

ONLINE APPENDIX FOR “INSTITUTIONS, VOLATILITY AND INVESTMENT”

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Appendix E: Additional Empirical Results

E.1. Dynamics Around the Adoption Date (Table E.1)

Table E.1 reports the coefficients of investment flows on lags and forwards of the adoption time and a dummy for strong executive constraints. We use these coefficients in Figures 3(a) and 3(b). Figure 3a uses results in column (1) and Figure 3(b) uses results in column (2). Note, that starting in the adoption year, the coefficient from the dummy "strong executive constraints" needs to be added to the coefficients to reveal the overall effect on flows.

E.2. Robustness (Tables E.2(a), E.2(b), E.3 and E.4)

We now discuss the robustness of the results presented in the Preliminary Evidence section. We present robustness checks at the sector level in Table E.2(a) and for the country level in Table E.2(b). In columns (1) we control for standard economic controls GDP per capita, GDP per capita growth and population (all from the Penn World Tables 7.0). The estimated coefficients are robust to these controls. Importantly, none of the controls is significantly related to foreign investment flows. This contrasts with the cross-sectional studies of investment and trade flows which cannot control for sector/country or country fixed effects.

In the respective columns (2), we expand the list of economic controls by the share of fuels and ores and metals as a percentage of exported merchandise. These control for the relative importance of natural resources. We also add life expectancy as an additional measure for economic development.¹ All these measures are from the World Bank. Again, results are robust to the inclusion of these controls and there is, if

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1. Results are also robust if we aggregate our data on investment and executive constraints to 5 year periods and then include years of schooling from the Barro and Lee dataset as a control. This counters the

anything, only a weak relationship between controls and investment inflows. Given that economic controls reduce the sample size and are endogenous we therefore exclude them from our main specifications.

In columns (3) of Tables E.2(a) and E.2(b), we include the ICRG measure of property rights protection which is frequently used to capture the consequences of institutions. This variable is available for a shorter time period than our main data. However, it does represent one specific risk that foreign investors may care about. The result in column (1) suggests that stronger property rights protection does indeed have a positive association with investment inflows. However, including this variable does not change the core finding that there is a significant positive correlation between investment and strong executive constraints. Thus the ICRG variable seems not to be a “catch-all” variable for *all* formal institutional changes in this context. In fact, with its inclusion, the coefficient on strong executive constraints barely changes when compared to columns (1) and (4) of Table 1.

In columns (4) and (5) of Tables E.2(a) and E.2(b), we control for several measures of trade and financial openness. In column (4) we control of the level of openness according to the Penn World Tables and a dummy for EU members. The motivation for the latter is that inflows changes dramatically with the adoption of strong executive constraints in Central and Eastern Europe. Some of these countries also became EU members around the same time. In column (5) we introduce as additional controls two reform indices from Giuliano et al (2013) who argue that democratizations lead to economic reforms. They provide a new dataset on reforms in the financial and capital sectors and trade for 150 countries over the period 1960–2004. Both of these indices have a strong and significant association with inflows. However, this does our main correlation of interest since strong executive constraints continue to have significant correlation with investment flows.

Columns (6) add a range of political outcome variables which could be correlated with strong executive constraints; these include assassinations, strikes, guerilla warfare, major government crises, purges, riots and revolutions and anti-government demonstrations from the Banks and Wilson (2016) data set. Only anti-government demonstrations are negatively and significantly correlated with investment inflows and the core finding on strong executive constraints remains.

Table E.3 present some additional robustness for the sector level in panel A and the country level in panel B. In the first two columns, we use two different measures which are trying to capture similar concepts to executive constraints. The first of these is the checks and balances variable from Beck et al (2001). The second is a measure of (judicial) constraints captured by a dummy reflecting judicial independence from Melton and Ginsburg (2014). For a detailed discussion of these variables see the main Appendix. Both variables are positively correlated with our measure of investment flows.

claim that strong executive constraints may simply be serving as a proxy for omitted human capital. See the discussion in Glaeser et al (2007).

In column (3) of Table E.3, we look at exclusively at the post cold war period (i.e. after 1991) and show that the results are robust. In column (4) we use the net rather than gross investment inflow. The results, and even the magnitudes, are fairly robust. And finally in column (5) of Table E.3, we put in the total FDI inflow as the “exposure” variable in the regression. This is a less demanding specification compared to fixed effects. Interestingly, the magnitude of the coefficient changes only slightly.

In Table E.4 we report the estimated coefficients if we split the different categories of $xconst$ into dummies and introduce them into the same regression. We do this for our main measure of flows and for the count of industries with inflows and at the sector and country level. The omitted category in this regression are the values 0 and 1 (excluding the 0 values has no impact on the results). The top line in the table shows that there is a clear positive effect of having $xconst = 7$ compared to the omitted category. There is no consistent pattern for any other value of $xconst$.

E.3. The Two Stage Procedure (Table E.5)

In this section we describe a two-stage procedure for estimating the impact of strong executive constraints on foreign investment flows. In the first stage we predict the adoption of strong executive constraints through the share of neighboring countries that adopted strong executive constraints. The idea is based on Persson and Tabellini (2009b) that the adoption of democratic institutions in countries leads to a build-up of democratic capital in other countries. We use a linear fixed effects regression to produce fitted values of strong executive constraints. The results are reported in Table E.5, column (1) and indicate that the probability of having strong executive constraints increases by 44 percentage points if all neighbors have also adopted it.

