

Appendix:

Table A2-1. List of variables

Variables	Source	Discription
tfp	PWT9.1	TFP at constant national prices (2011=1)
gdpc	WDI	GDP (current LCU)
gdpcusd	WDI	GDP (current US\$)
ca	WDI	Current account balance (BoP, current US\$) times Official exchange rate (LCU per US\$, period average)
i	WDI	Gross fixed capital formation (current LCU) plus Changes in inventories (current LCU)
aw1		Weighted average of G7 countries TFP
aw2		Principal component of G7 TFP
fdeep	WDI	Financla deepening: Broad money (% of GDP)
reldepo	WDI	Age dependency ratio, old (% of working-age population)
reldepy	WDI	Age dependency ratio, young (% of working-age population)
nfa	WDI	Net foreign assets (current LCU)
open	WDI	[Exports of goods and services (current LCU)+Imports of goods and services (current LCU)]/GDP (current LCU)

Table A2-2a. Basic Glick-Rogoff regression with the TFP residual as country-specific shock and weighted average as global shock; sample adjusted to coincide with Table 3a

Panel2	Period	Russia	Brazil	India	China	South Africa
		2001-2017	1983-2016	1983-2015	1983-2017	1983-2017
Country-specific		0.01(3.12)	-0.19(0.11)	0.26(0.15) *	0.17(0.18)	-0.14(0.09)
Global		14.62(13.29)	-0.15(0.48)	0.12(0.37)	0.76(0.76)	-0.35(0.73)
Investment		-0.02(0.06)	-0.00(0.03)	-0.00(0.02)	-0.00(0.01)	0.00(0.02)
Number of obs		17	34	33	35	35
Adj R-squared		-0.13	0.00	-0.02	0.02	-0.06

Note: Global shock is calculated as the weighted average of total factor productivity of the G7 and country-specific shocks as the residual of each country's total factor productivity on global shock. Heteroscedasticity-robust standard errors are in parentheses. *, **, and *** represent the 10, 5, and 1 percent statistical significance levels, respectively.

Table A2-2b. Basic Glick-Rogoff regression with the TFP residual as country-specific shock and the principal component as global shock; sample adjusted to coincide with Table 3b

Panel2	Period	Russia	Brazil	India	China	South Africa
		2001-2017	1983-2016	1983-2015	1983-2017	1983-2017
Country-specific		-1.45(2.95)	-0.19(0.11) *	0.23(0.13) *	0.16(0.18)	-0.15(0.10)
Global		-0.29(1.27)	-0.01(0.11)	0.26(0.17)	0.03(0.02)	-0.01(0.02)
Investment		-0.03(0.06)	-0.01(0.03)	0.00(0.02)	-0.00(0.01)	0.00(0.02)
Number of obs		17	34	33	35	35
Adj R-squared		-0.15	0.00	-0.02	-0.01	-0.05

Note: Global shock is calculated as the first principal component of the total factor productivity of the G7 and country-specific shocks as the residual of each country's total factor productivity on global shock. Heteroscedasticity-robust standard errors are in parentheses. *, **, and *** represent the 10, 5, and 1 percent statistical significance levels, respectively.

Table A2-3. Basic Glick-Rogoff regression for G7 countries with the TFP residual as country-specific shock and the principal component as global shock

		Canada	France	Germany	Italy	Japan	United Kingdom	United States
Panel1	Period	1983-2008	1983-2008	1983-2008	1983-2008	1983-2008	1983-2008	1983-2008
Country-specific		0.18(0.17)	-0.01(0.18)	-0.39(0.18) *	0.07(0.10)	-0.43(0.17) **	0.05(0.12)	-0.57(0.15) ***
Global		0.49(0.39)	-0.44(0.30)	0.43(0.59)	-0.28(0.56)	0.67(0.39) *	-0.08(0.27)	-0.43(0.16) **
Investment		0.02(0.03)	-0.07(0.02) **	0.07(0.07)	-0.05(0.03)	0.01(0.03)	-0.05(0.03)	-0.02(0.02)
Number of obs		26	26	26	26	26	26	26
Adj R-squared		-0.02	0.16	0.15	0.08	0.28	-0.02	0.43
Panel2	Period	1983-2017	1983-2017	1983-2017	1983-2017	1983-2017	1983-2017	1983-2017
Country-specific		0.34(0.15) **	-0.06(0.17)	-0.33(0.18) *	0.03(0.14)	-0.30(0.14) **	0.01(0.14)	-0.25(0.23)
Global		0.76(0.45)	-0.12(0.17)	0.46(0.29)	-0.59(0.38)	0.63(0.25) **	-0.05(0.35)	-0.76(0.27) ***
Investment		-0.01(0.02)	-0.02(0.02)	0.07(0.04) *	-0.02(0.03)	0.01(0.03)	-0.01(0.04)	-0.01(0.01)
Number of obs		35	35	35	35	35	35	35
Adj R-squared		0.21	-0.04	0.14	0.01	0.13	-0.10	0.34

