

Political Credit Cycles - Myth or Reality?
A Supplementary Appendix

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A Descriptive Data Analysis

A.1 Data Description

Table A1: Data Description

Variables	Notes	Source
Private Credit	We take IFS line 22d and complement it with IFS line 42d, whenever this information is available. For the Eurozone countries, we are taking the values of lending to the private sector (domestic concept) to capture lending dynamics. When estimating the deviations from the trend, we take only those observations where both lines 22d and 42d are available and drop other missing values in order to avoid ‘artificial’ jumps in lending to the private sector. We apply the following coding rule. If there are less than 10 years of observations for aggregate private credit, we replace the row with bank credit (IFS line 22d). We interpolate missing values, but not if there are more than two years missing. The exceptions are Congo, Morocco, and Tunisia, where we interpolate gaps of more than two years.	IFS (2013).
Private Bank Credit	IFS line 22d.	IFS (2013).
Private Non-Bank Credit	IFS line 42d.	IFS (2013).

Public Credit	We take IFS line 22a and complement it with IFS line 42a, whenever this information is available. For the Eurozone countries, we are taking the values of lending to the domestic government to capture lending dynamics within countries. We follow a domestic borrowing concept, i.e. borrowing from the domestic and not from the EU wide banking system. In line 42a, we take the sum of available data points (there are multiple measures available) for Malawi, Norway, Sweden, and Trinidad and Tobago. We make additional corrections for a selected set of countries. In these countries missing values for IFS line 42a make government credit appear to fall and/or increase disproportionately. The rule applied is the following. If the joint row has less than 10 years of observations, we replace this row with IFS line 22a (i.e. government bank credit). In addition, we adjust those rows where IFS lines 22a and 42a do not start in the same year and take the longest available joint row. We only take those lines that are jointly available, but we drop all those observations when one line is missing. We interpolate missing values, but not when there are more than two years missing. The exceptions are Congo, Morocco, and Tunisia, where we interpolate gaps of more than two years	IFS (2013).
Public Bank Credit	IFS line 22a.	IFS (2013).
Public Non-Bank Credit	IFS line 42a.	IFS (2013).
Aggregate Credit	The variable is the sum of aggregate private and public credit. In order to avoid artificial jumps in the data, we take the longest available joint row. In all other cases, we eliminate all years of observations when one credit dimension is missing.	IFS (2013).
Aggregate Bank Credit	The variable is the sum of private bank (IFS line 22d) and government bank credit (IFS 22a). If public bank credit is not available or not reported, we keep private bank credit (IFS line 22d). In all other cases, we take the longest available joint row and eliminate all years of observations when one credit dimension is missing.	IFS (2013).
Aggregate Non-Bank Credit	The variable is the sum of private non-bank (IFS line 42d) and government non-bank credit (IFS 42a). In order to avoid artificial jumps in the data, we take the longest available joint row. In all other cases, we eliminate IFS line 42d when IFS line 42a is missing.	IFS (2013).

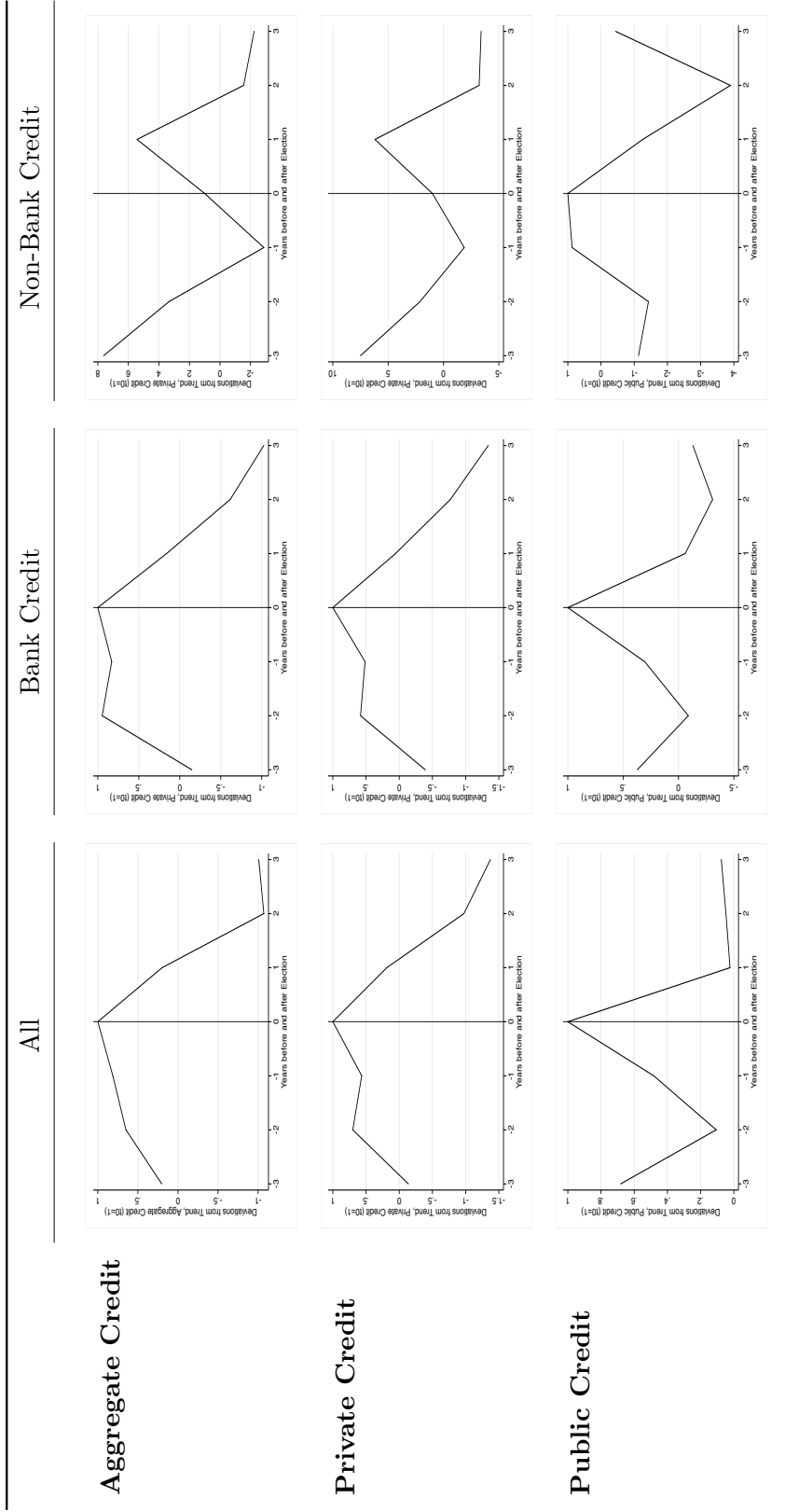
Credit, real	The variable real credit is nominal credit divided by CPI (2005=100). We apply the same method across all dimensions of credit.	IFS (2013), WDI (2015), authors' calculation.
Credit to GDP	We calculate the credit to GDP ratio by dividing real credit by real GDP in the same year.	IFS (2013), WDI (2015), authors' calculation.
Deviations from Trend	We calculate deviations from the country-specific long run trend of the natural logarithm of real credit and apply a Hodrick-Prescott filter with the smoothing parameter set at 100. We calculate a threshold factor ϕ , which is the log of real credit divided by the standard deviation of the cyclical component of log of real credit. Higher values of the threshold factor indicate larger deviations from the trend and thus imply a larger credit gap. We apply the same procedure to Private Bank Credit and Private Non-Bank Credit and for all categories of Government Credit. We make a notable adjustment towards Government Credit. For Australia, Myanmar and the UK, public credit is negative during several years. In addition, in some cases, public credit is 0. In these cases, we code the observations as 1 when calculating the natural log of this variable, so that the natural logarithm for this variable is 0. For large gaps in the data, e.g. Afghanistan, Djibouti, and Romania, we take the longest available uninterrupted row.	IFS (2013), WDI (2015), authors' calculation.
CPI	For calculating a CPI measure, we are taking IFS line(s) 64 and complement this data with the information on CPI from the WDI, where IFS line 64 is not available. We adjust the CPI from the WDI for the base year 2005. For the United Kingdom we are taking the CPI based on wholesale prices (WDI). For countries where no information on inflation was available, we are taking the GDP deflator from the WDI. These countries are Brazil, Chad, Guinea, Guyana, Lebanon, Liberia, Malawi, Mongolia, Micronesia, Moldova, Montenegro, Oman, Namibia, Togo, Oman, United Arab Emirates, and Tunisia. We interpolate missing values, but not when there are more than two years missing.	IFS (2013), WDI (2015).

GDP deflator	GDP deflator has been taken from the WDI. For the cases of New Zealand, Ireland, Jamaica, and Libya we are taking the CPI (WDI) because the GDP deflator is not available to complete the time series. The base year is 2005.	IFS (2013), WDI (2015).
GDP, real	For calculating real GDP, we are taking the nominal GDP in current local currency units from the WDI and deflate the series with the GDP deflator that we adjust, so that 2005 is the base year. For Eurozone member countries, Libya, Mauritius, Montserrat, Anguilla, and Switzerland we take IFS line 99 and for all other countries we take WDI (GDP in current LCU).	IFS (2013), WDI (2015).
Macroeconomic variables	We retrieve the M2-to-GDP ratio and variables capturing the public deficit, public expenditures and revenues, the real exchange rate, final household consumption, and investment from the WDI (2015).	WDI (2015).
KAOPEN	Ito-Chinn Kaopen Index	Chinn and Ito (2008).
Election	Number of elections in which the office of the chief executive was at stake during a year. Counted here are legislative elections if the chief executive is a prime minister or presidential elections if the chief executive is the president. For robustness, we are comparing our results with the election variable from Beck et al. (2001).	Przeworski (2013), Beck et al. (2001).
Interest Rates	The domestic T-Bill rate and the U.S. T-Bill rate are taken from the IFS. The real interest rate, domestic lending and deposit interest rates come from the (WDI, 2015).	IFS (2013), WDI (2015).
International Capital Flows	Capital flows are measured in per cent of GDP. In order to control for outliers we take the natural log along all capital inflow and outflow dimensions. We also take the foreign reserves variable from this dataset. We remove observations in the 1% and 99% percentile concerning the net capital flows to eliminate outliers. The capital flow dimensions are as reported in (Lane and Milesi-Ferretti, 2007).	Lane and Milesi-Ferretti (2007), updated version 2015.
CBI Index	For a definition and composition of this Index, see, (Bodea and Hicks, 2015). We make one adjustment for the Eurozone countries after 1998. The data was missing in the dataset. We code the <i>lvau</i> variable to take the value 0.89 for a country upon entry into the Eurozone.	Bodea and Hicks (2015)

Fiscal Constraints Index	To account for the degree of fiscal policy constraints, we create a dummy variable, which takes the value 1 if the executive cannot change domestic taxes without legislative approval and also has to secure legislative approval for the budget. The data come from the Institutions and Elections Project (Regan and Clark, 2015). In order to calculate the constraints index we interact the dummy variable with Henisz Political Constraints Index (Polcon3), whereby higher values indicate more constrained fiscal policy making (Henisz, 2002).	Regan and Clark (2015), Henisz (2002)
Exchange Rates	For a definition, see, Kokenyne et al. (2009). As data only runs until 2005, we complement this information with data from Eichengreen and Rose (2014).	Kokenyne et al. (2009), Eichengreen and Rose (2014).
Privatization	The variable is coded on a 0 - 3 scale, whereby higher values indicate less government involvement. For a definition and construction of this variable, see Abiad, Detragiache and Tressel (2008).	Abiad, Detragiache and Tressel (2008).
Financial Reform	The data for measuring the degree of financial reform/liberalization, entry barriers, directed credit, and credit controls has been taken from Abiad, Detragiache and Tressel (2008). For a definition and construction of these variables, see Abiad, Detragiache and Tressel (2008)	Abiad, Detragiache and Tressel (2008).
Regime Durability	The number of years since the most recent regime change (defined by a three- point change in the POLITY score over a period of three years or less) or the end of transition period defined by the lack of stable political institutions (denoted by a standardized authority score).	Marshall, Gurr and Jagers (2015).
Democracy	We use a simplified coding of this variable (0 = Autocracy, 1 = Democracy). For the exact definition, see, (Cheibub, Gandhi and Vreeland, 2010)	Cheibub, Gandhi and Vreeland (2010).

A.2 Data Visualization

Table A2: Credit Dynamics around Elections



B Empirical Results

B.1 Variations in Empirical Modeling

Table A3: Variations in Empirical Modeling – Aggregate Credit

	Aggregate Credit				Aggregate Bank Credit				Aggregate Non-Bank Credit						
	(1) OLS	(2) FE	(3) FE	(4) FE	(5) GMM	(6) OLS	(7) FE	(8) FE	(9) FE	(10) GMM	(11) OLS	(12) FE	(13) FE	(14) FE	(15) GMM
Election	0.09** (0.04)	0.09*** (0.03)	0.12*** (0.04)	0.10*** (0.04)	0.08** (0.04)	0.10** (0.04)	0.10*** (0.03)	0.13*** (0.04)	0.12*** (0.03)	0.11*** (0.04)	0.03 (0.08)	0.03 (0.05)	0.07 (0.06)	-0.03 (0.07)	-0.03 (0.07)
Kaopen			0.02 (0.02)	0.02* (0.01)	0.01** (0.01)		0.02 (0.02)	0.02 (0.06)	0.02* (0.01)	0.01 (0.01)		0.01 (0.05)	0.01 (0.05)	0.02 (0.03)	0.02 (0.01)
GDP per capita			0.06 (0.06)	0.03 (0.03)	0.01*** (0.00)		0.06 (0.06)	0.06 (0.06)	0.03 (0.03)	0.01*** (0.00)		0.36** (0.17)	0.36** (0.17)	0.24** (0.11)	0.00 (0.00)
GDP growth			0.06 (0.08)	0.24 (0.19)	0.18 (0.18)		0.06 (0.09)	0.06 (0.09)	0.28 (0.21)	0.23 (0.20)		-0.04 (0.21)	-0.04 (0.21)	0.48* (0.25)	0.57* (0.34)
Regime Durability			0.00 (0.00)	0.00** (0.00)	0.00 (0.00)		0.00* (0.00)	0.00* (0.00)	0.00** (0.00)	0.00 (0.00)		-0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)
Democracy			-0.07 (0.08)	-0.01 (0.05)	-0.02 (0.02)		-0.07 (0.07)	-0.07 (0.07)	-0.03 (0.04)	-0.01 (0.02)		-0.01 (0.24)	-0.01 (0.24)	-0.01 (0.14)	0.01 (0.05)
First Lag			0.52*** (0.03)	0.52*** (0.02)	0.65*** (0.03)		0.55*** (0.03)	0.55*** (0.02)	0.55*** (0.02)	0.69*** (0.02)		0.49*** (0.02)	0.49*** (0.02)	0.49*** (0.05)	0.57*** (0.06)
Constant	-0.01 (0.01)	0.04 (0.13)	-0.94 (0.64)	-0.51 (0.39)	-0.18** (0.09)	-0.01 (0.01)	0.03 (0.13)	-0.91 (0.63)	-0.52 (0.39)	-0.18** (0.08)	-0.00 (0.03)	-0.05 (0.28)	-3.49* (1.82)	-2.38* (1.18)	-0.00 (0.12)
Observations	5802	5802	3841	3823	3823	6134	6134	4042	4032	4032	1351	1351	1018	1003	1003
R ²	0.00	0.04	0.04	0.31	0	0.00	0.04	0.04	0.34	559.00	0.00	0.03	0.04	0.26	469.04
sargamp					593.80					0					0
ar1p					0					0					0
ar2p					0					0					1
# Countries	165	165	140	140	140	165	165	140	140	140	43	43	40	40	40

Standard errors in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$
 FE is a fixed effects regression with time and country fixed effects using robust standard errors.
 GMM instruments are restricted to three lags. Endogenous variables are the first lag of the dependent variable and GDP Growth.
 AR (1) and AR (2) are the p-values of the test statistics for first and second order serial correlation in first differenced residuals.

