Capital Market Integration and Wages
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<u>Web Appendix</u>

Table 4. Difference-in-Difference Estimation of the Impact of Liberalization on Real Wage Growth, Country Fixed Effects, Standard Errors Clustered by Year.
Panel A: Estimation window (3 years prior to 3 years following liberalization).
Column 6 corresponds to Table 4, Column 1 in the published paper.

	(1)	(2)	(3)	(4)	(5)	(6)
Liberalization	0.043***	0.043***	0.042***	0.031**	0.041***	0.031***
	(0.011)	(0.011)	(0.01)	(0.011)	(0.009)	(0.011)
Trade		0.022				0.005
		(0.019)				(0.021)
Stabilization			0.046*			0.023
			(0.024)			(0.023)
Privatization				0.034*		0.029
				(0.019)		(0.023)
Brady Plan					0.055	0.041
					(0.035)	(0.031)
Constant	0.025	0.021	0.019	0.018	0.018	0.010
	(0.016)	(0.013)	(0.014)	(0.017)	(0.015)	(0.014)
Observations	152	152	152	152	152	152
R-squared	0.34	0.35	0.36	0.36	0.36	0.38

Notes: The estimation procedure is ordinary least squares. The estimation window utilizes data from three years before and after liberalization. All specifications cluster the standard errors by year to account for the possibility that shocks to wage growth are correlated across countries within a given year. Standard errors appear in parentheses and are clustered by year. The symbols (***), (**), and (*) represent significance levels of 1%, 5%, and 10%, respectively. For the regressions reported in Panel A, the left-hand-side variable is the change in the natural log of the real wage relative to the control group over the window three years prior to three years following the liberalization date. *LIBERALIZE* is a dummy variable that takes on the value of one in the year that country *i* liberalizes (year [0]) and each of the subsequent three years ([1] [2] and [3]). *TRADE*, *STABILIZE*, *PRIVATIZE*, and *BRADY* are dummy variables that take on the value one whenever a trade liberalization, inflation stabilization, privatization or Brady plan program takes place during country *i*'s capital account liberalization episode. All specifications contain twenty five country-specific dummy variables.

Table 4. Difference-in-Difference Estimation of the Impact of Liberalization on Real Wage Growth, Country Fixed Effects, Standard Errors Clustered by Year.
Panel B: Estimation Window (Full Sample)
Column 6 corresponds to Table 4, Column 2 in the published paper.

	(1)	(2)	(3)	(4)	(5)	(6)
Liberalization	0.046***	0.044***	0.047***	0.039***	0.045***	0.036**
	(0.012)	(0.011)	(0.012)	(0.014)	(0.012)	(0.014)
Trade		0.017				0.017
		(0.014)				(0.014)
Stabilization			-0.020			-0.030
			(0.018)			(0.02)
Privatization				0.015		0.017
				(0.015)		(0.016)
Brady Plan					0.008	0.017
					(0.024)	(0.025)
Constant	0.021***	0.020***	0.022***	0.020***	0.021***	0.021***
	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)
Observations	722	722	722	722	722	722
R-squared	0.11	0.11	0.11	0.11	0.11	0.12

Notes: The estimation procedure is ordinary least squares. All specifications cluster the standard errors by year to account for the possibility that shocks to wage growth are correlated across countries within a given year. Standard errors appear in parentheses and are clustered by year. The symbols (***), (**), and (*) represent significance levels of 1%, 5%, and 10%, respectively. For the regressions reported in Panel B, the left-hand-side variable is the change in the natural log of the real wage relative to the control group for the full sample of data around the liberalization date. LIBERALIZE is a dummy variable that takes on the value of one in the year that country i liberalizes (year [0]) and each of the subsequent three years ([1] [2] and [3]). TRADE, STABILIZE, PRIVATIZE, and BRADY are dummy variables that take on the value one whenever a trade liberalization, inflation stabilization, privatization or Brady plan program takes place during country i's capital account liberalization episode. All specifications contain twenty five country-specific dummy variables.

Table 5. Difference-in-Difference Estimation of the Impact of Liberalization on Real Wage Growth, Standard Errors Clustered by Year and Country.
Panel A: Estimation window (3 years prior to 3 years following liberalization).
Column 6 corresponds to Table 4, Column 3 in the published paper.

