WAGNER’S LAW IN 19TH CENTURY GREECE: A COINTEGRATION AND CAUSALITY ANALYSIS

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ABSTRACT
The validity of Wagner’s law, which states that the growth of public expenditure can be explained as a result of the increase in economic activity, is tested for Greece during the period 1833-1938. This represents a period of growth, industrialisation and modernisation of the economy, conditions which should be conducive to Wagner’s law. In addition, the long data sample ensures the reliability of the results in terms of economic significance and statistical inference. Cointegration analysis provides positive evidence for the existence of a long-run relationship between government expenditure and national income, and Granger causality tests indicate that causality runs from income to government expenditure. The results support Wagner’s hypothesis, in line with other empirical studies examining the validity of the hypothesis in 19th century economies.

Keywords: Public expenditure; Wagner’s law; cointegration.
JEL classification: H1; H5; N43; N44

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1. Introduction

The notion that there is a long-run tendency for government activities to grow relative to economic activity was proposed by Wagner as back as in the late 19th century (Wagner, 1890). Wagner stated that during the industrialisation process, as the real income per capita of a nation increases, the share of public expenditures in total expenditure increases. According to him, there are three main reasons, which support this hypothesis: first, during industrialisation, the administrative and regulatory functions of the state would substitute public for private activity; second, economic growth would lead to an increase in cultural and welfare services, which are assumed to be income elastic; third, state participation would be required to provide the capital funds to finance large-scale projects made to satisfy the technological needs of an industrialised society, not met by the private sector. In other words, Wagner’s law states that government grows because there is an increasing demand for public goods and for the control of externalities. Based on these arguments, the law also implies causality running from national income to public sector expenditure. Hence, public expenditure is considered as endogenous to the growth of national income, in contrast to the Keynesian view, which considers public spending as an exogenous policy instrument which can affect growth in national product.

Modern versions of the law use the notion of individual utility maximisation as a necessary component of their explanation. Niskanen (1971) states that government spending may rise disproportionately with growth as a result of the utility maximising behaviour of the bureaucrats, who may be able to expand the size of their bureaus at the expense of efficiency. Meltzer and Richard (1981) and Persson and Tabellini (1990) consider public choice motivations: assuming that government activity has a redistributive element, they explain the growth of the government sector as a result of the spread of the franchise in the 19th and 20th centuries, which increased the number of low income voters who push for more and more redistributive expenditures. Tridimas (2001) emphasises the role of interest groups able to capture government through the majority rule.

Due to its important policy implications, the relationship between government expenditure and economic growth as postulated by Wagner has been one of the most extensively investigated relationships in public economics over the last three decades. The validity of the law has been assessed empirically for a large number of developing and developed countries using both time series and cross sectional data.
sets. The studies cover country-specific analyses as well as analyses of groups of economies, mainly for the post-Second World War period.¹

The empirical works on the law can be categorised in two groups, based on the different types of the econometric methodology they apply: a) The early studies which are performed until the mid 1990s, assume stationary data series and apply simple OLS regressions to test alternative versions of the law (see inter alia Ram, 1987; Courakis et al., 1993 and references therein). b) The cointegration-based studies, which are performed from the mid 1990s and on, test for cointegration between government expenditure and national income (and occasionally population); early studies of this group use the Engle and Granger methodology, whereas more recent works apply the Johansen technique. Most of the recent studies also perform Granger causality tests to indicate the direction of causality between the variables (see inter alia Henrekson, 1993; Murthy, 1993; Ahsan et al., 1996; Biswal et al., 1999; Kolluri et al., 2000; Islam, 2001; Al-Faris, 2002; Burney, 2002; Wahab, 2004). However, the empirical studies have produced mixed and sometimes contradictory results. These conflicting findings (which are well documented in inter alia Bohl 1996), have been attributed to the different econometric methodologies used, and to the different features characterising different economies during alternative time periods.

