RESEARCH STATEMENT

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I am a PhD and job market candidate in Economics at the Departement of Economics at Université du Québec à Montréal (ESG-UQAM). I am interested in studying the link between financial development, human capital, and capital inflows and their possible effects on economics growth, particularly in developing countries. Therefore, my expertise is related to Development Economics, Applied Econometrics and international economics. In this research statement, I describe my current work, its contribution to economics development and provide a brief outline about my future research.

Questions about international capital flows have recently renewed interest since Prasad *et al.* (2007) pointed that capital tends to flow from developing countries to United state of America over the two last decades. Beginning with Lucas (1990) findings, a wide literature has shown empirically that little capital flows from rich to poor countries in contrast to the predictions of the textbook neoclassical growth model. According to the theoretical predictions, capital must flow into countries where its marginal return is higher. This discrepancy between theory and observed data has been explored from a number of different perspectives. The starting point to better understand why countries with lower productivity growth rate import capital is to identify the determinants of capital inflows in developing countries in order to improve growth models. The question on the determinants of capital flows remains open. Following discussions on the potential determinants in the literature and motivated by the findings of Lucas (1990) and Gourinchas and Jeanne (2013), I have been interested to explore the role of financial development and human capital development as determinants of capital flows. I address this challenge in my current research in two related topics.

What is the impact of financial development on productivity growth? I address the question in the paper titled "*Impact of financial development on convergence: A panel Approach"*. I assess the schumpeterian growth model with imperfect creditor protection developed by Aghion, Howitt and Mayer-Foulkes (2005), using two econometric approaches. In the cross-country estimation, I use Instrumental Variable regression to deal with the endogeneity of financial development. The Legal origin is the instrument used in the literature, but received criticism because of the exclusion conclusion. I therefore performed the Generalize Moment Method estimation of dynamic panel data to deal with the endogeneity. My results suggest that financial development has a positive, but vanishing effect on per capita GDP growth. When I group countries following their level of financial development, I found that the positive effect is stronger for countries with low level of financial development and non significant for countries with medium and low level of financial development. This paper lays out the premises for the next paper. Indeed, Gourinchas and Jeanne (2013) suggested that domestic financial friction, strongly correlated with productivity catch-up may help to explain the upstream flows of capital to countries with lower growth rate of productivity.

Why does capital flow into countries with lower productivity growth rate? We stress the role of financial development for capital inflows in my job market paper titled "*Financial Development and Capital flows: The Schumpeterian growth on the "Allocation puzzle"* " (joint with Wilfried Koch). Following Gourinchas and Jeanne (2013), we give a new evidence on the discrepancy between the negative correlation capital inflows-productivity catch-up observed with the data and the positive correlation predicted by standard growth models. We introduce credit constraint in a calibrated schumpeterian gowth model to address this paradox; our main result indicates that, when the level of financial development prevent countries to catch-up the world technological frontier, countries import capital to compensate their domestic saving as they fall behind the frontier. In this article, we showed that frictions in the domestic financial market play an important role in the behaviour of external borrowing of countries which fail to catch-up the world technological frontier. Within this project, The correlation we highlight in this article does not control for other determinant of capital inflows. I address this in my next article. Thanks to this article, I deepened my knowledge of theoretical and empirical literature on capital flows across countries, and especially to better understand the mechanism behind the schumpeterian growth model. This paper is related to the first one because the evidences on the role of financial development and productivity growth stressed in my first paper, has motivated our modeling. Our findings in this article have already introduced one of the avenues I would like to explore in my future research.

In "*Determinants of Capital inflows in Developing Countries: A Dynamic Panel Empirical Investigation"*, I explore the impact of financial development, capital account openness and human capital on external borrowing. In this article, my preliminary results show a significant positive effect of financial openness and a significant negative effect of financial development and human capital on capital inflows. I am now exploring the impact of these variable on the different type of capital inflows; I follow Gourinchas and Jeanne (2013) and decompose total capital inflows into private and public flows. At term, the main objective of this analysis is to shed light on which type of capital inflows (private or public) is more responsive to the determinants I mentioned above.

My agenda for future research is built on my current findings and I intend to pursue in the same topics by exploring mainly two avenues. First, My findings suggest that a better domestic financial market is a key driven to increase productivity growth in developing countries, and also determines the direction and the volume of capital flows. Several works have established the relationship and the causality between financial development and growth, but the questions of what determines financial development and how to develop financial markets remain imperfectly understood. I think that, the answers to these questions are important for policies that could best promote financial development. Therefore, I intend to look at these questions in my future research. Second, I am interested in testing the impact of external debt on economic development in developing countries, especially the impact of public debt in low income countries. As stressed recently by the IMF, I also think that too much debt can be harmful both for lenders and borrowers. Therefore, it is useful to determine an acceptable level of international indebtedness.