Table A4: Variations in Empirical Modeling – Private Credit

	Aggregate Credit					Aggregate Bank Credit					Aggregate Non-Bank Credit				
	(1) OLS	(2) FE	(3) FE	(4) FE	(5) GMM	(6) OLS	(7) FE	(8) FE	(9) FE	(10) GMM	(11) OLS	(12) FE	(13) FE	(14) FE	(15) GMM
Election	0.07* (0.04)	0.07** (0.03)	0.10** (0.04)	0.08** (0.04)	0.08* (0.04)	0.08** (0.04)	0.07** (0.03)	0.10*** (0.04)	0.09** (0.04)	0.09** (0.04)	0.02 (0.08)	0.00 (0.06)	0.05 (0.07)	0.00 (0.07)	0.00 (0.06)
Kaopen			0.03 (0.02)	0.03** (0.01)	0.01* (0.01)			0.04* (0.02)	0.03** (0.01)	0.01* (0.01)			0.04 (0.05)	0.04 (0.03)	0.02* (0.01)
GDP per capita			0.06 (0.06)	0.03 (0.03)	0.01*** (0.00)			0.06 (0.06)	0.03 (0.03)	0.01*** (0.00)			0.31* (0.16)	0.18* (0.10)	0.01** (0.01)
GDP growth			0.07 (0.08)	0.27 (0.20)	0.20 (0.18)			0.09 (0.09)	0.32 (0.22)	0.27 (0.22)			-0.85** (0.32)	-0.22 (0.45)	-0.39 (0.53)
Regime Durability			0.00 (0.00)	0.00** (0.00)	0.00 (0.00)			0.00 (0.00)	0.00* (0.00)	0.00 (0.00)			-0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)
Democracy			-0.03 (0.09)	-0.01 (0.05)	-0.02 (0.02)			-0.07 (0.08)	-0.04 (0.04)	-0.01 (0.02)			-0.07 (0.22)	0.08 (0.13)	-0.02 (0.04)
First Lag			0.56*** (0.09)	0.56*** (0.02)	0.69*** (0.03)			0.58*** (0.09)	0.72*** (0.04)	0.69*** (0.03)			0.49*** (0.04)	0.49*** (0.04)	0.57*** (0.06)
Constant	-0.01 (0.01)	-0.02 (0.12)	-0.80 (0.61)	-0.40 (0.36)	-0.01 (0.09)	-0.01 (0.01)	0.02 (0.11)	-0.81 (0.62)	-0.41 (0.37)	-0.10 (0.08)	0.00 (0.03)	-0.13 (0.23)	-3.01* (1.76)	-1.88 (1.13)	-0.11 (0.12)
Observations	5856	5856	3868	3852	3852	6205	6205	4061	4054	4054	1393	1393	1050	1037	1037
R ²	0.00	0.05	0.06	0.36	0.36	0.00	0.05	0.06	0.38	0.38	0.00	0.03	0.04	0.27	468.07
sarganp					619.81					575.81					0
ar1p					0				0	0				0	0
ar2p					0				0	0				0	0
# Countries	165	165	140	140	140	165	165	140	140	140	42	42	39	39	39

Standard errors in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$
 FE is a fixed effects regression with time and country fixed effects using robust standard errors.
 GMM instruments are restricted to three lags. Endogenous variables are the first lag of the dependent variable and GDP Growth.
 AR (1) and AR (2) are the p-values of the test statistics for first and second order serial correlation in first differenced residuals.

Table A5: Variations in Empirical Modeling – Public Credit

	Aggregate Credit			Aggregate Bank Credit			Aggregate Non-Bank Credit								
	(1) OLS	(2) FE	(3) FE	(4) FE	(5) GMM	(6) OLS	(7) FE	(8) FE	(9) FE	(10) GMM	(11) OLS	(12) FE	(13) FE	(14) FE	(15) GMM
Election	0.09** (0.04)	0.09*** (0.03)	0.08** (0.04)	0.10** (0.04)	0.09** (0.04)	0.11*** (0.04)	0.12*** (0.03)	0.10*** (0.04)	0.12*** (0.04)	0.11** (0.04)	-0.04 (0.08)	-0.03 (0.06)	0.04 (0.06)	-0.02 (0.07)	-0.00 (0.07)
Kaopen			-0.02 (0.02)	-0.01 (0.01)	-0.00 (0.01)			-0.02 (0.02)	-0.01 (0.01)	-0.01 (0.01)			0.01 (0.05)	0.01 (0.04)	0.02 (0.03)
GDP per capita			0.01 (0.01)	0.00 (0.01)	-0.00 (0.00)			0.01 (0.01)	0.00 (0.01)	-0.00 (0.00)			-0.04 (0.08)	-0.02 (0.06)	0.00 (0.00)
GDP growth			-0.02 (0.05)	-0.01 (0.05)	0.02 (0.07)			-0.02 (0.05)	-0.01 (0.05)	0.01 (0.07)			0.25 (0.19)	0.14 (0.14)	0.09 (0.14)
Regime Durability			0.00 (0.00)	0.00 (0.00)	0.00 (0.00)			0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)			0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)
Democracy			-0.03 (0.06)	0.01 (0.04)	-0.01 (0.02)			0.03 (0.06)	0.04 (0.04)	-0.00 (0.02)			-0.37*** (0.12)	-0.24** (0.09)	-0.06 (0.04)
First Lag			0.40*** (0.02)	0.40*** (0.02)	0.51*** (0.03)			0.41*** (0.02)	0.41*** (0.02)	0.52*** (0.03)			0.39*** (0.05)	0.39*** (0.05)	0.45*** (0.05)
Constant	-0.01 (0.01)	0.07 (0.18)	-0.24 (0.20)	-0.14 (0.15)	-0.11 (0.10)	-0.02 (0.01)	-0.10 (0.20)	-0.17 (0.20)	-0.13 (0.15)	-0.10 (0.10)	0.01 (0.03)	-0.08 (0.15)	0.79 (0.77)	0.64 (0.66)	0.36 (0.30)
Observations	5823	5823	3857	3843	3843	6059	6059	3984	3976	3976	1207	1207	900	886	886
R ²	0.00	0.03	0.04	0.20	0.20	0.00	0.02	0.03	0.20	0.20	0.00	0.07	0.09	0.23	397.83
sarganp					536.68					532.17					0
ar1p					0					0					0
ar2p					0					0					0
# Countries	163	163	139	139	139	163	162	138	138	138	39	39	36	36	36

Standard errors in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. FE is a fixed effects regression with time and country fixed effects using robust standard errors. GMM instruments are restricted to three lags. Endogenous variables are the first lag of the dependent variable and GDP Growth. AR (1) and AR (2) are the p-values of the test statistics for first and second order serial correlation in first differenced residuals.

B.2 Variations of the Dependent Variable

Table A6: Variations of the Dependent Variable – Log of real credit

	Aggregate Credit			Private Credit			Public Credit		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Aggregate	Bank	Non-Bank	Aggregate	Bank	Non-Bank	Aggregate	Bank	Non-Bank
Election	0.02** (0.01)	0.02** (0.01)	-0.03 (0.03)	0.01* (0.01)	0.01* (0.01)	-0.03 (0.04)	0.23** (0.11)	0.23** (0.11)	0.17 (0.27)
Kaopen	0.01** (0.00)	0.01* (0.00)	-0.01 (0.02)	0.01* (0.00)	0.00 (0.00)	-0.01 (0.01)	-0.05 (0.05)	-0.05 (0.05)	-0.07 (0.10)
GDP per capita	0.02** (0.01)	0.01 (0.01)	0.11* (0.06)	0.02* (0.01)	0.01 (0.01)	0.11*** (0.04)	0.26*** (0.06)	0.26*** (0.06)	0.22*** (0.06)
GDP growth	0.10 (0.10)	0.10 (0.08)	0.43 (0.43)	0.12 (0.10)	0.12 (0.08)	0.45 (0.42)	-0.25* (0.15)	-0.26* (0.16)	-0.08 (0.30)
Regime Durability	0.00 (0.00)	0.00 (0.00)	0.00* (0.00)	0.00* (0.00)	0.00 (0.00)	0.00* (0.00)	0.01*** (0.00)	0.01** (0.00)	0.01*** (0.00)
Democracy	0.00 (0.01)	-0.00 (0.01)	-0.07 (0.04)	-0.00 (0.01)	-0.00 (0.01)	-0.08* (0.05)	0.25** (0.13)	0.24* (0.12)	-0.09 (0.24)
First Lag	0.98*** (0.01)	0.99*** (0.01)	0.92*** (0.05)	0.98*** (0.01)	0.99*** (0.01)	0.91*** (0.03)	0.73*** (0.06)	0.74*** (0.06)	0.84*** (0.04)
Constant	0.39*** (0.12)	0.21** (0.09)	0.80 (0.50)	0.32*** (0.10)	0.22** (0.09)	0.76** (0.34)	2.74*** (0.75)	2.67*** (0.74)	1.88 (1.23)
Observations	3823	4032	1003	3847	4057	1050	3852	3987	887
Sargan χ^2	1616.58	1555.55	606.37	1404.65	1445.35	569.65	1393.69	1431.56	531.12
Pr > χ^2	0	0	0	0	0	0	0	0	0
AR(1)	0	0	0	0	0	0	0	0	0
AR(2)	1	1	1	0	1	0	0	0	1
# Countries	140	140	40	140	140	42	139	138	37

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

GMM instruments are restricted to three lags. Endogenous variables are the first lag of the dependent variable and GDP Growth.

AR (1) and AR (2) are the p-values of the test statistics for first and second order serial correlation in first differenced residuals.

Table A7: Variations of the Dependent Variable – Credit to GDP

	Aggregate Credit			Private Credit			Public Credit		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Aggregate	Bank	Non-Bank	Aggregate	Bank	Non-Bank	Aggregate	Bank	Non-Bank
Election	0.57** (0.23)	0.51*** (0.17)	0.31 (0.35)	0.44** (0.18)	0.40*** (0.13)	0.29 (0.34)	0.09 (0.09)	0.13 (0.08)	-0.02 (0.03)
Kaopen	-0.03 (0.18)	0.03 (0.15)	0.11 (0.08)	-0.15 (0.17)	-0.11 (0.14)	0.05 (0.08)	0.06* (0.03)	0.05 (0.03)	0.03* (0.02)
GDP per capita	-0.03 (0.07)	0.00 (0.06)	0.01 (0.03)	-0.05 (0.08)	-0.04 (0.07)	-0.00 (0.03)	0.03 (0.02)	0.02 (0.02)	0.01 (0.01)
GDP growth	0.03 (0.89)	-0.76 (0.71)	3.70*** (1.08)	0.53 (0.87)	-0.21 (0.37)	3.59*** (1.12)	-0.22 (0.17)	-0.21 (0.16)	-0.03 (0.07)
Regime Durability	-0.02** (0.01)	-0.01 (0.01)	-0.00 (0.00)	-0.02** (0.01)	-0.01* (0.01)	-0.00 (0.00)	0.00 (0.00)	-0.00* (0.00)	0.00 (0.00)
Democracy	-0.72** (0.35)	-0.43 (0.29)	-0.30 (0.19)	-0.76** (0.33)	-0.57** (0.27)	-0.17 (0.19)	0.25** (0.10)	0.23** (0.10)	-0.05 (0.04)
First Lag	1.07*** (0.02)	1.05*** (0.02)	1.03*** (0.01)	1.09*** (0.02)	1.08*** (0.02)	1.02*** (0.01)	1.02*** (0.01)	0.96*** (0.02)	1.01*** (0.00)
Constant	-0.57 (0.84)	0.17 (1.03)	-0.44 (0.55)	-0.56 (0.89)	0.22 (1.15)	-0.44 (0.90)	-0.20 (0.30)	-0.09 (0.31)	-0.26 (0.18)
Observations	3706	3922	976	3718	3927	1014	3751	3884	856
Sargan χ^2	2937.60	3495.38	1263.15	3400.17	3857.66	1329.02	3635.66	3852.52	1240.17
Pr> χ^2	0	0	0	0	0	0	0	0	0
AR(1)	0	0	0	0	0	0	0	0	0
AR(2)	0	0	0	0	0	0	0	0	0
# Countries	140	140	39	139	140	40	139	138	35

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

GMM instruments are restricted to three lags. Endogenous variables are the first lag of the dependent variable and GDP Growth.

AR (1) and AR (2) are the p-values of the test statistics for first and second order serial correlation in first differenced residuals.

Table A8: Variations of the Dependent Variable – Credit to GDP, Deviation from Trend

	Aggregate Credit			Private Credit			Public Credit		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Aggregate	Bank	Non-Bank	Aggregate	Bank	Non-Bank	Aggregate	Bank	Non-Bank
Election	0.07** (0.03)	0.09*** (0.03)	0.01 (0.06)	0.08*** (0.03)	0.08*** (0.03)	0.03 (0.06)	0.02 (0.03)	0.05 (0.03)	-0.07 (0.07)
Kaopen	0.00 (0.01)	0.00 (0.01)	0.03* (0.01)	0.00 (0.01)	0.01 (0.01)	0.02* (0.01)	-0.00 (0.01)	-0.01 (0.01)	0.03* (0.02)
GDP per capita	0.00** (0.00)	0.01*** (0.00)	0.00 (0.00)	0.00*** (0.00)	0.01*** (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
GDP growth	-0.22 (0.20)	-0.27 (0.22)	-0.02 (0.33)	-0.18 (0.17)	-0.22 (0.18)	-0.06 (0.34)	-0.13 (0.12)	-0.11 (0.11)	-0.17 (0.22)
Regime Durability	0.00 (0.00)	0.00 (0.00)	-0.00** (0.00)	0.00 (0.00)	0.00 (0.00)	-0.00*** (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)
Democracy	-0.02 (0.02)	-0.03* (0.02)	-0.00 (0.04)	-0.02 (0.02)	-0.03 (0.02)	0.05 (0.04)	-0.01 (0.02)	-0.01 (0.02)	-0.11** (0.04)
First Lag	0.80*** (0.02)	0.81*** (0.02)	0.81*** (0.03)	0.72*** (0.02)	0.81*** (0.02)	0.83*** (0.03)	0.73*** (0.02)	0.81*** (0.02)	0.66*** (0.05)
Constant	-0.12 (0.09)	-0.18** (0.09)	-0.00 (0.16)	-0.17* (0.10)	-0.14 (0.09)	0.03 (0.13)	0.16* (0.09)	-0.11* (0.06)	-0.01 (0.24)
Observations	3706	3922	976	3724	3933	1018	3757	3890	858
Sargan χ^2	1600.20	1647.14	864.46	1800.34	1864.99	900.73	1966.00	2029.55	713.93
Pr > χ^2	0	0	0	0	0	0	0	0	0
AR(1)	0	0	0	0	0	0	0	0	0
AR(2)	0	0	0	0	0	0	0	0	0
# Countries	140	140	39	139	140	40	139	138	35

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

GMM instruments are restricted to three lags. Endogenous variables are the first lag of the dependent variable and GDP Growth.

AR (1) and AR (2) are the p-values of the test statistics for first and second order serial correlation in first differenced residuals.

