
Unemployment under FI	(4.467)	(7.561)	(22.96)	(12.30)	(22.54)	(9.071)	(7.926)	(7.831)	(12.42)	(14.65)	(8.128)	(6.528)	(.)
Financial Depth Under FI	29.14	57.58	25.86	-1.990	72.35	-6.028	12.38	46.31	-14.37	25.02	41.91	27.10	0
	(62.10)	(65.66)	(141.8)	(69.68)	(180.3)	(86.99)	(78.03)	(86.57)	(131.1)	(100.2)	(56.52)	(53.15)	(.)
	0.859	4.388	5.206	5.456	-1.500	1.455	2.571	1.051	5.224	-0.795	-1.243	-0.292	0
	(5.690)	(4.440)	(12.73)	(7.259)	(6.741)	(4.312)	(5.114)	(3.166)	(5.205)	(4.184)	(3.661)	(3.103)	(.)
	-16.63	-30.79	-9.556	1.035	6.053	17.13	-123.2	-6.438	17.50	-4.399	-0.405	-17.44	0
	(19.46)	(35.42)	(97.24)	(31.82)	(30.60)	(26.90)	(72.86)	(25.18)	(59.77)	(17.69)	(17.40)	(34.62)	(.)
_cons	-0.350	-0.384	-0.596	-0.357	-0.644	-0.233	-0.707	-0.681	-0.305	-0.724	-0.425	-0.362	-0.453
	(0.458)	(0.429)	(0.661)	(0.454)	(0.429)	(0.571)	(0.460)	(0.501)	(0.675)	(0.530)	(0.650)	(0.504)	(0.452)
<i>N</i>	51	52	52	52	51	52	51	51	52	51	52	51	51
adj. <i>R</i> <sup>2</sup>	0.810	0.773	0.726	0.692	0.784	0.659	0.860	0.811	0.651	0.743	0.610	0.685	0.741
<i>AIC</i>	53.23	62.81	72.52	78.74	59.91	83.92	37.67	53.03	85.16	68.71	90.99	78.96	53.38
<i>BIC</i>	109.3	119.4	129.1	135.3	115.9	140.5	93.69	109.1	141.7	124.7	147.6	135.0	82.36

Standard errors in parentheses

\*  $p < 0.10$ , \*  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$

Hausman Test Results - Model 1	
b=	consistent under Ho and Ha; obtained from xtreg
B =	inconsistent under Ha, efficient under Ho; obtained from xtreg
Test: Ho: difference in coefficients not systematic	
$\chi^2(25) = (b-B)'[(V_b-V_B)^{-1}](b-B)$	
	23.15
Prob>chi2 =	0.7542
(V_b-V_B is not positive definite)	

Hausman Test Results - Model 2	
b=	consistent under Ho and Ha; obtained from xtreg
B =	inconsistent under Ha, efficient under Ho; obtained from xtreg
Test: Ho: difference in coefficients not systematic	
$\chi^2(25) = (b-B)'[(V_b-V_B)^{-1}](b-B)$	
	24.31
Prob>chi2 =	0.3561

(V_b-V_B is not positive definite)
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Hausman Test Results - Model 3	
b=	consistent under Ho and Ha; obtained from xtreg
B =	inconsistent under Ha, efficient under Ho; obtained from xtreg
Test: Ho: difference in coefficients not systematic	
$\chi^2(25) = (b-B)'[(V_b-V_B)^{-1}](b-B)$	
	22.22
Prob>chi2 =	0.0457
(V_b-V_B is not positive definite)	

Hausman Test Results - Model 4	
b=	consistent under Ho and Ha; obtained from xtreg
B =	inconsistent under Ha, efficient under Ho; obtained from xtreg
Test: Ho: difference in coefficients not systematic	

$\chi^2(25) = (b-B)'[(V_b-V_B)^{-1}](b-B)$
23.35
Prob>chi2 = 0.1659
(V_b-V_B is not positive definite)

### Hausman Test Results - Model 5

b= consistent under Ho and Ha; obtained from xtreg
B = inconsistent under Ha, efficient under Ho; obtained from xtreg
Test: Ho: difference in coefficients not systematic
$\chi^2(25) = (b-B)'[(V_b-V_B)^{-1}](b-B)$
25.18
Prob>chi2 = 0.0.657
(V_b-V_B is not positive definite)

### Hausman Test Results - Model 6

b= consistent under Ho and Ha; obtained from xtreg
--

B = inconsistent under Ha, efficient under Ho; obtained from xtreg
Test: Ho: difference in coefficients not systematic
$\chi^2(25) = (b-B)'[(V_b-V_B)^{-1}](b-B)$
33.16
Prob>chi2 = 0.0189
(V_b-V_B is not positive definite)

### Hausman Test Results - Model 7

b= consistent under Ho and Ha; obtained from xtreg
B = inconsistent under Ha, efficient under Ho; obtained from xtreg
Test: Ho: difference in coefficients not systematic
$\chi^2(25) = (b-B)'[(V_b-V_B)^{-1}](b-B)$
19.28
Prob>chi2 = 0.0234
(V_b-V_B is not positive definite)



Hausman Test Results - Model 8	
b=	consistent under Ho and Ha; obtained from xtreg
B =	inconsistent under Ha, efficient under Ho; obtained from xtreg
Test: Ho: difference in coefficients not systematic	
$\chi^2(25) = (b-B)'[(V_b-V_B)^{-1}](b-B)$	
	26.26
Prob>chi2 =	0.3568
(V_b-V_B is not positive definite)	

Hausman Test Results - Model 9	
b=	consistent under Ho and Ha; obtained from xtreg
B =	inconsistent under Ha, efficient under Ho; obtained from xtreg
Test: Ho: difference in coefficients not systematic	
$\chi^2(25) = (b-B)'[(V_b-V_B)^{-1}](b-B)$	
	28.35
Prob>chi2 =	0.8938

(V_b-V_B is not positive definite)
------------------------------------

Hausman Test Results - Model 10	
b=	consistent under Ho and Ha; obtained from xtreg
B =	inconsistent under Ha, efficient under Ho; obtained from xtreg
Test: Ho: difference in coefficients not systematic	
$\chi^2(25) = (b-B)'[(V_b-V_B)^{-1}](b-B)$	
	18.26
Prob>chi2 =	0.5863
(V_b-V_B is not positive definite)	

Hausman Test Results - Model 11	
b=	consistent under Ho and Ha; obtained from xtreg
B =	inconsistent under Ha, efficient under Ho; obtained from xtreg
Test: Ho: difference in coefficients not systematic	

$\chi^2(25) = (b-B)'[(V_b-V_B)^{-1}](b-B)$
23.31
Prob>chi2 = 0.5782
(V_b-V_B is not positive definite)

### Hausman Test Results - Model 12

b= consistent under Ho and Ha; obtained from xtreg
B = inconsistent under Ha, efficient under Ho; obtained from xtreg
Test: Ho: difference in coefficients not systematic
$\chi^2(25) = (b-B)'[(V_b-V_B)^{-1}](b-B)$
18.27
Prob>chi2 = 0.8723
(V_b-V_B is not positive definite)

### Hausman Test Results - Model 13

b= consistent under Ho and Ha; obtained from xtreg
--

B = inconsistent under Ha, efficient under Ho; obtained from xtreg
Test: Ho: difference in coefficients not systematic
$\chi^2(25) = (b-B)'[(V_b-V_B)^{-1}](b-B)$
22.18
Prob>chi2 = 0.05688
(V_b-V_B is not positive definite)

Graph 7.1.8. The Financial Openness across Countries (Chinn and Ito, 2012)

