

FOREIGN DIRECT INVESTMENT IN OECD COUNTRIES: A SPECIAL FOCUS IN THE CASE OF GREECE

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Abstract

Foreign Direct Investment (FDI) is considered as an important instrument for economic development all over the world. As a result, a growing competition for FDI among the majority of all countries has reached to high level. The aim of this paper is to examine the FDI inflows determinants for 24 OECD countries i.e. Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Korea, Mexico, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Turkey, United Kingdom and United States. To this end we employ annual data from 1980 to 2012 for a series of potential FDI determinants that have been identified as the most important by the relevant literature. Our empirical strategy employs both the standard fixed effects panel as well as a dynamic panel approach. The empirical findings highlight the importance of market size, trade openness, unit labor cost, schooling, taxation, gross capital formation, institutional variables, and ROA/ROE as significant FDI determinants. In the case of the dynamic panel model those FDI inflows determinants are not uniform for all country groups. Additionally, the results indicate that corporate tax rates clearly affect FDI attractiveness. This finding is robust when testing different countries subgroups. The present study has important policy implications indicating the factors that host economies should place emphasis on in order to attract FDI inflows. Policy makers should not only pay attention to the corporate tax rate level but they should also design a simple, stable and transparent taxation system that minimizes the relevant business risk.

JEL Classification: O1, G3, F2, C1

Keywords: Foreign Direct Investment, OECD Countries, Greece

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1. Introduction

Foreign direct investment (FDI) has attracted research interest because of its potential positive economic impact on the host countries' economies. Even though there is no agreement regarding growth benefits, several studies have emphasized the positive impact of FDI on economic growth through employment, acquired knowledge and management skills, as well as technology spillovers (Campos and Kinoshita, 2002; Kim et al., 2003; Johnson, 2006; Busse and Groizard, 2008; KrifaSchneider and Matei, 2010; Walsh and Yu, 2010; Alfaro et al., 2010). In the wake of the global financial crisis and several regional fiscal crises, attracting FDI in order to foster economic activity has become a priority for many countries facing financing and market liquidity problems.

A growing strand of literature has been trying to determine FDI attractiveness factors studying different country groups. Organisation for Economic Co-operation and Development (OECD) countries usually attract research interest since traditionally they have been representing an outstanding share of the world FDI inflows, reaching on average almost 76% of the total FDI inflows for the period 1990–1999 and 70% for the period 2000–2009.

FDI is a key element to the recovery for the Greek economy. Its imperative importance steams first from the fact that the country cannot continue borrowing money from the European Union countries, the European Central Bank and the International Monetary Fund without making significant progress in attracting foreign investors. Secondly, Greece may be able to exit the bailout programme established by international authorities as soon as this year, which makes the need for growth via investment an especially important issue for the country future in a post-memorandum era. For this reason, the investigation of the factors that influence the FDI growth in Greece is crucial for supervisory authorities to implement the policies and to design the measures required to attract and encourage FDI.

This paper extends the existing literature regarding FDI inflow determinants in OECD and developing countries in several ways. First of all, previous studies regarding OECD countries have examined only a small number of countries.¹ In this study we

¹ For example, the most recent previous studies focus on a limited number of OECD countries: Alam and Shah (2013) examined a 10-OECD country sample from 1985 to 2009 and Gedik (2013) examined 11 OECD countries from 1995 to 2008.

extend previous research having a sample of 24 OECD countries. To this end we employ annual data for the period 1980–2012 using a panel data approach in both a fixed effect and a dynamic framework. We also examine a series of potential FDI determinants that have been identified as the most important by the relevant literature. These include the market size, trade openness, labor cost, as well as human capital using school enrolment on secondary education as an appropriate proxy. Moreover, we test for the impact of market instability proxied by inflation as well as for the impact of the share of gross capital formation on FDI inflows. A series of institutional variables is also employed and we examine the impact of profitability ratios (return on assets and return on equity) based on the benchmark stock market indices on a country's FDI attractiveness. Finally, we compare the results of the individual country groups under examination, since different factors may attract FDI in different countries.

The empirical findings demonstrate that market size, trade openness, unit labor cost, schooling, taxation, gross capital formation, institutional variables, and ROA/ROE are significant FDI determinants. When the dynamic panel model is employed it is revealed that FDI inflows determinants are not uniform for all country groups. However, market size and corporate taxation rates are particularly robust FDI determinants. Based on the dynamic panel approach for the 5 European countries that faced fiscal imbalances (Greece, Ireland, Italy, Portugal Spain), lagged FDI, market size, unit labor cost, taxation and regulatory quality significantly affect FDI inflows.

The analysis enables us to extract inferences with important policy implications regarding the factors that host economies should pay attention in order to boost the attractiveness of FDI inflows. It is revealed that apart from market size, corporate tax rates clearly affect FDI attractiveness. This finding is robust when testing different countries subgroups and indicates the need for investor friendlier taxation schemes. That said, supervisory authorities should not only pay attention to the corporate tax rate level but they should also design a simple, stable and transparent taxation system that minimizes the relevant business risk.

The remainder of the paper will be structured as follows. First, the relevant literature is reviewed. Second, the presentation of the model is analyzed. Next, the employed data for the estimation of the model follows. Then, an assessment of the empirical [Type text]

results are presented. Finally, some conclusions and policy implications from the econometric investigation are drawn.

2. Literature Review

Several studies have tried to capture the factors that determine a country's FDI attractiveness. FDI can be either market-oriented or export-oriented. Market-oriented FDI mostly focuses on market size and growth, whereas export-oriented FDI mostly focuses on cost competitiveness of the host country, while there are also factors that affect both types of FDI (OECD, 2000). The well-known O–L–I eclectic paradigm of Dunning² identifies ownership, location and internalization advantages that determine a host country's FDI attractiveness.

Previous research, trying to identify the most important macroeconomic factors that affect FDI inflows, has clearly stated the importance of the size of the host economy that is usually captured by the relevant GDP per capita (Bevan and Estrin, 2004). Market size can attract horizontal FDI when investing firms want to capture a domestic market share (Arbatli, 2011). In the same spirit, growth prospects, market stability and inflation levels may also influence FDI decisions (Krifa-Schneider and Matei, 2010; Arbatli, 2011). Market instability expressed by high inflation and the associated political/country risk are also negatively related to FDI Inflows (Krifa-Schneider and Matei, 2010; Walch and Worz, 2012).

Trade openness, which is usually defined as exports plus imports as a percentage of GDP, has also been considered as an important factor affecting FDI inflows. Several studies (Janicki and Wunnava, 2004; Krifa-Schneider and Matei, 2010; Masron and Abdullah, 2010) confirm a positive relationship indicating that established trading links and international trade growth potential significantly affect FDI inflows, while others provide insignificant results (Walsh and Yu, 2010, etc.). Moreover, joining international trade agreements can be of particular importance for developing countries (Buthe and Milner, 2008).

