

APPENDIX C

Table C1- List of MA processes.

Country	Credit to private sector	Exchange rate distortion	Growth	Inflation	Interest rate	Terms of trade	Trade
Argentina	3	3	2	3	2	3	3
Bangladesh	3	2	3	2	2	3	3
Benin	3	2	1	3	3	3	1
Bolivia	3	3	3	-3	-3	1	-3
Brazil	3	1	3	3	-3	3	-3
Bulgaria	2	2	-3	3	2	2	2
Chile	2	3	3	2	1	2	2
China	1	3	3	2	-3	3	3
Colombia	2	4	4	3	1*	3	3
Costa Rica	1	3	3	2	3	2	2
Cote d'Ivoire	3	3	3	2	2	2	2
Dominican Republic	2	3	3	3	3	3	2
Ecuador	3	3	3	-1	3	4	1
Egypt	2	3	3	3	-3	1	1
El Salvador	2	3	-1	3	4	2	3
Guatemala	3	1	4	3	3	1	2
Haiti	3	1	-2	-2	2	1	3
India	2	2	3	3	3	2	1
Indonesia	3	3	3	3	-3	3	2
Iran	2	3	-3	2	2	2	3
Kenya	1	3	3	2	3	3	3
Korea	3	3	-3	1	-3	2	3
Madagascar	3	3	-2	4	3	3	2
Malawi	3	3	1	1	1	1	3
Malaysia	2	3	2	2	1	3	3
Mauritius	2	4	3	2	3	1	3
Mexico	3	3	3	2	2	2	1
Morocco	2	3	3	2	-3	3	3
Nicaragua	3	3	-2	3	-2	2	3*
Panama	3	2	3	3	1	3	3
Papua New Guinea	3	2	3	3	1	1	3
Philippines	3	2	1	2	-3	2	3
Poland	3	3	2	3	3	3	3
South Africa	3	1	3	2	3	2	3
Thailand	3	3	3	3	3	3	3
Trinidad and Tobago	1	3	3	3	3	3	3
Tunisia	3	4	3	3	3	3	3
Uruguay	3	1	3	3	3	3	3
Venezuela	3	2	-2	2	-3	2	3

1- Numbers indicates the order of MA process

2- Minus(-) shows intercept excluded of equation.

* Dummy included for outliers

Table C2 - List of variables.

lnpri	Natural logarithm of private investment rates
Indcps	Natural logarithm of uncertainty about domestic credit to private sector
lnexrdis	Natural logarithm of uncertainty about exchange rate distortion
Ingrowth	Natural logarithm of uncertainty about growth
Intot	Natural logarithm of uncertainty about terms of trade
Int	Natural logarithm of uncertainty about trade
lninfl	Natural logarithm of uncertainty about inflation
lnint	Natural logarithm of uncertainty about real interest rate
dem	Index of democracy
war	Dummy variable for war
cwr	Dummy variable for civil war
ass	Assassinations
stkptm	Strikes(per ten million)
prgptm	Purges(per ten million)
ritptm	Riots(per ten million)
rev	Revolutions
inq	Inequality
cop	Coups
con	Constitutional changes
rgq	Regulatory burden
cor	Control of corruption
rol	Rule of law
prt	Property rights
lnprt	Natural logarithm of property rights
gin	Government participation in the economy
lngin	Natural logarithm of government participation in the economy

Table C3- Summary statistics of data.

Variable	Obs	Mean	Std. Dev.	Min	Max
lnpri	927	2.481	.489	-1.203	3.538
lndecs	1095	-2.742	1.348	-5.511	.938
lnexrdis	1105	-3.83	1.419	-12.515	1.487
lngrowth	1122	2.671	.964	-4.923	5.491
lntot	1122	-3.769	1.474	-12.206	2.203
lnt	1119	-3.347	1.644	-9.604	2.717
lninfl	1122	-4.698	1.756	-10.149	.118
lnint	659	3.897	1.875	-1.002	13.343
dem	929	-.800	7.141	-10	10
war	936	.058	.235	0	1
cwr	936	.101	.302	0	1
ass	920	.469	1.799	0	25
stkptm	920	.356	1.358	0	19.31
prgptm	920	.102	.626	0	13.9
ritptm	920	.464	1.447	0	10.597
rev	920	.213	.523	0	3
inq	786	44.140	5.518	26.747	58.975
cop	729	.034	.189	0	2
con	729	.089	.289	0	2
rgq	117	.237	.591	-1.624	1.523
cor	116	-.195	.563	-1.052	1.556
rol	117	-.112	.596	-1.495	1.313
gef	117	-.043	.578	-1.468	1.413
prt	115	2.878	.919	1	5
lnprt	115	.994	.384	0	1.609
gin	115	2.843	.904	1.5	5
lngin	115	.993	.327	.405	1.609

Table C4- Pairwise correlation of independent variables in macroeconomic panel.

