

Bank Regulation, Macroeconomic Management, and
Monetary Incentives in OECD Economies
Statistical Appendix

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Appendix

Table 1: Mean Tier 1 Ratios Before and After Institutional Changes

a. Mean Tier 1 Ratios Before and After Transition to Separate Regulator			
Country	Regulatory Central Bank	Nonregulatory Central Bank	Difference
Australia	8.77%	11.10%	2.33%
Iceland	9.57%	10.25%	0.68%
South Korea	6.21%	7.57%	1.36%
Turkey	13.97%	18.80%	4.83%
United Kingdom	11.22%	14.00%	2.78%

b. Mean Tier 1 Ratios Before and After Accession to EMU (* denotes regulatory domestic central bank)			
Country	Pre-EMU Accession	Post-EMU Accession	Difference
Austria	7.73%	12.54%	4.81%
Belgium	7.31%	9.25%	1.94%
Finland	9.17%	10.02%	0.85%
France*	17.23%	16.32%	-0.91%
Germany	6.69%	8.51%	1.82%
Greece*	13.34%	10.92%	-2.42%
Ireland*	14.21%	14.12%	-0.09%
Italy*	11.89%	20.26%	8.37%
Luxembourg	19.67%	11.79%	-7.88%
Netherlands*	10.95%	13.40%	2.45%
Portugal*	12.26%	9.36%	-2.90%
Spain*	12.31%	10.81%	-1.50%

c. Mean Tier 1 Ratios Across Time, OECD			
Group	1992-1998	1999-2007	Difference
OECD Total, excluding Japan	11.66%	13.82%	2.16%
OECD Total, including Japan	24.06%	15.61%	-8.45%
No Change, excluding Japan	11.77%	15.43%	3.66%
No Change, including Japan	41.57%	19.29%	-22.28%

Table 2: Predicted values of Tier 1 CAR, Model 2, Excluding Japan

Regulatory Central Bank	EMU Member	Predicted Tier 1 CAR	95% Confidence Interval
No	No	10.87%	6.801 - 17.167%
No	Yes	14.041%	8.289 - 22.556%
Yes	No	9.728%	6.228 - 15.014%
Yes	Yes	9.767%	6.038 - 15.518%

Table 3: Determinants of Tier 1 Capital Adequacy Ratios, Investment Banks Included

Variable	Model 5	Model 6	Model 7	Model 8
Regulator	-0.164 (0.042)	-0.305 (0.009)	-0.164 (0.042)	-0.335 (0.006)
EMU	0.142 (0.005)	0.239 (0.000)	0.133 (0.045)	0.226 (0.011)
Openness	-0.196 (0.210)	-0.150 (0.275)	-0.149 (0.332)	-0.110 (0.475)
Exchange Rate Stability	-0.057 (0.646)	-0.239 (0.197)	-0.067 (0.606)	-0.293 (0.132)
Banking Crisis	-0.295 (0.014)	-0.261 (0.014)	-0.275 (0.002)	-0.247 (0.005)
Banking Sector Size	0.000 (0.070)	-0.000 (0.643)	0.000 (0.205)	-0.000 (0.291)
GDP Growth	0.014 (0.422)	0.014 (0.368)	0.012 (0.191)	0.013 (0.182)
Inflation	0.018 (0.455)	0.024 (0.328)	0.008 (0.749)	0.013 (0.592)
Current Account Balance	0.011 (0.136)	0.011 (0.123)	0.011 (0.052)	0.012 (0.043)
Regulator*EMU		-0.187 (0.065)		-0.186 (0.168)
Regulator*Exchange Rate Stability		0.365 (0.129)		0.435 (0.094)
Regulator*Banking Sector Size		0.000 (0.067)		0.000 (0.135)
Banking Sector Size*Exchange Rate Stability		0.000 (0.336)		0.000 (0.031)
Regulator*Banking Sector Size*Exchange Rate Stability		-0.000 (0.072)		-0.000 (0.140)
Constant	2.641 (0.000)	2.535 (0.000)	2.795 (0.000)	2.836 (0.000)
N	386	386	386	386
R ²	0.679	0.691		

Models 1 & 2: OLS regression with fixed effects and robust standard errors.