In Columns (2) to (5) we use the fitted value from this regression in regressions as in Table 1, Panel B. The identifying assumption now is that the adoption of strong executive constraints in neighboring countries does not affect foreign investment other than through the adoption decision. It is clear that the coefficient on strong executive constraints increases somewhat over the simple reduced form results. We now estimate that investment inflows more than double with the adoption of strong executive constraints. We also find much bigger effects for the diversification of the economy.

While it is promising that the results are robust, an issue with this instrument is that it is hard to pick up the precise the timing of changes in institutions which matters as can be seen from Figure 3.

E.4. Evidence on Changes in Expectations (Table E.6)

In Table E.5 we focus on the sample of countries that changed level of executive constraints between high and low executive constraints at least once. First, we check whether the adoption of executive constraints coincides with a fall of political risk as produced by the insurance industry. We collected data on political risk evaluations from the Belgian insurer Delcredere Ducroire (ONDD) who, according to their annual

report, insured transactions worth about 7 billion EUR in 2011. The variable we use measures the risk of a credit default for reasons beyond the control of the debtor, i.e. due to political or financial macroeconomic events. We choose this variable because it provides the longest time-series. ONDD measures both short- and mid-term risk on a scale from 1 (low risk) to 7 (high risk).² Table E.6, columns (1) to (3) show that, in the countries which switched regime, risk is reduced. In column (3) we show that this is not a general feature of political institutions as captured by the Polity IV data but specific to executive constraints.

As a second measure we look at the forecasts from the IMF World Economic Outlook which is published since 1990 and includes GDP per capita forecasts for the two preceding years and five years ahead. This can be thought of as capturing the expectations of IMF officials about the outlook. For example, in 1990 the IMF provided GDP forecasts for the years 1988-1995 for each country. From these forecasts we calculate for every year and country in the IMF data the mean growth and variance of growth implied by these forecasts. Table E.6 shows that the variance of growth falls with the adoption of strong executive constraints (columns (4) to (6)) while the mean growth forecast does not (columns (7) to (9)). This is particularly re-assuring as it links the adoption of strong executive constraints directly to expectations held in the respective year. From columns (6) and (9) we confirm that this is not a general feature of political institutions as captured by the Polity IV data but specific to executive constraints.

E.5. Continent Heterogeneity (Table E.7)

After running the model and generating the estimates $\{\widehat{mn}_{ct}, \widehat{var}_{ct}\}$ for each country/year we first aggregated to country/regime level and calculated the change that occurs on average with a switch between regimes. Table E.7 reports the average difference between weak and strong executive constraints for each continent. The Table shows different patterns across continents. The adoption of strong executive constraints is associated with lower growth in all continents with the exception of Europe. It is particularly strong in Asian countries. At the same time, reductions in volatility have been much larger in Africa and Europe than in Asia and Latin America. In other words, Table E.7 shows that there is some heterogeneity by continent underneath the results reported in Table 2, Panel A.

E.6. Share of Politically Connected Firms per Sector (Table E.8)

In Table E.8 we check whether our results are robust to looking at the share of connected firms in each sector (relative to all politically connected firms in the country). This view is complementary with the country/year effects, i.e. we are

2. We use their “short-term” risk measure. Results are similar to using the “mid-term” risk measure instead.

interested in whether relative flows increase in sectors that contain a larger share of politically connected firms. Indeed, our results are robust to looking at this.

E.7. Sector Heterogeneity (Table E.9)

In Table E.9 we show results where we allow for a sector-specific relationship between investment flows and the variables defined in equations (7) and (8). Although, this approach leads to less precisely estimated coefficients, all of the significant sector-specific coefficients on $\hat{\sigma}_{ect}^2$ are negative and all of the significant sector-specific coefficients on $\hat{\kappa}_{ct}$ are positive.

E.8. Appendix Figures (Figures E.1–E.4)

Figure E.1 shows the share of countries which have adopted strong executive constraints. Note, that this figure is driven by countries entering and leaving the data as well as by countries adopting strong constraints.

Figure E.2 shows the Figure for global investment flows from UNCTAD around the adoption of strong executive constraints. The figure is equivalent to Figure 3 except for using different data on the left-hand-side.

Figure E.3 displays the mean of the linear errors in the reduced form model estimated in Table 1, Column 4 and the updating model estimated in Table 3, Column 4. Errors are calculated by comparing the actual change inflows from weak to strong executive constraints to the fitted values in the two models. The average error is on the y-axis. Negative (positive) numbers mean that inflows are underestimated (overestimated) by the model.

Figure E.4 reports coefficients from Table E.8 which are significant at a 90% confidence level together with scores from the Bribery in Business Sectors report by Transparency international. Higher scores mean that the sector is less prone to bribegiving.