Labor cost has also been identified as one of the most important FDI determinants (Bevan and Estrin, 2004). This factor can be associated with vertical or export-oriented FDI. However, relatively low labor costs alone are not necessarily associated with increased FDI inflows, especially when knowledge and expertise is needed for

² See Dunning (2001) for a detailed presentation of the origins and the evolution of the O–L–I eclectic paradigm since the mid-1950s.

specialized production or services. In that case, human capital and labor quality (Iwai and Thompson, 2012; Agiomirgianakis et al., 2003) as well as research and development expenditure (Thompson, 2001) can be of particular importance. Corporate taxation has been identified as another important factor and possible source of additional business risk (Cassou, 1997; Bloningen, 2005; Krifa-Schneider and Matei, 2010; Arbatli, 2011). As a result, providing tax incentives has proved to be beneficial for several countries' FDI attractiveness, e.g. Ireland. However, other issues, such as double taxation treatment or different FDI sensitivity to taxes of certain types of FDI should also be considered (Hartman, 1984; Bloningen, 2005).

Previous literature has also stressed the importance of institutional factors, such as regulatory quality, corruption control, etc., as well as economic sentiment or investment climate indicators that may also affect FDI inflows (Bloningen, 2005; Benassy-Quere et al., 2007; Sekkat and Veganzones-Varoudakis, 2007; Arbatli, 2011). It has to be mentioned though that, according to Bloningen (2005), it is difficult to obtain accurate estimations of the magnitude of the effect of institutional factors owing to the lack of accurate measurements. As a result empirical results can be contradictory. Moreover, different studies focus on different measurements of institutions based on data availability and the relevant results are not always comparable. An interesting approach has been put forward by Jayasuriya (2011) employing the World Bank's "Ease of Doing Business" rankings as an institutional variable that captures business regulation. The author examined 84 countries from 2006 to 2009 and identified a statistically significant positive relationship between the Ease of Doing Business Index and FDI inflows, while this result does not hold for developing countries alone.

The potential impact of all these factors has been tested for several country groups that display different characteristics in terms of economic development and market size. OECD countries have attracted research interest. Among the first studies that examined OECD countries, Agiomirgianakis et al. (2003) provided robust evidence of the positive impact of human capital, trade openness and infrastructure density on FDI inflows, testing for 20 OECD countries from 1975 to 1997. Recently, Alam and Shah (2013) identified market size, labor cost and infrastructure quality to be significant FDI determinants for 10 OECD countries for the period 1985–2009. The authors also tested a series of potential determinants that provided insignificant results for the sample under examination, including labor productivity, corporate tax rates, trade

openness, political stability, inflation and real effective exchange rate. Finally, Gedik (2013) also examined a series of economic, fiscal and institutional factors for 11 OECD countries from 1995 to 2008. The author identified taxation, economic instability and labor cost to have a negative and significant impact on FDI. Moreover, political and institutional stability were proved to be of particular importance to attract FDI.

3. Methodology

The standard methodology employed in relevant studies is based on the estimation of a fixed effects panel model for the countries under examination. In our case the fixed effects panel model used in order to examine the FDI inflows determinants is structured as follows:

$$FDI_{it} = \alpha_i + \beta_1 GDP_{it} + \beta_2 TO_t + \beta_3 ULC_{it} + \beta_4 SCH_{it} + \beta_5 Z_{it} + e_{it} \quad (1)$$

$i=1,\dots,N,t=1,\dots,T$

where FDI_{it} stands for FDI inward flows, GDP_{it} for GDP per capita³, TO_t for trade openness, ULC_{it} for unit labor cost, SCH_{it} for school enrollment and e_{it} is the error term over time t . We also test for the impact of several additional Z_{it} variables including inflation, share of gross capital formation⁴, corporate tax rates, several institutional variables as well as return on assets and return on equity ratios.

However, recent literature has highlighted the fact that the relationship under examination can be better explained using dynamic panel data models.⁵ To this end we also employ the Arellano-Bover/Blundell-Bond dynamic panel model that accounts for serial correlation and endogeneity. In this case the model is structured as follows:

³ The log values of the variables FDI inward flows and GDP per capita are employed.

⁴ According to the definition provided by Data-Planet by the Conquest Systems, Inc. (2013), the share of gross capital formation (at current PPPs) "reports the share of output-based real gross domestic product (GDP) per capita that is represented by capital formation (investment), at current purchasing power parities (PPPs). Output-side real GDP allows comparison of productive capacity across countries and over time."

⁵ See Carstensen and Toubal (2004), Alguacil et al. (2008), Kirfa-Schneider and Matei (2010), Grubaugh(2013).

$$FDI_{it} = \alpha_i + \beta_1 FDI_{it-1} + \beta_2 GDP_{it} + \beta_3 TO_{it} + \beta_4 ULC_{it} + \beta_5 SCH_{it} + \beta_6 Z_{it} + e_{it} \quad (2)$$

$i=1,\dots,N,t=1,\dots,T$

where α_i is a vector of m individual effects, e_{it} is a multivariate white-noise vector of residuals and all other variables are already defined.

In order to test for the robustness of our results for different country subgroups we divide our sample into three categories based on the average FDI inflows of the period under examination i.e. high, medium and low average FDI inflows countries. This categorisation enables us to identify whether countries of different FDI attraction levels (based on their relative rank) are actually affected by different determinants. Finally, another subgroup of particular interest is examined including Greece, Ireland, Italy, Portugal and Spain. These countries were confronted with severe fiscal imbalances and recession. As a result, attracting FDI inflows in productive sectors could accelerate their economic recovery.

Overall, our research hypotheses can be summarized as follows:

H₁: one lagged FDI inflows, market size, trade openness, school enrollment, gross capital formation, institutional variables and profitability ratios are expected to have a positive and statistically significant impact on FDI inflows.

H₂: unit labor cost, inflation and high corporate tax rates are expected to have a negative and statistically significant impact on FDI inflows.

H₃: FDI determinants may considerably differ when testing for different country subgroups.

4. Data

In this paper we examine the FDI inflows determinants for 24 OECD countries, i.e. Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Korea, Mexico, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Turkey, United Kingdom and United States, using annual data for the period 1980-2012. Data for FDI inflows and inflation were derived from the UNCTAD database. Data for market size (using GDP per capita as a proxy), trade openness (exports plus imports as a percentage of GDP) and school enrollment [Type text]

(secondary, % gross) were derived from the World Bank's World Development Indicators. Labor cost (unit labor cost index) and corporate taxes (central government corporate income tax rate) were derived from the OECD statistics. Moreover, the share of gross capital formation was obtained from the Penn World Table (PWT) database (version 8.0)⁶, while institutional variables, including voice and accountability, political stability and absence of violence, government effectiveness, regulatory quality, rule of law and control of corruption, from the OECD Worldwide Governance Indicators. Finally, return on assets and return on equity ratios of the benchmark stock market indices were obtained from Bloomberg.

