Web Appendix

Descriptive statistics and further empirical results for the paper:[1]

Estimating Cross-Industry Cross-Country Models Using Benchmark Industry Characteristics

by

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Content

Appendix Figures 1a-1b – US Capital Growth and Global Investment Opportunities, 1980-1989: The figures illustrate the correlation between the US-proxy of industry investment opportunities (US capital growth) and estimated global (non-US) investment opportunities for the period 1980-1989.

Appendix Figures 2a-2b – US Capital Growth and Global Investment Opportunities, 1980-1995: The figures illustrate the correlation between the US-proxy of industry investment opportunities (US capital growth) and estimated global (non-US) investment opportunities for the period 1980-1995.

Appendix Table 1 – Industry-Level Variables: The table reports capital growth, employment growth, and external finance dependence at the 3-digit ISIC industry level.

Appendix Table 2 – Financial Development, Investment Opportunities, and Industry Growth without Controls for Initial Conditions: The table reports LS and 2SLS estimates for the period 1980-1989 and the period 1980-1995. Specifications are identical to those in Tables 1 and 2 in the paper except that they do not account for initial log value added at the country-industry level.

Appendix Table 3 – Alternative Adjustment Channels without Controls for Initial Conditions, 1980-1989: The table reports LS and 2SLS estimates controlling for alternative adjustment channels (legal system ineffectiveness, property rights protection, and education) for the period 1980-1989.

[1] A previous version of the paper, Ciccone and Papaioannou "Adjustment to Target Capital, Finance, and Growth" CEPR DP 5969 (2006), provides further empirical results.

Specifications are identical to those in Table 3 in the paper except that they do not account for initial log value added at the country-industry level.

Appendix Table 4 – Alternative Adjustment Channels without Controls for Initial Conditions, 1980-1995: The table reports LS and 2SLS estimates controlling for alternative adjustment channels (legal system ineffectiveness, property rights protection, and education) for the period 1980-1995. Specifications are identical to those in Table 4 in the paper except that they do not account for initial log value added at the country-industry level.

Appendix Table 5 – Accounting for Influential Observations, 1980-1989: Panel A reports Huber estimates (which assign lower weight to influential observations) for the period 1980-1989 to account for influential industry-growth observations. The approach follows Fisman and Love, *JEEA* (2007). Panel B reports 2SLS estimates for the period 1980-1989 when we obtain global (non-US) investment opportunities using Huber estimates.

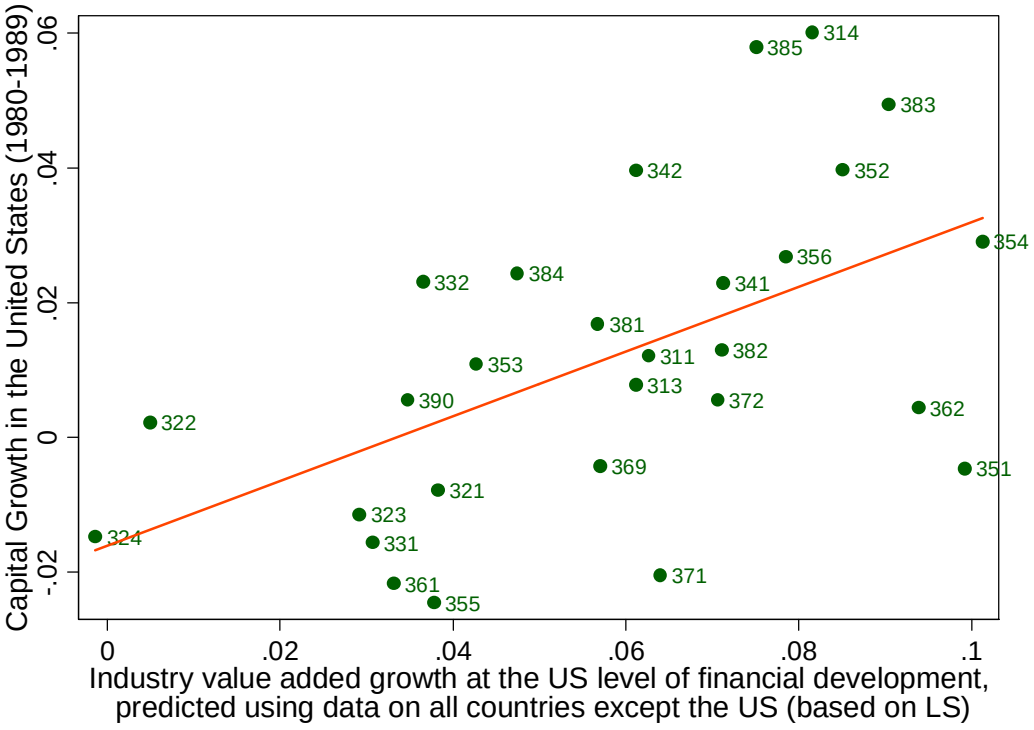
Appendix Table 6 – Accounting for Influential Observations, 1980-1995: Panel A reports Huber estimates (which assign lower weight to influential observations) for the period 1980-1989 to account for influential industry-growth observations. Panel B reports 2SLS estimates for the period 1980-1995 when we obtain global (non-US) investment opportunities using Huber estimates**.**