A number of economists state that the law is expected to be valid in developing economies; after all, Wagner’s proposition was conceived as applicable to countries in their early stages of development. Thus: (a) In a number of studies, evidence for the hypothesis is investigated in currently emerging industrialised economies, or developing economies with relatively small public sectors, which have strong social and economic roles, using time series data for recent periods (e.g. Ansari et al., 1997; Iyare and Lorde, 2004). (b) A different strand of the literature examines the validity of the postulate for currently developed economies using historical time series, so that the examined period covers mainly the industrialisation phases (Oxley, 1994; Thornton, 1999; Florio and Colautti, 2005).² In particular: Oxley (1994) uses data for the British economy for the period 1870-1913 and provides evidence consistent with the hypothesis. Thornton (1999) analyses the experience of six presently developed economies (Denmark, Germany, Italy, Norway, Sweden and the

¹ For a recent literature review see inter alia Chang et al., 2004, for a more critical discussion of the literature Peacock and Scott, 2000.
² The importance of state intervention for the development and industrialisation of western economies in the 19th century is acknowledged by a number of economists (see inter alia North and Wallis, 1982).
UK) for the period beginning around the mid 19\textsuperscript{th} century and ending in 1913, and reports results in favour of the law. Florio and Colautti (2005) analyse the experience of five economies (US, UK, France, Germany and Italy) for the period 1870-1990. They observe that the increase in the public expenditure to national income ratio is faster for the period until the mid 20\textsuperscript{th} century and develop a model -based on Wagner’s law and the Pigou’s conjecture that the excess burden of taxation constraints the growth of public expenditures- to analyse the growth process of the ratio for the whole period.

In the present paper, we extend this strand of the literature by testing for the validity of Wagner’s hypothesis for the case of the Greek economy in the 19\textsuperscript{th} century. We use data for the period 1833-1938, which have been registered and released only recently (Kostelenos \textit{et al.}, 2007; Dertilis, 2005). The development of state activities in Greece share all the features assumed by Wagner during the examined period. The Greek economy is characterised by an initially small but expanding public sector which played an important administrative role for economic development and growth of the economy in the 19\textsuperscript{th} century. The state’s importance, initially a result of its administrative and bureaucratic functions -Greece became an independent country in 1827- was later re-enforced by the increased demand for social and educational services, which followed the urbanization of the country, in the late 19\textsuperscript{th} century; its role was further enhanced by government activities to form the institutional framework and monitor the industrialisation of the economy in the period 1860-1920 (see Dertilis, 2005).

An additional advantage of the present study is the long span of the historical time series used. While studies examining recent experiences, including those which refer to Greece, (see the more recent Hondroyiannis and Papapetrou, 1995; Chletsos and Kollias, 1997; Vamvoukas, 2000; Dritsakis and Adamopoulos, 2004; Loizides and Vamvoukas, 2005) use at most 55 annual observations covering the post- Second World War period, in the present study we use annual observations covering more than a century. If Wagner’s law is to be regarded as a long-run phenomenon, the longer the time series used, the more reliable the results become in terms of both economic interpretation and statistical inference. In this, we follow the suggestion of \textit{inter alia} Henrekson (1992), Legrenzi (2000) and Florio and Collautti (2005) who
propose the use of long time series, as they consider them to be more revealing compared to cross-country analyses.\textsuperscript{3}

The empirical work is performed following the methodological suggestions in the recent studies of the relevant literature. An initial investigation of the time series properties of the data is followed by the examination of the existence of any possible long-run relationship between government spending and national income, by applying the multivariate cointegration methodology suggested by Johansen (1988, 1995). To test the direction of causality, we make use of the concept of Granger causality (Granger, 1986) and apply the relevant causality tests as adapted in cointegrating systems.

The rest of the paper is organised as follows: Section 2 presents briefly the theoretical and mathematical formulations of Wagner’s hypothesis and outlines the econometric methodology performed in the testing. Section 3 presents the applied work and results. The final section summarises and concludes.