5. Empirical results

Tables 1 and 2 present the descriptive statistics of the whole countries sample and the individual subgroups under examination. Table 3 reports the fixed effects panel estimations for the 24 OECD countries under examination for different model specifications. The empirical results in the first column present the estimated coefficients for the basic model of equation (1). The results indicate a positive and statistically significant relationship between FDI inward flows and market size, trade openness and schooling. Moreover a negative statistically significant relationship is identified relative to the unit labor cost. These results completely confirm our initial hypotheses, being also consistent with previous studies (i.e., Bevan and Estrin, 2004; Arbatli, 2011; Janicki and Wunnava, 2004; Krifa-Schneider and Matei, 2010; Masron and Abdullah, 2010; Nourzad et al., 2014; Sekkat and Veganzones-Varoudakis, 2007; Agiomirgianakis et al., 2004).

Each one of the rest of the columns of Table 3 presents an alternative augmented version of the basic model using fixed effects panel estimations, in order to test for additional FDI determinants.⁷ According to the results, inflation does not have a

⁶ Feenstra, R.C., Inklaar, R. and Timmer, M.P. (2013). The Next Generation of the Penn World Table, available for download at www.ggd.net/pwt.

⁷ It has to be mentioned that due to data availability there is no point having a single multifactor model with all potential determinants since this specification would significantly reduce the number of observations. For example, data for institutional variables are available since 1996.

We initially tested all individual institutional variables in order to identify the ones that display statistically significant results and we concluded in the specific variables set presented in the paper. Moreover, we also employed the sum of the individual institutional variables in the final model specification in order to test for their possible combined positive effect of these institutional variables.

statistically significant impact on FDI inflows. However, gross capital formation, corporate taxation, institutional variables and return on assets / equity (ROA and ROE) display statistically significant coefficients of the expected sign. In particular, FDI inflows are negatively affected by high corporate taxation, while gross capital formation (a measure of productive capacity) and favorable institutional variables, such as political stability and absence of violence and regulatory quality could increase the FDI attractiveness of the host countries. Finally, foreign direct investors pay attention to profitability ratios, such as ROA and ROE, as expected. Interestingly, to the best of our knowledge, these profitability factors have not been previously analyzed.

The results reported in the Table 4 based on the Arellano-Bover/Blundell-Bond dynamic panel estimations using robust standard errors confirm the dynamic nature of FDI inflows. There is a positive and statistically significant relationship between FDI inflows and the one lagged FDI inflows. Market size, corporate tax rates as well as return on equity also display statistically significant coefficients of the expected sign, consistent to previous literature (i.e., Cassou, 1997; Bloningen, 2005; Krifa-Schneider and Matei, 2010; Arbatli, 2011) while the rest of the variables do not provide significant results.

Moreover, it is of particular interest to examine whether different country groups display different relationships. To this end we divided our sample into three groups based on their average FDI inflows for the period 1980-2012. Regarding the first subgroup, the high average FDI inflows countries results presented in the Table 5, there are some interesting findings that differ from the whole sample estimations. Apart from the positive and statistically significant coefficients of the lagged FDI, the market size, the gross capital formation and the ROE, we identify a negative statistically significant relationship with the unit labor cost and the inflation. Furthermore, the relevant coefficients of the corporate tax rate and institutions display statistically significant relationships but in the opposite direction than expected.

As far as the second subgroup is concerned (Table 6), the medium average FDI inflows countries results presented in the Table 3 also indicate the dynamic nature of FDI inflows as well as the positive impact of market size and gross capital formation. The negative impact of high corporate taxation is also confirmed.

The low average FDI inflows countries results (Table 7) also display positive and statistically significant coefficient for the lagged FDI. Furthermore, the results indicate the negative impact of inflation and corporate tax rates. It is worth mentioning though that for the most of the specifications employed for this group, market size is not a significant factor.

Finally, another group of countries of particular interest includes Greece, Ireland, Italy, Portugal and Spain. These five countries have attracted international research interest due to the severe fiscal imbalances and the crises they experienced. A recent relevant study by Economou and Hassapis (2013) examined the FDI inflows determinants of Greece, Italy, Portugal and Spain under a different model specification providing comparative results. Table 8 reports the dynamic panel results for this subgroup. In this case, lagged FDI inflows, market size as well as regulatory quality positively affect FDI attractiveness. On the other hand, unit labor cost and corporate taxation negatively affect FDI inflows for this subgroup. These results are consistent with the ones reported by the relevant recent study of Economou and Hassapis (2013). Surprisingly, ROA/ROE coefficient displays a negative statistically significant sign. However this unexpected finding could be attributed to the small number of observations for this particular variable.

6. The case of Greece

In this section we focus on the case of Greece with an emphasis on policies that can increase FDI. The adhesion of Greece to the EEC in 1981 increased the expectations to attract FDI in the country. However, these expectations were not validated. For the size of Greece, FDI are low because it occupies the last twenty positions in a list of hundred and forty one countries. The low inflow of FDI in Greece is due to the complicated tax systems and its continuous changes, the bureaucratic system and the corruption of the public sector in Greece, mainly the reinvestment of subsidiaries companies. The majority of companies aim at increasing their sales rather in the domestic market rather than in exports, although the internal market is relatively small. It should be noted that Greece does not attract investment labour intensive as it was the case in the past. The multinationals give emphasis in the horizontal organization of R and D, which implies that the country has high level of personnel.

Finally, Greece lacks of long-run policy regarding the attractiveness of FDI. We

have estimated a number of alternative specifications, both static and dynamic and for a number of subsets of countries. The question is how we can “specialize” these estimates to the case of Greece. To do that, we re-estimate the equation corresponding to Table 4 assuming random coefficients for each country and a prior that is centered around the Arellano-Bover/Blundell-Bond DPD estimates with standard deviation given by twice the estimated DPD standard error of each estimate.

Our estimation is based on Bayesian techniques using the Gibbs sampler with 15,000 iterations, omitting the first 5,000 to mitigate the impact of start – up effects. In Table 4a we report posterior means and posterior s.d. for all countries in the sample and in Table 4b we report the results for Greece.

We include, in addition, two dynamic common factors:

- i) An overall global factor, F_t^G .
- ii) A factor for Southern European countries, F_t^{SE} .
- iii) A factor, F_t^* , representing interdependence.

The global factor is

$$F_t^G = a^G + b^G F_{t-1}^G + e_t^G.$$

The southern European factor follows a similar process:

$$F_t^{SE} = a^{SE} + b^{SE} F_{t-1}^{SE} + e_t^{SE}.$$

The interdependence factor is more complicated.

$$F_{it}^* = a_i^* + b_i^* F_{i,t-1}^* + \hat{\mathbf{a}} \sum_{j=1}^n w_{ij} D_{ij,t} + e_{it}^*, i = 1, \dots, n,$$

where, for each country, w_{ij} is an unknown weight, $w_{ij} \geq 0, \hat{\mathbf{a}} \sum_{j=1}^n w_{ij} = 1$ and $D_{ij,t}$ is a measure of interdependence of countries i and j . The interdependence measure is defined as the (generalized) impulse response function obtained from a bivariate Vector Autoregression with two lags between the FDIs allowing for an exogenous variable which is the first principal component of GDP per capita.