Appendix Table 7 – Alternative Financial Development Measures Controlling for Economic Development: The table reports LS and 2SLS estimates for the period 1980-1989 and the period 1980-1995 with our two alternative financial development measures (total finance and state ownership of banks in 1970) controlling for an interaction between investment opportunities and country-level GDP per capita. The table reports specifications with and without controls for initial (1980) log value added at the country-industry level. These estimates complement the results in Tables 5 and 6 in the paper.

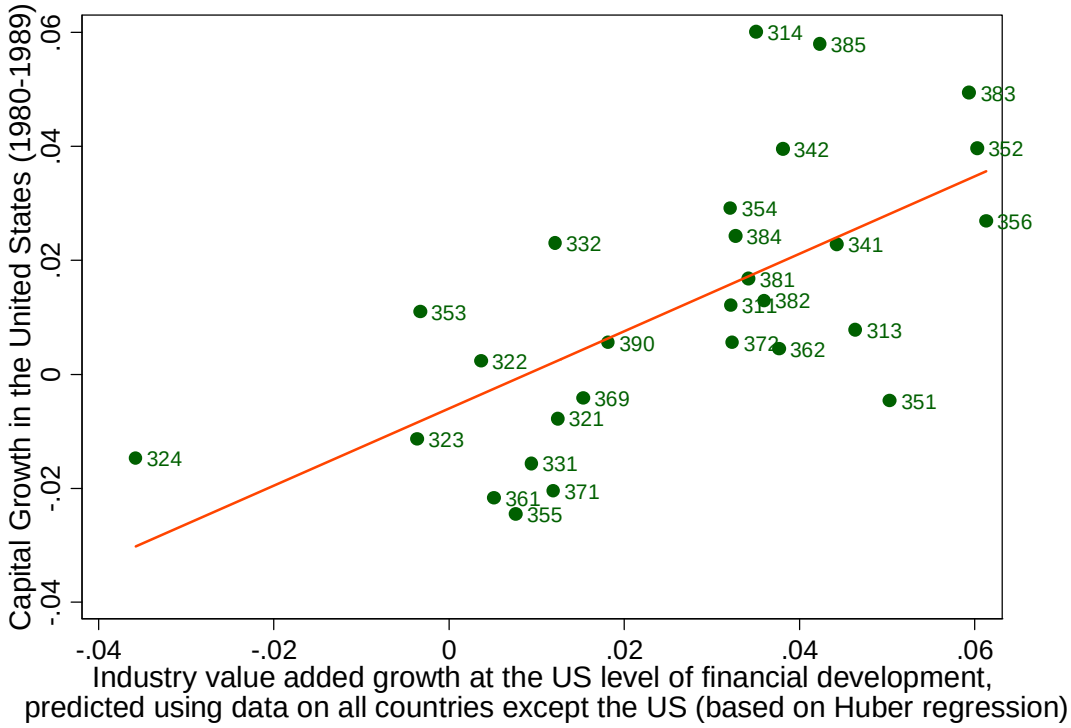
Appendix Table 8 – Instrumenting the Labor-Market Regulation Interaction: The table reports results when the interaction between US employment growth and labor-market regulation is instrumented in a way that is analogous to the instrumentation of the interaction between US capital growth and financial development.

Appendix Table 9 – Estimates for the 1970-1989 and 1970-1995 Period: The table reports LS and 2SLS estimates for the 1970-1989 and 1970-1995 period. The table reports specifications with and without controls for initial (1970) log value added at the country-industry level. The table also reports specifications controlling for an interaction between investment opportunities and country-level GDP per capita.