B.3 Variations of the Independent Variable

Table A9: Variations of the Independent Variable – All Executive Elections

	Aggregate Credit			Private Credit			Public Credit		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Aggregate	Bank	Non-Bank	Aggregate	Bank	Non-Bank	Aggregate	Bank	Non-Bank
Election	0.00 (0.03)	0.02 (0.03)	-0.11* (0.06)	0.01 (0.03)	0.02 (0.03)	-0.03 (0.05)	0.02 (0.04)	0.05 (0.04)	-0.10 (0.07)
Kaopen	0.01** (0.01)	0.01 (0.01)	0.02 (0.01)	0.01* (0.01)	0.01* (0.01)	0.02* (0.01)	-0.00 (0.01)	-0.01 (0.01)	0.02 (0.03)
GDP per capita	0.01*** (0.00)	0.01*** (0.00)	0.00 (0.00)	0.01*** (0.00)	0.01*** (0.00)	0.01** (0.00)	-0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)
GDP growth	0.18 (0.18)	0.23 (0.21)	0.57* (0.34)	0.20 (0.19)	0.27 (0.22)	-0.40 (0.53)	0.02 (0.07)	0.02 (0.07)	0.10 (0.13)
Regime Durability	0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)
Democracy	-0.01 (0.02)	-0.01 (0.02)	0.01 (0.04)	-0.01 (0.02)	-0.01 (0.02)	-0.02 (0.04)	-0.00 (0.02)	-0.00 (0.02)	-0.05 (0.04)
First Lag	0.65*** (0.03)	0.69*** (0.02)	0.58*** (0.06)	0.69*** (0.03)	0.72*** (0.02)	0.57*** (0.06)	0.45*** (0.03)	0.51*** (0.03)	0.52*** (0.05)
Constant	-0.17* (0.09)	-0.17** (0.08)	0.00 (0.12)	-0.02 (0.08)	-0.09 (0.08)	-0.11 (0.12)	0.18* (0.10)	-0.09 (0.10)	0.36 (0.29)
Observations	3823	4032	1003	3852	4054	1037	3843	3976	886
Sargan χ^2	588.99	554.87	466.10	616.40	573.44	465.78	536.54	531.91	396.03
Pr > χ^2	0	0	0	0	0	0	0	0	0
AR(1)	0	0	0	0	0	0	0	0	0
AR(2)	0	0	1	0	0	0	0	0	0
# Countries	140	140	40	140	140	39	139	138	36

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

GMM instruments are restricted to three lags. Endogenous variables are the first lag of the dependent variable and GDP Growth. AR (1) and AR (2) are the p-values of the test statistics for first and second order serial correlation in first differenced residuals.

Table A10: Variations of the Independent Variable – All Executive Elections, DPI

	Aggregate Credit			Private Credit			Public Credit		
	(1) Aggregate	(2) Bank	(3) Non-Bank	(4) Aggregate	(5) Bank	(6) Non-Bank	(7) Aggregate	(8) Bank	(9) Non-Bank
Election	0.02 (0.04)	0.05 (0.04)	-0.12 (0.08)	0.03 (0.04)	0.05 (0.03)	-0.04 (0.07)	0.00 (0.04)	0.03 (0.04)	-0.04 (0.07)
Kaopen	0.01* (0.01)	0.01 (0.01)	0.02* (0.01)	0.01* (0.01)	0.01* (0.01)	0.02* (0.01)	-0.01 (0.01)	-0.01 (0.01)	0.01 (0.02)
GDP per capita	0.01*** (0.00)	0.01*** (0.00)	0.01* (0.00)	0.01*** (0.00)	0.01*** (0.00)	0.01*** (0.00)	-0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)
GDP growth	0.21 (0.20)	0.22 (0.20)	0.80*** (0.19)	0.25 (0.21)	0.28 (0.22)	0.15 (0.36)	-0.03 (0.05)	-0.03 (0.04)	0.10 (0.14)
Regime Durability	0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)	0.00* (0.00)	0.00 (0.00)	0.00 (0.00)
Democracy	-0.02 (0.02)	-0.02 (0.02)	0.02 (0.05)	-0.02 (0.02)	-0.03 (0.02)	-0.01 (0.04)	-0.00 (0.02)	-0.00 (0.02)	-0.04 (0.04)
First Lag	0.66*** (0.02)	0.69*** (0.02)	0.64*** (0.03)	0.71*** (0.02)	0.72*** (0.02)	0.62*** (0.03)	0.52*** (0.02)	0.54*** (0.03)	0.46*** (0.05)
Constant	-0.22 (0.13)	-0.07 (0.08)	0.28 (0.34)	-0.29** (0.14)	0.12 (0.08)	-0.36* (0.20)	0.08 (0.10)	0.13 (0.09)	-0.24 (0.18)
Observations	3511	3707	901	3551	3724	935	3523	3648	796
Sargan χ^2	529.09	495.29	386.04	532.46	525.16	396.00	426.70	430.00	345.00
Pr > χ^2	0	0	0	0	0	0	0	0	0
AR(1)	0	0	0	0	0	0	0	0	0
AR(2)	0	0	1	0	0	1	0	1	0
# Countries	141	142	40	142	142	39	140	140	36

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

GMM instruments are restricted to three lags. Endogenous variables are the first lag of the dependent variable and GDP Growth. AR (1) and AR (2) are the p-values of the test statistics for first and second order serial correlation in first differenced residuals.

Table A11: Variations of the Independent Variable – Non-Scheduled Executive Elections

	Aggregate Credit			Private Credit			Public Credit		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Aggregate	Bank	Non-Bank	Aggregate	Bank	Non-Bank	Aggregate	Bank	Non-Bank
Election	-0.11* (0.06)	-0.11* (0.06)	-0.21* (0.12)	-0.07 (0.06)	-0.08 (0.05)	-0.09 (0.11)	-0.09 (0.06)	-0.03 (0.06)	-0.24** (0.10)
Kaopen	0.01** (0.01)	0.01 (0.01)	0.02 (0.01)	0.01* (0.01)	0.01* (0.01)	0.02* (0.01)	-0.00 (0.01)	-0.01 (0.01)	0.03 (0.03)
GDP per capita	0.01*** (0.00)	0.01*** (0.00)	0.00 (0.00)	0.01*** (0.00)	0.01*** (0.00)	0.01** (0.00)	-0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)
GDP growth	0.18 (0.18)	0.23 (0.20)	0.56 (0.34)	0.20 (0.18)	0.27 (0.22)	-0.40 (0.53)	0.02 (0.07)	0.01 (0.06)	0.09 (0.13)
Regime Durability	0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)
Democracy	-0.01 (0.02)	0.00 (0.02)	0.00 (0.04)	-0.01 (0.02)	-0.00 (0.02)	-0.02 (0.04)	0.00 (0.02)	0.01 (0.02)	-0.06 (0.04)
First Lag	0.65*** (0.03)	0.69*** (0.02)	0.57*** (0.06)	0.69*** (0.03)	0.72*** (0.02)	0.57*** (0.06)	0.51*** (0.03)	0.52*** (0.03)	0.45*** (0.05)
Constant	-0.01 (0.10)	-0.16** (0.08)	0.02 (0.11)	0.00 (0.09)	0.29*** (0.11)	-0.10 (0.12)	-0.12 (0.10)	-0.10 (0.10)	-0.20 (0.21)
Observations	3848	4070	1003	3890	4092	1037	3868	4014	886
Sargan χ^2	587.21	556.35	467.80	611.13	568.50	465.64	534.38	528.09	396.76
Pr > χ^2	0	0	0	0	0	0	0	0	0
AR(1)	0	0	0	0	0	0	0	0	0
AR(2)	0	0	1	0	0	0	0	0	1
# Countries	141	142	40	142	142	39	140	140	36

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

GMM instruments are restricted to three lags. Endogenous variables are the first lag of the dependent variable and GDP Growth. AR (1) and AR (2) are the p-values of the test statistics for first and second order serial correlation in first differenced residuals.

Table A12: Variations of the Independent Variable – Scheduled Executive Elections, Incumbent/Successor running for election

	Aggregate Credit			Private Credit			Public Credit		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Aggregate	Bank	Non-Bank	Aggregate	Bank	Non-Bank	Aggregate	Bank	Non-Bank
Election	0.09** (0.04)	0.11*** (0.04)	-0.01 (0.07)	0.08* (0.04)	0.09** (0.04)	0.03 (0.06)	0.09** (0.05)	0.10** (0.05)	-0.01 (0.07)
Kaopen	0.01** (0.01)	0.01* (0.01)	0.02 (0.01)	0.01* (0.01)	0.01* (0.01)	0.02 (0.01)	-0.00 (0.01)	-0.01 (0.01)	0.02 (0.03)
GDP per capita	0.01*** (0.00)	0.01*** (0.00)	0.00 (0.00)	0.01*** (0.00)	0.01*** (0.00)	0.01** (0.00)	-0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)
GDP growth	0.18 (0.18)	0.23 (0.20)	0.59* (0.34)	0.19 (0.18)	0.27 (0.22)	-0.36 (0.54)	0.02 (0.07)	0.01 (0.07)	0.08 (0.13)
Regime Durability	0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)
Democracy	-0.01 (0.02)	-0.01 (0.02)	0.01 (0.05)	-0.01 (0.02)	-0.01 (0.02)	-0.02 (0.04)	-0.01 (0.02)	-0.00 (0.02)	-0.06 (0.04)
First Lag	0.65*** (0.03)	0.69*** (0.02)	0.58*** (0.06)	0.69*** (0.03)	0.73*** (0.02)	0.57*** (0.06)	0.51*** (0.03)	0.52*** (0.03)	0.45*** (0.05)
Constant	-0.40*** (0.15)	0.25** (0.12)	0.00 (0.12)	-0.00 (0.10)	-0.10 (0.08)	-0.11 (0.12)	0.17* (0.10)	0.13 (0.09)	0.36 (0.30)
Observations	3817	4026	1000	3846	4048	1034	3837	3970	883
Sargan χ^2	580.32	548.22	469.18	605.58	565.15	469.54	535.05	529.83	395.53
Pr > χ^2	0	0	0	0	0	0	0	0	0
AR(1)	0	0	0	0	0	0	0	0	0
AR(2)	0	0	1	0	0	0	0	0	0
# Countries	140	140	40	140	140	39	139	138	36

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

GMM instruments are restricted to three lags. Endogenous variables are the first lag of the dependent variable and GDP Growth. AR (1) and AR (2) are the p-values of the test statistics for first and second order serial correlation in first differenced residuals.

Table A13: Variations of the Independent Variable – Scheduled Executive Elections, Incumbent/Successor not running for election

	Aggregate Credit			Private Credit			Public Credit		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Aggregate	Bank	Non-Bank	Aggregate	Bank	Non-Bank	Aggregate	Bank	Non-Bank
Election	0.06 (0.05)	0.10** (0.04)	-0.13 (0.08)	0.05 (0.05)	0.08 (0.05)	-0.10 (0.07)	0.09* (0.05)	0.11** (0.05)	0.03 (0.08)
Kaopen	0.01** (0.01)	0.01 (0.01)	0.02 (0.01)	0.01* (0.01)	0.01* (0.01)	0.02* (0.01)	-0.00 (0.01)	-0.01 (0.01)	0.02 (0.02)
GDP per capita	0.01*** (0.00)	0.01*** (0.00)	0.00 (0.00)	0.01*** (0.00)	0.01*** (0.00)	0.01** (0.00)	-0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)
GDP growth	0.18 (0.18)	0.23 (0.21)	0.56* (0.34)	0.20 (0.19)	0.27 (0.22)	-0.40 (0.53)	0.02 (0.07)	0.02 (0.07)	0.09 (0.13)
Regime Durability	0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)
Democracy	-0.02 (0.02)	-0.01 (0.02)	0.02 (0.05)	-0.02 (0.02)	-0.02 (0.02)	-0.01 (0.04)	-0.01 (0.02)	-0.01 (0.02)	-0.06 (0.04)
First Lag	0.65*** (0.03)	0.69*** (0.02)	0.58*** (0.06)	0.69*** (0.03)	0.72*** (0.02)	0.57*** (0.06)	0.51*** (0.03)	0.52*** (0.03)	0.45*** (0.05)
Constant	-0.40*** (0.15)	-0.17** (0.08)	-0.01 (0.12)	-0.09 (0.08)	-0.09 (0.08)	-0.30 (0.20)	0.18* (0.10)	0.14 (0.09)	0.37 (0.30)
Observations	3823	4032	1003	3852	4054	1037	3843	3976	886
Sargan χ^2	589.12	555.20	466.09	616.24	573.06	465.14	535.47	531.57	397.28
Pr > χ^2	0	0	0	0	0	0	0	0	0
AR(1)	0	0	0	0	0	0	0	0	0
AR(2)	0	0	1	0	0	0	0	0	0
# Countries	140	140	40	140	140	39	139	138	36

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

GMM instruments are restricted to three lags. Endogenous variables are the first lag of the dependent variable and GDP Growth. AR (1) and AR (2) are the p-values of the test statistics for first and second order serial correlation in first differenced residuals.

Table A14: Variations of the Independent Variable – Scheduled Executive Elections, Left wing government running for election

	Aggregate Credit			Private Credit			Public Credit		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Aggregate	Bank	Non-Bank	Aggregate	Bank	Non-Bank	Aggregate	Bank	Non-Bank
Election	0.14* (0.08)	0.14* (0.08)	-0.22 (0.20)	0.14* (0.09)	0.15* (0.08)	-0.16 (0.13)	0.14* (0.07)	0.18** (0.07)	-0.08 (0.15)
Kaopen	0.01** (0.01)	0.01 (0.01)	0.02 (0.01)	0.01* (0.01)	0.01* (0.01)	0.02* (0.01)	-0.00 (0.01)	-0.01 (0.01)	0.02 (0.02)
GDP per capita	0.01*** (0.00)	0.01*** (0.00)	0.00 (0.00)	0.01*** (0.00)	0.01*** (0.00)	0.01** (0.00)	-0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)
GDP growth	0.18 (0.18)	0.23 (0.20)	0.59* (0.35)	0.19 (0.18)	0.27 (0.21)	-0.40 (0.53)	0.02 (0.07)	0.01 (0.06)	0.10 (0.13)
Regime Durability	0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)
Democracy	-0.01 (0.02)	-0.01 (0.02)	0.01 (0.04)	-0.01 (0.02)	-0.01 (0.02)	-0.01 (0.04)	-0.00 (0.02)	0.00 (0.02)	-0.06 (0.04)
First Lag	0.65*** (0.03)	0.69*** (0.02)	0.58*** (0.06)	0.69*** (0.03)	0.72*** (0.02)	0.57*** (0.06)	0.51*** (0.03)	0.52*** (0.03)	0.45*** (0.05)
Constant	-0.16* (0.09)	-0.16** (0.08)	-0.00 (0.12)	-0.08 (0.08)	0.28** (0.11)	-0.11 (0.12)	-0.10 (0.11)	0.14 (0.09)	0.36 (0.30)
Observations	3823	4032	1003	3852	4054	1037	3843	3976	886
Sargan χ^2	588.85	555.00	465.07	615.44	572.25	465.56	535.40	532.04	396.44
Pr> χ^2	0	0	0	0	0	0	0	0	0
AR(1)	0	0	0	0	0	0	0	0	0
AR(2)	0	0	1	0	0	0	0	0	0
# Countries	140	140	40	140	140	39	139	138	36

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

GMM instruments are restricted to three lags. Endogenous variables are the first lag of the dependent variable and GDP Growth. AR (1) and AR (2) are the p-values of the test statistics for first and second order serial correlation in first differenced residuals.