	(1)	(2)	(3)	(4)	(5)	(6)
Liberalization	0.047***	0.048***	0.048***	0.038***	0.048***	0.039**
	(0.012)	(0.012)	(0.013)	(0.014)	(0.014)	(0.015)
Trade		0.019				0.021
		(0.021)				(0.021)
Stabilization			-0.033			-0.029
			(0.026)			(0.022)
Privatization				0.029		0.030
				(0.025)		(0.027)
Brady Plan					-0.033	-0.027**
					(0.023)	(0.012)
Constant	0.023	0.019	0.027*	0.017	0.027*	0.020
	(0.017)	(0.016)	(0.014)	(0.019)	(0.015)	(0.016)
Observations	152	152	152	152	152	152
R-squared	0.05	0.055	0.062	0.066	0.062	0.092

Notes: The estimation procedure is ordinary least squares. The estimation window utilizes data from three years before and after liberalization. All specifications simultaneously cluster the standard errors in two dimensions: (1) by year to account for the possibility that shocks to wage and productivity growth are correlated across countries within a given year, and (2) by country to account for the possibility that shocks to wage and productivity growth are correlated over time within a given country. Standard errors appear in parentheses. The symbols (***), (**), and (*) represent significance levels of 1%, 5%, and 10%, respectively. For the regressions reported in Panel A, the left-hand-side variable is the change in the natural log of the real wage relative to the control group over the window three years prior and three years following the liberalization date. LIBERALIZE is a dummy variable that takes on the value of one in the year that country i liberalizes (year [0]) and each of the subsequent three years ([1] [2] and [3]). TRADE, STABILIZE, PRIVATIZE, and BRADY are dummy variables that take on the value one whenever a trade liberalization, inflation stabilization, privatization or Brady plan program takes place during country i's capital account liberalization episode.

Table 5. Difference-in-Difference Estimation of the Impact of Liberalization on Real Wage Growth, Standard Errors Clustered by Year and Country.
Panel B: Estimation Window (Full Sample).
Column 6 corresponds to Table 4, Column 4 in the published paper.

	(1)	(2)	(3)	(4)	(5)	(6)
Liberalization	0.049***	0.048***	0.051***	0.047***	0.053***	0.047***
	(0.015)	(0.014)	(0.014)	(0.016)	(0.013)	(0.015)
Trade		0.013				0.020
		(0.017)				(0.015)
Stabilization			-0.028			-0.029
			(0.02)			(0.023)
Privatization				0.006		0.010
				(0.015)		(0.016)
Brady Plan					-0.031	-0.023
					(0.028)	(0.025)
Constant	0.021***	0.020**	0.023***	0.020**	0.021***	0.022***
	(0.008)	(0.008)	(0.008)	(0.008)	(0.008)	(0.008)
Observations	722	722	722	722	722	722
R-squared	0.021	0.022	0.026	0.021	0.024	0.03

Notes: The estimation procedure is ordinary least squares. All specifications simultaneously cluster the standard errors in two dimensions: (1) by year to account for the possibility that shocks to wage and productivity growth are correlated across countries within a given year, and (2) by country to account for the possibility that shocks to wage and productivity growth are correlated over time within a given country. Standard errors appear in parentheses. The symbols (***), (**), and (*) represent significance levels of 1%, 5%, and 10%, respectively. For the regressions reported in Panel B, the left-hand-side variable is the change in the natural log of the real wage relative to the control group over th full sample around the liberalization date. LIBERALIZE is a dummy variable that takes on the value of one in the year that country i liberalizes (year [0]) and each of the subsequent three years ([1] [2] and [3]). TRADE, STABILIZE, PRIVATIZE, and BRADY are dummy variables that take on the value one whenever a trade liberalization, inflation stabilization, privatization or Brady plan program takes place during country i's capital account liberalization episode.

Table 6. Estimation of the Impact of Liberalization of Real Wage Growth, Time and Country Fixed Effects.
Column 6 corresponds to Table 4, Column 5 in the published paper.

	(1)	(2)	(3)	(4)	(5)	(6)
Liberalization	0.043***	0.043***	0.043***	0.042***	0.043***	0.039**
	(0.013)	(0.013)	(0.013)	(0.015)	(0.013)	(0.015)
Trade		0.014				0.017
		(0.013)				(0.014)
Stabilization			-0.021			-0.028
			(0.016)			(0.017)
Privatization				0.004		0.006
				(0.018)		(0.019)
Brady Plan					0.004	0.016
					(0.022)	(0.023)
Constant	0.016**	0.016**	0.019***	0.016**	0.016**	0.018***
	(0.007)	(0.007)	(0.006)	(0.006)	(0.007)	(0.006)
Observations	758	758	758	758	758	758
R-squared	0.169	0.17	0.171	0.169	0.169	0.1730

Notes: The estimation procedure is ordinary least squares. All specifications contain year-specific and country-specific dummy variables. All specifications cluster the standard errors by year to account for the possibility that shocks to wage growth are correlated across countries within a given year. Standard errors appear in parentheses. The symbols (***), (**), and (*) represent significance levels of 1%, 5%, and 10%, respectively. For the regressions reported, the left-hand-side variable is the change in the natural log of the real wage over the full sample. LIBERALIZE is a dummy variable that takes on the value of one in the year that country i liberalizes (year [0]) and each of the subsequent three years ([1] [2] and [3]). TRADE, STABILIZE, PRIVATIZE, and BRADY are dummy variables that take on the value one whenever a trade liberalization, inflation stabilization, privatization or Brady plan program takes place during country i's capital account liberalization episode.