	Indcps	Inexrdis	Ingrowth	Intot	Int	Ininfl	Inint
Indcps	1						
Inexrdis	0.0272	1					
Ingrowth	0.0598	-0.1268	1				
Intot	0.2174	-0.0045	0.0949	1			
Int	0.2937	0.2812	0.0167	-0.0144	1		
Ininfl	0.2709	0.0266	0.3253	0.1946	0.3399	1	
Inint	0.2279	-0.075	0.2832	0.4869	0.1371	0.7137	1

Table C5- Pairwise correlation among socio-political institutions and conflicts panel.

	dem	war	cwr	ass	stkptm	prgptm	ritptm	rev	inq	cop	con
dem	1.000										
war	-0.086	1.000									
cwr	0.0755	0.258	1.000								
ass	0.0544	-0.001	0.278	1.000							
stkptm	0.1074	-0.050	0.006	0.045	1.000						
prgptm	-0.105	-0.009	0.010	0.102	0.034	1.000					
ritptm	-0.005	0.049	0.094	0.108	0.283	0.083	1.000				
rev	0.0105	-0.031	0.320	0.213	0.057	0.245	0.139	1.000			
inq	0.1289	0.001	0.063	0.072	0.015	-0.025	-0.029	0.113	1.000		
cop	-0.106	0.006	0.090	0.077	0.096	0.237	0.061	0.433	0.031	1.000	
con	-0.03	0.044	0.175	0.043	0.061	0.023	0.034	0.265	0.018	0.369	1.000

Table C6- Pairwise correlation of governance quality variables.

	rgq	cor	rol	Inprt	Ingin
rgq	1				
cor	0.5451	1			
rol	0.594	0.8421	1		
Inprt	-0.5887	-0.5519	-0.678	1	
Ingin	-0.4446	-0.1083	-0.1301	0.3252	1

Table C7- List of the countries.

Argentina
Bangladesh
Benin
Bolivia
Brazil
Bulgaria
Chile
China
Colombia
Costa Rica
Cote d'Ivoire
Dominican Republic
Ecuador
Egypt, Arab Rep.
El Salvador
Guatemala
Haiti
India
Indonesia
Iran, Islamic Rep.
Kenya
Korea, Rep.
Madagascar
Malawi
Malaysia
Mauritius
Mexico
Morocco
Nicaragua
Panama
Papua New Guinea
Philippines
Poland
South Africa
Thailand
Trinidad and Tobago
Tunisia
Uruguay
Venezuela, RB

Table C8- Maddala and Wu unit root test.

Variable	Lags	Drift	Stat	Conclusion
Lnpri	1		132.1***	I(0)
Lndcps	1		502.89***	I(0)
Lnexrdis	1		461.16***	I(0)
Lngrowth	1		365.62***	I(0)
Lntot	1		606.88***	I(0)
Lnt	1		598.6***	I(0)
Lninfl	1		251.9***	I(0)
Lnint	1		752.8***	I(0)
dem	1	y	150.15***	I(0)
war	1	y	97.05***	I(0)
cwr	1	y	86.42***	I(0)
ass	1		211.6***	I(0)
stkptm	1		241.3***	I(0)
prgptm	1		437.9***	I(0)
ritptm	1		283.4***	I(0)
rev	1		225.48***	I(0)
inq	1	y	163.24***	I(0)
cop	1	y	104.62***	I(0)
con	1		193.64***	I(0)

*** significant at 0.01 level

Table C9- Results for cross validation.