Models 3 & 4: Hierarchical linear model.

P-values in parentheses.

Table 4: Determinants of Tier 1 Capital Adequacy Ratios, adding LDV

Variable	Model 9	Model 10	Model 11	Model 12
Regulator	-0.180 (0.000)	-0.337 (0.049)	-0.088 (0.006)	-0.226 (0.012)
EMU	0.133 (0.079)	0.247 (0.002)	0.072 (0.147)	0.154 (0.001)
Openness	-0.227 (0.123)	-0.194 (0.183)	-0.222 (0.151)	-0.225 (0.180)
Exchange Rate Stability	-0.019 (0.930)	-0.193 (0.561)	-0.087 (0.505)	-0.263 (0.093)
Banking Crisis	-0.202 (0.078)	-0.162 (0.238)	-0.121 (0.234)	-0.131 (0.258)
Banking Sector Size	0.000 (0.000)	0.000 (0.074)	0.000 (0.006)	0.000 (0.071)
GDP Growth	0.010 (0.256)	0.013 (0.358)	0.010 (0.577)	0.007 (0.707)
Inflation	0.014 (0.571)	0.019 (0.443)	-0.001 (0.954)	-0.001 (0.963)
Current Account Balance	0.013 (0.171)	0.013 (0.219)	0.005 (0.331)	0.004 (0.437)
Regulator*EMU		-0.237 (0.029)		-0.199 (0.041)
Regulator*Exchange Rate Stability		0.394 (0.371)		0.419 (0.103)
Regulator*Banking Sector Size		0.000 (0.120)		0.000 (0.293)
Banking Sector Size*Exchange Rate Stability		0.000 (0.007)		0.000 (0.831)
Regulator*Banking Sector Size*Exchange Rate Stability		-0.000 (0.128)		-0.000 (0.177)
LDV			0.492 (0.001)	0.486 (0.001)
Constant	2.748 (0.000)	2.764 (0.000)	1.540 (0.000)	1.613 (0.000)
N	384	384	358	358
R ²	0.089	0.125	0.332	0.343

Models 1 & 2: TSCS regression with fixed effects and clustered standard errors.
P-values in parentheses.

Table 5: Determinants of Tier 1 Capital Adequacy Ratios, Excluding Japan

Variable	Model 13	Model 14	Model 15	Model 16
Regulator	-0.181 (0.000)	-0.344 (0.044)	-0.093 (0.009)	-0.243 (0.011)
EMU	0.135 (0.073)	0.253 (0.001)	0.074 (0.130)	0.160 (0.001)
Openness	-0.223 (0.154)	-0.187 (0.224)	-0.204 (0.207)	-0.197 (0.248)
Exchange Rate Stability	-0.021 (0.922)	-0.201 (0.548)	-0.087 (0.508)	-0.267 (0.108)
Banking Crisis	-0.110 (0.124)	-0.061 (0.515)	-0.045 (0.462)	-0.042 (0.571)
Banking Sector Size	0.000 (0.000)	0.000 (0.118)	0.000 (0.001)	0.000 (0.008)
GDP Growth	0.012 (0.173)	0.015 (0.285)	0.012 (0.485)	0.009 (0.623)
Inflation	-0.001 (0.970)	0.004 (0.846)	-0.002 (0.934)	-0.002 (0.931)
Current Account Balance	0.014 (0.136)	0.014 (0.177)	0.006 (0.235)	0.005 (0.311)
Regulator*EMU		-0.245 (0.025)		-0.207 (0.034)
Regulator*Exchange Rate Stability		0.404 (0.359)		0.429 (0.104)
Regulator*Banking Sector Size		0.000 (0.126)		0.000 (0.053)
Banking Sector Size*Exchange Rate Stability		0.000 (0.004)		0.000 (0.386)
Regulator*Banking Sector Size*Exchange Rate Stability		-0.000 (0.135)		-0.000 (0.093)
LDV			0.489 (0.001)	0.483 (0.001)
Constant	2.712 (0.000)	2.725 (0.000)	1.509 (0.001)	1.577 (0.000)
N	379	379	354	354
R ²	0.080	0.122	0.326	0.339

TSCS regressions with fixed effects and clustered standard errors.
P-values in parentheses.