Web Appendix Figure 1a

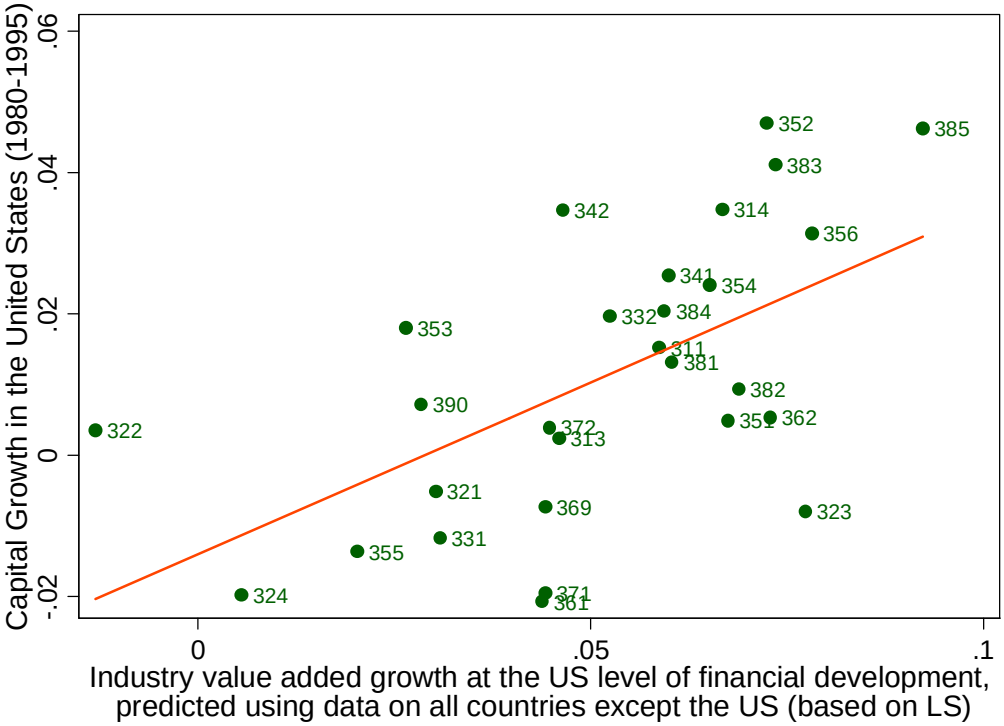


Web Appendix Figure 1b

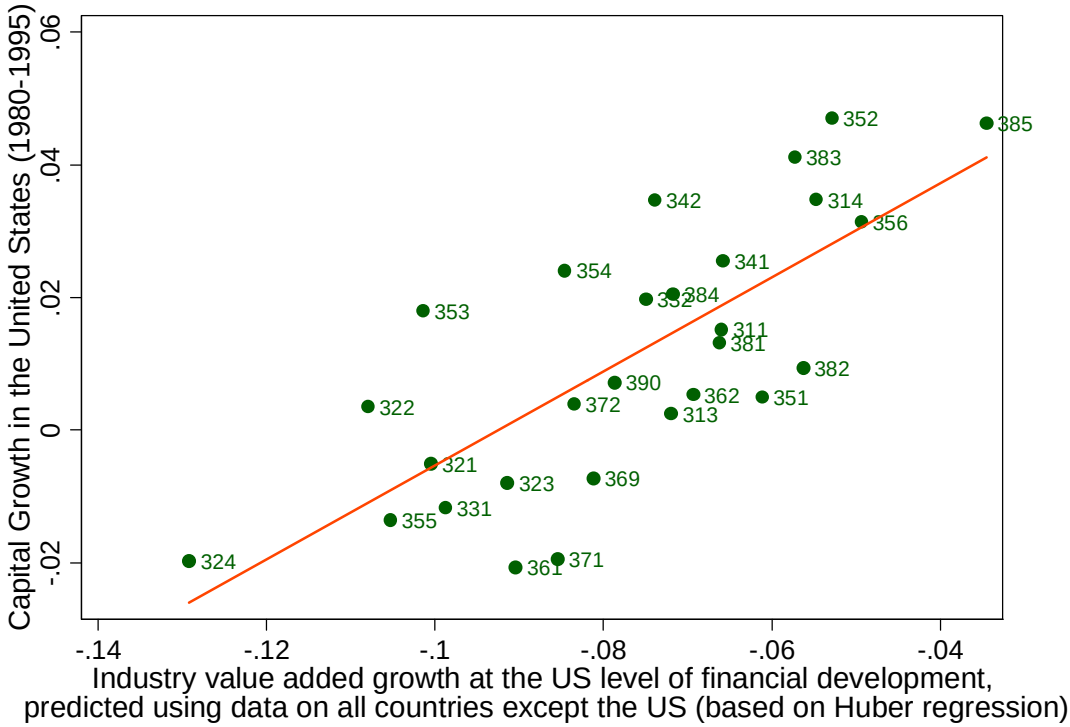


The figures plot 1980-1989 US industry-level capital growth (on the vertical axis) against 1980-1989 estimated global investment opportunities (predicted value added growth at the US level of financial development using data on all countries except the US). In Appendix Figure 1a, estimated global (non-US) industry investment opportunities are based on estimating the prediction equation using LS. In Appendix Figure 1b, estimated global (non-US) industry investment opportunities are based on estimating the prediction equation with a Huber regression (which assigns lower weights to influential observations). The industries corresponding to the codes in the figures can be found in Appendix Table 1.

