

Testing the Validity of Feldstein-Horioka Puzzle in BRICS Countries

Authors : Teboho J. Mosikari, Johannes T. Tsoku, Diteboho L. Xaba

Abstract : The increase of capital mobility across emerging economies has become an interesting topic for many economic policy makers. The current study tests the validity of Feldstein&Horioka puzzle for 5 BRICS countries. The sample period of the study runs from 2001 to 2014. The study uses the following parameter estimates well known as the Fully Modified OLS (FMOLS), and Dynamic OLS (DOLS). The results of the study show that investment and savings are cointegrated in the long run. The parameters estimated using FMOLS and DOLS are 0.85 and 0.74, respectively. These results imply that policy makers within BRICS countries have to consider flexible monetary and fiscal policy instruments to influence the mobility of capital with the bloc.

Keywords : Feldstein and Horioka puzzle, saving and investment, panel models, BRICS countries

Conference Title : ICSR2020 : International Conference on Scientific Research and Development

Conference Location : Chicago, United States

Conference Dates : December 12-13, 2020