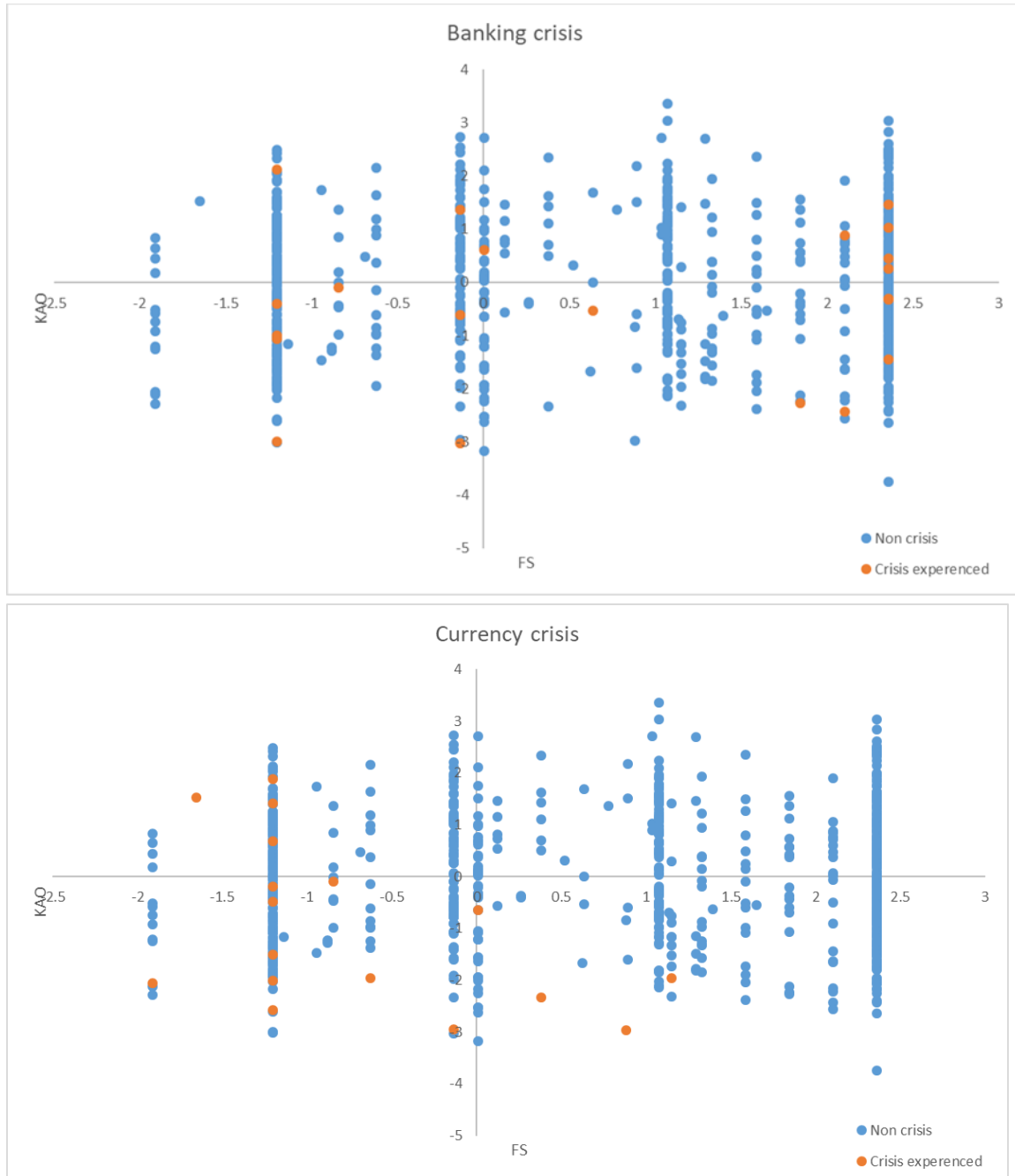
Note: Global shock is calculated as the first principal component of the total factor productivity of the G7 and country-specific shocks as the residual of each country's total factor productivity on global shock. Heteroscedasticity-robust standard errors are in parentheses. *, **, and *** represent the 10, 5, and 1 percent statistical significance levels, respectively.