[Type text]

7. Conclusions

In this paper we examine the FDI inflows determinants in 24 OECD countries using the standard fixed effects panel as well as a dynamic panel approach. The first set of empirical results indicates market size, trade openness, unit labor cost, schooling, taxation, gross capital formation, institutional variables, and ROA/ROE as significant FDI determinants, consistent to our research hypotheses.

It has to be mentioned though that when employing the dynamic panel model, it is clearly demonstrated that FDI inflows determinants are not uniform for all country groups. However, market size and corporate taxation rates are particularly robust FDI determinants. Based on the dynamic panel approach for the 5 European countries that faced fiscal imbalances (Greece, Ireland, Italy, Portugal Spain), lagged FDI, market size, unit labor cost, taxation and regulatory quality significantly affect FDI inflows. Interestingly, in this case the institutional variables do not present the expected impact on FDI. However, this can be explained by the relatively small number of available observations for these variables.

The empirical results have important policy implications indicating the factors that host economies should place emphasis on in order to attract FDI inflows. Apart from market size, corporate tax rates clearly affect FDI attractiveness. This finding is robust when testing different countries subgroups and indicates the need for investor friendlier taxation schemes. Policy makers should not only pay attention to the corporate tax rate level but they should also design a simple, stable and transparent taxation system that minimizes the relevant business risk. Future research should also focus on the qualitative analysis of the individual countries in order to further analyze the country specific factors affecting their FDI attractiveness. Finally, more emphasis should be placed on the impact of FDI determinants when testing for different industry sectors.

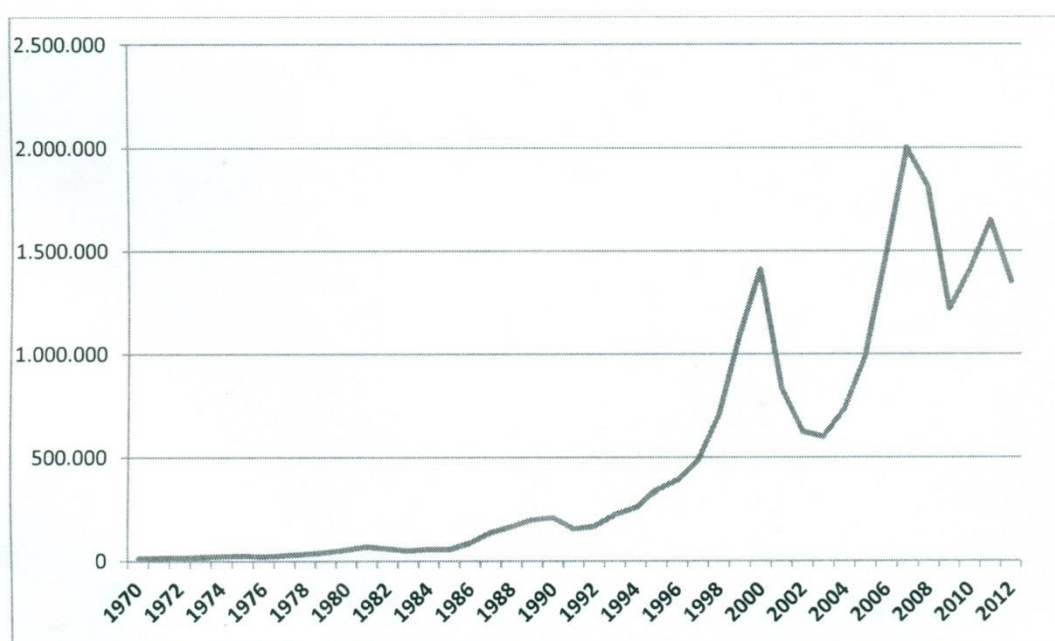
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Figure 1. World FDI inward flows, (USD millions) (1970-2012)



Source: UNCTAD

Table 1. Descriptive statistics for the whole sample and the 5 countries subgroup

Whole sample (24 OECD countries)						Greece, Ireland, Italy, Portugal, Spain				
Variable	Obs	Mean	Std.Dev.	Min	Max	Obs	Mean	Std.Dev.	Min	Max
FDI	754	3.5648	0.8853	-0.3528	5.4969	159	3.4404	0.7125	1.7012	4.8864
GDP	792	4.2711	0.2550	3.3355	4.8172	165	4.2309	0.2230	3.7323	4.6551
TO	791	0.6629	0.3229	0.1592	1.9241	165	0.6981	0.3792	0.3150	1.9241
ULC	772	0.7883	0.2895	0.0000	1.4770	165	0.7207	0.2887	0.0631	1.1496
SCH	700	1.0025	0.1931	0.3585	1.6235	149	0.9683	0.1481	0.5377	1.2852
INFL	792	0.0759	0.1471	-0.0448	1.3183	165	0.0687	0.0649	-0.0448	0.2878
CSHI	768	0.2472	0.0491	0.1136	0.5197	160	0.2573	0.0332	0.1322	0.3619
TAX	711	0.3445	0.0919	0.1250	0.5600	160	0.3602	0.1058	0.1250	0.5320
INST	312	7.6338	3.3651	-2.6000	11.9200	65	6.0189	2.0967	2.1700	9.5700
PS	312	0.7737	0.6137	-1.2900	1.6700	65	0.6763	0.4794	-0.3300	1.4900
RQ	312	1.3086	0.4616	0.0300	2.0800	65	1.1428	0.3490	0.5100	1.9200
ROA	281	0.0167	0.0195	-0.1296	0.1242	56	0.0105	0.0140	-0.0656	0.0265
ROE	281	0.1060	0.0884	-0.5742	0.3001	56	0.0979	0.1316	-0.5742	0.2385

Notes: GDP counts for GDP per capita, PPP (current international \$), TO counts for exports plus imports as a % of GDP (i.e., Trade/GDP), ULC counts for unit labor cost, SCH counts for school enrollment (secondary, % gross), INFL counts for inflation, CSHI counts for share of gross capital formation at current PPPs, TAX counts for corporate tax rate, INST counts for the sum of the institutional variables Voice and Accountability, Government Effectiveness, Rule of Law and Control of Corruption, PS counts for Political Stability and Absence of Violence, RQ counts for Regulatory Quality and ROA and ROE count for the return on assets and return on equity of the relative benchmark stock market indices.