References

- [1] Banks, Arthur, Kenneth Wilson (2016) Cross-National Time-Series Data Archive.
- [2] Beck, Thorsten, George Clarke, Alberto Groff, Philip Keefer, and Patrick Walsh, [2001], "New tools in comparative political economy: The Database of Political Institutions." *World Bank Economic Review*, 15(1), 165-176.
- [3] Melton, James and Tom Ginsburg, [2014] Does De Jure Judicial Independence Really Matter? A Reevaluation of Explanations for Judicial Independence. *Journal of Law and Courts*, 2.2, 187-217.

Table E.1: Summary Statistics

Sample for Reduced Form (1983-2012)					
Variable	Obs	Mean	Std. Dev.	Min	Max
FDI inflow (in million EUR)	45,923	398.480	4601.665	0	235695
Number of Industries with Inflows strong executive constraints (executive constraints=7)	45,923	0.465	0.499	0	1
high openness	45,923	0.813	0.390	0	1
high competitiveness	45,923	0.510	0.500	0	1
politically connected sector (Faccio (2006))	28,025	0.407	0.491	0	1
bribe taking score (transparency international)	13,240	0.264	0.441	0	1
Sample for Mechanism Section (1983-2010, Only Countries that Switched)					
Variable	Obs	Mean	Std. Dev.	Min	Max
FDI inflow (in Million EUR)	9,231	45.29	265.05	0	8468
world level estimates updating model estimates, D=68					
variance of productivity growth (estimated on country level)	9,231	0.0157	0.0081	0.0067	0.0352
mean productivity growth (estimated on country level) updating model estimates, D=46	9,231	0.0059	0.0064	-0.0070	0.0252
variance of productivity growth (estimated on country level)	9,231	0.0153	0.0081	0.0062	0.0388
mean productivity growth (estimated on country level)	9,231	0.0056	0.0070	-0.0117	0.0291