Table 7. Difference-in-Difference Estimation of the Impact of Liberalization on Productivity Growth, Standard Errors Clustered by Year.
Panel A: Estimation window (3 years prior to 3 years following liberalization).
Column 6 corresponds to Table 4, Column 6 in the published paper.

	(1)	(2)	(3)	(4)	(5)	(6)
Liberalization	0.076*	0.077*	0.080*	0.094**	0.079*	0.097***
	(0.043)	(0.044)	(0.042)	(0.034)	(0.039)	(0.034)
Trade		0.028				0.051
		(0.047)				(0.045)
Stabilization			-0.068			-0.058
			(0.11)			(0.099)
Privatization				-0.064		-0.060
				(0.054)		(0.049)
Brady Plan					-0.045	-0.001
					(0.136)	(0.116)
Constant	-0.047	-0.052	-0.038	-0.033	-0.043	-0.033
	(0.073)	(0.075)	(0.082)	(0.079)	(0.086)	(0.09)
Observations	146	146	146	146	146	146
R-squared	0.17	0.17	0.18	0.18	0.17	0.19

Notes: The estimation procedure is ordinary least squares. In Panel A, all specifications cluster the standard errors by year to account for the possibility that shocks to wage growth are correlated across countries within a given year. Standard errors appear in parentheses. The symbols (***), (**), and (*) represent significance levels of 1%, 5%, and 10%, respectively. For the regressions reported, the left-hand-side variable is the change in the natural log of the real value added per worker relative to the control group over the window three years prior and three years following the liberalization date. *LIBERALIZE* is a dummy variable that takes on the value of one in the year that country *i* liberalizes (year [0]) and each of the subsequent three years ([1] [2] and [3]). *TRADE, STABILIZE, PRIVATIZE,* and *BRADY* are dummy variables that take on the value one whenever a trade liberalization, inflation stabilization, privatization or Brady plan program takes place during country *i*'s capital account liberalization episode. All specifications contain twenty five country-specific dummy variables.

Table 7. Difference-in-Difference Estimation of the Impact of Liberalization on Productivity Growth, Standard Errors Clustered by Year and Country.
Panel B: Estimation window (3 years prior to 3 years following liberalization).
Column 6 corresponds to Table 4, Column 7 in the published paper.

	(1)	(2)	(3)	(4)	(5)	(6)
Liberalization	0.084***	0.084***	0.087***	0.096***	0.088***	0.103***
	(0.024)	(0.026)	(0.022)	(0.014)	(0.019)	(0.016)
Trade		0.027				0.069***
		(0.024)				(0.024)
Stabilization			-0.091			-0.062
			(0.08)			(0.067)
Privatization				-0.045		-0.043
				(0.04)		(0.041)
Brady Plan					-0.099	-0.068
					(0.095)	(0.09)
Constant	-0.051	-0.056	-0.038	-0.041	-0.041	-0.036
	(0.067)	(0.067)	(0.069)	(0.071)	(0.069)	(0.071)
Observations	146	146	146	146	146	146
R-squared	0.03	0.03	0.05	0.04	0.05	0.07

Notes: The estimation procedure is ordinary least squares. In Panel B, standard errors are clustered by year and country. Standard errors appear in parentheses. The symbols (***), (**), and (*) represent significance levels of 1%, 5%, and 10%, respectively. For the regressions reported, the left-hand-side variable is the change in the natural log of the real value added per worker relative to the control group over the window three years prior and three years following the liberalization date. *LIBERALIZE* is a dummy variable that takes on the value of one in the year that country *i* liberalizes (year [0]) and each of the subsequent three years ([1] [2] and [3]). *TRADE*, *STABILIZE*, *PRIVATIZE*, and *BRADY* are dummy variables that take on the value one whenever a trade liberalization, inflation stabilization, privatization or Brady plan program takes place during country *i*'s capital account liberalization episode. All specifications contain twenty five country-specific dummy variables.