Table 2. Descriptive statistics for the three sample subgroups based on their relative average FDI inflows ranking

High average FDI inflows subgroup (United States, United Kingdom, Belgium, France, Germany, Canada, Spain and Netherlands)						Medium average FDI inflows subgroup (Australia, Mexico, Sweden, Italy, Ireland, Norway, Turkey and Austria)					Low average FDI inflows subgroup (Korea, Denmark, Japan, Portugal, Finland, New Zealand, Greece and Iceland)				
Variable	Obs	Mean	Std.Dev.	Min	Max	Obs	Mean	Std.Dev.	Min	Max	Obs	Mean	Std.Dev.	Min	Max
FDI	257	4.1899	0.6657	2.0935	5.4969	252	3.4999	0.7419	1.2553	4.8149	245	2.9756	0.7893	-0.3528	4.5292
GDP	264	4.3388	0.1952	3.8343	4.6987	264	4.2208	0.3108	3.3355	4.8172	264	4.2537	0.2311	3.3759	4.6241
TO	264	0.6982	0.3885	0.1657	1.6901	264	0.6752	0.3471	0.1709	1.9241	263	0.6151	0.1956	0.1592	1.1206
ULC	259	0.8418	0.1920	0.2648	1.1727	254	0.7301	0.3420	0.0000	1.4770	259	0.7918	0.3045	0.0284	1.4040
SCH	227	1.0447	0.1448	0.8184	1.6235	235	0.9529	0.2616	0.3585	1.6174	238	1.0112	0.1349	0.5377	1.3183
INFL	264	0.0348	0.0297	-0.0070	0.1797	264	0.1263	0.2253	-0.0448	1.3183	264	0.0665	0.0952	-0.0135	0.8422
CSHI	256	0.2299	0.0369	0.1477	0.3619	256	0.2418	0.0442	0.1136	0.3960	256	0.2701	0.0555	0.1191	0.5197
TAX	256	0.3590	0.0835	0.1500	0.5600	237	0.3408	0.1048	0.1250	0.5500	218	0.3316	0.0841	0.1500	0.5160
INST	104	8.4150	1.3520	5.1100	11.4600	104	6.4429	4.6144	-2.6000	11.0100	104	8.0437	2.9753	2.1700	11.9200
PS	104	0.6905	0.4066	-0.3300	1.6600	104	0.6347	0.8360	-1.2900	1.5200	104	0.9958	0.4434	-0.1800	1.6700
RQ	104	1.4812	0.2593	0.8100	2.0800	104	1.1642	0.5608	0.0300	1.9200	104	1.2804	0.4578	0.3100	2.0200
ROA	106	0.0138	0.0089	-0.0076	0.0336	88	0.0199	0.0175	-0.0176	0.0949	87	0.0170	0.0284	-0.1296	0.1242
ROE	106	0.1177	0.0664	-0.0599	0.2953	88	0.1226	0.0766	-0.1914	0.2920	87	0.0749	0.1126	-0.5742	0.3001

Notes: GDP counts for GDP per capita, PPP (current international \$), TO counts for exports plus imports as a % of GDP (i.e., Trade/GDP), ULC counts for unit labor cost, SCH counts for school enrollment (secondary, % gross), INFL counts for inflation, CSHI counts for share of gross capital formation at current PPPs, TAX counts for corporate tax rate, INST counts for the sum of the institutional variables Voice and Accountability, Government Effectiveness, Rule of Law and Control of Corruption, PS counts for Political Stability and Absence of Violence, RQ counts for Regulatory Quality and ROA and ROE count for the return on assets and return on equity of the relative benchmark stock market indices.

[Type text]

Table 3. Fixed effects panel data estimations for 24 OECD countries, yearly data (1980-2012).

	Basic model	Eq2	Eq3	Eq4	Eq5	Eq6	Eq7	Eq8
Constant	-8.2568*** (-14.43)	-8.3094*** (-14.39)	-8.9891*** (-14.89)	-7.9436*** (-9.77)	-5.3260*** (-2.54)	-3.9896* (-1.75)	-4.3861 (-1.43)	-3.6450 (-1.18)
GDP _t	2.5504*** (15.41)	2.5746*** (15.22)	2.6139*** (15.85)	2.6821*** (12.97)	1.7586*** (3.34)	1.4206** (2.37)	1.9092** (2.31)	1.6780** (2.01)
Trade/GDP _t	0.7584*** (4.77)	0.7554*** (4.75)	0.8423*** (5.29)	0.4762*** (2.78)	0.5951* (1.71)	0.6718* (1.93)	0.6479 (1.36)	0.6808 (1.45)
ULC _t	-0.3911*** (-3.25)	-0.4353*** (-3.19)	-0.4227*** (-3.53)	-0.6829*** (-5.02)	0.03748 (0.11)	0.1865 (0.55)	-0.2562 (-0.49)	-0.1136 (-0.21)
SCH _t	0.7417*** (4.77)	0.7368*** (4.73)	0.8037*** (5.19)	0.6769*** (4.42)	0.1229 (0.42)	0.1875 (0.64)	-0.2199 (-0.75)	-0.1469 (-0.50)
Infl _t	"	-0.1175 (-0.69)	"	"	"	"	"	"
CSHI _t	"	"	1.4892*** (3.54)	"	"	"	"	"
Tax _t	"	"	"	-1.0273*** (-3.47)	"	"	"	"
Inst _t	"	"	"	"	0.1229*** (2.77)	"	"	"
PS _t	"	"	"	"	"	0.2290* (1.81)	"	"
RQ _t	-	-	-	-	-	0.4936*** (2.67)	-	-
ROA _t	"	"	"	"	"	"	2.6917* (1.76)	"
ROE _t	"	"	"	"	"	"	"	0.8143** (2.35)
F	353.44	282.62	290.43	241.64	11.48	10.71	7.45	8.03
Prob>F	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Observations	660	660	660	590	264	264	209	209

Notes: Notes: GDP counts for GDP per capita, PPP (current international \$), TO counts for exports plus imports as a % of GDP (i.e., Trade/GDP), ULC counts for unit labor cost, SCH counts for school enrollment (secondary, % gross), INFL counts for inflation, CSHI counts for share of gross capital formation at current PPPs, TAX counts for corporate tax rate, INST counts for the sum of the institutional variables Voice and Accountability, Government Effectiveness, Rule of Law and Control of Corruption, PS counts for Political Stability and Absence of Violence, RQ counts for Regulatory Quality and ROA and ROE count for the return on assets and return on equity of the relative benchmark stock market indices. The table presents the coefficient estimates and their t-statistics in the parentheses for the period 1980-2012. ***, ** and * represent statistical significance at the 1%, 5%, and 10% level, respectively.

Table 4. Arellano-Bover/Blundell-Bond dynamic panel data estimations for 24 OECD countries, yearly data (1980-2012).