2. Theoretical and methodological issues

2.1 The theoretical relationship

The general nature of Wagner’s notion makes it difficult to define uniquely the relationship between ‘economic progress’ and ‘the growth of state activity’. Alternative strands of the literature test several different specifications of Wagner’s hypothesis, using various variables to approximate the theoretical variables of ‘state activity’ and ‘economic progress’. Five specifications are predominant in the literature, since most authors test for the validity of one or more of them.\textsuperscript{4} These can be expressed mathematically in a log-linear functional form, as follows:

Model 1: \( \ln G_t = a_1 + b_1 \ln Y_t + u_{1t} \)  \hspace{1cm} (1)

Model 2: \( \ln G_t = a_2 + b_2 \ln (Y_t / N_t) + u_{2t} \)  \hspace{1cm} (2)

Model 3: \( \ln (G_t / Y_t) = a_3 + b_3 \ln (Y_t / N_t) + u_{3t} \)  \hspace{1cm} (3)

Model 4: \( \ln (G_t / N_t) = a_4 + b_4 \ln (Y_t / N_t) + u_{4t} \)  \hspace{1cm} (4)

Model 5: \( \ln (G_t / Y_t) = a_5 + b_5 \ln Y_t + u_{5t} \)  \hspace{1cm} (5)

where \( \ln \) denotes natural logarithms and \( u_{jt}, j=1,...,5 \), are serially uncorrelated random disturbance terms. \( G \) stands for real government expenditure, \( Y \) for real gross


\textsuperscript{4} Including more recently Folster and Henrekson, 2001; Chang, 2002; Chang \textit{et al.}, 2004; Iyare and Lord, 2004.
domestic product (GDP) and N for the population size; thus, Y/N stands for real GDP per capita, G/Y for the share of real government expenditure in real GDP and G/N for real government expenditure per capita. Wagner’s law implies that the real income elasticity coefficient should exceed unity in Models 1, 2 and 4 \((b_1>1, b_2>1, b_4>1)\) and should be greater than zero in Models 3 and 5 \((b_2>0, b_5>0)\).

Model 1 expresses the most general version of the law, Model 3 is known as the share of income formulation and Model 4 is the per capita formulation of the law. Models 1 and 5 are equivalent for a monotonic transformation (with \(b_5 = b_1 - 1\)); so are Model 3 and Model 4 (for \(b_3 = b_4 - 1\)). Model 2 is conceptually different and the interpretation of the elasticity \(b_2\) is also more loosely related to Wagner’s law. A more general variation, which nests both models 3 and 4, has also been considered in the literature (see Courakis et al., 1993); it takes the form:

Model 6: \[ \ln G_t = a_6 + b_6 \ln Y_t + c \ln N_t + u_{6t} \] (6)

with the implied restriction \(c = 1 - b_6\).

The above models imply causality running from income to public sector expenditure. This is how Wagner seemed to view the basis of the law. It is then important that this uni-directional causality is tested and established formally, if unambiguous support for the law is to be inferred.

2.2 The econometric methodology

The present applied work follows a three step procedure. In the first step, the stationarity properties of the data series are examined to determine the order of integration of the series. To this end, tests for unit roots are carried out, using the by now well-known Augmented Dickey-Fuller (ADF) tests (Dickey and Fuller, 1979). Tests for unit roots in the levels of the series are followed by tests for unit roots in the first difference of the series.

In the second step, we test for cointegration among the variables involved in the six specifications, in the event that they are identified as I(1) in the first step, using the Johansen (1988, 1995) maximum likelihood methodology. We define the number of the cointegrating vectors and report the estimated relationships.

In the third step, we examine the causality dynamics between the variables by carrying out Granger causality tests (Granger, 1986). The well-known procedure is to regress past values of a stationary series \(Z_{1t}\), on current values of some other stationary process \(Z_{2t}\). If \(Z_{1t}\) contains information which helps to model \(Z_{2t}\), then in the Granger sense, \(Z_{1t}\) causes \(Z_{2t}\). The reverse procedure allows testing whether \(Z_{2t}\) causes
If both regressions provide positive evidence for causality, then a bidirectional relationship exists between \( Z_{1t} \) and \( Z_{2t} \).

### 3. Empirical results and analysis

The data used in the study relate to Greece 1832-1938 and are taken from Dertilis (2005) and Kostelenos, et al. (2007). The analysis employs annual data on real GDP (Y), real total government spending (G) and population (N). All variables are measured as natural logarithms. First, univariate time series analysis is performed. The idea is to define the order of integration of the variables involved in the six models under consideration (\( \ln(Y) \), \( \ln(G) \), \( \ln(N) \), \( \ln(Y/N) \), \( \ln(G/N) \), \( \ln(G/Y) \)). To this end, the variables are tested for unit roots in levels and in differences applying ADF tests. Table 1 reports the results. On the basis of the results, all time series appear to be I(1) at a 1% level of significance.

