

Working Paper 17-15

Addendum  
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# Do Governments Drive Global Trade Imbalances?

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Tables 1–5 in PIIE Working Paper 17-15 are based on current account balances minus net investment income. The following tables display similar regressions based on the overall current account balance using the same dataset. The new regressions add net private foreign assets to the regressors to help model the investment income component of the current account. Small changes in the regression sample arise because of missing values for investment income and/or net private assets.

The coefficients are broadly similar to those in the working paper. The central tendency ranges of the policy coefficients in table 5 are similar and in some cases narrower than in the working paper. The most notable difference is that the coefficients on lagged net official assets under low capital mobility are no longer negative.

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**Table A.1a CAB baseline regressions: First-stage results (coefficients displayed only for instruments)**

<b>First stage for NOF</b>	<b>Original (CAB)</b>	<b>CAB baseline</b>
Nonreserve flows	0.89**	0.89**
Interacted with mobility	-0.03	-0.03
Lagged crisis dummy	1.10*	1.11*
Interacted with mobility	-0.24	-0.25
R-squared	0.57	0.57
Partial R-squared	0.34	0.34
F-test	278.52	118.84
(p-value)	(0.00)	(0.00)
AP Chi-sq test	249.75	226.00
(p-value)	(0.00)	(0.00)
<b>First stage for NOF interaction</b>	<b>Original (CAB)</b>	<b>CAB baseline</b>
Nonreserve flows	0.01	0.01
Interacted with mobility	0.85**	0.85**
Lagged crisis dummy	-0.19	-0.19
Interacted with mobility	1.53*	1.54*
R-squared	0.59	0.59
Partial R-squared	0.38	0.38
F-test	331.97	54.75
(p-value)	(0.00)	(0.00)
AP Chi-sq test	297.67	416.36
(p-value)	(0.00)	(0.00)

\* p<0.05, \*\* p<0.01

Note: Numbers reported in gray are standard errors.

Source: Author's calculations based on equations 1 and 2 using data described in the data appendix of Working Paper 17-15, *Do Governments Drive Global Trade Imbalances?*

**Table A.1b CAB baseline regressions: Second-stage results**

	Original (CAB)		CAB baseline	
	CAB	NPF	CAB	NPF
Capital mobility (MOB)	-1.47 1.86	-6.35** 2.20	-1.49 1.87	-6.26** 2.19
Interacted with mobility	1.08 1.60	6.56** 1.97	1.09 1.61	6.54** 1.97
Financial integration	-1.17 4.62	10.79 7.98	-5.56 4.72	5.84 8.71
Interacted with mobility	3.18 5.74	-10.34 10.10	2.18 5.50	-11.70 9.61
Relative PC GDP	3.17 1.79	1.46 1.94	2.83 1.78	1.11 1.97
Interacted with mobility	-0.45 2.27	-0.97 2.41	0.29 2.29	-0.33 2.47
Projected aging	0.43** 0.17	0.13 0.17	0.44** 0.17	0.14 0.17
Interacted with mobility	-0.10 0.20	0.26 0.21	-0.14 0.20	0.22 0.21
5-year growth	0.02 0.09	-0.10 0.10	0.02 0.09	-0.10 0.10
Interacted with mobility	-0.19 0.16	-0.27 0.19	-0.20 0.16	-0.27 0.19
Net energy exports	0.13** 0.02	0.09** 0.03	0.13** 0.02	0.09** 0.03
Interacted with mobility	0.01 0.04	0.03 0.04	0.00 0.04	0.02 0.04
Adjusted fiscal balance	0.18 0.09	0.17 0.11	0.19* 0.09	0.18 0.11
Interacted with mobility	0.39** 0.13	0.46** 0.16	0.36** 0.13	0.43** 0.17
Net official flows (NOF)	0.59** 0.13	0.39** 0.14	0.59** 0.13	0.38** 0.14
Interacted with mobility	-0.41** 0.16	0.01 0.21	-0.41** 0.16	0.02 0.21
Net official assets (NOA)	0.01 0.01	0.03** 0.01	0.02 0.01	0.03** 0.01
Interacted with mobility	0.03** 0.01	-0.01 0.01	0.03** 0.01	-0.01 0.01
Net private assets	0.03** 0.01	0.02 0.01	0.03** 0.01	0.02 0.01
Interacted with mobility	-0.02 0.01	0.00 0.02	-0.02 0.01	-0.01 0.02
Spillovers (SPILL)	-4.38 2.25	-5.01 3.45	-1.63 0.91	-0.64 1.22
R-squared	0.58	0.34	0.58	0.34
Observations	2,209	2,209	2,209	2,209

\* p&lt;0.05, \*\* p&lt;0.01

Note: Numbers reported in gray are standard errors.