Table A15: Variations of the Independent Variable – Scheduled Executive Elections, Presidential System

	Aggregate Credit			Private Credit			Public Credit		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Aggregate	Bank	Non-Bank	Aggregate	Bank	Non-Bank	Aggregate	Bank	Non-Bank
Election	0.15*** (0.06)	0.16*** (0.05)	0.08 (0.11)	0.14** (0.06)	0.14*** (0.05)	0.02 (0.11)	0.12** (0.05)	0.13** (0.05)	-0.05 (0.09)
Kaopen	0.00 (0.01)	0.00 (0.01)	0.02 (0.02)	0.00 (0.01)	0.01 (0.01)	0.03 (0.02)	-0.01 (0.01)	-0.01 (0.01)	0.02 (0.03)
GDP per capita	0.01** (0.00)	0.01** (0.00)	0.01*** (0.00)	0.01** (0.00)	0.01** (0.00)	0.02*** (0.00)	-0.00 (0.00)	-0.00 (0.00)	0.00 (0.01)
GDP growth	0.13 (0.16)	0.18 (0.17)	0.53* (0.32)	0.15 (0.16)	0.22 (0.19)	-0.38 (0.55)	-0.06 (0.04)	-0.07 (0.04)	-0.02 (0.12)
Regime Durability	0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)	0.00*** (0.00)	0.00*** (0.00)	0.00 (0.00)
Democracy	0.00 (0.03)	-0.00 (0.03)	0.02 (0.07)	0.01 (0.03)	-0.01 (0.03)	-0.01 (0.06)	-0.02 (0.03)	-0.01 (0.03)	-0.11* (0.06)
First Lag	0.63*** (0.04)	0.64*** (0.03)	0.54*** (0.08)	0.67*** (0.03)	0.68*** (0.03)	0.55*** (0.06)	0.48*** (0.03)	0.48*** (0.04)	0.35*** (0.06)
Constant	-0.26 (0.20)	0.12 (0.14)	0.22 (0.17)	-0.01 (0.14)	0.03 (0.14)	-0.28 (0.22)	0.05 (0.10)	-0.21** (0.10)	-0.21 (0.24)
Observations	1978	2115	579	1995	2129	586	2007	2099	474
Sargan χ^2	506.95	470.49	465.06	532.24	480.67	481.92	408.65	425.11	351.49
Pr > χ^2	0	0	0	0	0	0	0	0	0
AR(1)	0	0	0	0	0	0	0	0	0
AR(2)	0	0	1	0	0	1	1	1	1
# Countries	96	96	29	96	96	28	96	95	25

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

GMM instruments are restricted to three lags. Endogenous variables are the first lag of the dependent variable and GDP Growth. AR (1) and AR (2) are the p-values of the test statistics for first and second order serial correlation in first differenced residuals.

Table A16: Variations of the Independent Variable – Scheduled Executive Elections, Parliamentary System

	Aggregate Credit			Private Credit			Public Credit		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Aggregate	Bank	Non-Bank	Aggregate	Bank	Non-Bank	Aggregate	Bank	Non-Bank
Election	0.05 (0.06)	0.07 (0.06)	-0.09 (0.16)	0.02 (0.05)	0.04 (0.05)	0.03 (0.10)	0.06 (0.08)	0.10 (0.07)	0.01 (0.12)
Kaopen	0.02 (0.01)	0.02 (0.01)	-0.04 (0.03)	0.01 (0.01)	0.02 (0.01)	-0.01 (0.02)	-0.01 (0.01)	-0.00 (0.01)	0.02 (0.02)
GDP per capita	0.00 (0.00)	0.00 (0.00)	0.05** (0.03)	0.00 (0.00)	0.00 (0.00)	0.02 (0.02)	0.00 (0.00)	0.00 (0.00)	0.03 (0.02)
GDP growth	1.43* (0.78)	1.56** (0.79)	2.68** (1.33)	1.52** (0.69)	1.53** (0.71)	1.17 (0.71)	1.03 (0.67)	1.17* (0.71)	1.26 (0.93)
Regime Durability	0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	-0.00* (0.00)	-0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)
Democracy	0.01 (0.04)	0.03 (0.04)	0.08 (0.13)	0.00 (0.04)	0.02 (0.04)	0.12 (0.10)	0.07 (0.05)	0.07 (0.05)	-0.03 (0.07)
First Lag	0.61*** (0.04)	0.67*** (0.03)	0.44*** (0.05)	0.66*** (0.05)	0.72*** (0.03)	0.45*** (0.04)	0.51*** (0.04)	0.56*** (0.04)	0.52*** (0.06)
Constant	0.14 (0.10)	-0.78*** (0.26)	-0.84 (0.62)	0.21** (0.10)	0.06 (0.09)	-0.36 (0.47)	-0.97*** (0.30)	-0.39** (0.17)	-0.59*** (0.20)
Observations	1206	1252	271	1210	1249	298	1190	1210	271
Sargan χ^2	452.80	503.14	315.83	448.82	525.68	329.80	361.53	354.10	313.47
Pr > χ^2	0	0	0	0	0	0	0	0	0
AR(1)	0	0	0	0	0	0	0	0	0
AR(2)	0	0	0	0	0	0	0	0	1
# Countries	57	57	13	57	57	13	56	55	13

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

GMM instruments are restricted to three lags. Endogenous variables are the first lag of the dependent variable and GDP Growth. AR (1) and AR (2) are the p-values of the test statistics for first and second order serial correlation in first differenced residuals.

C Sub-Samples and Robustness Checks

C.1 Robustness Checks - Variations of Control Variables

Table A17: Additional Model Specifications – Including the Real Interest Rate

	Aggregate Credit			Private Credit			Public Credit		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Aggregate	Bank	Non-Bank	Aggregate	Bank	Non-Bank	Aggregate	Bank	Non-Bank
Election	0.06 (0.04)	0.09** (0.04)	0.00 (0.09)	0.07 (0.05)	0.09** (0.05)	-0.00 (0.10)	0.04 (0.05)	0.08* (0.05)	0.09 (0.08)
Kaopen	0.00 (0.01)	0.01 (0.01)	-0.01 (0.01)	-0.00 (0.01)	0.01 (0.01)	-0.01 (0.01)	-0.01 (0.01)	-0.00 (0.01)	0.00 (0.02)
GDP per capita	0.00 (0.00)	0.01** (0.00)	0.00 (0.01)	0.00 (0.00)	0.01** (0.00)	0.00 (0.01)	-0.00 (0.00)	-0.00 (0.00)	-0.01 (0.01)
GDP growth	1.00*** (0.18)	0.93*** (0.18)	0.65*** (0.19)	0.99*** (0.18)	0.95*** (0.19)	-0.15 (0.36)	0.13 (0.16)	0.07 (0.17)	0.03 (0.12)
Regime Durability	0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)
Democracy	-0.01 (0.03)	-0.01 (0.02)	-0.00 (0.06)	-0.04 (0.03)	-0.04* (0.02)	-0.03 (0.06)	0.03 (0.02)	0.03 (0.03)	-0.01 (0.04)
Real Interest Rate (%)	0.01*** (0.00)	0.00 (0.00)	0.00 (0.00)	0.01*** (0.00)	0.00 (0.00)	0.00 (0.00)	0.01*** (0.00)	0.00** (0.00)	0.00 (0.00)
First Lag	0.69*** (0.03)	0.72*** (0.02)	0.61*** (0.04)	0.72*** (0.03)	0.74*** (0.02)	0.59*** (0.03)	0.54*** (0.03)	0.55*** (0.03)	0.45*** (0.06)
Constant	0.22 (0.40)	0.20 (0.25)	-0.27 (0.20)	0.10 (0.33)	-0.17 (0.32)	-0.44 (0.38)	-0.46 (0.41)	0.33 (0.25)	0.28* (0.16)
Observations	2628	2755	667	2638	2758	684	2619	2713	653
Sargan χ^2	553.76	515.95	357.21	558.95	561.89	359.13	463.76	487.49	329.44
Pr > χ^2	0	0	0	0	0	0	0	0	0
AR(1)	0	0	0	0	0	0	0	0	0
AR(2)	0	0	1	0	0	1	0	0	0
# Countries	132	133	37	132	133	36	131	131	34

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

GMM instruments are restricted to three lags. Endogenous variables are the first lag of the dependent variable and GDP Growth. AR (1) and AR (2) are the p-values of the test statistics for first and second order serial correlation in first differenced residuals.

Table A18: Additional Model Specifications – Alternative Kaopen Index

	Aggregate Credit			Private Credit			Public Credit		
	(1) Aggregate	(2) Bank	(3) Non-Bank	(4) Aggregate	(5) Bank	(6) Non-Bank	(7) Aggregate	(8) Bank	(9) Non-Bank
Election	0.08** (0.04)	0.11*** (0.04)	-0.02 (0.07)	0.09** (0.05)	0.11*** (0.04)	-0.01 (0.06)	0.07 (0.05)	0.09** (0.05)	-0.03 (0.07)
ckaopen	0.00 (0.01)	-0.00 (0.01)	0.02 (0.02)	0.00 (0.01)	0.00 (0.01)	0.03* (0.02)	0.00 (0.01)	-0.00 (0.01)	0.04 (0.03)
GDP per capita	0.01*** (0.00)	0.00** (0.00)	0.01** (0.00)	0.01*** (0.00)	0.01*** (0.00)	0.01** (0.01)	-0.00 (0.00)	-0.00 (0.00)	0.01 (0.00)
GDP growth	0.17 (0.18)	0.22 (0.20)	0.52 (0.36)	0.19 (0.18)	0.26 (0.21)	-0.53 (0.51)	0.00 (0.06)	-0.01 (0.05)	0.08 (0.13)
Regime Durability	0.00* (0.00)	0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)	-0.00* (0.00)
Democracy	-0.03 (0.02)	-0.02 (0.02)	-0.01 (0.06)	-0.03 (0.02)	-0.03 (0.02)	-0.03 (0.05)	0.00 (0.02)	0.01 (0.02)	-0.08* (0.05)
First Lag	0.64*** (0.03)	0.68*** (0.02)	0.56*** (0.06)	0.68*** (0.03)	0.72*** (0.02)	0.55*** (0.06)	0.51*** (0.03)	0.52*** (0.03)	0.46*** (0.05)
Constant	-0.22** (0.09)	-0.23* (0.14)	-0.07 (0.13)	0.02 (0.10)	-0.14* (0.09)	-0.15 (0.13)	0.13 (0.12)	-0.24** (0.12)	0.33 (0.30)
Observations	3372	3552	925	3400	3576	962	3395	3501	814
Sargan χ^2	542.71	507.25	452.01	555.09	521.18	432.46	507.03	487.74	355.00
Pr > χ^2	0	0	0	0	0	0	0	0	0
AR(1)	0	0	0	0	0	0	0	0	0
AR(2)	0	0	1	0	0	0	1	1	0
# Countries	138	138	39	138	138	38	138	137	35

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

GMM instruments are restricted to three lags. Endogenous variables are the first lag of the dependent variable and GDP Growth. AR (1) and AR (2) are the p-values of the test statistics for first and second order serial correlation in first differenced residuals.

Table A19: Additional Model Specifications – All countries with an explicit deposit insurance

	Aggregate Credit			Private Credit			Public Credit		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Aggregate	Bank	Non-Bank	Aggregate	Bank	Non-Bank	Aggregate	Bank	Non-Bank
Election	0.14** (0.07)	0.15** (0.07)	-0.11 (0.14)	0.11** (0.05)	0.16*** (0.06)	-0.05 (0.15)	0.09 (0.08)	0.09 (0.08)	-0.12 (0.09)
Election X Kaopen	-0.09** (0.04)	-0.07 (0.05)	0.06 (0.09)	-0.08** (0.04)	-0.09** (0.04)	0.02 (0.08)	-0.03 (0.06)	-0.01 (0.06)	0.06 (0.07)
Kaopen	0.01 (0.01)	0.02 (0.01)	-0.00 (0.02)	0.02* (0.01)	0.03** (0.01)	-0.00 (0.03)	-0.01 (0.01)	-0.01 (0.01)	-0.04 (0.04)
GDP per capita	0.01** (0.00)	0.01** (0.00)	0.00 (0.01)	0.01*** (0.00)	0.01** (0.00)	0.00 (0.01)	0.00 (0.00)	-0.00 (0.00)	-0.01 (0.01)
GDP growth	1.44** (0.72)	1.21** (0.54)	0.26 (0.77)	1.73** (0.76)	1.64*** (0.63)	0.42 (0.73)	0.48 (0.52)	0.33 (0.41)	-0.20 (0.94)
Regime Durability	0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)	0.00** (0.00)	0.00 (0.00)	0.00 (0.00)
Democracy	0.05 (0.05)	0.03 (0.04)	0.06 (0.12)	0.06 (0.05)	0.02 (0.03)	0.13 (0.16)	0.02 (0.03)	0.02 (0.04)	-0.09 (0.07)
First Lag	0.64*** (0.05)	0.68*** (0.03)	0.56*** (0.05)	0.67*** (0.05)	0.73*** (0.04)	0.52*** (0.06)	0.52*** (0.04)	0.55*** (0.07)	0.40*** (0.07)
Constant	-0.04 (0.41)	-0.09 (0.38)	-0.34* (0.18)	0.11 (0.58)	-0.41** (0.19)	-0.47* (0.27)	-0.03 (0.35)	-0.40 (0.37)	-0.06 (0.47)
Observations	1138	1210	377	1142	1209	377	1147	1197	384
Sargan χ^2	430.38	453.57	319.47	470.07	501.07	371.05	448.73	470.04	341.39
Pr > χ^2	0	0	0	0	0	0	0	0	0
AR(1)	0	0	0	0	0	0	0	0	0
AR(2)	1	0	0	1	0	0	1	1	1
# Countries	74	77	22	76	77	23	73	75	22

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

GMM instruments are restricted to three lags. Endogenous variables are the first lag of the dependent variable and GDP Growth. AR (1) and AR (2) are the p-values of the test statistics for first and second order serial correlation in first differenced residuals.

C.2 Robustness Checks - Variations Across Subsamples

C.2.1 Robustness Checks - Variations Across Regions

Table A20: Variations Across Regions – Africa

	Aggregate Credit			Private Credit			Public Credit		
	(1) Aggregate	(2) Bank	(3) Non-Bank	(4) Aggregate	(5) Bank	(6) Non-Bank	(7) Aggregate	(8) Bank	(9) Non-Bank
Election	0.13* (0.07)	0.11* (0.07)	0.36 (0.24)	0.16** (0.07)	0.17** (0.07)	0.32 (0.23)	0.12 (0.09)	0.11 (0.08)	-0.22 (0.15)
Kaopen	0.02 (0.02)	0.02 (0.02)	0.36** (0.14)	0.01 (0.02)	0.01 (0.02)	0.33** (0.13)	-0.01 (0.01)	-0.02 (0.01)	0.23** (0.11)
GDP per capita	0.00 (0.00)	0.00 (0.00)	0.01 (0.01)	0.00 (0.00)	0.00 (0.00)	0.01 (0.01)	0.00 (0.00)	-0.00 (0.00)	0.00 (0.01)
GDP growth	-0.00 (0.06)	0.01 (0.06)	0.25 (0.58)	0.00 (0.07)	0.01 (0.07)	-0.23 (0.73)	-0.05 (0.05)	-0.04 (0.05)	0.40 (0.33)
Regime Durability	0.00*** (0.00)	0.00* (0.00)	0.00 (0.00)	0.00*** (0.00)	0.00 (0.00)	0.00*** (0.00)	0.00 (0.00)	0.00** (0.00)	0.00 (0.00)
Democracy	0.11*** (0.04)	0.12*** (0.04)	0.14 (0.10)	0.13*** (0.05)	0.11** (0.04)	0.17 (0.12)	0.01 (0.06)	0.04 (0.06)	0.06 (0.07)
First Lag	0.59*** (0.03)	0.60*** (0.03)	0.48*** (0.05)	0.62*** (0.03)	0.62*** (0.03)	0.51*** (0.04)	0.37*** (0.06)	0.38*** (0.06)	0.38*** (0.05)
Constant	-0.05 (0.15)	-0.05 (0.18)	0.42 (0.29)	-0.00 (0.15)	-0.14 (0.15)	-0.20 (0.51)	-0.11 (0.24)	-0.10 (0.25)	0.19 (0.26)
Observations	1219	1243	235	1220	1243	235	1224	1243	179
Sargan χ^2	384.79	379.96	257.99	375.35	366.20	264.36	489.04	495.17	195.69
Pr > χ^2	0	0	0	0	0	0	0	0	0
AR(1)	0	0	0	0	0	0	0	0	0
AR(2)	1	0	0	0	0	1	0	0	0
# Countries	42	42	9	42	42	9	42	42	7

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

GMM instruments are restricted to three lags. Endogenous variables are the first lag of the dependent variable and GDP Growth. AR (1) and AR (2) are the p-values of the test statistics for first and second order serial correlation in first differenced residuals.