Appendix Figure 2a



Appendix Figure 2b



The figures plot 1980-1995 US industry-level capital growth (on the vertical axis) against 1980-1996 estimated global investment opportunities (predicted value added growth at the US level of financial development using data on all countries except the US). In Appendix Figure 2a, estimated global (non-US) industry investment opportunities are based on estimating the prediction equation using LS. In Appendix Figure 2b, estimated global (non-US) industry investment opportunities are based on estimating the prediction equation with a Huber regression (which assigns lower weights to influential observations). The industries corresponding to the codes in the figures can be found in Appendix Table 1.

Web Appendix Table 1: Industry-Level Variables

ISIC	Industry Name	Capital Growth 1980-1989	Employment Growth 1980-1995	Capital Growth 1980-1989	Employment Growth 1980-1995	External Finance 1980-1989
314	Tobacco	0.0601	0.0890	0.1265	0.0890	-0.45
385	Professional & scientific equipment	0.0579	0.0814	0.0816	0.0814	0.96
383	Machinery, electric	0.0494	0.0653	0.0618	0.0653	0.95
352	Other chemicals	0.0397	0.0823	0.0893	0.0823	0.75
342	Printing and publishing	0.0396	0.0872	0.0894	0.0872	0.20
354	Petroleum and coal products	0.0291	0.0433	0.0491	0.0433	0.33
356	Plastic products	0.0268	0.0795	0.0745	0.0795	1.14
384	Transport equipment	0.0243	0.0596	0.0641	0.0596	0.36
332	Furniture, except metal	0.0231	0.0670	0.0662	0.0670	0.24
341	Paper and products	0.0229	0.0705	0.0819	0.0705	0.17
381	Fabricated metal products	0.0168	0.0356	0.0344	0.0356	0.24
382	Machinery, except electrical	0.0129	0.0169	0.0133	0.0169	0.60
311	Food products	0.0121	0.0419	0.0646	0.0419	0.14
353	Petroleum refineries	0.0109	0.0005	-0.0021	0.0005	0.04
313	Beverages	0.0078	0.0536	0.0681	0.0536	0.08
372	Non-ferrous metals	0.0056	0.0308	0.0277	0.0308	0.01
390	Other manufactured products	0.0055	0.0443	0.0495	0.0443	0.47
362	Glass and products	0.0044	0.0452	0.0441	0.0452	0.53
322	Wearing apparel, except footwear	0.0023	0.0388	0.0404	0.0388	0.03
369	Other non-metallic mineral products	-0.0042	0.0362	0.0414	0.0362	0.06
351	Industrial chemicals	-0.0046	0.0448	0.0529	0.0448	0.25
321	Textiles	-0.0078	0.0402	0.0412	0.0402	0.19
323	Leather products	-0.0114	0.0232	0.0269	0.0232	-0.14
324	Footwear, except rubber or plastic	-0.0147	-0.0049	-0.0061	-0.0049	-0.08
331	Wood products, except furniture	-0.0156	0.0395	0.0381	0.0395	0.28
371	Iron and steel	-0.0204	-0.0055	-0.0029	-0.0055	0.09
361	Pottery, china, earthenware	-0.0217	0.0211	0.0208	0.0211	-0.15
355	Rubber products	-0.0245	0.0202	0.0312	0.0202	0.23

Web Appendix Table 2: Financial Development, Investment Opportunities, and Industry Growth Without Controls for Initial Conditions