	Basic model	Eq2	Eq3	Eq4	Eq5	Eq6	Eq7	Eq8
Constant	-2.7516* (-1.85)	-2.7912* (-1.81)	-3.3095** (-2.21)	-3.0749* (-1.83)	-3.0201 (-0.88)	-1.1244 (-0.29)	-6.3693 (-1.52)	-6.0037 (-1.44)
FDI _{t-1}	0.3998*** (3.90)	0.3964*** (3.85)	0.3902*** (4.16)	0.3473*** (4.08)	0.2450* (1.94)	0.2451* (2.00)	0.1520 (1.45)	1.1574 (1.50)
GDP _t	1.1069*** (2.67)	1.1382*** (2.62)	1.1268*** (2.58)	1.3301*** (2.89)	1.6308* (1.78)	1.0694 (1.06)	2.6215** (2.45)	2.4771** (2.31)
Trade/GDP _t	-0.0270 (-0.13)	-0.0224 (-0.11)	0.0718 (0.37)	-0.0499 (-0.25)	0.0307 (0.08)	-0.0184 (-0.05)	-0.6223** (-2.34)	-0.6262** (-2.30)
ULC _t	-0.0691 (-0.29)	-0.1232 (-0.49)	-0.0843 (-0.33)	-0.2928 (-0.95)	-0.6954 (-0.91)	-0.3013 (-0.42)	-0.7192 (-0.94)	-0.6436 (-0.82)
SCH _t	0.2740 (1.41)	0.2488 (1.31)	0.3541** (2.11)	0.2739 (1.49)	-0.2886 (-0.84)	-0.4084 (-1.13)	-0.6014** (-2.44)	-0.5029** (-2.06)
Infl _t	"	-0.2285 (-1.23)	"	"	"	"	"	"
CSHI _t	"	"	0.0151** (2.55)	"	"	"	"	"
Tax _t	"	"	"	-0.6397* (-1.77)	"	"	"	"
Inst _t	"	"	"	"	-0.0229 (-0.42)	"	"	"
PS _t	"	"	"	"	"	0.1615 (0.67)	"	"
RQ _t	"	"	"	"	"	-0.0188 (-0.12)	"	"
ROA _t	"	"	"	"	"	"	0.7519 (0.49)	"
ROE _t	"	"	"	"	"	"	"	0.7844** (2.12)
Wald X ²	320.86	319.94	327.75	302.75	16.25	17.27	43.98	51.09
Prob> X ²	0.00	0.00	0.00	0.00	0.01	0.01	0.00	0.00
Observations	614	614	614	568	252	252	198	198

Notes: Notes: GDP counts for GDP per capita, PPP (current international \$), TO counts for exports plus imports as a % of GDP (i.e., Trade/GDP), ULC counts for unit labor cost, SCH counts for school enrollment (secondary, % gross), INFL counts for inflation, CSHI counts for share of gross capital formation at current PPPs, TAX counts for corporate tax rate, INST counts for the sum of the institutional variables Voice and Accountability, Government Effectiveness, Rule of Law and Control of Corruption, PS counts for Political Stability and Absence of Violence, RQ counts for Regulatory Quality and ROA and ROE count for the return on assets and return on equity of the relative benchmark stock market indices. The table presents the coefficient estimates and their t-statistics in the parentheses for the period 1980-2012. ***, ** and * represent statistical significance at the 1%, 5%, and 10% level, respectively.

Table 4a. Bayesian dynamic panel data estimations for 24 OECD countries, yearly data (1980-2012).

	Basic model	Eq2	Eq3	Eq4	Eq5	Eq6	Eq7	Eq8
FDI _{t-1}	0.2103 (4.71)	0.2244 (4.85)	0.3555 (4.43)	0.2217 (4.22)	0.2010 (4.55)	0.2819 (4.04)	0.2110 (4.22)	0.1103 (4.42)
GDP _t	1.1055 (3.14)	1.1044 (3.22)	1.1038 (3.31)	1.1055 (3.44)	1.1156 (3.48)	1.0800 (3.39)	1.3201 (3.12)	1.0452 (3.33)
Trade/GDP _t	-0.302 (-2.14)	-0.0303 (-2.21)	0.0255 (2.33)	-0.0315 (-2.76)	-0.0311 (-2.34)	-0.0314 (-2.28)	-0.0352 (-2.15)	-0.0332 (-2.17)
ULC _t	-0.3531 (-3.12)	-0.2412 (-3.17)	-0.3316 (-3.25)	-0.3417 (-3.14)	-0.3316 (-3.12)	-0.3207 (-3.15)	-0.3341 (-3.54)	-0.3205 (-3.21)
SCH _t	0.4567 (4.03)	0.4403 (4.16)	0.4235 (4.13)	0.4307 (4.22)	0.4108 (4.16)	0.4255 (4.17)	0.4103 (4.08)	0.4355 (4.15)
Infl _t	-	-0.3305 (-3.45)	-	-	-	-	-	-
CSH I _t	-	-	0.0261 (3.15)	-	-	-	-	-
Tax _t	-	-	-	-0.7108 (-5.08)	-	-	-	-
Inst _t	-	-	-	-	-0.0464 (-5.16)	-	-	-
PS _t	-	-	-	-	-	0.2207 (2.98)	-	-
RQ _t	-	-	-	-	-	-0.0252 (-3.44)	-	-
ROA _t	-	-	-	-	-	-	0.6312 (4.15)	-
ROE _t	-	-	-	-	-	-	-	0.8503 (4.07)
Observations	614	614	614	568	252	252	198	198

Notes: GDP counts for GDP per capita, PPP (current international \$), Trade/GDP counts for exports plus imports as a % of GDP, ULC counts for unit labor cost, SCH counts for school enrollment (secondary, % gross), Infl counts for inflation, CSH I counts for share of gross capital formation at current PPPs, Tax for corporate tax rate, Inst counts for the sum of the institutional variables Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption, PS counts for Political Stability and Absence of Violence, RQ counts for Regulatory Quality and ROA and ROE count for the return on assets and return on equity of the relative benchmark stock market indices. The table presents the posterior mean estimates and their z-statistics in the parentheses for the period 1980-2012.

Table 4b. Bayesian dynamic panel data estimations Greece, yearly data (1980-2012).

Basic model	
FDI _{t-1}	0.4208 (5.07)
GDP _t	1.076 (3.41)
Trade/GDP _t	-0.0353 (-2.77)
ULC _t	-0.0517 (-5.332)
SCH _t	0.1504 (6.20)
Infl _t	-0.2015 (-3.337)
CSH I _t	0.027 (3.387)
Tax _t	-0.7154 (-4.561)
Inst _t	-0.0355 (-3.671)
PS _t	0.1302 (3.331)
RQ _t	-0.0287 (-2.887)
ROA _t	0.8105 (4.605)
ROE _t	0.8103 (2.998)
Observations	614

Notes: GDP counts for GDP per capita, PPP (current international \$), Trade/GDP counts for exports plus imports as a % of GDP, ULC counts for unit labor cost, SCH counts for school enrollment (secondary, % gross), Infl counts for inflation, CSH I counts for share of gross capital formation at current PPPs, Tax for corporate tax rate, Inst counts for the sum of the institutional variables Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption, PS counts for Political Stability and Absence of Violence, RQ counts for Regulatory Quality and ROA and ROE count for the return on assets and return on equity of the relative benchmark stock market indices. The table presents the posterior mean coefficient estimates and their z-statistics in the parentheses for the period 1980-2012.

Table 5. Arellano-Bover/Blundell-Bond dynamic panel data estimations for the high average FDI inflows sub group (8 OECD countries), yearly data (1980-2012).