Table 6: Determinants of Tier 1 + Tier 2 Capital Adequacy Ratios

Variable	Model 17	Model 18	Model 19	Model 20
Regulator	-0.178 (0.002)	-0.317 (0.029)	-0.174 (0.008)	-0.333 (0.001)
EMU	0.150 (0.052)	0.233 (0.041)	0.146 (0.007)	0.227 (0.002)
Openness	0.040 (0.777)	0.034 (0.802)	0.059 (0.631)	0.052 (0.680)
Exchange Rate Stability	-0.114 (0.487)	-0.289 (0.346)	-0.126 (0.233)	-0.327 (0.042)
Banking Crisis	-0.151 (0.295)	-0.166 (0.266)	-0.135 (0.056)	-0.152 (0.035)
Banking Sector Size	0.000 (0.000)	0.000 (0.000)	0.000 (0.035)	0.000 (0.061)
GDP Growth	-0.002 (0.823)	-0.003 (0.767)	-0.003 (0.730)	-0.003 (0.677)
Inflation	-0.002 (0.950)	-0.002 (0.941)	-0.008 (0.704)	-0.009 (0.677)
Current Account Balance	0.013 (0.117)	0.012 (0.206)	0.013 (0.007)	0.012 (0.012)
Regulator*EMU		-0.205 (0.124)		-0.204 (0.065)
Regulator*Exchange Rate Stability		0.415 (0.242)		0.452 (0.034)
Regulator*Banking Sector Size		0.000 (0.140)		0.000 (0.245)
Banking Sector Size*Exchange Rate Stability		-0.000 (0.007)		-0.000 (0.331)
Regulator*Banking Sector Size*Exchange Rate Stability		-0.000 (0.141)		-0.000 (0.246)
Constant	2.884 (0.000)	2.940 (0.000)	2.938 (0.000)	3.011 (0.000)
N	390	390	390	390
R ²	0.093	0.111		

Models 1 & 2: TSCS regression with fixed effects and clustered standard errors.

Models 3 & 4: Hierarchical linear model.

P-values in parentheses.

Table 7: Determinants of Tier 1 + Tier 2 Capital Adequacy Ratios, Excluding Japan

Variable	Model 21	Model 22	Model 23	Model 24
Regulator	-0.179 (0.000)	-0.322 (0.024)	-0.081 (0.133)	-0.260 (0.005)
EMU	0.152 (0.049)	0.238 (0.038)	0.120 (0.018)	0.203 (0.003)
Openness	0.043 (0.759)	0.040 (0.772)	0.042 (0.704)	0.038 (0.731)
Exchange Rate Stability	-0.119 (0.465)	-0.300 (0.339)	-0.069 (0.467)	-0.269 (0.050)
Banking Crisis	-0.059 (0.595)	-0.072 (0.537)	-0.046 (0.521)	-0.057 (0.426)
Banking Sector Size	0.000 (0.000)	0.000 (0.000)	0.000 (0.003)	0.000 (0.029)
GDP Growth	-0.001 (0.927)	-0.001 (0.874)	0.000 (0.962)	-0.000 (0.991)
Inflation	-0.020 (0.472)	-0.020 (0.464)	-0.008 (0.711)	-0.009 (0.651)
Current Account Balance	0.014 (0.086)	0.013 (0.161)	0.010 (0.011)	0.011 (0.012)
Regulator*EMU		-0.212 (0.112)		-0.206 (0.046)
Regulator*Exchange Rate Stability		0.426 (0.234)		0.452 (0.014)
Regulator*Banking Sector Size		0.000 (0.122)		0.000 (0.169)
Banking Sector Size*Exchange Rate Stability		-0.000 (0.011)		-0.000 (0.347)
Regulator*Banking Sector Size*Exchange Rate Stability		-0.000 (0.123)		-0.000 (0.171)
Constant	2.861 (0.000)	2.917 (0.000)	2.769 (0.000)	2.849 (0.000)
N	385	385	385	385
R ²	0.091	0.111		

Models 1 & 2: TSCS regression with fixed effects and clustered standard errors.

Models 3 & 4: Hierarchical linear model.

P-values in parentheses.