Source: Author's calculations based on equations 1 and 2 using data described in the data appendix of Working Paper 17-15, *Do Governments Drive Global Trade Imbalances?*

**Table A.2 Robustness to auxiliary variables**

	<b>CAB baseline</b>	<b>Relative PC GDP squared</b>	<b>Only policy variables</b>	<b>No private assets</b>	<b>Baseline (CAX)</b>
Capital mobility (MOB)	-3.88 1.87	-3.61 2.01		-5.04 1.86	-4.65 2.19
Interacted with mobility	3.82 1.61	4.45 1.61		3.28 1.59	4.73 1.77
Financial integration	0.14 4.72	-0.18 4.68		-8.56** 5.09	0.73 5.87
Interacted with mobility	-4.76 5.50	-3.32 5.48		5.79* 5.91	-6.56 7.51
Relative PC GDP	1.97 1.78	0.13* 3.64		0.76 1.73	1.03 1.73
Interacted with mobility	-0.02 2.29	-1.87* 4.26		1.27 2.24	-1.13 2.58
Relative PC GDP squared		3.05 3.75			
Interacted with mobility		-0.87* 4.00			
Projected aging	0.29* 0.17	0.35* 0.17		0.14 0.16	0.41* 0.18
Interacted with mobility	0.04 0.20	0.02 0.20		0.24 0.19	0.08 0.22
5-year growth	-0.04 0.09	-0.02 0.09		-0.05 0.09	-0.18 0.09
Interacted with mobility	-0.24 0.16	-0.34* 0.16		-0.20 0.15	0.18 0.20
Net energy exports	0.11** 0.02	0.11** 0.02		0.12** 0.02	0.29** 0.03
Interacted with mobility	0.01 0.04	0.02 0.04		0.02 0.04	-0.20** 0.05
Adjusted fiscal balance	0.19* 0.09	0.18* 0.09	0.32** 0.09	0.20* 0.09	0.18 0.09
Interacted with mobility	0.40* 0.13	0.38* 0.13	0.34* 0.13	0.39* 0.13	0.50** 0.14
Net official flows (NOF)	0.49** 0.13	0.49** 0.13	0.58** 0.12	0.49** 0.13	0.53** 0.14
Interacted with mobility	-0.20* 0.16	-0.19* 0.16	-0.22** 0.15	-0.19* 0.16	-0.19* 0.18
Net official assets (NOA)	0.03 0.01	0.03 0.01	0.03** 0.01	0.03* 0.01	-0.03* 0.01
Interacted with mobility	0.01** 0.01	0.01** 0.01	0.03** 0.01	0.01* 0.01	0.03** 0.01
Net private assets	0.03** 0.01	0.03** 0.01			
Interacted with mobility	-0.02 0.01	-0.02 0.01			
Spillovers (SPILL)	-1.14 0.91	-0.95 0.88	1.41 0.95	-1.29 0.91	-3.67** 0.99
Country effects	no	no	no	no	no
Year effects	yes	yes	no	yes	yes
R-squared	0.578	0.582	0.507	0.569	0.503
Observations	2,209	2,209	2,209	2,209	2,173

\* p&lt;0.05, \*\* p&lt;0.01

Note: Numbers reported in gray are standard errors. Reported R-squared is the R-squared of equation 1 (CAB).

Source: Author's calculations based on equations 1 and 2 using data described in the data appendix of Working Paper 17-15, *Do Governments Drive Global Trade Imbalances?*