Table A21: Variations Across Regions – Asia

	Aggregate Credit			Private Credit			Public Credit		
	(1) Aggregate	(2) Bank	(3) Non-Bank	(4) Aggregate	(5) Bank	(6) Non-Bank	(7) Aggregate	(8) Bank	(9) Non-Bank
Election	0.23** (0.09)	0.19** (0.09)	0.36*** (0.12)	0.20** (0.08)	0.16* (0.08)	0.14 (0.17)	0.15 (0.13)	0.14 (0.13)	-0.28* (0.15)
Kaopen	0.00 (0.01)	-0.00 (0.01)	0.02 (0.01)	0.01 (0.01)	0.00 (0.01)	0.05*** (0.01)	-0.01 (0.01)	0.00 (0.02)	-0.05 (0.09)
GDP per capita	0.01 (0.01)	0.01 (0.01)	0.01*** (0.00)	0.01 (0.01)	0.01 (0.01)	0.03*** (0.01)	0.00 (0.01)	-0.00 (0.01)	-0.03* (0.02)
GDP growth	-0.51 (1.37)	-0.42 (1.32)	-1.07*** (0.31)	0.12 (0.67)	0.20 (0.66)	-3.29*** (0.92)	-1.22 (0.80)	-1.37* (0.72)	1.91*** (0.49)
Regime Durability	0.00 (0.00)	0.00 (0.00)	-0.01 (0.01)	0.00 (0.00)	0.00 (0.00)	-0.01 (0.01)	0.00 (0.00)	0.00 (0.00)	-0.02** (0.01)
Democracy	-0.01 (0.05)	0.01 (0.04)	-0.32 (0.24)	-0.05 (0.06)	-0.04 (0.05)	-0.33* (0.18)	0.03 (0.06)	0.05 (0.06)	-0.38*** (0.06)
First Lag	0.52*** (0.06)	0.54*** (0.06)	0.52*** (0.04)	0.59*** (0.04)	0.59*** (0.04)	0.53*** (0.05)	0.40*** (0.03)	0.40*** (0.03)	0.19*** (0.06)
Constant	0.25 (0.21)	0.24 (0.23)	0.37 (0.27)	-0.03 (0.22)	-0.02 (0.20)	-0.49 (0.56)	-0.42*** (0.13)	0.12 (0.23)	0.02 (0.40)
Observations	526	547	134	536	553	138	514	535	134
Sargan χ^2	418.11	421.42	142.97	453.40	460.62	152.97	451.08	441.06	132.28
Pr > χ^2	0	0	0	0	0	0	0	0	0
AR(1)	0	0	0	0	0	0	0	0	0
AR(2)	0	0	1	0	0	0	0	0	0
# Countries	18	18	4	18	18	4	18	18	4

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

GMM instruments are restricted to three lags. Endogenous variables are the first lag of the dependent variable and GDP Growth. AR (1) and AR (2) are the p-values of the test statistics for first and second order serial correlation in first differenced residuals.

Table A22: Variations Across Regions – MENA

	Aggregate Credit			Private Credit			Public Credit		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Aggregate	Bank	Non-Bank	Aggregate	Bank	Non-Bank	Aggregate	Bank	Non-Bank
Election	0.07 (0.07)	0.05 (0.14)	0.57*** (0.20)	0.03 (0.08)	-0.04 (0.08)	0.59*** (0.23)	-0.07 (0.13)	-0.01 (0.15)	0.33** (0.14)
Kaopen	0.02 (0.02)	0.01 (0.02)	0.07* (0.04)	0.03* (0.02)	0.02 (0.02)	0.04 (0.04)	0.01 (0.01)	-0.00 (0.01)	0.47*** (0.08)
GDP per capita	0.02*** (0.01)	0.01*** (0.01)	-0.00 (0.01)	0.02*** (0.01)	0.02*** (0.01)	-0.00 (0.01)	0.00 (0.00)	0.00 (0.00)	0.28*** (0.06)
GDP growth	0.21 (0.33)	1.11* (0.63)	-1.02*** (0.21)	0.83 (0.57)	1.74*** (0.22)	-1.09*** (0.26)	0.56*** (0.16)	0.59*** (0.16)	-1.29** (0.50)
Regime Durability	0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	-0.00* (0.00)	-0.00 (0.00)	0.04*** (0.01)
Democracy	0.03 (0.03)	0.02 (0.01)	- (0.00)	0.05* (0.03)	0.05** (0.02)	- (0.00)	-0.01 (0.04)	-0.01 (0.04)	- (0.00)
First Lag	0.41*** (0.10)	0.57*** (0.05)	0.40*** (0.12)	0.49*** (0.10)	0.63*** (0.03)	0.45*** (0.10)	0.50*** (0.06)	0.52*** (0.06)	-0.13** (0.05)
Constant	0.03 (0.32)	-0.66*** (0.10)	-0.25 (0.18)	-0.39 (0.39)	-0.81*** (0.22)	-0.01 (0.55)	-0.19 (0.34)	-0.02 (0.35)	-4.49*** (0.77)
Observations	328	357	133	343	371	155	341	357	63
Sargan χ^2	331.21	394.18	136.44	343.14	399.63	161.21	354.20	368.50	62.86
Pr > χ^2	0	0	0	0	0	0	0	0	0
AR(1)	0	0	0	0	0	0	0	0	0
AR(2)	0	0	1	1	0	0	1	1	1
# Countries	12	12	5	12	12	5	12	12	3

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

GMM instruments are restricted to three lags. Endogenous variables are the first lag of the dependent variable and GDP Growth. AR (1) and AR (2) are the p-values of the test statistics for first and second order serial correlation in first differenced residuals.

Table A23: Variations Across Regions – Latin America

	Aggregate Credit			Private Credit			Public Credit		
	(1) Aggregate	(2) Bank	(3) Non-Bank	(4) Aggregate	(5) Bank	(6) Non-Bank	(7) Aggregate	(8) Bank	(9) Non-Bank
Election	0.11 (0.08)	0.18** (0.08)	-0.08 (0.12)	0.14 (0.09)	0.19** (0.09)	-0.14 (0.13)	0.04 (0.09)	0.05 (0.09)	0.05 (0.11)
Kaopen	0.01 (0.02)	-0.01 (0.02)	-0.00 (0.03)	0.02 (0.02)	0.01 (0.02)	0.04* (0.02)	-0.01 (0.02)	-0.01 (0.02)	-0.04 (0.03)
GDP per capita	0.01 (0.01)	-0.00 (0.01)	0.00 (0.01)	0.01 (0.01)	0.00 (0.01)	0.01 (0.01)	-0.01*** (0.00)	-0.01** (0.00)	-0.02* (0.01)
GDP growth	1.11*** (0.17)	0.99*** (0.15)	0.71*** (0.17)	1.17*** (0.18)	1.12*** (0.16)	0.48 (0.59)	-0.02 (0.08)	-0.06 (0.09)	-0.05 (0.11)
Regime Durability	-0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00** (0.00)	0.00 (0.00)	0.01** (0.00)
Democracy	0.04 (0.06)	-0.02 (0.05)	0.11 (0.11)	0.04 (0.06)	0.00 (0.05)	0.11 (0.08)	-0.04 (0.03)	-0.03 (0.04)	-0.27* (0.14)
First Lag	0.66*** (0.03)	0.60*** (0.04)	0.54*** (0.06)	0.68*** (0.03)	0.65*** (0.03)	0.54*** (0.06)	0.45*** (0.05)	0.44*** (0.05)	0.22*** (0.05)
Constant	0.09 (0.18)	0.00 (0.12)	0.21 (0.49)	-0.33** (0.13)	0.06 (0.10)	-0.06 (0.36)	0.04 (0.13)	-0.05 (0.15)	1.69 (1.04)
Observations	682	789	274	683	789	259	712	789	283
Sargan χ^2	421.82	427.86	260.22	425.71	430.23	280.27	447.78	450.62	298.69
Pr > χ^2	0	0	0	0	0	0	0	0	0
AR(1)	0	0	0	0	0	0	0	0	0
AR(2)	0	0	0	0	0	1	0	0	1
# Countries	22	22	14	22	22	13	22	22	14

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

GMM instruments are restricted to three lags. Endogenous variables are the first lag of the dependent variable and GDP Growth. AR (1) and AR (2) are the p-values of the test statistics for first and second order serial correlation in first differenced residuals.

Table A24: Variations Across Regions – Transition Economies

	Post Soviet			Transition Economies		
	(1)	(2)	(3)	(4)	(5)	(6)
	Aggregate Credit	Private Credit	Public Credit	Aggregate Credit	Private Credit	Public Credit
Election	-0.07 (0.10)	0.06 (0.11)	0.13 (0.12)	0.10 (0.10)	0.01 (0.09)	0.23*** (0.09)
Kaopen	-0.02 (0.02)	-0.02 (0.02)	-0.03** (0.01)	-0.02 (0.02)	-0.01 (0.02)	0.02 (0.02)
GDP per capita	0.00 (0.01)	0.00 (0.01)	0.02 (0.01)	0.01 (0.01)	0.02*** (0.01)	0.00 (0.01)
GDP growth	1.10 (0.78)	1.48* (0.79)	0.47 (1.25)	2.62** (1.08)	1.89*** (0.63)	2.19* (1.14)
Regime Durability	-0.01*** (0.00)	-0.01** (0.01)	0.00 (0.01)	-0.01 (0.01)	0.00 (0.01)	0.00 (0.01)
Democracy	0.13* (0.08)	0.15** (0.07)	0.01 (0.07)	0.15** (0.07)	0.13** (0.05)	-0.07 (0.09)
First Lag	0.49*** (0.09)	0.43*** (0.10)	0.28** (0.14)	0.56*** (0.05)	0.55*** (0.06)	0.23*** (0.09)
Constant	0.00 (.)	0.00 (.)	0.00 (.)	1.83 (1.21)	1.32 (1.05)	-0.35 (0.36)
Observations	153	153	153	295	292	297
Sargan χ^2	139.48	132.55	135.29	197.44	186.33	183.66
Pr > χ^2	0	0	0	0	0	0
AR(1)	0	0	0	0	0	0
AR(2)	0	1	1	1	0	1
# Countries	12	12	12	21	21	21

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

GMM instruments are restricted to three lags. Endogenous variables are the first lag of the dependent variable and GDP Growth. AR (1) and AR (2) are the p-values of the test statistics for first and second order serial correlation in first differenced residuals. Post Soviet are all countries of the former Soviet Union. Transition countries are those belonging to the former Eastern Block.

Table A25: Variations Across Regions – OECD

	Aggregate Credit			Private Credit			Public Credit		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Aggregate	Bank	Non-Bank	Aggregate	Bank	Non-Bank	Aggregate	Bank	Non-Bank
Election	-0.02 (0.07)	0.07 (0.06)	-0.14 (0.14)	-0.08 (0.06)	-0.02 (0.06)	-0.09 (0.10)	0.17** (0.08)	0.20** (0.08)	0.05 (0.08)
Kaopen	0.02 (0.02)	0.01 (0.02)	-0.01 (0.03)	0.01 (0.02)	0.02 (0.01)	-0.01 (0.02)	-0.01 (0.02)	-0.01 (0.02)	0.02 (0.02)
GDP per capita	0.01 (0.01)	0.01 (0.01)	-0.03 (0.02)	0.01 (0.01)	0.01 (0.01)	0.00 (0.01)	0.00 (0.01)	0.00 (0.00)	-0.04** (0.02)
GDP growth	3.54*** (0.80)	2.53*** (0.79)	4.40* (2.32)	4.10*** (0.83)	3.82*** (0.82)	4.13** (2.06)	1.35** (0.60)	1.36** (0.59)	1.59 (1.26)
Regime Durability	0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00* (0.00)	0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)
Democracy	0.06 (0.15)	-0.03 (0.07)	0.29 (0.26)	0.15 (0.13)	0.04 (0.07)	0.32 (0.21)	-0.04 (0.07)	-0.04 (0.06)	-0.22 (0.18)
First Lag	0.56*** (0.04)	0.61*** (0.03)	0.51*** (0.02)	0.62*** (0.05)	0.71*** (0.03)	0.46*** (0.03)	0.49*** (0.04)	0.53*** (0.04)	0.60*** (0.04)
Constant	-0.07 (0.21)	-0.44*** (0.17)	-0.58 (0.61)	-0.62*** (0.21)	-0.55*** (0.16)	-0.93 (0.67)	-0.11 (0.13)	-0.02 (0.21)	0.94 (0.60)
Observations	915	990	266	921	995	269	929	978	266
Sargan χ^2	477.59	526.99	303.44	468.23	548.66	300.79	418.11	458.81	335.66
Pr> χ^2	0	0	0	0	0	0	0	0	0
AR(1)	0	0	0	0	0	0	0	0	0
AR(2)	0	0	0	1	0	0	1	0	1
# Countries	31	31	9	31	31	9	31	31	9

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

GMM instruments are restricted to three lags. Endogenous variables are the first lag of the dependent variable and GDP Growth.

AR (1) and AR (2) are the p-values of the test statistics for first and second order serial correlation in first differenced residuals.