	1980-1989				1980-1995			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
				Panel A: LS Estimates				
Financial Development X	0.3183***	0.2866**	0.4127***	0.3864***	0.2752**	0.2352*	0.2270*	0.2263
Investment Opportunities	(0.1035)	(0.1198)	(0.0983)	(0.1177)	(0.1178)	(0.1395)	(0.1250)	(0.1478)
Financial Development X		0.006		0.005026		0.0049		0.0001
External Finance Dependence		(0.0081)		(0.0076)		(0.0087)		(0.0093)
Labor Market Regulation			-0.0851	-0.09546			0.1095	0.1093
X Employment Growth			(0.2896)	(0.2886)			(0.4148)	(0.4209)
adj. R-squared	0.284	0.284	0.390	0.390	0.432	0.432	0.493	0.492
				Panel B: 2SLS Estimates				
Financial Development X	1.0610***	1.2641***	1.0322***	1.2025***	1.1893***	1.6187***	0.8801***	1.2066***
Investment Opportunities	(0.2746)	(0.3424)	(0.1877)	(0.2380)	(0.3377)	(0.5007)	(0.2444)	(0.3804)
Financial Development X		-0.0171		-0.01484		-0.0346**		-0.0276*
External Finance Dependence		(0.0103)		(0.0093)		(0.0163)		(0.0151)
Labor Market Regulation			-0.2077	-0.19543			0.0509	0.1265
X Employment Growth			(0.2988)	(0.3011)			(0.4415)	-(0.4604)
Countries	67	67	49	49	58	58	45	45
Observations	1607	1607	1268	1268	1354	1354	1076	1076
Country Fixed-Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed-Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

The dependent variable is the annual growth rate of value added at the country-industry level for the period 1980-1989 in columns (1)-(4) and for the period 1980-1995 in columns (5)-(8). These specifications are similar to the ones reported in Tables 1-2, but without including the initial (1980) industry log value added in each country. For details see the table notes in Tables 1-2. The Data Appendix (at the end of the main paper) gives detailed variable definitions and data sources.

Web Appendix Table 3: Financial Development, Investment Opportunities, and Industry Growth
Alternative Adjustment Channels without Controls for Initial Conditions

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
				Panel A: LS Estimates (1980-1989)			
Financial Development X Investment Opportunities		0.3193*** (0.1199)		0.2906*** (0.1066)		0.3336*** (0.1028)	0.3442*** (0.1144)
Legal Inefficiency X Investment Opportunities	-0.1891** (0.0789)	-0.0472 (0.0900)					-0.0036 (0.0983)
Property Rights X Investment Opportunities			0.1805*** (0.0686)	0.0925 (0.0704)			0.1148 (0.0977)
Schooling X Investment Opportunities					0.0469** (0.0239)	0.0162 (0.0231)	-0.0033 (0.0309)
adj. R-squared	0.307	0.311	0.283	0.286	0.288	0.292	0.329
				Panel B: 2SLS Estimates (1980-1989)			
Financial Development X Investment Opportunities		1.0782*** (0.3107)		0.9893*** (0.2501)		1.1836*** (0.2565)	1.1547*** (0.2794)
Legal Inefficiency X Investment Opportunities	-0.4724*** (0.1556)	0.004 (0.1758)					0.0949 (0.2299)
Property Rights X Investment Opportunities			0.3846* (0.2027)	0.0985 (0.1917)			0.2425 (0.2713)
Schooling X Investment Opportunities					0.1379** (0.0648)	0.0319 (0.0566)	-0.0324 (0.0661)
Countries	58	58	65	65	63	63	54
Observations	1453	1453	1572	1572	1552	1552	1399
Country Fixed-Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed-Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes

The dependent variable is the annual growth rate of value added at the country-industry level for the period 1980-1989. These specifications are similar to the ones reported in Table 3, but without including the initial (1980) industry log value added in each country. For details see the table notes in Table 3. The Data Appendix (at the end of the main paper) gives detailed variable definitions and data sources.

Web Appendix Table 4: Financial Development, Investment Opportunities, and Industry Growth
Alternative Adjustment Channels without Controls for Initial Conditions

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
				Panel A: LS Estimates (1980-1995)			
Financial Development X		0.2066		0.1371		0.3946***	0.3114**
Investment Opportunities		(0.1438)		(0.1326)		(0.1134)	(0.1301)
Legal Inefficiency X	-0.2732***	-0.1758					0.0511
Investment Opportunities	(0.0881)	(0.1120)					(0.1123)
Property Rights X			0.2558***	0.2094***			0.3033***
Investment Opportunities			(0.0692)	(0.0754)			(0.1000)
Schooling X					0.0604**	0.0163	-0.0551
Investment Opportunities					(0.0300)	(0.0320)	(0.0397)
adj. R-squared	0.444	0.445	0.4336	0.434	0.408	0.411	0.426
				Panel B: 2SLS Estimates (1980-1995)			
Financial Development X		1.1498***		0.9114***		1.0308***	1.0221***
Investment Opportunities		(0.4067)		(0.3082)		(0.2806)	(0.3287)
Legal Inefficiency X	-0.6377***	-0.082					0.1734
Investment Opportunities	(0.1698)	(0.2329)					(0.2659)
Property Rights X			0.7200***	0.4037**			0.3109
Investment Opportunities			(0.2267)	(0.1975)			(0.2571)
Schooling X					0.2817***	0.1620**	0.0751
Investment Opportunities					(0.0912)	(0.0777)	(0.0861)
Countries	52	52	57	57	55	55	49
Observations	1227	1227	1331	1331	1312	1312	1185
Country Fixed-Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed-Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes

