

Applied Economics &gt;

Volume 47, 2015 - Issue 11

1,370 4

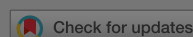
Views CrossRef citations to date Altmetric 1

Original Articles

# Financial deepening and economic growth

Keshab Bhattarai 

Pages 1133-1150 | Published online: 20 Dec 2014

 Cite this article  <https://doi.org/10.1080/00036846.2014.993130>

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

The core of Shapley–Shubik games and general equilibrium models with a Venn diagram is applied for a theory on the role of real finance in economic growth among advanced economies. Then the dynamic computable general equilibrium (DCGE) models for Germany, France, the UK, Japan and the USA are constructed to assess the validity of the over-financing hypothesis that has reappeared after the financial crisis of 2008. Actual financial deepening ratios observed in the nonconsolidated balance sheet of the OECD exceeded by factors of 3.5, 2.4, 5.1, 11.6 and 4.8 than the optimal

### 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

intermediation so that the gaps between actual and optimal ratios of financial deepening remain as small as possible.

Keywords: financial deepening growth

JEL Classification: F41 O11 O33 O41

## Notes

<sup>1</sup> Debreu and Scarf ([1963](#)) had proven the equivalence of a competitive equilibrium to the core of the game for economies with and without production by contradiction when preferences are nonsatiable, strictly convex and continuous. Scarf ([1967](#)) theorem states that a balanced person game has a nonempty core. Financial markets open each time, bid-offer process sets the prices of assets and exchange takes place in the core. This process continues forever. Thus, the competitive equilibrium is equivalent to the allocation at the core, ‘An exchange economy with convex preferences always gives rise to a balanced person game and such will always have a nonempty core (Scarf, [1967](#)).’

<sup>2</sup> ∴

<sup>3</sup> Bhattarai ([2014](#)) numerically shows how financial crises of 2008 could be explained due to the shocks to these real sides of the financial system with standard dynamics contained in simple cash in advance in Sargent (1987) and money in utility theories Sidrauski ([1967](#)) in small prototype models.

<sup>4</sup> Detailed solutions of these models are skipped here for space reasons and can be available upon request.

<sup>5</sup> I appreciate the participation of this article. Conf



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

## Information for

[Authors](#)[R&D professionals](#)[Editors](#)[Librarians](#)[Societies](#)

## Opportunities

[Reprints and e-prints](#)[Advertising solutions](#)[Accelerated publication](#)[Corporate access solutions](#)

## Open access

[Overview](#)[Open journals](#)[Open Select](#)[Dove Medical Press](#)[F1000Research](#)

## 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](#)

## 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](#)