Table A2-4. Modified Glick-Rogoff regression for G7 countries with the TFP residual as country-specific shock and the principal component as global shock

		Canada	France	Germany	Italy	Japan	United Kingdom	United States
Panel1	Period	1983-2008	1983-2008	1983-2008	1983-2008	1983-2008	1983-2008	1983-2008
Country-specific		0.13(0.11)	0.05(0.17)	-0.38(0.37)	0.11(0.15)	-0.24(0.31)	0.18(0.14)	-0.36(0.11) ***
Global		1.08(0.37) ***	-0.25(0.25)	0.58(0.70)	-0.38(0.57)	1.42(0.52) **	0.07(0.32)	-0.29(0.22)
Investment		0.17(0.15)	0.02(0.14)	0.04(0.09)	-0.12(0.19)	0.25(0.19)	0.05(0.16)	0.01(0.04)
fdeep						-0.01(0.01)	-0.01(0.01)	0.05(0.04)
reldepo		0.50(0.28) *	0.34(0.17) *	0.10(0.47)	0.34(0.35)	0.27(0.36)	-0.06(0.82)	0.73(0.41) *
reldepy		0.77(0.43) *	0.56(0.53)	-0.14(0.62)	0.05(0.17)	0.49(0.57)	0.33(0.37)	0.11(0.44)
nfa/GDP		0.72(2.71)	3.33(4.82)	1.91(14.65)	5.04(5.66)	4.96(4.31)	-16.09(9.41)	10.41(17.13)
open		1.88(3.20)	-7.68(7.80)	-0.03(11.06)	-7.72(8.30)	-4.29(8.91)	1.40(9.40)	-1.64(9.15)
Number of obs		26	26	26	26	26	26	26
Adj R-squared		0.24	0.12	0.09	0.00	0.33	0.13	0.53
Panel2	Period	1983-2017	1983-2017	1983-2017	1983-2017	1983-2017	1983-2017	1983-2017
Country-specific		0.23(0.15)	-0.01(0.13)	-0.29(0.20)	-0.06(0.23)	-0.28(0.17)	-0.05(0.23)	-0.22(0.16)
Global		0.95(0.39) **	-0.15(0.15)	0.39(0.39)	-0.80(0.37) **	0.88(0.37) **	-0.03(0.42)	-0.71(0.25) ***
Investment		0.08(0.14)	-0.00(0.09)	0.03(0.07)	-0.16(0.13)	0.14(0.08) *	0.01(0.15)	0.00(0.04)
fdeep						-0.02(0.01)	0.00(0.02)	0.09(0.06)
reldepo		0.07(0.21)	0.17(0.10) *	-0.10(0.30)	0.25(0.11) **	0.12(0.07)	0.16(0.68)	0.08(0.09)
reldepy		0.34(0.39)	0.25(0.26)	-0.03(0.32)	0.06(0.15)	0.19(0.11)	0.36(0.38)	0.53(0.43)
nfa/GDP		-1.74(1.58)	1.66(4.35)	-4.53(5.81)	-1.63(5.88)	3.92(4.03)	-2.13(11.73)	6.33(13.42)
open		6.20(2.63) **	-5.28(5.41)	3.32(7.47)	-2.77(7.17)	-1.77(6.54)	2.27(10.22)	-0.74(3.99)
Number of obs		35	35	35	35	35	35	35
Adj R-squared		0.33	0.00	0.11	0.07	0.21	-0.23	0.57

Note: Global shock is calculated as the first principal component of the total factor productivity of the G7 and the country-specific shocks as the residual of the country's total factor productivity on global shock. Heteroscedasticity-robust standard errors are in parentheses. *, **, and *** represent the 10, 5, and 1 percent statistical significance levels, respectively.

Figure A3-1. Crisis distribution



Note: The vertical axis represents financial structure and the horizontal axis represents capital openness.