C.2.2 Robustness Checks - Variations Across Time Windows

Table A26: Variations Across Time Windows – 1970s

	Aggregate Credit			Private Credit			Public Credit		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Aggregate	Bank	Non-Bank	Aggregate	Bank	Non-Bank	Aggregate	Bank	Non-Bank
Election	0.04 (0.07)	0.18* (0.10)	-0.06 (0.16)	-0.05 (0.06)	0.05 (0.09)	-0.08 (0.15)	0.15 (0.15)	0.13 (0.14)	0.10 (0.18)
Kaopen	0.03 (0.03)	0.00 (0.02)	0.08 (0.06)	0.04 (0.02)	0.02 (0.02)	0.07 (0.06)	-0.04 (0.02)	-0.04* (0.02)	0.19 (0.15)
GDP per capita	0.02** (0.01)	0.01* (0.01)	0.03** (0.02)	0.02** (0.01)	0.01** (0.01)	0.05*** (0.01)	-0.00 (0.01)	-0.00 (0.01)	-0.01 (0.01)
GDP growth	-0.11 (0.98)	0.66 (0.67)	-1.01 (1.27)	-0.57 (0.82)	0.41 (0.56)	-1.92* (1.12)	1.18** (0.51)	0.90* (0.46)	0.62 (0.52)
Regime Durability	0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)
Democracy	0.03 (0.06)	0.04 (0.06)	-0.05 (0.07)	0.04 (0.05)	0.06 (0.05)	-0.04 (0.08)	-0.00 (0.08)	0.00 (0.07)	-0.28 (0.25)
First Lag	0.56*** (0.08)	0.64*** (0.05)	0.41*** (0.11)	0.57*** (0.08)	0.66*** (0.05)	0.46*** (0.12)	0.47*** (0.07)	0.46*** (0.08)	0.38*** (0.12)
Constant	-0.02 (0.14)	-0.31** (0.12)	-0.12 (0.20)	-0.18 (0.13)	-0.20* (0.12)	-0.36** (0.18)	-0.23* (0.12)	-0.16 (0.11)	0.27 (0.23)
Observations	702	759	210	704	764	213	717	757	185
Sargan χ^2	114.47	106.86	110.71	129.37	99.22	101.00	129.49	126.28	107.11
Pr > χ^2	0	0	0	0	0	0	0	0	0
AR(1)	0	0	0	0	0	0	0	0	0
AR(2)	0	0	0	0	0	0	1	1	0
# Countries	77	83	23	77	83	24	78	82	20

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

GMM instruments are restricted to three lags. Endogenous variables are the first lag of the dependent variable and GDP Growth. AR (1) and AR (2) are the p-values of the test statistics for first and second order serial correlation in first differenced residuals.

Table A27: Variations Across Time Windows – 1980s

	Aggregate Credit			Private Credit			Public Credit		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Aggregate	Bank	Non-Bank	Aggregate	Bank	Non-Bank	Aggregate	Bank	Non-Bank
Election	0.04 (0.10)	0.05 (0.09)	-0.10 (0.15)	0.05 (0.10)	0.07 (0.09)	-0.02 (0.15)	0.06 (0.09)	0.11 (0.09)	-0.02 (0.16)
Kaopen	0.01 (0.03)	0.00 (0.02)	0.01 (0.03)	0.01 (0.02)	0.01 (0.02)	0.01 (0.02)	0.02 (0.02)	0.01 (0.01)	0.05 (0.05)
GDP per capita	-0.01 (0.01)	-0.00 (0.01)	-0.02* (0.01)	-0.01 (0.01)	-0.00 (0.01)	-0.02 (0.01)	-0.01 (0.01)	-0.00 (0.01)	-0.00 (0.02)
GDP growth	1.26** (0.61)	1.24** (0.56)	1.22* (0.64)	1.11* (0.61)	1.18** (0.59)	0.07 (0.53)	0.52 (0.40)	0.27 (0.36)	0.28 (0.74)
Regime Durability	0.00 (0.00)	0.00* (0.00)	-0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)
Democracy	-0.02 (0.06)	-0.03 (0.06)	0.06 (0.14)	0.00 (0.06)	-0.00 (0.05)	-0.01 (0.12)	-0.03 (0.04)	-0.05 (0.04)	-0.14 (0.12)
First Lag	0.80*** (0.04)	0.79*** (0.04)	0.79*** (0.05)	0.79*** (0.04)	0.80*** (0.04)	0.71*** (0.06)	0.60*** (0.04)	0.62*** (0.04)	0.47*** (0.12)
Constant	0.25* (0.15)	0.21 (0.14)	-0.04 (0.16)	0.13 (0.12)	0.12 (0.12)	0.03 (0.20)	0.04 (0.10)	0.01 (0.09)	0.11 (0.26)
Observations	853	907	250	865	919	267	863	897	214
Sargan χ^2	162.85	166.68	109.00	136.21	126.98	116.38	117.15	121.69	93.27
Pr > χ^2	0	0	0	0	0	0	0	0	0
AR(1)	0	0	0	0	0	0	0	0	0
AR(2)	0	0	0	1	1	0	1	1	0
# Countries	97	101	27	99	103	28	98	100	23

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

GMM instruments are restricted to three lags. Endogenous variables are the first lag of the dependent variable and GDP Growth. AR (1) and AR (2) are the p-values of the test statistics for first and second order serial correlation in first differenced residuals.

Table A28: Variations Across Time Windows – 1990s

	Aggregate Credit			Private Credit			Public Credit		
	(1) Aggregate	(2) Bank	(3) Non-Bank	(4) Aggregate	(5) Bank	(6) Non-Bank	(7) Aggregate	(8) Bank	(9) Non-Bank
Election	0.19** (0.09)	0.23*** (0.09)	-0.08 (0.16)	0.20** (0.08)	0.22*** (0.08)	0.06 (0.13)	0.16* (0.09)	0.18** (0.08)	-0.07 (0.20)
Kaopen	0.02 (0.02)	0.03* (0.02)	0.02 (0.03)	0.02 (0.02)	0.02 (0.02)	0.01 (0.03)	0.01 (0.02)	0.02 (0.02)	0.00 (0.03)
GDP per capita	0.01* (0.01)	0.01 (0.01)	0.01 (0.01)	0.01 (0.01)	0.01 (0.01)	0.01 (0.01)	0.01 (0.01)	0.01 (0.01)	0.01 (0.01)
GDP growth	0.16 (0.19)	0.15 (0.18)	0.90*** (0.12)	0.21 (0.21)	0.23 (0.22)	0.57 (0.62)	-0.05 (0.03)	-0.06* (0.03)	0.10 (0.13)
Regime Durability	0.00 (0.00)	-0.00* (0.00)	0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)
Democracy	-0.07 (0.04)	-0.05 (0.04)	0.00 (0.07)	-0.09* (0.05)	-0.08* (0.04)	-0.06 (0.08)	0.03 (0.06)	0.05 (0.06)	0.12 (0.08)
First Lag	0.66*** (0.04)	0.37*** (0.04)	0.61*** (0.06)	0.73*** (0.04)	0.73*** (0.04)	0.64*** (0.06)	0.53*** (0.05)	0.52*** (0.05)	0.55*** (0.08)
Constant	0.09 (0.12)	-0.15 (0.10)	-0.34 (0.21)	0.23** (0.11)	-0.08 (0.10)	0.17 (0.20)	-0.11 (0.11)	-0.23** (0.12)	-0.09 (0.23)
Observations	1131	1167	281	1140	1172	291	1135	1152	241
Sargan χ^2	165.73	151.84	125.96	169.77	185.88	113.17	133.09	141.08	118.45
Pr > χ^2	0	0	0	0	0	0	0	0	0
AR(1)	0	0	0	0	0	0	0	0	0
AR(2)	1	1	0	0	0	0	0	1	1
# Countries	133	133	33	133	133	34	133	132	29

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

GMM instruments are restricted to three lags. Endogenous variables are the first lag of the dependent variable and GDP Growth. AR (1) and AR (2) are the p-values of the test statistics for first and second order serial correlation in first differenced residuals.

Table A29: Variations Across Time Windows – 2000s

	Aggregate Credit			Private Credit			Public Credit		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Aggregate	Bank	Non-Bank	Aggregate	Bank	Non-Bank	Aggregate	Bank	Non-Bank
Election	0.04 (0.05)	0.01 (0.05)	-0.01 (0.15)	0.03 (0.05)	0.02 (0.05)	-0.01 (0.15)	0.03 (0.06)	0.04 (0.06)	0.02 (0.08)
Kaopen	0.00 (0.01)	0.00 (0.01)	0.01 (0.03)	0.00 (0.01)	0.01 (0.01)	0.03 (0.03)	-0.02* (0.01)	-0.02** (0.01)	-0.03 (0.03)
GDP per capita	0.01 (0.01)	0.01 (0.01)	0.01 (0.01)	0.01* (0.01)	0.01* (0.01)	-0.00 (0.01)	-0.02*** (0.01)	-0.01** (0.01)	-0.00 (0.01)
GDP growth	0.08 (0.40)	0.26 (0.41)	-0.47 (0.54)	-0.01 (0.42)	0.02 (0.42)	0.10 (0.49)	-0.04 (0.37)	0.27 (0.42)	-0.55 (0.71)
Regime Durability	-0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00** (0.00)
Democracy	0.04 (0.04)	0.04 (0.04)	-0.03 (0.07)	0.03 (0.04)	0.01 (0.04)	-0.01 (0.07)	-0.02 (0.03)	-0.01 (0.03)	-0.14 (0.09)
First Lag	0.64*** (0.06)	0.71*** (0.03)	0.55*** (0.06)	0.69*** (0.06)	0.73*** (0.03)	0.52*** (0.06)	0.46*** (0.05)	0.56*** (0.06)	0.17*** (0.06)
Constant	-0.08 (0.10)	-0.06 (0.10)	-0.27 (0.29)	-0.12 (0.10)	-0.05 (0.10)	0.38 (0.23)	0.25** (0.11)	0.07 (0.11)	0.30 (0.26)
Observations	1137	1199	262	1143	1199	266	1128	1170	246
Sargan χ^2	116.08	92.83	101.30	149.93	134.93	125.65	151.15	124.13	96.32
Pr > χ^2	0	0	0	0	0	0	0	0	0
AR(1)	0	0	0	0	0	0	0	0	0
AR(2)	1	0	1	1	0	1	0	0	0
# Countries	134	139	36	135	139	35	132	135	32

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

GMM instruments are restricted to three lags. Endogenous variables are the first lag of the dependent variable and GDP Growth. AR (1) and AR (2) are the p-values of the test statistics for first and second order serial correlation in first differenced residuals.

C.2.3 Robustness Checks - Variations Across Income Groups

Table A30: Variations Across Income Groups – Low Income Countries

	Aggregate Credit			Private Credit			Public Credit		
	(1) Aggregate	(2) Bank	(3) Non-Bank	(4) Aggregate	(5) Bank	(6) Non-Bank	(7) Aggregate	(8) Bank	(9) Non-Bank
Election	0.15* (0.08)	0.11 (0.09)	0.15 (0.20)	0.16* (0.09)	0.10 (0.09)	0.32** (0.15)	0.01 (0.07)	0.03 (0.07)	-0.29* (0.16)
Kaopen	0.01 (0.01)	0.01* (0.01)	-0.02 (0.04)	0.03*** (0.01)	0.03*** (0.01)	0.03 (0.02)	-0.02* (0.01)	-0.02 (0.01)	-0.09* (0.05)
GDP per capita	0.02 (0.03)	0.03 (0.03)	0.04 (0.07)	-0.00 (0.03)	0.00 (0.03)	-0.04 (0.05)	0.05* (0.02)	0.05** (0.02)	0.07 (0.06)
GDP growth	1.09*** (0.19)	1.05*** (0.18)	0.78*** (0.22)	1.12*** (0.20)	1.12*** (0.19)	0.02 (0.46)	0.23 (0.18)	0.16 (0.17)	-0.01 (0.11)
Regime Durability	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00*** (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
Democracy	-0.03 (0.04)	-0.02 (0.04)	0.01 (0.10)	-0.01 (0.05)	0.00 (0.04)	-0.01 (0.06)	-0.08** (0.03)	-0.07** (0.03)	-0.09 (0.09)
First Lag	0.60*** (0.05)	0.61*** (0.04)	0.58*** (0.04)	0.66*** (0.04)	0.66*** (0.04)	0.55*** (0.04)	0.41*** (0.07)	0.38*** (0.07)	0.31*** (0.05)
Constant	-0.41 (0.27)	-0.43 (0.33)	-0.20 (0.40)	-0.46 (0.36)	-0.28 (0.31)	-0.07 (0.55)	-0.61** (0.26)	-0.29 (0.19)	-0.32 (0.50)
Observations	866	902	273	871	905	309	881	870	188
Sargan χ^2	499.67	512.16	303.68	470.00	478.22	352.04	573.03	591.10	211.29
Pr > χ^2	0	0	0	0	0	0	0	0	0
AR(1)	0	0	0	0	0	0	0	0	0
AR(2)	1	0	1	0	0	1	0	0	1
# Countries	46	46	17	46	46	16	45	44	14

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

GMM instruments are restricted to three lags. Endogenous variables are the first lag of the dependent variable and GDP Growth. AR (1) and AR (2) are the p-values of the test statistics for first and second order serial correlation in first differenced residuals.

Table A31: Variations Across Income Groups – Middle Income Countries

	Aggregate Credit			Private Credit			Public Credit		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Aggregate	Bank	Non-Bank	Aggregate	Bank	Non-Bank	Aggregate	Bank	Non-Bank
Election	0.02 (0.05)	0.08 (0.05)	-0.10 (0.09)	0.04 (0.06)	0.07 (0.06)	-0.15* (0.08)	0.13** (0.07)	0.18*** (0.06)	0.04 (0.08)
Kaopen	0.01 (0.01)	0.00 (0.01)	0.02 (0.02)	0.01 (0.01)	0.01 (0.01)	0.02 (0.01)	-0.00 (0.01)	-0.01 (0.01)	0.05** (0.03)
GDP per capita	0.01 (0.01)	0.01 (0.02)	0.02 (0.02)	0.01 (0.01)	0.02 (0.01)	0.01 (0.02)	0.00 (0.01)	0.00 (0.01)	-0.01 (0.02)
GDP growth	0.40 (0.26)	0.49* (0.28)	0.94** (0.47)	0.40 (0.26)	0.50* (0.28)	-0.68 (0.75)	0.01 (0.10)	-0.01 (0.11)	0.11 (0.18)
Regime Durability	-0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00* (0.00)
Democracy	-0.00 (0.03)	-0.00 (0.03)	-0.01 (0.06)	-0.00 (0.03)	-0.01 (0.03)	-0.00 (0.06)	0.00 (0.03)	0.00 (0.03)	-0.07 (0.07)
First Lag	0.58*** (0.04)	0.64*** (0.03)	0.42*** (0.08)	0.63*** (0.04)	0.68*** (0.03)	0.45*** (0.07)	0.51*** (0.03)	0.53*** (0.04)	0.38*** (0.07)
Constant	-0.11 (0.22)	-0.28 (0.17)	-0.92** (0.47)	-0.14 (0.21)	-0.19 (0.18)	-0.62 (0.45)	-0.12 (0.18)	-0.03 (0.15)	0.58 (0.56)
Observations	1883	2019	567	1903	2031	569	1889	1993	535
Sargan χ^2	607.02	556.01	411.61	653.34	596.34	418.03	441.23	445.97	400.69
Pr > χ^2	0	0	0	0	0	0	0	0	0
AR(1)	0	0	0	0	0	0	0	0	0
AR(2)	0	0	0	0	0	0	0	0	1
# Countries	86	86	26	86	86	26	86	86	24

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

GMM instruments are restricted to three lags. Endogenous variables are the first lag of the dependent variable and GDP Growth. AR (1) and AR (2) are the p-values of the test statistics for first and second order serial correlation in first differenced residuals.