Country	Macroeconomic Panel	Institutions Panel	Governance Panel
Argentina	0.044	0.073	0.014
Bangladesh	0.11	0.376	0.179
Benin	0.199	0.336	0.015
Bolivia	0.387	0.637	0.235
Brazil	0.138	0.092	0.085
Bulgaria	2.199	7.819	0.757
Chile	0.535	0.641	0.030
China	0.3	0.199	0.233
Colombia	0.205	0.045	0.079
Costa Rica	0.046	0.083	0.022
Cote d'Ivoire	0.286	0.608	0.075
Dominican Republic	0.097	0.130	0.038
Ecuador	0.049	0.034	0.048
Egypt	0.053	0.078	0.030
El Salvador	0.092	0.11	0.016
Guatemala	0.068	0.072	0.020
Haiti	0.457	0.47	0.572
India	0.099	0.057	0.023
Indonesia	0.428	0.123	0.291
Iran	0.0656	0.093	0.550
Kenya	0.05	0.02	0.016
Korea	0.383	0.611	0.241
Madagascar	1.074	1.26	0.424
Malawi	0.735	0.512	2.361
Malaysia	0.206	0.185	0.162
Mauritius	0.14	0.176	0.008
Mexico	0.159	0.019	0.116
Morocco	0.043	0.016	0.018
Nicaragua	0.242	0.043	0.294
Panama	0.267	0.69	0.329
Papua New Guinea	0.302	0.226	0.613
Philippines	0.124	0.247	0.021
Poland	0.169	0.536	0.209
South Africa	0.037	0.041	0.016
Thailand	0.529	0.393	0.109
Trinidad and Tobago	0.309	0.117	0.095
Tunisia	0.096	0.069	0.013
Uruguay	0.115	0.122	0.197
Venezuela	0.1	0.147	0.096

Table C10- Results for macroeconomic uncertainty panel estimation.

	(1) model1	(2) model2	(3) model3	(4) model4
Indcps	-0.0102 [0.0284]	-0.0102 [0.0208]	-0.0344 [0.0400]	-0.0344 [0.0401]
Inexrdis	-0.0343 [0.0169]**	-0.0343 [0.0172]**	0.0358 [0.0291]	0.0358 [0.0318]
Ingrowth	-0.018 [0.0136]	-0.018 [0.0105]*	-0.205 [0.0377]***	-0.205 [0.0420]***
Intot	-0.0352 [0.0165]**	-0.0352 [0.0125]***	-0.0873 [0.0466]*	-0.0873 [0.0442]**
Int	-0.124 [0.0262]***	-0.124 [0.0229]***	-0.234 [0.0458]***	-0.234 [0.0415]***
lninfl	-0.0147 [0.0233]	-0.0147 [0.0196]		
lnint			-0.001 [0.0157]	-0.001 [0.0148]
_cons	1.886 [0.164]***	1.886 [0.132]***	1.763 [0.231]***	1.763 [0.224]***
N	892	892	597	597
R-sq	0.499	0.499	0.702	0.702
chi2	545.8	22488.9	1275.8	3886.3
rho	0.5871	0.5871	0.5296	0.5296
contemporaneous correlation	NO	YES	NO	YES

Standard errors in brackets

* p<0.1,** p<0.05,*** p<0.01

Table C11- Results for socio-political institutions and conflicts.

	(1) a	(2) b	(3) c	(4) fevd
dem	0.00333 [0.00349]	-0.00643 [0.00326]**	0.00427 [0.00520]	0.00482 [0.00398]
war	-0.0116 [0.0515]	-0.00372 [0.0616]	-0.0254 [0.0455]	0.173 [0.0537]***
cwr	-0.253 [0.0493]***	-0.225 [0.0655]***	-0.258 [0.0626]***	-0.341 [0.00596]***
ass	0.00237 [0.00427]	0.00123 [0.00493]	0.0048 [0.00568]	0.00208 [0.00810]
stkptm	-0.00306 [0.00549]	-0.0193 [0.00839]**	-0.00579 [0.00721]	-0.00294 [0.0381]
prgptm	-0.053 [0.0209]**	-0.0571 [0.0246]**	-0.0648 [0.0376]*	-0.0431 [0.00938]***
ritptm	0.0188 [0.00643]***	0.0221 [0.00390]***	0.0201 [0.0105]*	0.0225 [0.0227]
rev	-0.015 [0.0157]	-0.0000271 [0.0155]	-0.0288 [0.0185]	-0.00893 [0.0389]
cop		-0.139 [0.0416]***		
con		-0.108 [0.0271]***		
inq			0.00643 [0.00713]	
_cons				2.505 [0.0217]***
N	681	493	567	642
R-sq	0.975	0.985	0.975	0.638
chi2	419762.9	1010487.3	399931.4	
F				1077.5
rho	0.493	0.3627	0.4884	0.612

Standard errors in brackets

* p<0.1, ** p<0.05, *** p<0.01

Table C12- Outcome for quality of governance uncertainty.

	(1) lnpri
rgq	0.408 [0.135]***
cor	-0.215 [0.125]*
rol	0.46 [0.204]**
lnprt	-0.625 [0.263]**
lngin	-0.0967 [0.153]
_cons	4.607 [0.592]***
N	99
R-sq	0.879

Standard errors in brackets

* p<0.1, ** p<0.05, *** p<0.01

Table C13- Outcomes of VIF test for macroeconomics uncertainty panel (without uncertainty of real interest rate).

