

FINANCIAL LIBERALIZATION, CRISIS AND ECONOMIC GROWTH: AN ECONOMETRIC INVESTIGATION

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Abstract

This paper aims to present an empirical decomposition of the financial liberalization effects on economic growth and on the incidence of monetary and banking crises. Our study presents the direct effect of financial liberalization on growth by using a dynamic panel model and multivariate probit model of ten emergent countries during 1975-2003 by using macroeconomic and financial variables. This article consists to discuss the direct effect of financial liberalization on the growth, like their indirect effect in terms of the additional costs of the crisis. It confirms the results of previous studies that show the positive total effect of financial liberalization on economic growth. Surprisingly, we conclude that the direct effect growth is superior compared of indirect effect crisis in our sample.

Keywords: financial liberalization, economic growth, financial and banking crisis, dynamic panel data, Probit model.

JEL classification codes: C23, G1 and G21