Taylor & Francis Online

Log in | Register Cart

Home ▶ All Journals ▶ Applied Economics ▶ List of Issues ▶ Volume 37, Issue 12 ▶ Does financial development 'lead' econom ....

Applied Economics ›
Volume 37, 2005 - Issue 12

2,224 Views | 132 CrossRef citations to date | 3 Altmetric

Original Articles

Does financial development 'lead' economic growth? A vector auto-regression appraisal

Jordan Shan

Pages 1353-1367 | Published online: 16 Aug 2006

Cite this article https://doi.org/10.1080/00036840500118762

Sample our Economics, Finance, Business & Industry Journals
>> Sign in here to start your access to the latest two volumes for 14 days

Full Article Figures & data References Citations Metrics

Reprints & Permissions Read this article

Abstract

Using a Vector Autoregression (VAR) approach, several hypotheses are re-examined suggested by the literature concerning the relationship between financial development and economic growth, investment and productivity. The models use quarterly time-series data from ten OECD countries and China. Innovation accounting or variance decomposition and impulse response function analysis is applied to examine interrelationships between variables in the VAR system and, therefore, differs from the more us onship betwee rt is found for the h

About Cookies On This Site

We and our partners use cookies to enhance your website experience, learn how our site is used, offer personalised features, measure the effectiveness of our services, and tailor content and ads to your interests while you navigate on the web or interact with us across devices. You can choose to accept all of these cookies or only essential cookies. To learn more or manage your preferences, click "Settings". For further information about the data we collect from you, please see our Privacy Policy

Accept All

Essential Only

Settings

Notes

Any significant ‘on average' relationship across different countries is likely to be sensitive to the addition or deletion of a few observations in the sample.

The Microfit program sets the 'shock’ equal to one standard deviation of the particular time-series used to 'shock’ the VAR system.

This is not a test of hypothesis in the manner of a Granger causality test that has well defined test statistics and critical values.

Productivity is the weighted average of labour productivity and capital productivity where the weights are the shares of these factors in GDP.

Investment and productivity are not independent because investment plant and equipment often embodies new technology that raises productivity.

The measure is slightly different from Levine and Zervos (1998) who differentiate between credit to the public and private sectors. Because of data limitations, we treat total credit as credit to the private sector.

Overnight cash rate.

It is arguable that this proxy is less than ideal for measuring stock market development. Whilst some countries in the sample have an extensive range of stock market data that would be useful for measuring development, others do not. In using a common indicator one is left with little other than a price index.

The authors will make available a detailed Data Appendix on request.

The term ‘repressed' was used by McKinnon (1993) who used it when governments impose usury restrictions on interest rates, have compulsory credit allocations, have state monopoly of loan applications, and regulate financial institutions and foreign exchang

Other ‘h ave less reliable odelling.

Excep

The stuc than other variable

About Cookies On This Site

We and our partners use cookies to enhance your website experience, learn how our site is used, offer personalised features, measure the effectiveness of our services, and tailor content and ads to your interests while you navigate on the web or interact with us across devices. You can choose to accept all of these cookies or only essential cookies. To learn more or manage your preferences, click “Settings”. For further information about the data we collect from you, please see our Privacy Policy

Accept All

Essential Onl

Settings

Related research

People also read | Recommended articles | Cited by 132

Information for

- Authors
- R&D professionals
- Editors
- Librarians
- Societies

Open access

- Overview
- Open journals
- Open Select
- Dove Medical Press
- F1000Research

Opportunities

- Reprints and e-prints
- Advertising solutions
- Accelerated publication
- Corporate access solutions

Help and information

- Help and contact
- Newsroom
- All journals
- Books

Keep up to date

Register to receive personalised research and resources by email

Sign me up

Copyright
Accessibi
Registered
5 Howick
or & Francis Group
orma business

About Cookies On This Site

We and our partners use cookies to enhance your website experience, learn how our site is used, offer personalised features, measure the effectiveness of our services, and tailor content and ads to your interests while you navigate on the web or interact with us across devices. You can choose to accept all of these cookies or only essential cookies. To learn more or manage your preferences, click “Settings”. For further information about the data we collect from you, please see our Privacy Policy

Accept All
Essential Only
Settings