Figure E.1: Share of Countries with Strong Executive Constraints

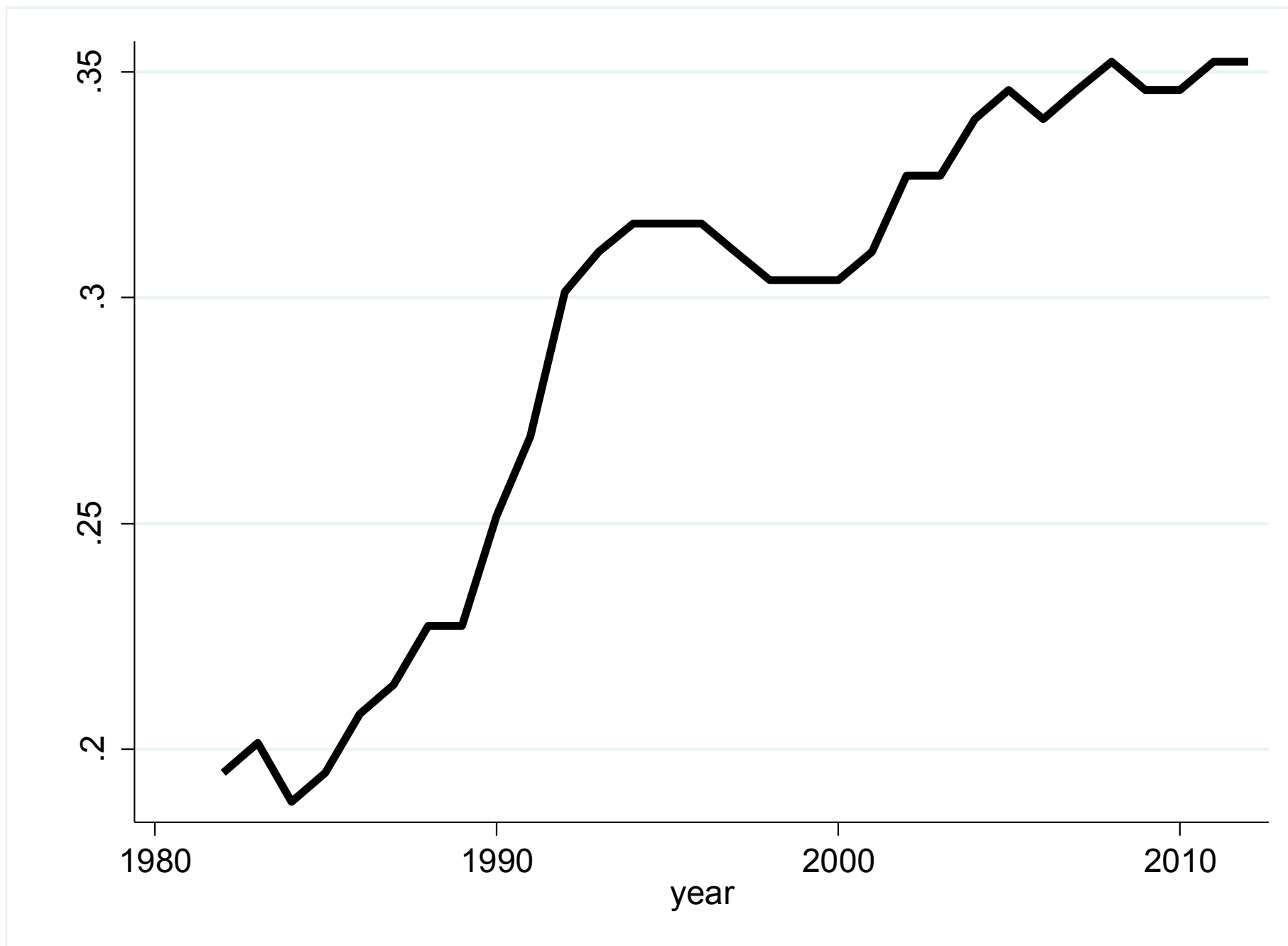
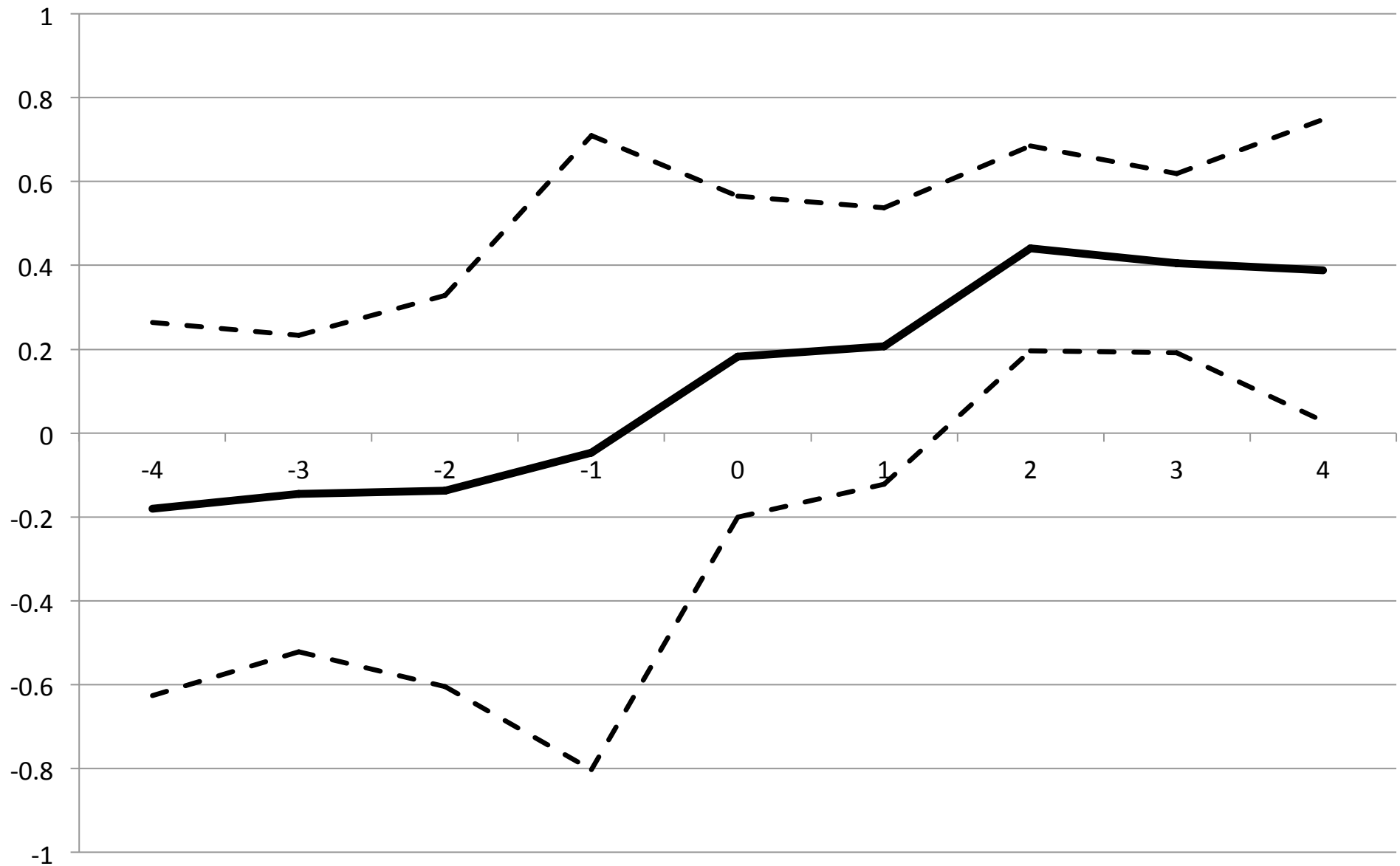
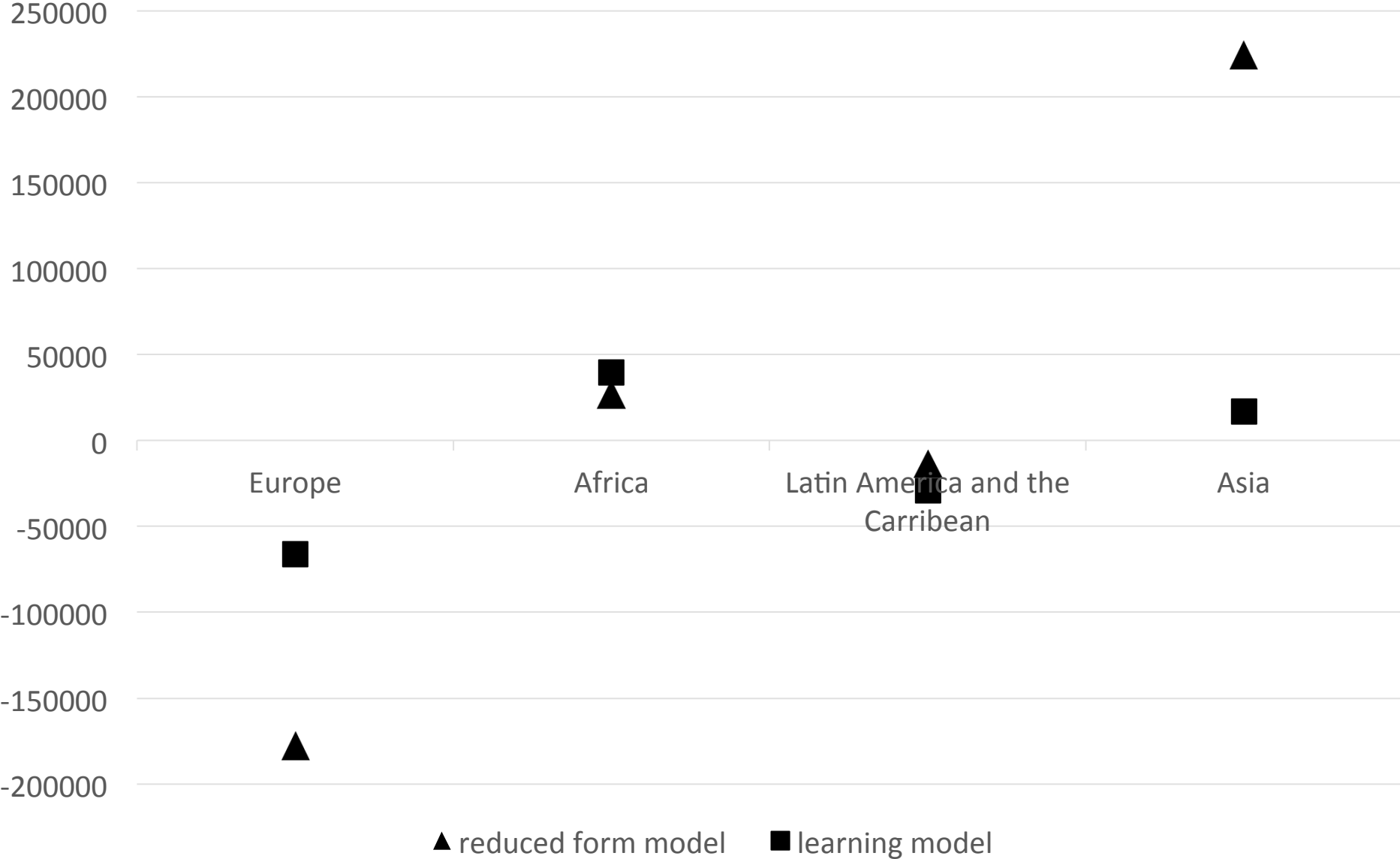


