

DOES FDI FOSTER ECONOMIC GROWTH? DYNAMIC PANEL DATA GMM ESTIMATORS

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Abstract

This project investigates the effect of Foreign Direct Investment (FDI) on economic growth by comparing in particular the performance of two Dynamic Panel Data GMM Estimators, Difference-GMM and System-GMM.

The broad literature provides evidence that FDI, which is also referred to as the engine of growth, has a very inconsistent effect on economic growth through periods in time as well as among countries. The empirical results of this project suggest that, even after having used the supposedly most appropriate estimator for growth equations, the relationship between FDI and economic growth is actually ambiguous.