

Table 1: Estimation Results of Growth Accounting Regressions

Explanatory Variables	Dependent Variable: Real GDP per Worker			
	Model A	Model B	Model C	Model D
Constant	4.2294*** (0.2769)	3.8378*** (0.2910)	5.7105*** (0.3995)	-5.2709 (2.8418)
ln(Physical Capital Stock per Worker)	0.4837*** (0.0197)	0.5301*** (0.0355)	0.4568*** (0.0390)	1.3483*** (0.3130)
ln(FDI Stock per Worker)	0.0021 (0.0069)	0.0886*** (0.0223)	0.0417* (0.0233)	2.1512*** (0.3449)
ln(Number of Employees)	0.2204*** (0.0630)	0.2308*** (0.0642)	-0.0483 (0.0886)	-0.7758*** (0.2819)
Human Capital Stock Index	-0.0277 (0.0490)	-0.0107 (0.1594)	0.2024 (0.1739)	-0.3479 (0.5219)
(Human Capital Stock Index) × [ln(FDI Stock per Worker)]		0.0041 (0.0128)	0.0186 (0.0159)	0.0349 (0.0401)
ln(Physical Capital Stock per Worker) × [ln(FDI Stock per Worker)]		-0.0105** (0.0042)	-0.0104** (0.0048)	-0.1642*** (0.0370)
Implied Labor Share (α_L)	0.7346*** (0.0630)	0.6121*** (0.0711)	0.4532*** (0.0869)	-3.2753*** (0.6886)
Sample Period	1980–2019	1980–2019	1980–2009	2010–2019
Sample Size (17 Economies)	640	640	470	170
Hausman Test Statistic	50.4063***	72.0343***	45.7945***	102.1494***
Sargan Test Statistic	18.3960**	5.8716	3.7267	10.3312

- All the models are estimated using two-way 2SLS technique with the IVs of the first- and second-order lagged explanatory variables in equation (3).
- Standard errors are in parentheses. Significance level at 10% is denoted by *, 5% by **, and 1% by ***.
- To construct Sargan test statistics, we use the preselected IVs to explain the residual series produced by each model in their corresponding auxiliary regressions. We multiply sample size by the R^2 in each auxiliary regression to obtain the test statistics that follow χ^2 distributions. At 5% level of significance, the critical values are 15.51 for model A, and 12.59 for models B, C, and D.

Table 2: Hausman Endogeneity Test Statistics and Results

Suspected Endogenous Variable in the System	F-statistic of joint significance in reduced-form model	t-statistic of Hausman Test for Endogeneity	Conclusion at 5% Level of Significance
$\ln(\text{Physical Capital Stock per Worker})$	82,867	3.3218	Endogenous
$\ln(\text{FDI Stock per Worker})$	3,683	-0.5104	Exogenous
$\ln(\text{Number of Employees})$	817,670	-0.0874	Exogenous
Human Capital Stock Index	302,191	0.2575	Exogenous
$(\text{Human Capital Stock Index}) \times [\ln(\text{FDI Stock per Worker})]$	9,357	-0.8123	Exogenous
$\ln(\text{Physical Capital Stock per Worker}) \times [\ln(\text{FDI Stock per Worker})]$	7,241	-0.4704	Exogenous

- Hausman (1978) endogeneity tests take two steps. The first step is to run a regression using the suspected endogenous regressor (SER) in equation (3) as the dependent variable, and explanatory variables are the preselected IVs. These IVs are well selected when the F-statistic in each reduced-form model shows their joint significance. The second step is to explain labor productivity by the fitted series of the SER and the residual series obtained from the first step. If the residual series can explain labor productivity with a significant t-statistic, we can conclude that the SER is endogenous in the system.