	Basic model	Eq2	Eq3	Eq4	Eq5	Eq6	Eq7	Eq8
Constant	-9.7772*** (-7.90)	-8.7233*** (-8.47)	-10.8715*** (-6.78)	-11.8128*** (-9.15)	0.3816 (0.07)	-5.6003 (-1.42)	-2.6878 (-0.48)	-4.5450 (-0.97)
FDI _{t-1}	0.3330*** (4.92)	0.3474*** (4.96)	0.3214*** (4.59)	0.3422*** (4.69)	0.0200 (0.08)	0.0047 (0.02)	0.0498 (0.27)	0.0417 (0.22)
GDP _t	3.1743*** (10.42)	3.0232*** (10.06)	3.3689*** (9.06)	3.5728*** (10.30)	1.6963 (1.50)	3.1379*** (3.98)	1.7437 (1.40)	2.3062** (2.31)
Trade/GDP _t	-0.2204 (-1.17)	-0.1789 (-0.90)	-0.2133 (-1.14)	-0.1812 (-0.94)	0.0565 (0.29)	-0.1525 (-0.52)	-0.1680 (-0.65)	-0.3429 (-1.12)
ULC _t	-1.5961*** (-9.26)	-1.7677*** (-7.64)	-1.7235*** (-6.68)	-1.7876*** (-12.94)	-1.5800*** (-2.70)	-1.7998*** (-5.17)	-0.3165 (-0.32)	-0.7488 (-0.88)
SCH _t	0.3312* (1.73)	0.1304 (0.79)	0.3576** (2.31)	0.3119 (1.52)	-0.7236*** (-4.89)	-0.7930*** (-6.09)	-0.4151*** (-2.96)	-0.4858*** (-2.75)
Infl _t	"	-3.9395** (-2.20)	"	"	"	"	"	"
CSHI _t	"	"	0.0163* (1.91)	"	"	"	"	"
Tax _t	-	-	-	1.1765*** (4.43)	-	-	-	-
Inst _t	"	"	"	"	-0.1318** (-1.96)	"	"	"
PS _t	"	"	"	"	"	0.1283 (0.85)	"	"
RQ _t	"	"	"	"	"	-0.7855** (-2.18)	"	"
ROA _t	"	"	"	"	"	"	13.7760 (3.61)	"
ROE _t	"	"	"	"	"	"	"	1.4783*** (3.10)
Wald X ²	4416.13	875.06	2387.31	1733.43	151.49	377.38	120.02	305.88
Prob> X ²	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Observations	212	212	212	212	89	89	81	81

Notes: The high average FDI inflows sub group consists of United States, United Kingdom, Belgium, France, Germany, Canada, Spain and Netherlands. Notes: Notes: GDP counts for GDP per capita, PPP (current international \$), TO counts for exports plus imports as a % of GDP (i.e., Trade/GDP), ULC counts for unit labor cost, SCH counts for school enrollment (secondary, % gross), INFL counts for inflation, CSHI counts for share of gross capital formation at current PPPs, TAX counts for corporate tax rate, INST counts for the sum of the institutional variables Voice and Accountability, Government Effectiveness, Rule of Law and Control of Corruption, PS counts for Political Stability and Absence of Violence, RQ counts for Regulatory Quality and ROA and ROE count for the return on assets and return on equity of the relative benchmark stock market indices. The table presents the coefficient estimates and their t-statistics in the parentheses for the period 1980-2012. ***, ** and * represent statistical significance at the 1%, 5%, and 10% level, respectively.

Table 6. Arellano-Bover/Blundell-Bond dynamic panel data estimations for the medium average FDI inflows sub group (8 OECD countries), yearly data (1980-2012).

	Basic model	Eq2	Eq3	Eq4	Eq5	Eq6	Eq7	Eq8
Constant	-2.9216 (-1.29)	-2.9204 (-1.30)	-3.0644 (-1.31)	-1.0007 (-0.46)	-3.4193 (-0.90)	-0.0221 (-0.01)	3.7431 (1.06)	3.7236 (1.11)
FDI _W	0.4593*** (5.01)	0.4586*** (5.00)	0.4646*** (4.99)	0.3670*** (3.84)	0.1417 (0.79)	0.2077 (1.53)	0.1328 (0.96)	0.1273 (0.97)
GDP _t	1.1037* (1.79)	1.0911* (1.77)	1.1041* (1.78)	0.9025** (1.57)	1.5336 (1.35)	0.5379 (0.49)	-0.3460 (-0.34)	-0.4075 (-0.43)
Trade/GDP _t	0.0135 (0.09)	0.0173 (0.11)	0.0285 (0.18)	-0.1559 (-0.86)	0.1087 (0.19)	0.0465 (0.08)	-0.5516 (-1.11)	-0.5754 (-1.32)
ULC _t	0.1487 (0.60)	0.1936 (0.70)	0.1399 (0.55)	0.2023 (0.80)	0.4426 (0.42)	0.8114 (0.85)	1.8126* (1.69)	1.9397* (1.86)
SCH _t	0.0661 (0.37)	0.0748 (0.39)	0.0663 (0.36)	-0.0237 (-0.14)	0.4201 (0.64)	0.2031 (0.27)	-0.1916 (-0.36)	-0.0372 (-0.08)
Infl _t	"	0.0841 (0.74)	"	"	"	"	"	"
CSH I _t	"	"	0.0050* (0.77)	"	"	"	"	"
Tax _t	"	"	"	-1.6910*** (-5.01)	"	"	"	"
Inst _t	"	"	"	"	-3.4193 (-0.90)	"	"	"
PS _t	"	"	"	"	"	0.0286 (0.06)	"	"
RQ _t	"	"	"	"	"	-0.3162 (-1.03)	"	"
ROA _t	"	"	"	"	"	"	5.3193 (1.41)	"
ROE _t	-	-	-	-	-	-	-	1.2212 (1.62)
Wald X ²	416.60	576.26	607.10	1015.63	26.04	730.75	29.69	71.40
Prob> X ²	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Observations	202	202	202	186	80	80	58	58

Notes: The medium average FDI inflows sub group consists of Australia, Mexico, Sweden, Italy, Ireland, Norway, Turkey and Austria
Notes: Notes: GDP counts for GDP per capita, PPP (current international \$), TO counts for exports plus imports as a % of GDP (i.e., Trade/GDP), ULC counts for unit labor cost, SCH counts for school enrollment (secondary, % gross), INFL counts for inflation, CSHI counts for share of gross capital formation at current PPPs, TAX counts for corporate tax rate, INST counts for the sum of the institutional variables Voice and Accountability, Government Effectiveness, Rule of Law and Control of Corruption, PS counts for Political Stability and Absence of Violence, RQ counts for Regulatory Quality and ROA and ROE count for the return on assets and return on equity of the relative benchmark stock market indices. The table presents the coefficient estimates and their t-statistics in the parentheses for the period 1980-2012. ***, ** and * represent statistical significance at the 1%, 5%, and 10% level, respectively.