Table A3-1. Two dummy interaction term random-effect logistic panel robust estimates for banking and currency crises

Dep Var	Basic model		Extended model	
	Banking crisis (i)	Currency crisis (ii)	Banking crisis (iii)	Currency crisis (iv)
Coefficient				
FS	-0.072 (0.114)	-0.494 *** (0.169)	-0.173 (0.164)	-0.442 *** (0.156)
KAO	0.038 (0.074)	-0.806 *** (0.214)	0.053 (0.100)	-0.661 *** (0.242)
FS*KAO(1,2,4)	-0.012 (0.109)	-0.278 ** (0.118)	0.024 (0.139)	-0.254 ** (0.128)
FS*KAO(3)	(0.137) (0.173)	-0.272 * (0.161)	0.080 (0.216)	-0.198 (0.151)
POL			-0.044 * (0.024)	0.000 (0.023)
VIX			0.109 *** (0.024)	0.010 (0.016)
RES			-4.550 *** (1.298)	0.048 (0.833)
INF			0.005 (0.004)	0.017 *** (0.004)
Marginal effect				
FS	-0.004 (0.007)	-0.020 *** (0.008)	-0.009 (0.008)	-0.017 *** (0.007)
KAO	0.002 (0.004)	-0.033 *** (0.011)	0.003 (0.005)	-0.026 *** (0.009)
FS*KAO(1,2,4)	-0.001 (0.007)	-0.011 ** (0.005)	0.001 (0.007)	-0.010 ** (0.005)
FS*KAO(3)	0.008 (0.010)	-0.011 * (0.007)	0.004 (0.011)	-0.008 (0.006)
POL			-0.002 * (0.001)	0.000 (0.001)
VIX			0.006 *** (0.001)	0.000 (0.001)
RES			-0.231 *** (0.066)	0.002 (0.033)
INF			0.000 (0.000)	0.001 *** (0.000)
Cons	-2.020 *** (0.135)	-2.598 *** (0.311)	-3.801 (0.618)	-2.897 *** (0.692)
Obs.	798	798	777	777
Log pseudo-Likelihood	-95.787	-64.233	-74.961	-60.068

Note: ***, **, *, indicate statistical significance at the 1, 5, and 10 percent levels, respectively. The first two columns, (i) and (ii), and the next two columns, (iii) and (iv), present the estimated coefficients and calculated marginal effects for regression equations (1) and (2), respectively. Dependent variables are binary, taking a value of one when a financial crisis is observed in year t and zero otherwise. FS is financial structure, KAO is

capital account openness, POL is the democracy index, VIX is the stock market volatility index, RES is the ratio of official reserves to GDP, and INF is the inflation rate. For more precise definitions of these variables, see Section 3.2.

Table A3-2. [0,1] capital openness random-effect logistic panel robust estimates for banking and currency crises

Dep Var	Basic model		Extended model	
	Banking crisis (i)	Currency crisis (ii)	Banking crisis (iii)	Currency crisis (iv)
Coefficient				
FS	-0.164 (0.196)	0.032 (0.140)	0.119 (0.526)	-0.001 (0.152)
KAO[0,1]	0.017 (0.062)	-0.806 *** (0.226)	-0.408 (0.544)	-0.679 ** (0.267)
FS*KAO[0,1]	0.096 (0.259)	-1.178 ** (0.466)	-0.130 (0.776)	-1.032 ** (0.496)
POL			-0.305 ** (0.138)	0.001 (0.023)
VIX			0.283 *** (0.067)	0.009 (0.016)
RES			-30.346 *** (8.007)	0.012 (0.828)
INF			-0.019 (0.028)	0.017 *** (0.004)
Marginal effect				
FS	-0.010 (0.012)	0.001 (0.006)	0.013 (0.056)	0.000 (0.014)
KAO[0,1]	0.001 (0.004)	-0.033 *** (0.011)	-0.043 (0.058)	-0.027 *** (0.010)
FS*KAO[0,1]	0.006 (0.016)	-0.049 ** (0.021)	-0.014 (0.082)	-0.041 ** (0.019)
POL			-0.032 ** (0.015)	0.000 (0.001)
VIX			0.030 *** (0.007)	0.000 (0.001)
RES			-3.222 *** (0.404)	0.000 (0.033)
INF			-0.002 (0.003)	0.001 *** (0.000)
Cons	-1.971 *** (0.106)	-2.596 (0.311)	-3.782 * (2.260)	-2.860 *** (0.682)
Obs.	798	798	777	777
Log pseudo-Likelihood	-95.971	-64.230	-75.031	-60.092