The dependent variable is the annual growth rate of value added at the country-industry level for the period 1980-1995. These specifications are similar to the ones reported in Table 4, but without including the initial (1980) industry log value added in each country. For details see the table notes in Table 4. The Data Appendix (at the end of the main paper) gives detailed variable definitions and data sources.

Web Appendix Table 5: Financial Development, Investment Opportunities, and Industry Growth
Influential Observations

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
				Panel A: Huber Estimates (1980-1989)				
Financial Development X	0.2927***	0.3285***	0.1991***	0.1987***	0.3152***	0.3346***	0.1859***	0.1888***
Investment Opportunities	(0.0655)	(0.0658)	(0.0697)	(0.0698)	(0.0639)	(0.0643)	(0.0680)	(0.0683)
Financial Development X			0.0119**	0.0163***			0.0148***	0.0171***
External Finance Dependence			(0.0047)	(0.0047)			(0.0046)	(0.0047)
Labor Market Regulation					-0.0198	-0.0495	-0.0319	-0.0637
X Employment Growth					(0.2426)	(0.2438)	(0.2412)	(0.2424)
Initial Conditions		-0.0092***		-0.0097***		-0.0058***		-0.0064***
		(0.0012)		(0.0012)		(0.0013)		(0.0013)
				Panel B: 2SLS Estimates (1980-1989)				
Financial Development X	0.6312***	0.7199***	0.6761***	0.5774***	0.7797***	0.8403***	0.8680***	0.8367***
Investment Opportunities	(0.1810)	(0.1772)	-(0.2094)	(0.2018)	(0.1510)	(0.1506)	(0.1825)	(0.1770)
Financial Development X			-0.0033	0.0107			-0.0067	0.0003
External Finance Dependence			(0.0080)	(0.0084)			(0.0078)	(0.0078)
Labor Market Regulation					-0.1577	-0.1715	-0.1545	-0.1716
X Employment Growth					(0.2909)	(0.2947)	(0.2918)	-(0.2947)
Initial Conditions		-0.0193***		-0.0196***		-0.0117***		-0.0117***
		(0.0031)		(0.0032)		(0.0025)		(0.0025)
Countries	67	67	67	67	49	49	49	49
Observations	1607	1607	1607	1607	1268	1268	1268	1268
Country Fixed-Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed-Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

The dependent variable is the annual growth rate of value added at the country-industry level for the period 1980-1989. Panel A reports Huber estimates (which assign lower weights to influential observations) using the benchmarking approach (all industry characteristics come from the US). Panel B reports 2SLS estimates, where the interaction between country-level financial development and industry investment opportunities in the US (US capital growth) is instrumented with an interaction between financial development and global (non-US) industry investment opportunities estimated with a Huber regression. All specifications include country fixed-effects and industry fixed-effects (coefficients not reported). Heteroskedasticity-adjusted standard errors are reported in parentheses below the coefficients. ***, **, and * indicate statistical significance at the 99%, 95%, and 90% level respectively. The Data Appendix (at the end of the main paper) gives detailed variable definitions and data sources.

Web Appendix Table 6: Financial Development, Investment Opportunities, and Industry Growth
Influential Observations