Table A32: Variations Across Income Groups – High Income Countries

	Aggregate Credit			Private Credit			Public Credit		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Aggregate	Bank	Non-Bank	Aggregate	Bank	Non-Bank	Aggregate	Bank	Non-Bank
Election	0.15** (0.07)	0.17** (0.07)	0.08 (0.13)	0.11* (0.06)	0.12* (0.07)	0.09 (0.14)	0.07 (0.07)	0.05 (0.08)	-0.04 (0.18)
Kaopen	0.02 (0.01)	0.03** (0.01)	0.03 (0.05)	0.00 (0.01)	0.01 (0.01)	0.03 (0.06)	0.02 (0.02)	0.00 (0.01)	0.00 (0.03)
GDP per capita	0.01 (0.01)	0.01 (0.01)	0.01 (0.04)	0.01 (0.01)	0.01 (0.01)	0.00 (0.04)	0.00 (0.01)	0.00 (0.01)	-0.00 (0.02)
GDP growth	-0.07 (0.07)	-0.07 (0.07)	1.36 (1.16)	-0.04 (0.08)	-0.04 (0.07)	2.24 (1.50)	-0.08 (0.05)	-0.08 (0.05)	1.06 (1.14)
Regime Durability	0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)
Democracy	-0.04 (0.04)	-0.05 (0.04)	0.11 (0.07)	-0.02 (0.05)	-0.04 (0.04)	0.04 (0.09)	-0.02 (0.06)	0.01 (0.05)	-0.13 (0.08)
First Lag	0.57*** (0.04)	0.61*** (0.03)	0.55*** (0.08)	0.61*** (0.05)	0.66*** (0.03)	0.56*** (0.09)	0.39*** (0.04)	0.43*** (0.04)	0.45*** (0.08)
Constant	-0.23 (0.28)	-0.13 (0.24)	0.10 (1.09)	-0.06 (0.18)	-0.08 (0.19)	0.15 (1.18)	0.05 (0.21)	0.04 (0.20)	-0.40 (0.41)
Observations	1074	1111	163	1078	1118	159	1073	1113	163
Sargan χ^2	419.90	443.36	182.03	434.78	446.62	168.93	422.61	412.75	165.66
Pr > χ^2	0	0	0	0	0	0	0	0	0
AR(1)	0	0	0	0	0	0	0	0	0
AR(2)	0	0	0	1	0	0	0	0	0
# Countries	46	46	7	47	47	7	46	46	7

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

GMM instruments are restricted to three lags. Endogenous variables are the first lag of the dependent variable and GDP Growth. AR (1) and AR (2) are the p-values of the test statistics for first and second order serial correlation in first differenced residuals.

Table A33: Variations Across Income Groups – Low Income Countries

	Aggregate Credit			Private Credit			Public Credit		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Aggregate	Bank	Non-Bank	Aggregate	Bank	Non-Bank	Aggregate	Bank	Non-Bank
Election	0.15*	0.12	0.15	0.17*	0.10	0.32**	0.02	0.03	-0.27*
	(0.09)	(0.09)	(0.20)	(0.09)	(0.09)	(0.14)	(0.07)	(0.08)	(0.15)
Election X Kaopen	-0.06	-0.06	-0.02	-0.06	-0.05	-0.02	-0.06	-0.05	-0.04
	(0.05)	(0.05)	(0.08)	(0.04)	(0.04)	(0.08)	(0.05)	(0.05)	(0.08)
Kaopen	0.02	0.02**	-0.02	0.04***	0.03***	0.03	-0.02	-0.01	-0.08*
	(0.01)	(0.01)	(0.04)	(0.01)	(0.01)	(0.02)	(0.01)	(0.01)	(0.05)
GDP per capita	0.02	0.02	0.04	-0.00	0.00	-0.05	0.04*	0.04*	0.07
	(0.03)	(0.03)	(0.07)	(0.03)	(0.03)	(0.05)	(0.02)	(0.02)	(0.06)
GDP growth	1.08***	1.05***	0.78***	1.11***	1.11***	0.01	0.22	0.16	-0.02
	(0.18)	(0.18)	(0.22)	(0.20)	(0.19)	(0.46)	(0.18)	(0.17)	(0.10)
Regime Durability	0.00	0.00	0.00	0.00	0.00	0.00***	-0.00	0.00	0.00
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Democracy	-0.03	-0.02	0.01	-0.01	-0.00	-0.01	-0.08**	-0.07**	-0.09
	(0.04)	(0.04)	(0.10)	(0.05)	(0.04)	(0.06)	(0.03)	(0.03)	(0.09)
First Lag	0.60***	0.61***	0.58***	0.66***	0.66***	0.55***	0.41***	0.38***	0.31***
	(0.05)	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)	(0.07)	(0.07)	(0.05)
Constant	-0.35	-0.18	0.00	-0.20	0.00	0.00	0.01	0.00	-0.30
	(0.33)	(0.29)	(.)	(0.29)	(.)	(.)	(0.37)	(.)	(0.52)
Observations	866	902	273	871	905	309	881	870	188
Sargan χ^2	499.40	512.95	304.20	472.18	480.86	356.81	572.50	590.57	210.91
Pr > χ^2	0	0	0	0	0	0	0	0	0
AR(1)	0	0	0	0	0	0	0	0	0
AR(2)	1	0	1	0	0	1	0	0	1
# Countries	46	46	17	46	46	16	45	44	14

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

GMM instruments are restricted to three lags. Endogenous variables are the first lag of the dependent variable and GDP Growth.

AR (1) and AR (2) are the p-values of the test statistics for first and second order serial correlation in first differenced residuals.

Table A34: Variations Across Income Groups – Middle Income Countries

	Aggregate Credit			Private Credit			Public Credit		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Aggregate	Bank	Non-Bank	Aggregate	Bank	Non-Bank	Aggregate	Bank	Non-Bank
Election	0.05 (0.05)	0.09* (0.05)	-0.05 (0.10)	0.06 (0.06)	0.09 (0.06)	-0.10 (0.11)	0.16** (0.07)	0.20*** (0.06)	0.00 (0.08)
Election X Kaopen	-0.09** (0.04)	-0.05 (0.04)	-0.07 (0.08)	-0.07* (0.04)	-0.05 (0.04)	-0.06 (0.08)	-0.09** (0.04)	-0.07** (0.03)	0.05 (0.06)
Kaopen	0.02 (0.01)	0.01 (0.01)	0.02 (0.02)	0.01 (0.01)	0.01 (0.01)	0.03* (0.02)	0.01 (0.01)	0.00 (0.01)	0.05* (0.03)
GDP per capita	0.01 (0.01)	0.01 (0.02)	0.02 (0.02)	0.01 (0.01)	0.02 (0.01)	0.01 (0.02)	0.00 (0.01)	0.00 (0.01)	-0.01 (0.02)
GDP growth	0.39 (0.26)	0.49* (0.28)	0.91* (0.47)	0.39 (0.26)	0.49* (0.27)	-0.68 (0.76)	0.00 (0.10)	-0.01 (0.11)	0.13 (0.18)
Regime Durability	-0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)	-0.00** (0.00)
Democracy	0.00 (0.03)	-0.00 (0.03)	-0.01 (0.06)	-0.00 (0.03)	-0.01 (0.03)	-0.00 (0.06)	0.00 (0.03)	0.00 (0.03)	-0.07 (0.07)
First Lag	0.58*** (0.04)	0.64*** (0.03)	0.42*** (0.08)	0.63*** (0.04)	0.68*** (0.03)	0.46*** (0.07)	0.51*** (0.03)	0.53*** (0.03)	0.38*** (0.07)
Observations	1883	2019	567	1903	2031	569	1889	1993	535
Sargan χ^2	607.98	555.32	412.19	652.94	594.83	418.70	438.60	444.24	400.11
Pr > χ^2	0	0	0	0	0	0	0	0	0
AR(1)	0	0	0	0	0	0	0	0	0
AR(2)	0	0	0	0	0	0	0	0	1
# Countries	86	86	26	86	86	26	86	86	24

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

GMM instruments are restricted to three lags. Endogenous variables are the first lag of the dependent variable and GDP Growth. AR (1) and AR (2) are the p-values of the test statistics for first and second order serial correlation in first differenced residuals.

Table A35: Variations Across Income Groups – High Income Countries

	Aggregate Credit			Private Credit			Public Credit		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Aggregate	Bank	Non-Bank	Aggregate	Bank	Non-Bank	Aggregate	Bank	Non-Bank
Election	0.17*** (0.06)	0.18*** (0.06)	0.07 (0.13)	0.12** (0.06)	0.13** (0.06)	0.10 (0.13)	0.07 (0.07)	0.05 (0.07)	-0.09* (0.05)
Election X Kaopen	-0.06 (0.05)	-0.07* (0.04)	0.06 (0.09)	-0.06 (0.04)	-0.07 (0.05)	-0.05 (0.09)	-0.00 (0.06)	0.01 (0.06)	0.32*** (0.06)
Kaopen	0.03* (0.02)	0.04*** (0.01)	0.02 (0.05)	0.01 (0.01)	0.02 (0.01)	0.03 (0.06)	0.02 (0.02)	0.00 (0.02)	-0.05 (0.03)
GDP per capita	0.01 (0.01)	0.01 (0.01)	0.01 (0.04)	0.01 (0.01)	0.01 (0.01)	0.00 (0.04)	0.00 (0.01)	0.00 (0.01)	0.02 (0.02)
GDP growth	-0.06 (0.07)	-0.07 (0.07)	1.36 (1.16)	-0.04 (0.08)	-0.04 (0.07)	2.25 (1.50)	-0.08 (0.05)	-0.08 (0.05)	0.94 (1.14)
Regime Durability	0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)
Democracy	-0.04 (0.05)	-0.06 (0.04)	0.11 (0.07)	-0.02 (0.05)	-0.04 (0.04)	0.03 (0.09)	-0.02 (0.06)	0.01 (0.05)	-0.09 (0.08)
First Lag	0.57*** (0.04)	0.61*** (0.03)	0.55*** (0.07)	0.61*** (0.05)	0.66*** (0.04)	0.56*** (0.09)	0.39*** (0.04)	0.43*** (0.04)	0.48*** (0.07)
Constant	0.00 (.)	-0.14 (0.25)	-0.99 (0.70)	0.00 (.)	0.00 (.)	-0.99 (0.77)	-0.36 (0.31)	0.00 (.)	0.00 (.)
Observations	1074	1111	163	1078	1118	159	1073	1113	163
Sargan χ^2	420.76	443.40	182.09	434.36	445.55	169.35	422.67	412.60	165.66
Pr > χ^2	0	0	0	0	0	0	0	0	0
AR(1)	0	0	0	0	0	0	0	0	0
AR(2)	0	0	0	1	0	1	0	0	0
# Countries	46	46	7	47	47	7	46	46	7

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

GMM instruments are restricted to three lags. Endogenous variables are the first lag of the dependent variable and GDP Growth. AR (1) and AR (2) are the p-values of the test statistics for first and second order serial correlation in first differenced residuals.

C.2.4 Robustness Checks - Variations Across Level of Financial Market Development

Table A36: Variations Across Level of Financial Market Development – Low

	Aggregate Credit			Private Credit			Public Credit		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Aggregate	Bank	Non-Bank	Aggregate	Bank	Non-Bank	Aggregate	Bank	Non-Bank
Election	0.11 (0.08)	0.11 (0.08)	-0.06 (0.26)	-0.01 (0.08)	-0.01 (0.08)	-0.21 (0.31)	0.26*** (0.08)	0.26*** (0.09)	0.08 (0.06)
Kaopen	-0.02 (0.01)	-0.02 (0.01)	-0.04 (0.03)	-0.01 (0.01)	-0.01 (0.01)	-0.09* (0.05)	0.01 (0.02)	0.01 (0.02)	-0.07** (0.04)
GDP per capita	0.01 (0.01)	0.01* (0.01)	-0.06 (0.04)	0.01* (0.01)	0.01* (0.01)	-0.04 (0.04)	0.01* (0.01)	0.01* (0.01)	-0.01 (0.02)
GDP growth	-0.06 (0.06)	0.00 (0.06)	-0.38 (0.61)	-0.04 (0.06)	0.02 (0.06)	-1.33** (0.60)	-0.06 (0.05)	-0.05 (0.05)	0.44 (0.40)
Regime Durability	0.00 (0.00)	0.00 (0.00)	0.01 (0.01)	0.00 (0.00)	0.00 (0.00)	0.01*** (0.01)	-0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)
Democracy	-0.06 (0.05)	-0.06 (0.05)	-0.80** (0.32)	-0.07 (0.05)	-0.08 (0.05)	-0.70** (0.33)	-0.07 (0.06)	-0.07 (0.06)	0.05 (0.13)
First Lag	0.50*** (0.06)	0.54*** (0.04)	0.21* (0.12)	0.51*** (0.06)	0.56*** (0.04)	0.32*** (0.11)	0.37*** (0.07)	0.37*** (0.07)	0.43*** (0.10)
Constant	-0.02 (0.23)	0.06 (0.15)	-0.80** (0.34)	0.08 (0.22)	0.18 (0.19)	0.58 (0.52)	-0.23 (0.16)	-0.21 (0.16)	0.78*** (0.18)
Observations	970	971	113	968	968	114	962	962	95
Sargan χ^2	464.72	424.45	144.44	495.03	430.75	138.77	480.77	480.40	102.30
Pr > χ^2	0	0	0	0	0	0	0	0	0
AR(1)	0	0	0	0	0	0	0	0	0
AR(2)	0	0	0	0	0	0	0	0	0
# Countries	71	71	14	71	71	14	71	71	12

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

GMM instruments are restricted to three lags. Endogenous variables are the first lag of the dependent variable and GDP Growth. AR (1) and AR (2) are the p-values of the test statistics for first and second order serial correlation in first differenced residuals.

Table A37: Variations Across Level of Financial Market Development – Middle

	Aggregate Credit			Private Credit			Public Credit		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Aggregate	Bank	Non-Bank	Aggregate	Bank	Non-Bank	Aggregate	Bank	Non-Bank
Election	0.10** (0.05)	0.09* (0.05)	-0.02 (0.10)	0.12** (0.06)	0.10* (0.06)	0.00 (0.10)	0.07 (0.05)	0.08 (0.05)	-0.00 (0.09)
Kaopen	0.02 (0.01)	0.01 (0.01)	0.04 (0.03)	0.02* (0.01)	0.01 (0.01)	0.04 (0.03)	-0.01 (0.01)	-0.01 (0.01)	0.03 (0.04)
GDP per capita	0.00 (0.00)	0.00 (0.00)	-0.00 (0.01)	-0.00 (0.00)	0.00 (0.00)	-0.00 (0.01)	-0.00 (0.00)	-0.00 (0.00)	0.00 (0.01)
GDP growth	1.11*** (0.18)	1.11*** (0.17)	0.87*** (0.15)	1.09*** (0.20)	1.10*** (0.20)	0.70* (0.41)	0.20 (0.16)	0.19 (0.17)	-0.11 (0.11)
Regime Durability	-0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	0.00** (0.00)
Democracy	-0.06* (0.03)	-0.04 (0.03)	-0.02 (0.06)	-0.05 (0.03)	-0.03 (0.03)	-0.01 (0.06)	-0.01 (0.03)	0.00 (0.03)	-0.19** (0.09)
First Lag	0.66*** (0.03)	0.67*** (0.03)	0.58*** (0.05)	0.71*** (0.03)	0.72*** (0.03)	0.58*** (0.05)	0.46*** (0.04)	0.43*** (0.04)	0.34*** (0.05)
Constant	0.13 (0.15)	0.40** (0.17)	-0.00 (0.19)	-0.18* (0.10)	-0.21** (0.10)	0.20 (0.17)	-0.29** (0.14)	0.34*** (0.13)	-0.13 (0.14)
Observations	1792	1792	491	1792	1792	492	1788	1757	435
Sargan χ^2	558.08	515.64	428.12	600.18	563.04	415.40	454.26	469.03	377.32
Pr > χ^2	0	0	0	0	0	0	0	0	0
AR(1)	0	0	0	0	0	0	0	0	0
AR(2)	0	0	1	0	0	0	1	1	1
# Countries	110	110	31	110	110	30	108	107	28

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

GMM instruments are restricted to three lags. Endogenous variables are the first lag of the dependent variable and GDP Growth. AR (1) and AR (2) are the p-values of the test statistics for first and second order serial correlation in first differenced residuals.