Note: ***, **, *, indicate statistical significance at the 1, 5, and 10 percent levels, respectively. The first two columns, (i) and (ii), and the next two columns, (iii) and (iv), present the estimated coefficients and calculated marginal effects for regression equations (1) and (2), respectively. Dependent variables are binary, taking a value of one when a financial crisis is observed in year t and zero otherwise. FS is financial structure, KAO is capital account openness, POL is the democracy index, VIX is the stock market volatility index, RES is the ratio of official reserves to GDP, and INF is the inflation rate. For more precise definitions of these variables, see Section 3.2.

Table A3-3. Random-effect logistic model panel robust estimates of banking and currency crises by alternative financial structure calculation

Dep Var	Basic model		Extended model	
	Banking crisis (i)	Currency crisis (ii)	Banking crisis (iii)	Currency crisis (iv)
Coefficient				
FS_alt	-0.145 (0.166)	-0.552 *** (0.209)	-0.286 (0.191)	-0.549 ** (0.218)
KAO	0.032 (0.159)	-1.168 *** (0.389)	0.072 (0.185)	-0.979 ** (0.391)
AG*KAO	0.034 (0.103)	-0.223 (0.171)	0.026 (0.107)	-0.216 (0.172)
POL			-0.103 ** (0.049)	-0.015 (0.051)
VIX			0.234 *** (0.052)	0.024 (0.051)
RES			-10.162 *** (3.428)	-0.075 (2.600)
INF			0.005 (0.017)	0.031 *** (0.012)
Marginal effect				
FS_alt	-0.004 (0.004)	-0.011 ** (0.005)	-0.007 (0.005)	-0.011 ** (0.005)
KAO	0.001 (0.004)	-0.023 ** (0.009)	0.002 (0.004)	-0.019 ** (0.009)
FS*KAO	0.001 (0.003)	-0.004 (0.004)	0.001 (0.003)	-0.004 (0.003)
POL			-0.002 ** (0.001)	0.000 (0.001)
VIX			0.006 *** (0.002)	0.000 (0.001)
RES			-0.244 *** (0.090)	-0.001 (0.050)
INF			0.000 (0.000)	0.001 ** (0.000)
Cons	-3.657 *** (0.261)	-4.339 *** (0.508)	-7.484 *** (1.430)	-5.003 *** (1.316)
Obs.	798	798	777	777
Log pseudo-Likelihood	-96.720	-68.758	-75.821	-64.670

Note: ***, **, *, indicate statistical significance at the 1, 5, and 10 percent levels, respectively. The first two columns, (i) and (ii), and the next two columns, (iii) and (iv), present the estimated coefficients and calculated marginal effects for regression equations (1) and (2), respectively. Dependent variables are binary, taking a value of one if a financial crisis is observed in year t and zero otherwise. FS is financial structure, KAO is capital account openness, POL is the democracy index, VIX is the stock market volatility index, RES is the ratio of official reserves to GDP, and INF is the inflation rate. For more precise definitions of these variables, see Section 3.2.

Table A3-4. Logistic model robust estimates of banking and currency crises (omitting countries without crisis experience)

Dep Var	Banking crisis		Currency crisis	
	Random effect (i)	Fixed effect (ii)	Random effect (iii)	Fixed effect (iv)
Coefficient				
FS	-0.311 (0.314)	0.061 (0.312)	-1.386 *** (0.402)	-1.489 ** (0.610)
KAO	-0.186 (0.190)	-0.408 (0.492)	-1.869 *** (0.680)	-1.994 ** (0.972)
FS*KAO	0.026 (0.149)	-0.031 (0.167)	-0.917 *** (0.333)	-1.156 ** (0.528)
POL	-0.135 *** (0.048)	-0.305 *** (0.084)	-0.005 (0.040)	0.087 (0.100)
VIX	0.252 *** (0.053)	0.283 *** (0.065)	0.025 (0.034)	0.019 (0.032)
RES	-10.853 *** (3.604)	-30.346 ** (13.822)	-0.741 (1.966)	-0.610 (4.203)
INF	-0.006 (0.009)	-0.019 (0.027)	0.013 * (0.007)	0.013 (0.008)
Marginal effect				
FS	-0.012 (0.013)	0.006 (0.033)	-0.075 *** (0.020)	-0.137 *** (0.034)
KAO	-0.007 (0.007)	-0.043 (0.049)	-0.101 *** (0.034)	-0.184 *** (0.038)
FS*KAO	0.001 (0.006)	-0.003 (0.018)	-0.049 *** (0.016)	-0.107 *** (0.039)
POL	-0.005 *** (0.002)	-0.032 *** (0.011)	0.000 (0.002)	0.008 (0.006)
VIX	0.010 *** (0.002)	0.030 *** (0.009)	0.001 (0.002)	0.002 (0.003)
RES	-0.432 *** (0.121)	-3.222 *** (0.708)	-0.040 (0.107)	-0.056 (0.417)
INF	0.000 (0.000)	-0.002 (0.003)	0.001 ** (0.000)	0.001 (0.001)
Cons	-6.699 *** (1.633)		-5.031 (1.193)	
Obs.	420	420	252	252
Log pseudo-Likelihood	-60.881	-32.648	-48.352	-34.793