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
				Panel A: Huber Estimates (1980-1995)				
Financial Development X	0.2651***	0.3186***	0.2088**	0.1482*	0.3451***	0.3718***	0.2772***	0.2341***
Investment Opportunities	(0.0739)	(0.0731)	(0.0846)	(0.0832)	(0.0715)	(0.0717)	(0.0811)	(0.0809)
Financial Development X			0.0053	0.0167***			0.0063	0.0141***
External Finance Dependence			(0.0050)	(0.0050)			(0.0049)	(0.0049)
Labor Market Regulation					-0.2007	-0.2037	-0.2201	-0.2422
X Employment Growth					(0.2759)	(0.2756)	(0.2764)	(0.2756)
Initial Conditions		-0.0121***		-0.0128***		-0.0095***		-0.0103***
		(0.0011)		(0.0011)		(0.0013)		(0.0013)
				Panel B: 2SLS Estimates (1980-1995)				
Financial Development X	0.5533***	0.6798***	0.6227**	0.6337***	0.4047**	0.5293***	0.4801**	0.5181**
Investment Opportunities	(0.2020)	(0.1966)	-(0.2456)	(0.2352)	(0.1797)	(0.1707)	(0.2227)	(0.2161)
Financial Development X			-0.0062	0.0042			-0.0071	0.0011
External Finance Dependence			(0.0087)	(0.0088)			(0.0097)	(0.0096)
Labor Market Regulation					0.0936	0.0562	0.1137	0.053
X Employment Growth					(0.4226)	(0.4156)	(0.4258)	-(0.4199)
Initial Conditions		-0.0172***		-0.0173***		-0.0152***		-0.0153***
		(0.0028)		(0.0028)		(0.0022)		(0.0022)
Countries	58	58	58	58	45	45	45	45
Observations	1354	1354	1354	1354	1076	1076	1076	1076
Country Fixed-Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed-Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

The dependent variable is the annual growth rate of value added at the country-industry level for the period 1980-1995. Panel A reports Huber estimates (which assign lower weights to influential observations) using the benchmarking approach (all industry characteristics come from the US). Panel B reports 2SLS estimates, where the interaction between country-level financial development and industry investment opportunities in the US (US capital growth) is instrumented with an interaction between financial development and global (non-US) industry investment opportunities estimated with a Huber regression. All specifications include country fixed-effects and industry fixed-effects (coefficients not reported). Heteroskedasticity-adjusted standard errors are reported in parentheses below the coefficients. ***, **, and * indicate statistical significance at the 99%, 95%, and 90% level respectively. The Data Appendix (at the end of the main paper) gives detailed variable definitions and data sources.

Web Appendix Table 7: Financial Development, Investment Opportunities and Industry Growth
Alternative Financial Development Measures Controlling for Economic Development

	1980-1989		1980-1995		1980-1989		1980-1995	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
				Panel A: LS Estimates				
Total Finance X	0.2381***	0.1638*	0.3022***	0.2677**				
Investment Opportunities	(0.0891)	(0.0965)	(0.1089)	(0.1213)				
State Bank Ownership X					-0.5962***	-0.4359**	-0.5917***	-0.5319***
Investment Opportunities					(0.1725)	(0.1704)	(0.1987)	(0.2075)
Economic Development X		0.1162		0.0502		0.1673**		0.0563
Investment Opportunities		(0.0829)		(0.1000)		(0.0727)		(0.0999)
adj. R-squared	0.282	0.283	0.433	0.433	0.341	0.342	0.436	0.4357
				Panel B: 2SLS Estimates				
Total Finance X	0.5746***	0.6300***	0.4223***	0.4402***				
Investment Opportunities	(0.1810)	(0.2314)	(0.1902)	(0.2401)				
State Bank Ownership X					-2.2527***	-2.3918***	-1.8530***	-2.0571***
Investment Opportunities					(0.4613)	(0.5304)	(0.4581)	(0.5355)
Economic Development X		-0.0881		-0.0254		-0.1473		-0.1972
Investment Opportunities		(0.1187)		(0.1224)		(0.1097)		(0.1277)
Countries	67	67	58	58	56	56	53	53
Observations	1607	1607	1354	1354	1452	1452	1278	1278
Country Fixed-Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed-Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

The dependent variable is the annual growth rate of value added at the country-industry level for the period 1980-1999 or the period 1980-1995. These specifications are similar to the ones reported in Table 6 of the main paper except that we do not control for initial (1980) log value added at the country-industry level. The table also reports specification that control for an interaction between investment opportunities and economic development (GDP per capita). The Data Appendix (at the end of the main paper) gives detailed variable definitions and data sources.

Web Appendix Table 8: Labor Market Regulation, Employment Reallocation, and Industry Growth
2SLS Estimates Instrumenting for the Labor Market Regulation Interaction