Variable	VIF	1/VIF
lninfl	19	0.052626
lnt	13.86	0.072169
lndcps	10.16	0.098379
new_5	8.49	0.117811
lnexrdis	5.83	0.171522
new_26	5.73	0.174506
new_8	5.43	0.184139
lntot	5.27	0.189822
new_28	5.11	0.195672
new_25	5.07	0.197363
new_1	5.01	0.199746
new_37	4.99	0.200226
new_22	4.97	0.201096
new_32	4.94	0.202426
new_24	4.87	0.205497
new_7	4.78	0.209305
new_34	4.6	0.217497
new_18	4.51	0.221811
new_35	4.43	0.225537
new_20	4.32	0.231723
new_9	4.27	0.234296
new_21	4.02	0.248677
new_27	3.81	0.262652
lngrowth	3.73	0.267875
new_38	3.71	0.26944
new_19	3.52	0.283796
new_2	3.52	0.28394
new_4	3.5	0.285635
new_15	3.46	0.289095
new_16	3.35	0.298291
new_12	3.23	0.309158
new_10	3.21	0.311302
new_30	3.09	0.323413
new_14	2.96	0.338095
new_13	2.82	0.354462
new_33	2.77	0.360748
new_29	2.69	0.37229
new_17	2.61	0.383632
new_31	2.59	0.386193
new_23	2.44	0.409729
new_36	2.31	0.433482
new_3	2.2	0.454515
new_11	2.07	0.482304

Table C14-Outcomes of VIF test for macroeconomics uncertainty panel (without uncertainty of inflation).

Variable	VIF	1/VIF
Intot	38.75	0.025806
Indcps	30.62	0.032658
Int	30.27	0.03304
Inexrdis	16.23	0.0616
new_8	15.17	0.065934
new_28	14.1	0.07091
new_30	12.85	0.077816
new_22	12.75	0.078443
new_4	11.5	0.086919
Ingrowth	11.34	0.088152
new_25	11.15	0.089657
new_32	11.03	0.090693
new_35	10.7	0.093495
new_33	10	0.100037
new_26	9.27	0.107894
Inint	9.05	0.110514
new_34	8.11	0.123354
new_37	7.89	0.126696
new_24	7.81	0.127968
new_18	7.78	0.128576
new_7	7.01	0.142564
new_2	6.69	0.149477
new_38	5.92	0.168869
new_19	5.85	0.170876
new_10	4.89	0.204421
new_20	4.71	0.212421
new_9	4.57	0.218772
new_21	4.53	0.220567
new_14	4.51	0.22171
new_16	4.24	0.235651
new_1	4.15	0.240814
new_29	4.11	0.243568
new_27	3.75	0.266759
new_31	3.12	0.32059
new_36	3.03	0.330063
new_13	2.85	0.350598
new_5	2.69	0.372036
new_23	2.35	0.425916
new_15	2.27	0.441094
new_11	2.26	0.441796
new_12	2.1	0.476581
new_3	1.83	0.546459
new_17	1.46	0.684015

Table C15- outcomes of VIF test for panel *a*, socio-political uncertainty and conflicts.

Variable	VIF	1/VIF
new_34	3.98	0.251557
new_20	3.93	0.254262
new_37	3.85	0.259548
new_21	3.79	0.26402
new_16	3.7	0.270368
new_32	3.67	0.272598
new_27	3.61	0.276758
new_24	3.61	0.277114
new_38	3.53	0.282995
new_7	3.53	0.283037
new_1	3.51	0.284757
new_5	3.48	0.287125
new_15	3.48	0.287299
new_22	3.46	0.288999
new_9	3.45	0.289563
new_35	3.44	0.290351
new_18	3.4	0.294042
new_28	3.4	0.29415
new_12	3.37	0.296801
new_25	3.35	0.298466
new_13	3.35	0.298789
new_10	3.31	0.302522
new_2	3.29	0.304347
dem	3.15	0.31764
new_26	2.75	0.363356
new_8	2.68	0.372886
cwr	2.59	0.385699
new_19	2.56	0.390204
new_14	2.41	0.414431
new_17	2.33	0.428373
new_31	2.26	0.442625
new_30	2	0.499774
new_11	1.99	0.503379
new_36	1.99	0.503772
new_23	1.97	0.50743
new_4	1.7	0.589169
war	1.68	0.596609
rev	1.51	0.664451
new_33	1.5	0.668213
new_29	1.45	0.691481
ass	1.4	0.711794
new_3	1.4	0.713464
ritptm	1.33	0.752497
stkptm	1.3	0.766628
prgptm	1.19	0.841847

Table C16- outcomes of VIF test for panel *b*, socio-political uncertainty and conflicts.

