Accepted Manuscript

Title: The savings and investment relationship: the Feldstein-Horioka Puzzle Revisited

Author: Saleheen Khan

PII: S0161-8938(17)30018-2
DOI: http://dx.doi.org/doi:10.1016/j.jpolmod.2017.02.002
Reference: JPO 6337

To appear in: *Journal of Policy Modeling*

Received date: 3-9-2016
Revised date: 15-12-2016
Accepted date: 5-2-2017

Please cite this article as: & Khan, Saleheen., The savings and investment relationship: the Feldstein-Horioka Puzzle Revisited.*Journal of Policy Modeling* http://dx.doi.org/10.1016/j.jpolmod.2017.02.002

This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.

ACCEPTED MANUSCRIPT

The savings and investment relationship: the Feldstein-Horioka Puzzle Revisited

Corresponding author name:

Saleheen Khan
Department of Economics
Minnesota State University, Mankato
Mankato, MN 56002
khan.saleheen@mnsu.edu

Abstract

This paper revisits the Feldstein Horioka (FH) puzzle by estimating a time varying parameter model through Kalman filtering. The paper investigated the existence of savings and investment relationship for 22 OECD countries. We found evidence that the time varying saving retention coefficient has gradually declined since mid70's for most of the countries in our sample. Average time varying saving retention coefficient for the entire sample also showed steady decline as well. The degree of capital mobility is increasing as the world financial markets are becoming increasingly integrated over time. Therefore, the savings and investment relationship will go through a dynamic process. The current study tries to capture this dynamic relationship between savings and investment using a state-space model.

JEL classification: C32; F32; F41

Keywords: International capital mobility; Feldstein–Horioka puzzle; Kalman Filter

Download English Version:

https://daneshyari.com/en/article/5101682

Download Persian Version:

https://daneshyari.com/article/5101682

Daneshyari.com