Table A38: Variations Across Level of Financial Market Development – High

	Aggregate Credit			Private Credit			Public Credit		
	(1) Aggregate	(2) Bank	(3) Non-Bank	(4) Aggregate	(5) Bank	(6) Non-Bank	(7) Aggregate	(8) Bank	(9) Non-Bank
Election	0.07 (0.08)	0.11 (0.07)	-0.03 (0.11)	0.08 (0.08)	0.11* (0.07)	-0.02 (0.10)	-0.02 (0.08)	0.03 (0.08)	-0.03 (0.11)
Kaopen	0.01 (0.02)	0.01 (0.02)	-0.00 (0.03)	0.02 (0.02)	0.02 (0.02)	0.04** (0.02)	0.00 (0.01)	0.00 (0.01)	-0.00 (0.02)
GDP per capita	0.01 (0.01)	0.01 (0.01)	0.01 (0.01)	0.01 (0.01)	0.01 (0.01)	0.03*** (0.01)	-0.00 (0.01)	0.00 (0.01)	-0.00 (0.01)
GDP growth	1.14*** (0.09)	1.19*** (0.10)	1.00*** (0.10)	1.25*** (0.15)	1.36*** (0.16)	-0.14 (0.51)	0.14 (0.09)	0.11 (0.09)	0.31*** (0.12)
Regime Durability	-0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)
Democracy	-0.02 (0.06)	-0.04 (0.05)	-0.04 (0.08)	-0.05 (0.05)	-0.05 (0.05)	-0.20*** (0.07)	0.01 (0.04)	-0.01 (0.04)	0.00 (0.04)
First Lag	0.54*** (0.05)	0.64*** (0.04)	0.53*** (0.03)	0.62*** (0.05)	0.68*** (0.04)	0.58*** (0.03)	0.54*** (0.04)	0.59*** (0.03)	0.52*** (0.06)
Constant	-0.16 (0.18)	-0.16 (0.19)	-0.21 (0.24)	-0.18 (0.18)	-0.36** (0.16)	-1.05 (0.70)	0.09 (0.15)	0.08 (0.15)	0.07 (0.14)
Observations	971	971	379	971	971	396	956	956	341
Sargan χ^2	523.52	479.82	406.19	449.17	479.21	412.32	463.43	505.99	354.19
Pr > χ^2	0	0	0	0	0	0	0	0	0
AR(1)	0	0	0	0	0	0	0	0	0
AR(2)	0	0	0	1	0	0	1	1	0
# Countries	53	53	22	53	53	21	53	53	20

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

GMM instruments are restricted to three lags. Endogenous variables are the first lag of the dependent variable and GDP Growth. AR (1) and AR (2) are the p-values of the test statistics for first and second order serial correlation in first differenced residuals.

Table A39: Variations Across Level of Financial Market Development – Low, Accounting for Financial Openness

	Aggregate Credit			Private Credit			Public Credit		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Aggregate	Bank	Non-Bank	Aggregate	Bank	Non-Bank	Aggregate	Bank	Non-Bank
Election	0.08 (0.08)	0.07 (0.08)	-0.03 (0.23)	-0.03 (0.08)	-0.04 (0.08)	-0.09 (0.30)	0.23*** (0.08)	0.23*** (0.08)	-0.02 (0.12)
Election X Kaopen	-0.08 (0.06)	-0.09 (0.06)	0.05 (0.10)	-0.04 (0.05)	-0.04 (0.06)	0.18** (0.09)	-0.08* (0.04)	-0.08* (0.04)	-0.16 (0.13)
Kaopen	-0.01 (0.01)	-0.01 (0.01)	-0.05 (0.04)	-0.01 (0.01)	-0.01 (0.01)	-0.11** (0.05)	0.01 (0.02)	0.02 (0.02)	-0.05* (0.03)
GDP per capita	0.01 (0.01)	0.01 (0.01)	-0.06 (0.04)	0.01 (0.01)	0.01* (0.01)	-0.04 (0.03)	0.01 (0.01)	0.01* (0.01)	-0.01 (0.02)
GDP growth	-0.06 (0.06)	-0.00 (0.06)	-0.39 (0.62)	-0.04 (0.06)	0.02 (0.06)	-1.36** (0.61)	-0.06 (0.05)	-0.05 (0.05)	0.56 (0.46)
Regime Durability	0.00 (0.00)	0.00 (0.00)	0.01 (0.01)	0.00 (0.00)	0.00 (0.00)	0.01*** (0.01)	-0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)
Democracy	-0.06 (0.05)	-0.06 (0.05)	-0.80** (0.32)	-0.07 (0.05)	-0.07 (0.05)	-0.70** (0.33)	-0.07 (0.06)	-0.06 (0.06)	0.04 (0.13)
First Lag	0.50*** (0.06)	0.54*** (0.04)	0.21* (0.12)	0.51*** (0.06)	0.56*** (0.04)	0.32*** (0.11)	0.37*** (0.07)	0.37*** (0.07)	0.43*** (0.10)
Constant	0.01 (0.18)	-0.03 (0.22)	-0.81** (0.34)	0.08 (0.22)	-0.14 (0.22)	-0.77*** (0.29)	-0.22 (0.17)	0.03 (0.26)	0.80*** (0.21)
Observations	970	971	113	968	968	114	962	962	95
Sargan χ^2	464.95	424.97	144.09	495.60	431.44	137.75	481.51	480.89	103.06
Pr > χ^2	0	0	0	0	0	0	0	0	0
AR(1)	0	0	0	0	0	0	0	0	0
AR(2)	0	0	0	0	0	0	0	0	0
# Countries	71	71	14	71	71	14	71	71	12

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

GMM instruments are restricted to three lags. Endogenous variables are the first lag of the dependent variable and GDP Growth.

AR (1) and AR (2) are the p-values of the test statistics for first and second order serial correlation in first differenced residuals.

Table A40: Variations Across Level of Financial Market Development – Middle, Accounting for Financial Openness

	Aggregate Credit			Private Credit			Public Credit		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Aggregate	Bank	Non-Bank	Aggregate	Bank	Non-Bank	Aggregate	Bank	Non-Bank
Election	0.10** (0.05)	0.09* (0.05)	-0.02 (0.09)	0.12** (0.05)	0.10* (0.06)	-0.01 (0.08)	0.07 (0.05)	0.08 (0.05)	-0.00 (0.08)
Election X Kaopen	-0.03 (0.04)	-0.05 (0.04)	-0.05 (0.08)	-0.05 (0.04)	-0.05 (0.04)	-0.12* (0.07)	0.01 (0.04)	0.01 (0.04)	0.03 (0.06)
Kaopen	0.02* (0.01)	0.02 (0.01)	0.05 (0.03)	0.03* (0.01)	0.02 (0.01)	0.05* (0.03)	-0.01 (0.01)	-0.01 (0.01)	0.02 (0.05)
GDP per capita	0.00 (0.00)	0.00 (0.00)	-0.00 (0.01)	-0.00 (0.00)	0.00 (0.00)	-0.00 (0.01)	-0.00 (0.00)	-0.00 (0.00)	0.00 (0.01)
GDP growth	1.10*** (0.18)	1.11*** (0.17)	0.87*** (0.15)	1.08*** (0.20)	1.09*** (0.20)	0.70* (0.41)	0.20 (0.16)	0.19 (0.17)	-0.11 (0.12)
Regime Durability	-0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	0.00** (0.00)
Democracy	-0.06* (0.03)	-0.04 (0.03)	-0.01 (0.06)	-0.05 (0.03)	-0.02 (0.03)	-0.00 (0.05)	-0.01 (0.03)	0.00 (0.03)	-0.19** (0.09)
First Lag	0.66*** (0.03)	0.67*** (0.03)	0.58*** (0.05)	0.71*** (0.03)	0.72*** (0.03)	0.58*** (0.05)	0.46*** (0.04)	0.43*** (0.04)	0.34*** (0.05)
Constant	0.13 (0.15)	0.40** (0.17)	0.00 (0.19)	-0.18* (0.10)	-0.21** (0.10)	-0.14 (0.24)	0.38*** (0.13)	0.34** (0.13)	0.92 (0.77)
Observations	1792	1792	491	1792	1792	492	1788	1757	435
Sargan χ^2	558.88	517.22	427.99	600.42	563.42	415.06	454.24	469.14	377.30
Pr > χ^2	0	0	0	0	0	0	0	0	0
AR(1)	0	0	0	0	0	0	0	0	0
AR(2)	0	0	1	0	0	0	1	1	1
# Countries	110	110	31	110	110	30	108	107	28

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

GMM instruments are restricted to three lags. Endogenous variables are the first lag of the dependent variable and GDP Growth. AR (1) and AR (2) are the p-values of the test statistics for first and second order serial correlation in first differenced residuals.

Table A41: Variations Across Level of Financial Market Development – High, Accounting for Financial Openness

	Aggregate Credit			Private Credit			Public Credit		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Aggregate	Bank	Non-Bank	Aggregate	Bank	Non-Bank	Aggregate	Bank	Non-Bank
Election	0.26** (0.11)	0.24** (0.10)	0.12 (0.15)	0.24** (0.10)	0.25*** (0.09)	0.08 (0.16)	0.07 (0.10)	0.11 (0.10)	-0.21** (0.09)
Election X Kaopen	-0.16*** (0.06)	-0.12** (0.05)	-0.12 (0.09)	-0.14*** (0.05)	-0.12*** (0.05)	-0.08 (0.08)	-0.09 (0.06)	-0.07 (0.06)	0.15** (0.07)
Kaopen	0.03 (0.02)	0.02 (0.02)	0.01 (0.03)	0.03 (0.02)	0.03 (0.02)	0.04** (0.02)	0.01 (0.01)	0.01 (0.01)	-0.02 (0.02)
GDP per capita	0.01 (0.01)	0.01 (0.01)	0.02 (0.01)	0.01 (0.01)	0.01 (0.01)	0.03*** (0.01)	-0.00 (0.01)	0.00 (0.01)	-0.00 (0.01)
GDP growth	1.10*** (0.09)	1.15*** (0.10)	0.95*** (0.10)	1.20*** (0.16)	1.32*** (0.17)	-0.10 (0.51)	0.12 (0.11)	0.09 (0.10)	0.37*** (0.12)
Regime Durability	-0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)
Democracy	-0.03 (0.06)	-0.04 (0.05)	-0.06 (0.08)	-0.06 (0.05)	-0.05 (0.05)	-0.20*** (0.07)	0.00 (0.04)	-0.02 (0.04)	0.03 (0.04)
First Lag	0.54*** (0.05)	0.64*** (0.04)	0.53*** (0.03)	0.62*** (0.05)	0.68*** (0.04)	0.58*** (0.03)	0.54*** (0.04)	0.59*** (0.03)	0.52*** (0.06)
Constant	-0.19 (0.18)	-0.21 (0.18)	-0.22 (0.23)	-0.21 (0.18)	-0.37** (0.16)	-1.04 (0.69)	0.06 (0.15)	0.06 (0.15)	0.12 (0.14)
Observations	971	971	379	971	971	396	956	956	341
Sargan χ^2	522.33	476.33	405.67	447.30	475.25	413.31	469.64	510.10	355.98
Pr > χ^2	0	0	0	0	0	0	0	0	0
AR(1)	0	0	0	0	0	0	0	0	0
AR(2)	0	0	0	0	0	0	1	1	0
# Countries	53	53	22	53	53	21	53	53	20

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

GMM instruments are restricted to three lags. Endogenous variables are the first lag of the dependent variable and GDP Growth.

AR (1) and AR (2) are the p-values of the test statistics for first and second order serial correlation in first differenced residuals.

C.3 Robustness Checks - Mechanisms

Table A42: International Capital Inflows

	Portfolio			FDI			Derivatives			Debt			All		
	(1) Liabilities	(2) Assets	(3) Net	(4) Liabilities	(5) Assets	(6) Net	(7) Liabilities	(8) Assets	(9) Net	(10) Liabilities	(11) Assets	(12) Net	(13) Liabilities	(14) Assets	(15) Net
Election	-0.02* (0.01)	-0.02** (0.01)	0.17 (0.31)	0.02* (0.01)	0.00 (0.01)	-0.64* (0.34)	-0.01 (0.01)	-0.01 (0.01)	0.01 (0.02)	0.00 (0.01)	-0.01 (0.01)	-4.35 (3.96)	0.01 (0.01)	-0.02* (0.01)	-5.39 (3.97)
Election X Kaopen	0.00 (0.01)	0.01 (0.01)	0.64 (0.61)	-0.01 (0.01)	-0.00 (0.01)	-0.11 (0.21)	-0.00 (0.01)	-0.00 (0.01)	0.01 (0.02)	-0.01 (0.01)	0.00 (0.01)	1.53 (1.46)	-0.01 (0.01)	0.00 (0.01)	1.85 (1.65)
Kaopen	0.02*** (0.00)	0.01*** (0.00)	0.10 (0.08)	0.01** (0.00)	0.01 (0.00)	-0.00 (0.09)	0.01*** (0.00)	0.01*** (0.00)	0.00 (0.00)	0.01*** (0.00)	0.03*** (0.01)	2.67** (1.48)	0.01*** (0.00)	0.03*** (0.01)	1.92 (1.34)
GDP per capita	0.00 (0.00)	0.00 (0.00)	-0.01 (0.03)	-0.00 (0.00)	-0.00 (0.00)	0.11*** (0.04)	0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.04 (0.32)	-0.00 (0.00)	-0.00 (0.00)	0.09 (0.27)
GDP growth	0.01 (0.01)	-0.01 (0.01)	-1.52 (1.36)	-0.02 (0.06)	-0.01 (0.01)	1.42 (1.47)	-0.01 (0.01)	-0.00 (0.00)	0.00 (0.01)	-0.03 (0.08)	-0.00 (0.06)	-56.33 (65.21)	-0.03 (0.07)	0.04 (0.07)	-56.62 (68.37)
Regime Durability	0.00*** (0.00)	0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	0.02*** (0.00)	0.00*** (0.00)	0.00*** (0.00)	0.00* (0.01)	-0.00 (0.00)	0.00 (0.00)	0.02 (0.05)	-0.00 (0.00)	0.00 (0.00)	0.02 (0.04)
Democracy	0.05*** (0.01)	0.02*** (0.01)	0.59 (0.65)	0.01 (0.01)	-0.00 (0.01)	0.28 (0.24)	0.01 (0.00)	0.00 (0.00)	-0.01 (0.01)	0.01 (0.01)	-0.01 (0.01)	-4.33 (3.22)	0.01 (0.01)	-0.01 (0.01)	-3.61 (3.01)
Constant	-0.03 (0.02)	-0.02 (0.02)	-0.45 (0.67)	0.18*** (0.05)	0.02 (0.02)	-2.10*** (0.67)	-0.03*** (0.01)	-0.02*** (0.01)	-0.00 (0.01)	0.16*** (0.08)	0.19*** (0.05)	-1.33 (4.91)	0.16*** (0.07)	0.21*** (0.07)	-2.99 (4.28)
Observations	4136	4136	4136	4042	4049	4052	4045	4048	4048	4052	4049	4049	4052	4049	4049
Sargan χ^2	552.06	755.06	3583.55	1080.05	538.97	1607.41	869.30	474.43	1810.77	718.24	611.43	2610.87	756.89	638.27	2615.25
$F > \chi^2$	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
AR(1)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
AR(2)	1	1	0	0	0	1	1	0	0	1	0	0	1	1	0
# Countries	141	141	141	141	141	141	141	141	141	141	141	141	141	141	141

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

The first lag of the dependent variable is not reported.

GMM instruments are restricted to three lags. Endogenous variables are the first lag of the dependent variable and GDP Growth.

AR (1) and AR (2) are the p-values of the test statistics for first and second order serial correlation in first differenced residuals.

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