In the second step, cointegration between the series involved in Models 1 – 6 is investigated using the Johansen approach. Initially, five two-dimensional VARs (Models 1-5) and one three-dimensional VAR (Model 6) are estimated using one lag of the variables to obtain non-correlated residuals; hence, effective estimation periods are reduced so as to accommodate the lag structure of the models. In all systems, the deterministic variable sets include a constant and impulse dummies to account for specific structural breaks that affected the performance of the Greek economy during the estimation period. The dummies which have been used are reported in the second column of Table 2. D1913 and D1914, which take the value 1 in 1913 and 1914, respectively, are included in all systems. They account for the effects of the participation of Greece in the First World War. D1864 and D1922, which take the value one in 1864 and 1922 respectively, are included in VAR 6. D1864 accounts for

Assuming that the series are I(1) and that there is evidence for one cointegrating vector, which can be used as an error correction term (EC) for each model j, the Granger causality tests for model j, can be defined based on the following formulation:

\[
\Delta \ln X_{1j} = \lambda_{j0} + \sum_{i=1}^{j} \lambda_{j1i} \Delta \ln(X_{1j})_{t-i} + \sum_{i=1}^{j} \lambda_{j3i} \Delta \ln(X_{2j})_{t-i} + \lambda_{j4i} (EC_{j})_{t-i} + u_{j1i} \quad (A1) \\
\Delta \ln X_{2j} = \mu_{j0} + \sum_{i=1}^{j} \mu_{j1i} \Delta \ln(X_{1j})_{t-i} + \sum_{i=1}^{j} \mu_{j2i} \Delta \ln(X_{2j})_{t-i} + \mu_{j4i} (EC_{j})_{t-i} + u_{j2i} \quad (A2)
\]

where \( u_{j1i} \) and \( u_{j2i} \) are zero-mean, uncorrelated and homoscedastic random error terms. On the basis of (A1) and (A2), unidirectional causality from \( \Delta \ln X_{2j} \) to \( \Delta \ln X_{1j} \), is implied if the estimated \( \lambda_{j2i} \)’s and \( \lambda_{j4} \) are statistically different from zero as a group (based on standard F statistics) in (A1), and the estimated \( \mu_{j1i} \)’s and \( \mu_{j4} \) are not statistically different from zero as a group in (A2). Equivalently, unidirectional causality from \( \Delta \ln X_{1j} \) to \( \Delta \ln X_{2j} \), is implied if not only the estimated \( \lambda_{j2i} \)’s and \( \lambda_{j4} \) are not statistically different from zero as a group in (A1), but also the estimated \( \mu_{j1i} \)’s and \( \mu_{j4} \) are statistically different from zero as a group in (A2).
the large population increase caused by the annexation of two new peripheries in the Greek territory in 1864; D1922 accounts for the population increase due to a big wave of refugees of Greek origin coming from Asia Minor in 1922. All reported dummies are kept in the respective VARs as they turned out to be significant, whereas their absence would mean non-normal residuals for the relevant VARs.

Thus specified, the VARs satisfy the statistical assumptions required for the Johansen technique and we can go on with the cointegration analysis.\textsuperscript{6} The outcomes of the maximum eigenvalue and trace statistics are reported in columns 3 - 8 of Table 2. According to both likelihood ratio tests, there is strong evidence for one cointegrating vector for all six models.

In addition, the estimated coefficients of the cointegrating vectors, which are reported in Table 3, indicate that all vectors imply relationships as postulated by the theory.\textsuperscript{7} All income elasticities obtain values which are consistent with the hypotheses as expressed in the theoretical models. The estimated $b_1$ and $b_4$ obtain values which exceed unity, whereas the estimated $b_2$ and $b_5$ exceed zero. As expected, the estimated coefficient parameters satisfy the restrictions $b_5 = b_1 - 1$ ($0.0887 = 1.0887 - 1$) and $b_3 = b_4 - 1$ ($0.357 = 1.357 - 1$), associating models 1 and 3 to models 5 and 4, respectively. In versions 1 and 5 which express the hypothesis in absolute terms, the estimated income elasticity implies that an increase in income would lead to an almost equal government expenditure rise; in the per capita formulations 3 and 4, government expenditure turns out to be clearly output elastic; finally, the estimated version 2 implies that a 1% growth of per capita income would lead to an increase of total public expenses by 5.2%.