Note: ***, **, *, indicate statistical significance at the 1, 5, and 10 percent levels, respectively. The first two columns, (i) and (ii), and the next two columns, (iii) and (iv), present the estimated coefficients and calculated marginal effects for regression equations (1) and (2), respectively. Dependent variables are binary, taking a value of one if a financial crisis is observed in year t and zero otherwise. FS is financial structure, KAO is capital account openness, POL is the democracy index, VIX is the stock market volatility index, RES is the ratio of official reserves to GDP, and INF is the inflation rate. For more precise definitions of these variables, see Section 3.2.

Table A3-5. Random-effect probit model robust estimates of window regression for banking and currency crises

Dep Var	Basic model		Extended model	
	Banking crisis (i)	Currency crisis (ii)	Banking crisis (iii)	Currency crisis (iv)
Coefficient				
FS	-0.133 (1.342)	-0.533 *** (0.158)	-0.243 (0.158)	-0.485 *** (0.144)
KAO	0.018 (0.211)	-0.914 *** (0.252)	0.056 (0.107)	-0.699 *** (0.253)
FS*KAO	0.022 (0.636)	-0.308 *** (0.118)	0.014 (0.076)	-0.248 ** (0.106)
POL			-0.046 (0.052)	0.002 (0.022)
VIX			0.124 ** (0.052)	0.008 (0.017)
RES			-5.210 (3.789)	0.407 (0.886)
INF			0.007 (0.006)	0.041 *** (0.007)
Marginal effect				
FS	-0.008 (0.074)	-0.022 *** (0.008)	-0.012 (0.008)	-0.018 *** (0.006)
KAO	0.001 (0.012)	-0.038 *** (0.013)	0.003 (0.005)	-0.026 ** (0.010)
FS*KAO	0.001 (0.038)	-0.013 ** (0.006)	0.001 (0.004)	-0.009 ** (0.004)
POL			-0.002 (0.003)	0.000 (0.001)
VIX			0.006 (0.004)	0.000 (0.001)
RES			-0.268 (0.207)	0.015 (0.032)
INF			0.000 (0.000)	0.001 *** (0.000)
Cons	-1.947 (7.655)	-2.719 *** (0.354)	-4.063 *** (0.939)	-3.143 (0.677)
Obs.	756	772	735	751
Log pseudo-Likelihood	-94.629	-62.672	-70.966	-53.552

Note: ***, **, *, indicate statistical significance at the 1, 5, and 10 percent levels, respectively. The first two columns, (i) and (ii), and the next two columns, (iii) and (iv), present the estimated coefficients and calculated marginal effects for regression equations (1) and (2), respectively. Dependent variables are binary, taking a value of one when a financial crisis is observed in year t and zero otherwise. FS is financial structure, KAO is capital account openness, POL is the democracy index, VIX is the stock market volatility index, RES is the ratio of official reserves to GDP, and INF is the inflation rate. For more precise definitions of these variables, see Section 3-2.