Figure E.2: Adoption of High Executive Constraints and UNCTAD Investment Flows



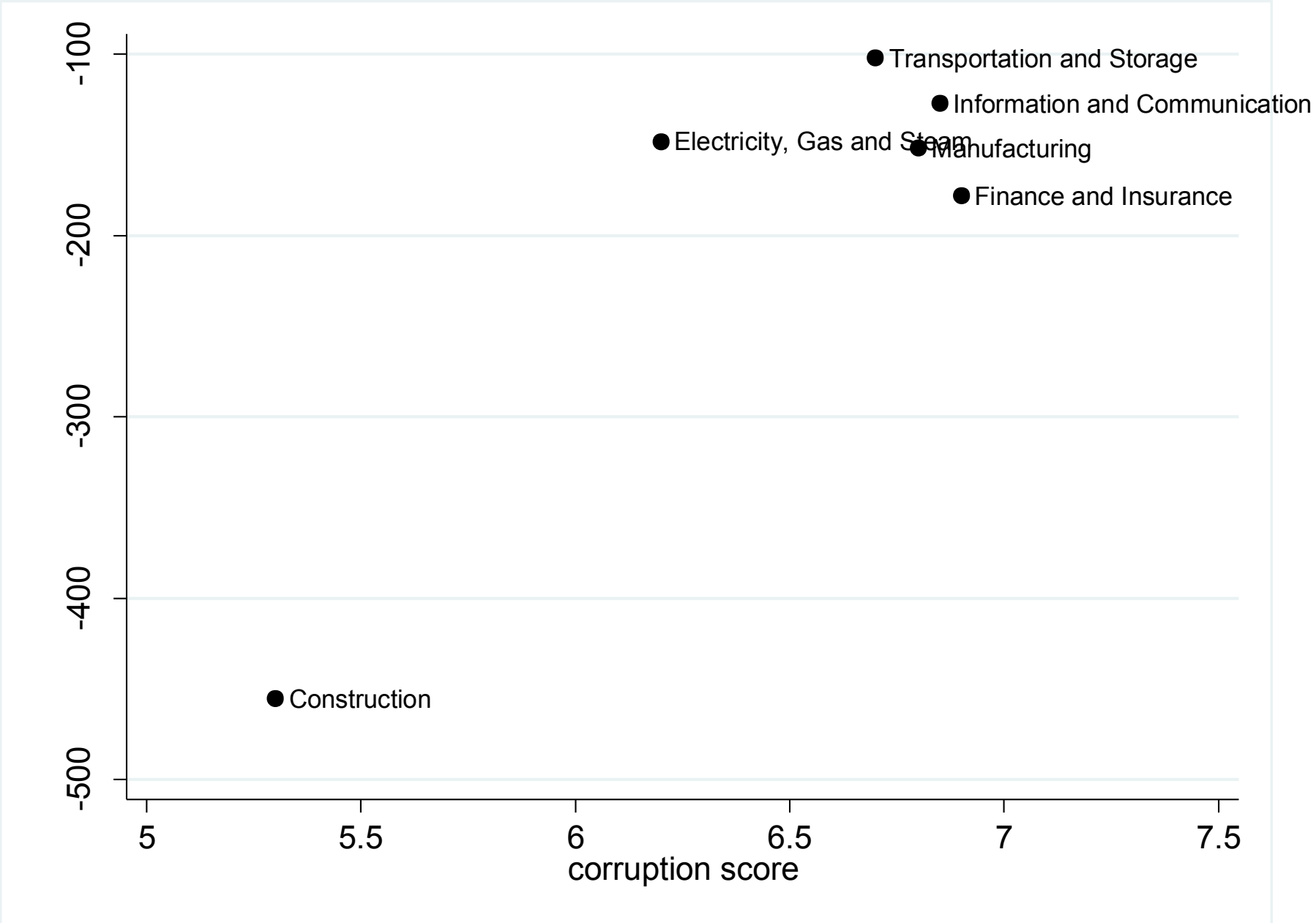
Solid line shows coefficients on leads and lags around the adoption date (at 0) of high executive constraints plus the coefficient on the “strong executive constraints” dummy. Dashed lines show 95% confidence intervals using the standard deviation of the lead and lag coefficients. Regression is controlling for country and year fixed effects.