The estimated parameters of Model 6 are also in line with the theory. The Johansen technique permits testing for the joint hypothesis $H_1$: $-c = 0.357; b_6 = 1.357$. $H_1$ tests for $c = 1 - b_6$ (so that the estimated model is consistent with the theoretical hypothesis of model 6) and for $b_6 = b_4$ (that the estimated income elasticity of model 6 equals the estimated elasticity in version 4), thus implying that Model 6 is an alternative formulation of Model 4. The test statistic, which is asymptotically $\chi^2(2)$ distributed, takes the value 3.75; thus $H_1$ cannot be rejected at conventional levels of significance.

\textsuperscript{6} Their diagnostic tests do not indicate any serious mis-specification (serial correlation and/or non-normality) problem. They are not reported here for space reasons but are available on request.

\textsuperscript{7} Most of the studies which use cointegration analysis interpret the existence of cointegration between the variables in models 1-6 as evidence in favour of the hypothesis and do not report the estimated coefficients, in contrast to the present work.
Then, Granger causality tests are conducted for models 1-5. All models are estimated using two lags for the variables, based on diagnostic tests which ensure uncorrelated residuals. Given the existence of cointegration for all five examined versions, Granger causality tests are defined as joint tests (F-tests) for the significance of the lagged values of the assumed exogenous variable and for the significance of the error correction term. The results are reported in Table 4. According to them, Granger causality is running from income to spending, in Models 1 and 3-5. For Model 2 the tests do not support any form of causality between the two variables.

4. Conclusions

In the present study, the long-run tendency for government expenditure to grow relative to national income, Wagner’s law, is investigated empirically using Greek data from the 19th and the beginning of the 20th century. A basic advantage of the study is that the data span covers a period of more than a century; the long data sample thus ensures the reliability of the results, in terms of economic interpretation and statistical inference. In addition, the period refers to the early phase in the development of the Greek economy, during which, the growth of state activities share all the features assumed by Wagner.

In the paper, the methodological suggestions proposed in recent studies of the relevant literature are followed. After a thorough examination of the time dependence properties of the series, cointegration analysis validates the existence of long-run relationship between the variables, as expressed by the six most popular versions of the law. In addition, the estimated signs and magnitudes of the parameters support Wagner’s conception. Then, Granger causality tests indicate causality running from the variables approximating income to the government expenditure variable, in most cases. The results provide support for the validity of the law, and are in line with other studies examining the relationship between government spending and national income in other economies during the 19th century. The findings probably indicate that Wagner’s law is valid for economies which are in their early phase of development.

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8 Granger causality is not investigated for model 6, as it is an alternative formulation of 3 and 4 which, though, involves three variables.

9 Note that, given that models 5 and 4 are alternative formulations of 1 and 3 respectively, the test statistics obtain similar values.
References


### Table 1: ADF unit root tests

<table>
<thead>
<tr>
<th>Variables</th>
<th>t(ADF)</th>
<th>lags, trend</th>
<th>Variables</th>
<th>t(ADF)</th>
<th>Lags</th>
</tr>
</thead>
<tbody>
<tr>
<td>ln G</td>
<td>-0.110</td>
<td>(3)</td>
<td>∆ ln G</td>
<td>-7.735**</td>
<td>(3)</td>
</tr>
<tr>
<td>ln Y</td>
<td>1.213</td>
<td>(4)</td>
<td>∆ ln Y</td>
<td>-4.872**</td>
<td>(4)</td>
</tr>
<tr>
<td>ln N</td>
<td>2.562</td>
<td>(1, trend)</td>
<td>∆ ln P</td>
<td>-7.621**</td>
<td>(1)</td>
</tr>
<tr>
<td>ln (G/Y)</td>
<td>3.371*</td>
<td>(4)</td>
<td>∆ ln (G/Y)</td>
<td>-7.384**</td>
<td>(4)</td>
</tr>
<tr>
<td>ln (G/N)</td>
<td>2.648</td>
<td>(3)</td>
<td>∆ ln (G/N)</td>
<td>-7.723**</td>
<td>(3)</td>
</tr>
<tr>
<td>ln (Y/N)</td>
<td>0.965</td>
<td>(4)</td>
<td>∆ ln (Y/N)</td>
<td>-5.862**</td>
<td>(4)</td>
</tr>
</tbody>
</table>

Note: * and ** indicate rejection of the null hypothesis at the 5% and 1% level of significance, respectively.