**Table A.3 Robustness to estimation technique**

	<b>CAB baseline</b>	<b>OLS</b>	<b>Alternative instruments</b>	<b>Weighted</b>	<b>Robust</b>	<b>Country effects</b>	<b>Country effects (weighted)</b>
Capital mobility (MOB)	-3.88 1.87	-3.98 1.88	-3.86 1.90	3.47** 1.66	1.17 1.41	0.00 1.64	0.22 1.82
Interacted with mobility	3.82 1.61	3.98 1.61	3.77 1.66	-1.29 1.32	-0.65 1.23	5.54** 1.48	3.48** 1.39
Financial integration	0.14 4.72	-0.60 4.68	-1.46 4.74	-11.76** 2.57	-7.88** 3.16	3.89 4.54	-9.12** 3.19
Interacted with mobility	-4.76 5.50	-4.36 5.46	-1.99 5.53	8.86** 3.15	6.89* 4.05	-21.28* 5.95	6.93* 3.97
Relative PC GDP	1.97 1.78	2.28 1.71	2.53 1.75	-0.95 1.34	-1.90 1.18	13.57** 3.10	-1.38 3.13
Interacted with mobility	-0.02 2.29	-0.22 2.23	-0.86 2.34	0.09 1.80	2.82* 1.43	-6.28** 2.51	1.51 2.41
Projected aging	0.29** 0.17	0.34** 0.16	0.32* 0.17	0.51** 0.13	0.23* 0.11	0.45* 0.18	0.65** 0.15
Interacted with mobility	0.04 0.20	0.02 0.19	-0.01 0.20	-0.35* 0.15	-0.03 0.14	-0.02 0.19	-0.79** 0.17
5-year growth	-0.04 0.09	-0.01 0.09	0.02 0.09	0.14** 0.08	0.01 0.06	-0.07 0.09	-0.11 0.09
Interacted with mobility	-0.24 0.16	-0.25 0.15	-0.32 0.16	-0.79** 0.16	-0.44** 0.10	-0.55** 0.16	-0.79** 0.17
Net energy exports	0.11** 0.02	0.11** 0.02	0.11** 0.02	0.21** 0.02	0.15** 0.01	0.42** 0.05	0.5** 0.06
Interacted with mobility	0.01 0.04	0.01 0.04	0.02 0.05	-0.21** 0.04	-0.04** 0.02	0.02 0.07	-0.38** 0.08
Adjusted fiscal balance	0.19* 0.09	0.25** 0.08	0.3* 0.10	0.08 0.06	0.08 0.05	0.03** 0.08	-0.05 0.08
Interacted with mobility	0.4** 0.13	0.36* 0.11	0.18 0.15	0.35** 0.10	0.37** 0.07	0.49 0.11	0.42** 0.11
Net official flows (NOF)	0.49** 0.13	0.37** 0.06	0.31** 0.13	0.54** 0.10	0.65** 0.06	0.51* 0.13	0.53** 0.12
Interacted with mobility	-0.2** 0.16	-0.14** 0.08	0.17 0.19	-0.13 0.14	-0.48** 0.09	-0.31 0.15	-0.17 0.15
Net official assets (NOA)	0.03 0.01	0.03* 0.01	0.03 0.01	0.02 0.01	0.02** 0.00	-0.01 0.01	-0.01 0.01
Interacted with mobility	0.01** 0.01	0.01* 0.01	0.01* 0.01	0.03** 0.01	0.04** 0.01	0.01** 0.01	0.01* 0.01
Net private assets	0.03** 0.01	0.03** 0.01	0.03** 0.01	0.04** 0.01	0.04** 0.00	0.00 0.01	0.00 0.01
Interacted with mobility	-0.02 0.01	-0.01 0.01	-0.01 0.01	0.01 0.01	-0.01** 0.00	-0.01* 0.01	-0.01 0.01
Spillovers (SPILL)	-1.14 0.91	-1.22 0.92	-1.27 0.88	4.11 8.14	-1.88 1.17	-1.24 0.92	13.43 8.12
Country effects	no	no	no	no	no	yes	yes
Year effects	yes	yes	yes	yes	yes	yes	yes
R-squared	0.58	0.58	0.55	0.69	0.71	0.77	0.82
Observations	2,209	2,209	2,205	2,162	2,209	2,209	2,162

\* p&lt;0.05, \*\* p&lt;0.01

Note: Numbers reported in gray are standard errors. Reported R-squared is the R-squared of equation 1 (CAB).

Source: Author's calculations based on equations 1 and 2 using data described in the data appendix of Working Paper 17-15, *Do Governments Drive Global Trade Imbalances?*