Table 7. Arellano-Bover/Blundell-Bond dynamic panel data estimations for the low average FDI inflows sub group (8 OECD countries), yearly data (1980-2012).

	Basic model	Eq2	Eq3	Eq4	Eq5	Eq6	Eq7	Eq8
Constant	-1.9686 (-1.09)	-2.0177 (-1.07)	-2.2756 (-1.34)	-2.4827 (-0.73)	-1.9393 (-0.23)	0.3755 (0.04)	-7.0360 (-0.70)	-7.2791 (-0.74)
FDI _{t-1}	0.4938*** (3.89)	0.4889*** (3.97)	0.4782*** (4.56)	0.3782*** (3.18)	0.3464* (1.83)	0.3521* (1.94)	0.0848 (0.70)	0.0883 (0.71)
GDP _t	0.8403 (1.57)	0.9046* (1.66)	0.8033 (1.43)	1.4060 (1.62)	1.3346 (0.66)	0.7527 (0.35)	3.0074 (1.18)	3.0176 (1.20)
Trade/GDP _t	-0.1195 (-0.32)	-0.0753 (-0.24)	0.0559 (0.19)	-0.5672 (-1.22)	-0.4028 (-0.66)	-0.4784 (-0.58)	-1.1546* (-1.84)	-1.1337* (-1.75)
ULC _t	-0.0849 (-0.28)	-0.2057 (-0.66)	-0.0146 (-0.04)	-0.7512*** (-3.33)	-1.3882 (-1.59)	-1.0435 (-0.84)	-2.2322* (-1.65)	-2.1786 (-1.61)
SCH _t	0.0888 (0.39)	-0.0050 (-0.02)	0.0599 (0.23)	-0.0670 (-0.32)	0.2370 (0.24)	-0.0933 (-0.09)	0.0309 (0.03)	0.1040 (0.09)
Infl _t	"	-0.7490* (-1.69)	"	"	"	"	"	"
CSH I _t	-	-	0.0138 (1.39)	-	-	-	-	-
Tax _t	"	"	"	-1.5842** (-2.39)	"	"	"	"
Inst _t	"	"	"	"	-0.0382 (-0.98)	"	"	"
PS _t	"	"	"	"	"	-0.1020 (-0.28)	"	"
RQ _t	"	"	"	"	"	0.0759 (0.21)	"	"
ROA _t	-	-	-	-	-	-	-0.8709 (-0.50)	-
ROE _t	"	"	"	"	"	"	"	0.2308 (0.26)
Wald X ²	476.90	2281.20	631.96	109.86	60.38	859.12	19.46	37.69
Prob> X ²	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Observations	200	200	200	170	83	83	59	59

Notes: The low average FDI inflows sub group consists of Korea, Denmark, Japan, Portugal, Finland, New Zealand, Greece and Iceland. Notes: Notes: GDP counts for GDP per capita, PPP (current international \$), TO counts for exports plus imports as a % of GDP (i.e., Trade/GDP), ULC counts for unit labor cost, SCH counts for school enrollment (secondary, % gross), INFL counts for inflation, CSHI counts for share of gross capital formation at current PPPs, TAX counts for corporate tax rate, INST counts for the sum of the institutional variables Voice and Accountability, Government Effectiveness, Rule of Law and Control of Corruption, PS counts for Political Stability and Absence of Violence, RQ counts for Regulatory Quality and ROA and ROE count for the return on assets and return on equity of the relative benchmark stock market indices. The table presents the coefficient estimates and their t-statistics in the parentheses for the period 1980-2012. ***, ** and * represent statistical significance at the 1%, 5%, and 10% level, respectively.

Table 8. Arellano-Bover/Blundell-Bond dynamic panel data estimations for 5 OECD countries (Greece, Ireland, Italy, Portugal, Spain) yearly data (1980-2012).

	Basic model	Eq2	Eq3	Eq4	Eq5	Eq6	Eq7
Constant	-9.4812*** (-10.27)	-9.3945*** (-8.98)	-9.5072*** (-9.27)	-8.7407*** (-31.24)	-33.7248* (-1.70)	-30.6895*** (-3.40)	-18.8445** (-2.36)
FDI _{t-1}	0.2627*** (2.86)	0.2595*** (2.92)	0.2624*** (2.89)	0.2157*** (2.50)	-0.1328 (-1.04)	-0.1030* (-1.80)	-0.0677 (-0.81)
GDP _t	3.0470*** (8.95)	2.9899*** (8.04)	2.9959*** (8.48)	3.0381*** (27.34)	9.1153* (1.82)	8.2669*** (3.74)	5.9051*** (2.94)
Trade/GDP _t	0.1291 (0.49)	0.1394 (0.53)	0.1714 (0.62)	0.0212 (0.08)	-1.1804 (-1.31)	-1.2184*** (-3.59)	0.3327 (0.29)
ULC _t	-1.1840*** (-14.06)	-1.0590*** (-5.01)	-1.1506*** (-11.30)	-1.3101*** (-21.26)	-2.7020** (-2.07)	-2.8595** (-2.48)	-3.4962** (-2.03)
SCH _t	-0.0718 (-0.15)	-0.0365 (-0.08)	-0.1070 (-0.21)	-0.0648 (-0.16)	-0.3166 (-0.20)	0.3830 (0.51)	0.2573 (0.18)
Infl _t	"	0.5443 (0.66)	"	"	"	"	"
CSHI _t	"	"	0.0087 (1.35)	"	"	"	"
Tax _t	-	-	-	-1.0329*** (-3.91)	-	-	-
Inst _t	"	"	"	"	0.2969 (1.47)	"	"
PS _t	"	"	"	"	"	0.2682 (0.92)	"
RQ _t	"	"	"	"	"	1.4428*** (4.89)	"
ROA _t	-	-	-	-	-	-	-9.3955* (-1.78)
ROE _t	"	"	"	"	"	"	"
Wald X ²	1135.41	1768.07	911.45	4345.47	11.05	73.85	56.59
Prob> X ²	0.00	0.00	0.00	0.00	0.03	0.00	0.00
Observations	134	134	134	134	52	52	38

Notes: Notes: Notes: GDP counts for GDP per capita, PPP (current international \$), TO counts for exports plus imports as a % of GDP (i.e., Trade/GDP), ULC counts for unit labor cost, SCH counts for school enrollment (secondary, % gross), INFL counts for inflation, CSHI counts for share of gross capital formation at current PPPs, TAX counts for corporate tax rate, INST counts for the sum of the institutional variables Voice and Accountability, Government Effectiveness, Rule of Law and Control of Corruption, PS counts for Political Stability and Absence of Violence, RQ counts for Regulatory Quality and ROA and ROE count for the return on assets and return on equity of the relative benchmark stock market indices. The table presents the coefficient estimates and their t-statistics in the parentheses for the period 1980-2012. ***, ** and * represent statistical significance at the 1%, 5%, and 10% level, respectively.