### Table 2: The Johansen procedure results: Testing for the cointegration rank

<table>
<thead>
<tr>
<th>Model</th>
<th>Dummies</th>
<th>Maximal Eigenvalue</th>
<th>Trace statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>r = 0</td>
<td>r = 1</td>
<td>r = 2</td>
</tr>
<tr>
<td>1</td>
<td>D1913, D1914</td>
<td>38.53**</td>
<td>0.049</td>
</tr>
<tr>
<td>2</td>
<td>D1913, D1914</td>
<td>17.22**</td>
<td>2.018</td>
</tr>
<tr>
<td>3</td>
<td>D1913, D1914</td>
<td>36.92**</td>
<td>1.076</td>
</tr>
<tr>
<td>4</td>
<td>D1913, D1914</td>
<td>36.92**</td>
<td>1.076</td>
</tr>
<tr>
<td>5</td>
<td>D1913, D1914</td>
<td>38.53**</td>
<td>0.049</td>
</tr>
<tr>
<td>6</td>
<td>D1913, D1914, D1922, D1864</td>
<td>43.98**</td>
<td>10.15</td>
</tr>
</tbody>
</table>

Critical values at 95% level:

<table>
<thead>
<tr>
<th>r = 0</th>
<th>r = 1</th>
<th>r = 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>21.0</td>
<td>14.1</td>
<td>3.8</td>
</tr>
<tr>
<td>29.7</td>
<td>15.4</td>
<td>3.8</td>
</tr>
</tbody>
</table>

Note: * and ** indicate rejection of the null hypothesis at the 5% and 1% level of significance, respectively.
**Table 3: Estimated beta coefficients**

<table>
<thead>
<tr>
<th>Model</th>
<th>ln G</th>
<th>ln Y</th>
<th>ln (Y/N)</th>
<th>ln (G/Y)</th>
<th>ln (G/N)</th>
<th>ln Y</th>
<th>ln N</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1</td>
<td>-1.0887</td>
<td>-5.219</td>
<td>-0.357</td>
<td>-1.357</td>
<td>-0.0887</td>
<td>-0.991 -0.29</td>
</tr>
<tr>
<td>2</td>
<td>1</td>
<td>-5.219</td>
<td>-0.357</td>
<td>-1.357</td>
<td>-0.0887</td>
<td>-0.991 -0.29</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>1</td>
<td>-0.357</td>
<td>-1.357</td>
<td>-0.0887</td>
<td>-0.991</td>
<td>-0.29</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>1</td>
<td>-1.357</td>
<td>-0.0887</td>
<td>-0.991</td>
<td>-0.29</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Table 4: Granger Causality tests**

<table>
<thead>
<tr>
<th>Model</th>
<th>ln Y causes lnG</th>
<th>lnG causes lnY</th>
<th>ln(Y/N) causes lnG</th>
<th>lnG causes ln(Y/N)</th>
<th>ln(Y/N) causes ln(G/Y)</th>
<th>ln(G/Y) causes ln(Y/N)</th>
<th>ln(Y/N) causes ln(G/N)</th>
<th>ln(G/N) causes ln(Y/N)</th>
<th>lnY causes ln(G/Y)</th>
<th>ln(G/Y) causes lnY</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>8.075** (0.000)</td>
<td>0.540 (0.655)</td>
<td>1.0236 (0.385)</td>
<td>1.938 (0.128)</td>
<td>7.912** (0.000)</td>
<td>0.525 (0.666)</td>
<td>7.403** (0.000)</td>
<td>0.524 (0.666)</td>
<td>8.967** (0.000)</td>
<td>0.540 (0.655)</td>
</tr>
</tbody>
</table>

Note: * and ** indicate rejection of the null hypothesis at the 5% and 1% level of significance, respectively.
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