Table A4-1. Descriptive Statistics

	Obs.	Mean	S.Dev	10 % Per	90 % Per	Min	Max
ERS	1,134	0.58	0.31	0.20	1.00	0.03	1.00
MI	1,134	0.45	0.18	0.20	0.68	0.00	0.97
KAO	1,134	0.47	0.33	0.17	1.00	0.00	1.00
output volatility	1,134	4.95	4.51	1.41	9.87	0.23	32.09
inflation volatility	1,134	24.36	196.08	0.73	12.59	0.20	2940.49
inflation rate	1,134	13.05	90.79	0.88	18.51	-29.69	2075.89
PC	1,129	37.85	30.69	8.41	81.03	1.97	163.21
totshock	1,134	0.05	0.05	0.01	0.10	0.00	0.53
fiscyc	1,134	0.53	0.57	-0.46	0.99	-0.99	1.00
m2gr	1,125	25.86	171.45	2.01	19.10	0.24	2512.05
polity2	1,080	3.49	5.88	-6.00	9.00	-9.00	10.00
res	1,134	0.19	0.20	0.04	0.39	0.00	1.24
dusi	1,134	-0.14	1.02	-1.58	1.38	-2.22	1.81
vix	1,134	19.23	5.94	12.69	27.29	11.09	32.69

Note: Calculated for the full sample period of 1990-2017. 10%Per and 90%Per are the 10th and 90th percentiles, respectively.

Table A4-2. Average total natural resource rents

Resource-rich country	Resources rents	Resource-poor country	Resources rents
Congo, Rep.	40.21	India	3.02
Gabon	29.32	Argentina	2.79
Algeria	21.88	Brazil	2.60
Uganda	14.76	Botswana	2.11
Malaysia	11.72	Thailand	1.80
Ecuador	10.63	Guatemala	1.76
Central African Republic	10.36	Comoros	1.54
Egypt	9.64	Pakistan	1.50
Cameroon	7.65	Morocco	1.50
Rwanda	7.43	Philippines	1.11
Chile	7.37	Jordan	0.93
Indonesia	7.00	Uruguay	0.92
Bolivia	6.90	Bangladesh	0.81
Peru	5.93	El Salvador	0.70
Colombia	5.10	Turkey	0.35
South Africa	4.82	Sri Lanka	0.23
Tunisia	4.25	Panama	0.17
Kenya	4.10	Seychelles	0.11
Mexico	4.01	Korea	0.03
China	3.93	Mauritius	0.01
Swaziland	3.55	Singapore	0.00

Note: Averages are calculated for the full sample period of 1990-2017. Total natural resource rents are taken from the World Development Indicators of the World Bank.

Table A4-3. Panel robust regression of trilemma index and variables

	Dependent variable:			
	Trilemma index	Exchange rate stability	Moneytary Independence	Capital Openness
T/ERS/MI/KAO t-1	0.616 *** (0.029)	0.437 *** (0.068)	0.691 *** (0.026)	0.826 *** (0.031)
Output Volatility	-0.003 (0.002)	0.000 (0.003)	0.000 (0.002)	-0.002 * (0.001)
Inflation rate	0.006X10 ⁻² *** (0.002X10 ⁻²)	-0.002X10 ⁻² (0.001X10 ⁻²)	-0.002X10 ⁻² (0.001X10 ⁻²)	-0.002X10 ⁻² *** (0.001X10 ⁻²)
VIX Index	0.002 *** (0.001)	-0.003 *** (0.001)	-0.001 (0.001)	0.000 (0.000)
Polity Index	0.001 (0.002)	-0.006 * (0.003)	0.002 (0.003)	-0.005 ** (0.002)
Currency Crisis Dummy	0.100 *** (0.028)	-0.130 *** (0.041)	-0.001 (0.021)	-0.053 *** (0.015)
Banking Crisis Dummy	0.132 *** (0.034)	-0.140 ** (0.057)	-0.026 (0.028)	-0.032 (0.022)
Exchange rate stability			-0.003 (0.029)	-0.057 * (0.032)
Moneytary Independence		-0.026 (0.043)		-0.005 (0.019)
Capital Openness		0.034 (0.042)	0.036 (0.023)	
Obs	1080	1080	1080	1080
Wald test	543.47 ***	93.32 ***	825.63 ***	971.36 ***
Arellano-Bond test	-4.56 ***	-3.97 ***	-5.32 ***	-4.00 ***

Note: ***, **, and * indicate statistical significance at the 1, 5, and 10 percent levels, respectively. Figures in parentheses are t-statistics. Wald test reports the Wald statistic of the null hypothesis that all coefficients except the constant are zero. Arellano–Bond test for zero autocorrelation in first-differenced errors. Because of data restrictions on the Polity index, we exclude Congo, Rep., and Seychelles from the sample countries.