

Preliminary

Cross-Country Growth Regressions

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ABSTRACT

A large literature has identified a variety of “ancillary variables,” such as political instability, income distribution, and financial development as important determinants of income growth in cross-sectional studies. This leaves open the question of whether these variables influence growth through their effect on rates of factor accumulation or their influence on total factor productivity growth. This paper addresses this question by examining whether “primitives,” or rates of factor accumulation, are sufficient statistics for economic growth, and whether the ancillary variables found in the literature do enter in the determination of physical and human capital accumulation rates. Our results suggest that the primary influence of these ancillary variables on growth is through factor accumulation. However, the significance of many of these ancillary variables is not robust to the inclusion of country fixed effects. In addition, we find evidence that financial development is also an important determinant of total factor productivity growth.

Key words: Growth, Investment, Human Capital, Ancillary Variables

JEL Classification: N10; N30

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