**Table A.4 Robustness to regression sample**

	<b>CAB baseline</b>	<b>Emerging and Developing</b>	<b>Advanced</b>	<b>ACI Fixed</b>	<b>ACI Flexible</b>	<b>IRR Fixed</b>	<b>IRR Flexible</b>
Capital mobility (MOB)	-3.88 1.87	0.22 2.06	-2.27* 7.58	-4.22 2.79	-3.17 2.38	-0.76 3.36	-1.95 1.98
Interacted with mobility	3.82 1.61	-1.46 1.63	7.96 4.82	2.33 2.42	4.99 2.14	-2.32 2.81	5.26 1.83
Financial integration	0.14 4.72	-10.94* 5.50	-83.34** 21.12	-2.48 7.28	-9.34** 5.99	-1.98 7.78	-11.67** 5.60
Interacted with mobility	-4.76 5.50	18.17* 7.18	73.91** 21.26	6.09 8.86	-0.09 6.53	9.15 9.34	1.70 6.26
Relative PC GDP	1.97 1.78	3.85** 2.40	0.00 6.11	5.29* 3.10	0.45 1.88	-0.18 3.47	1.65 1.83
Interacted with mobility	-0.02 2.29	-9.03** 3.38	9.02** 6.51	-2.70 3.83	0.03 2.39	2.07 4.26	-0.48 2.30
Projected aging	0.29** 0.17	0.42** 0.19	1.90** 0.53	0.37* 0.24	0.52* 0.24	0.09 0.24	0.71** 0.23
Interacted with mobility	0.04 0.20	-0.41 0.28	-1.87** 0.54	0.07 0.33	-0.25 0.26	0.33 0.35	-0.60** 0.25
5-year growth	-0.04 0.09	0.08 0.10	1.60 0.47	0.10 0.13	-0.22 0.11	0.18 0.15	-0.22* 0.09
Interacted with mobility	-0.24 0.16	-0.32* 0.17	-2.93** 0.54	-0.37 0.22	-0.15 0.21	-0.33 0.24	-0.53** 0.18
Net energy exports	0.11** 0.02	0.08** 0.03	0.98** 0.29	0.11** 0.03	0.14** 0.04	0.11** 0.03	0.14** 0.04
Interacted with mobility	0.01 0.04	0.18** 0.06	-1.41** 0.31	0.01 0.05	-0.04 0.09	0.06 0.06	-0.13 0.06
Adjusted fiscal balance	0.19* 0.09	0.14 0.10	-0.78 0.36	0.22 0.12	0.19 0.11	0.06 0.12	0.23** 0.10
Interacted with mobility	0.40** 0.13	0.47* 0.15	1.32* 0.39	0.35 0.18	0.29 0.16	0.57** 0.18	0.06 0.15
Net official flows (NOF)	0.49** 0.13	0.5** 0.13	1.11 0.39	0.44** 0.17	0.51** 0.16	0.56** 0.17	0.46** 0.14
Interacted with mobility	-0.20** 0.16	-0.22* 0.16	-0.42 0.42	-0.19 0.22	-0.12 0.19	-0.34** 0.24	-0.11 0.17
Net official assets (NOA)	0.03 0.01	0.02 0.01	0.38** 0.08	0.02 0.01	0.02* 0.01	0.02 0.01	0.01 0.01
Interacted with mobility	0.01** 0.01	0.02** 0.01	-0.39** 0.08	0.01 0.02	0.01 0.01	0.01* 0.02	0.05** 0.01
Net private assets	0.03** 0.01	0.08** 0.01	-0.06* 0.02	0.06** 0.02	0.00 0.01	0.08** 0.01	0.00 0.01
Interacted with mobility	-0.02 0.01	-0.1** 0.01	0.09** 0.02	-0.05* 0.02	0.01 0.01	-0.07** 0.02	0.01 0.01
Spillovers (SPILL)	-1.14 0.91	0.00 0.00	-3.76** 0.91	-23.89 17.03	0.15 0.94	235.66** 108.41	-1.33 0.83
Country effects	no	no	no	no	no	no	no
Year effects	yes	yes	yes	yes	yes	yes	yes
R-squared	0.578	0.581	0.810	0.651	0.479	0.657	0.484
Observations	2,209	1,796	413	1,165	1,044	1,032	1,177

\* p&lt;0.05, \*\* p&lt;0.01

Note: Numbers reported in gray are standard errors. Reported R-squared is the R-squared of equation 1 (CAB).

Source: Author's calculations based on equations 1 and 2 using data described in the data appendix of Working Paper 17-15, *Do Governments Drive Global Trade Imbalances?*

**Table A.5 Central tendencies of policy coefficients**

Fiscal balance, MOB=0	0.08 - 0.23
NOF, MOB=0	0.46 - 0.53
Lagged NOA, MOB=0	0.01 - 0.03
Fiscal balance, MOB=1	0.43 - 0.52
NOF, MOB=1	0.23 - 0.39
Lagged NOA, MOB=1	0.03 - 0.05
Spillover	-1.27 - 0.15

Note: Central tendencies are the ranges of coefficients from all regressions in table 3 plus the flexible regime regressions in table 4 after eliminating the two highest and two lowest values.  
Source: Tables A.3 and A.4.