Variable	VIF	1/VIF
new_20	5.75	0.173824
new_37	5.6	0.178694
new_21	5.44	0.183812
new_34	5.41	0.184976
new_16	5.36	0.186694
new_7	5.23	0.191174
new_27	5.18	0.193169
new_22	5.17	0.193587
new_1	5.16	0.193778
new_38	5.13	0.19487
new_32	5.1	0.195968
new_15	5.08	0.196943
new_5	5.06	0.197514
new_35	4.96	0.20151
new_24	4.96	0.201665
new_13	4.8	0.208238
new_12	4.79	0.20889
new_25	4.71	0.212439
new_9	4.69	0.213289
new_18	4.66	0.214394
new_10	4.62	0.216314
new_2	4.59	0.217709
new_28	4.54	0.220145
dem	4.24	0.235633
new_26	3.54	0.282744
new_8	3.17	0.315772
new_19	2.92	0.342061
cwr	2.8	0.356751
new_14	2.67	0.37511
new_17	2.62	0.381031
new_31	2.56	0.39044
new_30	2.46	0.406706
war	2.14	0.467395
new_36	1.98	0.50478
new_23	1.95	0.513383
stkptm	1.83	0.547918
rev	1.81	0.552799
new_11	1.77	0.566402
cop	1.71	0.585388
ass	1.48	0.674911
con	1.48	0.676269
ritptm	1.47	0.680291
new_4	1.45	0.687877
prgptm	1.22	0.821937

Table C17- outcomes of VIF test for panel c, socio-political uncertainty and conflicts.

Variable	VIF	1/VIF
new_21	4.25	0.235307
new_20	4.2	0.237984
new_24	4.15	0.241129
new_34	3.94	0.253547
inq	3.9	0.256644
dem	3.85	0.259951
new_16	3.83	0.260997
new_32	3.83	0.261239
new_27	3.76	0.26624
new_22	3.75	0.266859
new_35	3.67	0.272695
new_28	3.63	0.275553
new_7	3.62	0.276078
new_18	3.56	0.281257
new_15	3.54	0.282322
new_9	3.44	0.290325
new_25	3.41	0.293251
new_13	3.35	0.298197
new_2	3.32	0.301354
new_38	3.03	0.329959
new_19	2.8	0.35714
new_37	2.79	0.358675
new_26	2.78	0.35953
new_12	2.7	0.3697
cwr	2.69	0.371969
new_14	2.53	0.395303
new_8	2.3	0.434254
new_36	2.14	0.468007
new_30	2.06	0.484483
new_31	2.03	0.493472
new_10	2.01	0.497498
new_1	1.98	0.50537
new_17	1.87	0.534076
new_4	1.75	0.572373
new_33	1.75	0.57241
war	1.71	0.584215
rev	1.54	0.647793
new_23	1.52	0.659688
ass	1.43	0.699929
new_5	1.41	0.710773
ritptm	1.39	0.71902
stkptm	1.34	0.745375
prgptm	1.21	0.826205

Table C18- outcomes of VIF test for quality of governance.

Variable	VIF	1/VIF
rol	27.79	0.03598
lnprt	19.93	0.050179
new_7	16.68	0.059954
rgq	12.45	0.080346
cor	9.48	0.105439
new_36	9.17	0.109005
new_22	8.01	0.124848
new_25	7.41	0.134954
new_38	6.82	0.146557
new_35	6.58	0.151918
new_33	6.41	0.156022
lngin	6.18	0.161789
new_10	5.53	0.180825
new_20	5.53	0.180883
new_1	4.93	0.202642
new_28	4.66	0.214537
new_15	4.02	0.249045
new_32	3.95	0.252945
new_14	3.93	0.254663
new_30	3.92	0.255381
new_34	3.7	0.270348
new_26	3.49	0.286824
new_12	3.33	0.300131
new_37	3.18	0.314897
new_17	3.12	0.320955
new_16	2.99	0.33496
new_4	2.93	0.341244
new_23	2.87	0.347999
new_27	2.79	0.358469
new_11	2.7	0.369921
new_18	2.69	0.37107
new_8	2.47	0.404762
new_29	2.47	0.404906
new_2	2.41	0.415395
new_13	2.3	0.435171
new_5	2.25	0.444598
new_9	2.23	0.449067
new_31	2.13	0.470456
new_6	2.1	0.47715
new_19	2.08	0.481687
new_3	1.86	0.538347
new_21	1.72	0.581072