Figure E.3: Mean Prediction Error by Continent



Note: Graph displays the mean of the linear errors in the reduced form model estimated in Table 1, Column 4 and the updating model estimated in Table 3, Column 4. Errors are calculated by comparing the actual change inflows from weak to strong executive constraints to the fitted values in the two models.

Figure E.4: Reaction to political risk by sector



Note: Figure reports coefficients from Table A8 which are significant at 90% confidence together with scores from the Bribery in Business Sectors report by Transparency international. Higher scores mean that the sector is less prone to bribe giving.

Table E.2: Dynamic View Around the Adoption Date

VARIABLES	(1)	(2)
	sector level	country level
	Investment Inflow	Investment Inflow
strong executive constraints	0.838*** (0.325)	0.725*** (0.270)
4 years before switch	-0.183 (0.352)	0.112 (0.376)
3 years before switch	-0.639*** (0.214)	-0.460** (0.194)
2 years before switch	-0.322 (0.245)	-0.215 (0.215)
1 year before switch	-0.184 (0.232)	-0.304* (0.183)
year of switch	-1.040*** (0.250)	-1.108*** (0.239)
1 year after switch	-0.103 (0.327)	-0.185 (0.299)
2 years after switch	-0.339* (0.181)	-0.453** (0.204)
3 years after switch	-0.376* (0.213)	-0.408 (0.278)
4 years after switch	-0.334 (0.267)	-0.338 (0.324)
country/sector fixed effects	yes	no
year/sector	yes	no
country fixed effects	no	yes
year fixed effects	no	yes
Observations	32,211	3,284

Robust standard errors clustered at the country level in parentheses. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$. Specifications are as in Table 1, columns (1) and (4).

Table E.3(a): Robustness Sector Level

VARIABLES	(1) totalflow	(2) totalflow	(3) totalflow	(4) totalflow	(5) totalflow	(6) totalflow
strong executive constraints	0.681** (0.294)	0.814** (0.321)	0.884*** (0.232)	0.716*** (0.268)	0.673*** (0.226)	0.825*** (0.307)
ln(GDPpc)	1.000 (0.642)	0.978 (0.673)				
GDP pc growth rate	-1.491 (1.262)	-2.255 (1.475)				
ln(population)	-0.525 (0.897)	-0.587 (1.052)				
share of fuel in exports		0.0209* (0.0110)				
share of ores and metals in exports		-0.0159 (0.0244)				
life expectancy		0.0392 (0.0630)				
protection of property rights			0.298*** (0.0806)			
EU member				0.315 (0.332)	-0.246 (0.367)	
openness				0.00650* (0.00378)	0.00684 (0.00507)	
trade liberalisation index					0.653* (0.379)	
capital account reform index					1.230*** (0.433)	
assassinations						0.0722* (0.0419)
general strikes						0.0174 (0.0410)
guerrilla warfare						0.0735 (0.145)
major government crises						-0.0593 (0.0502)
purges						0.0450 (0.102)
riots						0.0113 (0.0112)
revolutions						0.0707 (0.0684)
anti-government demonstrations						-0.0219*** (0.00416)
country/sector fixed effects	yes	yes	yes	yes	yes	yes
year/sector fixed effects	yes	yes	yes	yes	yes	yes
Observations	41,382	32,204	18,574	43,362	31,322	44,823

Robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1. Specifications are as in Table 1 column (1). For description of variables see the appendix. All explanatory variables are lagged by one year.