	1980-1989		1980-1995	
	(1)	(2)	(3)	(4)
Panel A: 2SLS Estimates				
Labor Market Regulation	-3.3471***	-3.0698***	0.02160	-0.5856
X Employment Growth	(1.0387)	(1.0213)	(1.2648)	(1.3608)
Financial Development X		1.1251***		0.9838***
Investment Opportunities		(0.1929)		(0.2498)
Initial Conditions	-0.0110***	-0.01208***	-0.01436***	-0.0160***
	(0.0024)	(0.0025)	(0.0022)	(0.0024)
Countries	49	49	45	45
Observations	1268	1268	1076	1076
Country Fixed-Effects	Yes	Yes	Yes	Yes
Industry Fixed-Effects	Yes	Yes	Yes	Yes
Panel B - Dependent Variable: US Employment Growth				
Estimated Global (non-US) Employment Growth	0.3813**	0.3646**	0.7086***	0.6462***
	(0.1648)	(0.1419)	(0.2011)	(0.1597)
Estimated Global (non-US) Investment Opportunities		0.3350**		0.2066
		(0.1477)		(0.1660)
R-squared	0.103	0.263	0.366	0.359
Observations	28	28	28	28
Panel C - Dependent Variable: US Capital Growth				
Estimated Global (non-US) Investment Opportunities	0.4854***	0.4824***	0.4879***	0.47013***
	(0.1370)	(0.1396)	(0.1515)	(0.1583)
Estimated Global (non-US) Employment Growth		0.1220		0.1251
		(0.2890)		(0.2309)
R-squared	0.325	0.335	0.333	0.344
Observations	28	28	28	28

Web Appendix Table 8 Note:

Panel A reports 2SLS estimates when the interaction between US employment growth and labor-market regulation is instrumented in a way that is analogous to the instrumentation of the interaction between US capital growth and financial development. The instrument is estimated in two steps. We first run a least-squares regression of country-industry employment growth for all countries except the US on: country fixed effects; industry fixed effects; and the country-level labor-market regulation index interacted with industry-specific slopes. Then we predict employment growth at the US level of labor-market regulation. This yields global estimated (non-US) employment growth, which interacted with the labor-market regulation index is our instrument for the interaction between US employment growth and labor-market regulation. Panel B reports least-squares regressions of US employment growth on estimated global employment growth (and estimated global investment opportunities). Panel C reports least-squares regressions of US capital growth on estimated global investment opportunities (and estimated global employment growth). Heteroskedasticity-adjusted standard errors are reported in parentheses below the coefficients. ***, **, and * indicate statistical significance at the 99%, 95%, and 90% level respectively. The Data Appendix (at the end of the main paper) gives detailed variable definitions and data sources.

Web Appendix Table 9
Financial Development, Investment Opportunities, and Industry Growth since 1970

	1970-1989				1970-1995			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
				Panel A: LS Estimates				
Financial Development X Investment Opportunities	0.4732*** (0.0923)	0.5043*** (0.3347)	0.4732*** (0.1053)	0.3650** (0.0987)	0.8631*** (0.1787)	0.9486*** (0.1703)	0.6304*** (0.2315)	0.7205*** (0.2144)
Economic Development X Investment Opportunities			0.2200* (0.0948)	0.2018* (0.1064)			0.3188* (0.1844)	0.3145* (0.1637)
Initial Conditions		-0.0193*** (0.0385)		-0.0194*** (0.0014)		-0.0308*** (0.0024)		-0.03110*** (0.0025)
adj. R-squared	0.434	0.574	0.465	0.570	0.515	0.608	0.515	0.610
				Panel B: 2SLS Estimates				
Financial Development X Investment Opportunities	0.7205*** (0.1369)	0.8254*** (0.1269)	0.4978*** (0.1498)	0.5810*** (0.1367)	1.4190*** (0.3076)	1.6424*** (0.2905)	0.8486** (0.3638)	0.9646*** (0.3303)
Economic Development X Investment Opportunities			0.3267** (0.1304)	0.3581*** (0.1083)			0.7591*** (0.2869)	0.9129*** (0.2402)
Initial Conditions		-0.0193*** (0.0014)		-0.01941*** (0.0014)		-0.03111*** (0.0025)		-0.03139*** (0.0025)
Countries	62	62	61	61	54	54	53	53
Observations	1505	1505	1486	1486	1257	1257	1238	1238
Country Fixed-Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed-Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

The dependent variable is the annual growth rate of value added at the country-industry level for the period 1970-1989 or for the period 1970-1995. Panel A reports LS estimates using the benchmarking approach, which uses US industry characteristics (US capital growth) as a proxy for the relevant industry characteristics (industry investment opportunities). Panel B reports 2SLS estimates where the interactions of financial development and economic development (GDP per capita) with US capital growth are instrumented with interactions between estimated global (non-US) industry investment opportunities and the country-level characteristics. All specifications include country fixed-effects and industry fixed-effects (coefficients not reported). Heteroskedasticity-adjusted standard errors are reported in parentheses below the coefficients. ***, **, and * indicate statistical significance at the 99%, 95%, and 90% level respectively. The Data Appendix (at the end of the main paper) gives detailed variable definitions and data sources.