Table E.3(b): Robustness to Controls (Country Level)

VARIABLES	(1) totalflow	(2) totalflow	(3) totalflow	(4) totalflow	(5) totalflow	(6) totalflow
strong executive constraints	0.563*	0.812***	0.871***	0.596**	0.438**	0.719**
ln(GDPpc)	(0.303)	(0.310)	(0.301)	(0.283)	(0.192)	(0.312)
GDP pc growth rate	0.802	0.679				
	(0.821)	(0.872)				
ln(population)	-0.681	-1.302				
	(1.889)	(2.160)				
share of fuel in exports	-0.599	-0.536				
	(0.934)	(1.024)				
share of ores and metals in exports		0.0199*				
		(0.0117)				
life expectancy		-0.0395				
		(0.0376)				
protection of property rights		0.0778	0.412***			
		(0.0810)	(0.137)			
EU member				0.292	-0.253	
				(0.340)	(0.385)	
openness				0.00629	0.00477	
				(0.00505)	(0.00451)	
trade liberalisation index					0.754*	
					(0.398)	
capital account reform index					1.352***	
					(0.418)	
assassinations						0.0501
						(0.0415)
general strikes						0.00567
						(0.0381)
guerrilla warfare						0.0473
						(0.158)
major government crises						-0.0217
						(0.0490)
purges						0.0946
						(0.138)
riots						0.0123
						(0.0141)
revolutions						0.103*
						(0.0580)
anti-government demonstrations						-0.0268***
						(0.00576)
country fixed effects	yes	yes	yes	yes	yes	yes
year fixed effects	yes	yes	yes	yes	yes	yes
Observations	4,036	2,814	1,754	4,216	3,019	4,352

Robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1. Specifications are as in Table 1 column (4). For description of variables see the appendix. All explanatory variables are lagged by one year.

Table E.4: Additional Robustness

Panel A: Sector Level

	(1)	(2)	(3)	(4)	(5)
	Checks and Balances	Judicial Tenure	Post Cold War	Net Inflows	Exposure
VARIABLES	Investment Inflow	Investment Inflow	Investment Inflow	Investment Inflow	Investment Inflow
checks and balances index	0.101*** (0.0308)				
judges have tenure		0.532*** (0.116)			
strong executive constraints			0.809** (0.371)	0.733** (0.286)	0.894*** (0.200)
country/sector fixed effects	yes	yes	yes	yes	yes
sector/year fixed effects	yes	yes	yes	yes	no
exposure	no	no	no	no	yes
Observations	44,803	42,306	35,140	45,907	45,937

Panel B: Country Level

	(1)	(2)	(3)	(4)	(5)
VARIABLES	Investment Inflow	Investment Inflow	Investment Inflow	Investment Inflow	Investment Inflow
checks and balances index	0.116*** (0.0312)				
judges have tenure		0.540*** (0.203)			
strong executive constraints			0.683* (0.381)	0.611** (0.305)	0.770*** (0.296)
country fixed effects	yes	yes	yes	yes	yes
year fixed effects	yes	yes	yes	yes	no
exposure	no	no	no	no	yes
Observations	4,300	4,068	3,230	4,551	4,581

Robust standard errors clustered at the country level in parentheses. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$. All columns report results from a fixed effects poisson regression. Dependant variable in columns (1) to (3) and (5) is the gross investment flows from the Netherlands into the country or country/sector. Dependant variable in column (4) is the net investment flow from the Netherlands conditional on the flow being positive. Column (5) uses an exposure variable instead of sector/year fixed effects. All explanatory variables are lagged by one year. Column (3) uses only data after 1991.

Table E.5: Executive Constraints and Inflows

VARIABLES	(1)	(2)	(3)	(4)
	sector level Investment Inflow	Number of Industries with Inflows	country level Investment Inflow	Number of Industries with Inflows
xconst = 7	1.160** (0.503)	0.395*** (0.120)	1.294** (0.527)	0.278** (0.114)
xconst = 6	0.265 (0.473)	0.162* (0.0979)	0.517 (0.500)	0.0401 (0.0920)
xconst = 5	0.430 (0.403)	0.158* (0.0958)	0.578 (0.417)	0.0509 (0.0904)
xconst = 4	0.443 (0.530)	-0.0882 (0.148)	0.715 (0.538)	-0.175 (0.137)
xconst = 3	-0.208 (0.468)	-0.144 (0.0996)	0.204 (0.449)	-0.207** (0.0994)
xconst = 2	1.003** (0.504)	0.129 (0.0963)	1.361*** (0.492)	0.0388 (0.0910)
country/sector fixed effects	yes	yes	yes	no
sector/year fixed effects	yes	yes	yes	no
country fixed effects	no	no	no	yes
year fixed effects	no	no	no	yes
Observations	45,937	46,846	4,466	4,578

Robust standard errors in parentheses. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$. All columns report results from a fixed effects poisson regression. Dependant variable is the gross investment inflow from the Netherlands into the country or country/sector in columns (1) and (3). Columns (2) and (4) use the number of industries with a positive inflow. Omitted category is xconst=1 and xconst=0. Results do not change when excluding xconst=0. All explanatory variables are lagged by one year.

Table E.6: Two Stage Results

VARIABLES	(1)	(2)	(3)	(4)	(5)
	first stage strong executive constraints	sector level Investment Inflow	Number of Industries with Inflows	country level Investment Inflow	Number of Industries with Inflows
share of contiguous countries with strong executive constraints	0.442*** (0.0242)				
strong executive constraints (fitted values)		3.091** (1.284)	1.592*** (0.403)	2.191*** (0.781)	1.470*** (0.388)
country/sector fixed effects	no	yes	yes	no	no
sector/year fixed effects	no	yes	yes	no	no
country fixed effects	yes	no	no	yes	yes
year fixed effects	yes	no	no	yes	yes
Observations	5,500	45,860	46,769	4,458	4,570

Robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1. All columns report results from fixed effects regressions. Columns (2) and (3) report sector level results and columns (4) and (5) report country level results. All explanatory variables are lagged by one year.

Table E.7: Executive Constraints and Political Risk

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
VARIABLES	risk insurance evaluation			variance of IMF forecast			mean of IMF forecast		
xconsthigh	-0.508** (0.243)	-0.349* (0.184)	-0.358* (0.190)	-3.238** (1.471)	-2.784* (1.413)	-4.143** (1.863)	0.410 (0.260)	0.271 (0.240)	0.550** (0.205)
xrophenhigh			-0.0856 (0.149)			1.390 (1.834)			0.149 (0.321)
xrcomphigh			0.0526 (0.171)			2.763 (2.182)			-0.741** (0.324)
Country fixed effects	yes	yes	yes	yes	yes	yes	yes	yes	yes
Year fixed effects	no	yes	yes	no	yes	yes	no	yes	yes
Observations	556	556	556	661	661	661	661	661	661
Whithin adj. R-Squared	0.051	0.323	0.324	0.011	0.113	0.120	0.010	0.180	0.200
Number of countries	33	33	33	33	33	33	33	33	33

Robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1. All columns report results from a fixed effects OLS regression. Dependent variable is mid-term political risk evaluation by the Belgian risk insurer ONDD in columns (1) to (3), the variance of the IMF growth forecast in columns (4) to (6) and the mean of the growth forecast in columns (7) to (9). The forecasts in columns (4) to (9) are from the IMF World Economic Outlook which is published since 1990 and includes forecasts for the two preceding years and six years ahead. The sample is restricted to countries that changed level of executive constraints between high and low executive constraints at least once.

Table E.8: Heterogeneity by Continent

	number of transitions	average change in growth volatility beliefs	average change in mean growth beliefs
Europe	9	-0.0042	0.0020
Africa	8	-0.0040	-0.0025
Latin America and the Carribean	10	-0.0038	-0.0026
Asia	6	-0.0030	-0.0047

Table E.9: Rent Seeking, Executive Constraints and Investment Inflows

VARIABLES	(1)	(2)
	Investment Inflow	Investment Inflow
strong executive constraints	0.0267 (0.141)	
strong executive constraints * share of politically connected firms	1.266** (0.506)	4.212*** (0.984)
country/sector fixed effects	yes	yes
sector/year fixed effects	yes	no
country/year fixed effects	no	yes
Observations	13,240	13,240

Robust standard errors in parentheses. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$. Both columns report results from a fixed effects poisson regression. Dependant variable is the gross investment inflow from the Netherlands into the country/sector. Political connections are from Faccio (2006). We use the share of politically connected firms in the country which are active in this sector. All explanatory variables are lagged by one year.

Table E.10: Sector Heterogeneity in Updating Model

VARIABLES	(1)	
	Investment Inflow	
	coefficients on estimate of variance	coefficients on estimate of mean
Mining and Quarring	-147.6 (97.80)	95.63 (116.9)
Manufacturing	-151.8*** (30.66)	141.0*** (30.47)
Electricity, Gas and Steam	-148.1** (64.51)	175.4** (86.58)
Construction	-455.6** (178.8)	360.6*** (139.6)
Wholesale and Retail Trade	-106.4*** (26.87)	83.31** (38.42)
Transportation and Storage	-101.8* (56.10)	-16.40 (61.33)
Accommodation and Food Services	-239.0 (1,200)	86.49 (520.5)
Information and Communication	-126.8*** (34.52)	170.0*** (45.42)
Finance and Insurance	-178.1*** (26.15)	112.8*** (29.72)
Real Estate Activities	95.85 (59.49)	-202.1** (87.34)
Professional, Scientific and Technical	65.06 (56.79)	-59.77 (48.42)
Admin. and Support Services	-6,425*** (1,982)	271.1 (265.5)
Other Services	-317.1 (233.5)	322.0 (202.4)
Activities of Households as Employers	-50.34 (31.94)	75.01** (37.11)
Extraterritorial Organisations	-92.10* (54.49)	45.10 (62.22)
country/sector fixed effects		yes
sector/year fixed effects		yes
Observations		11,054

Robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1. Definitions are as in Table 3. All explanatory variables are lagged by one year.