

Department of
Economics and Finance



FINANCIAL INTEGRATION IN THE GCC REGION: MARKET SIZE VERSUS NATIONAL EFFECTS

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Abstract

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Keywords

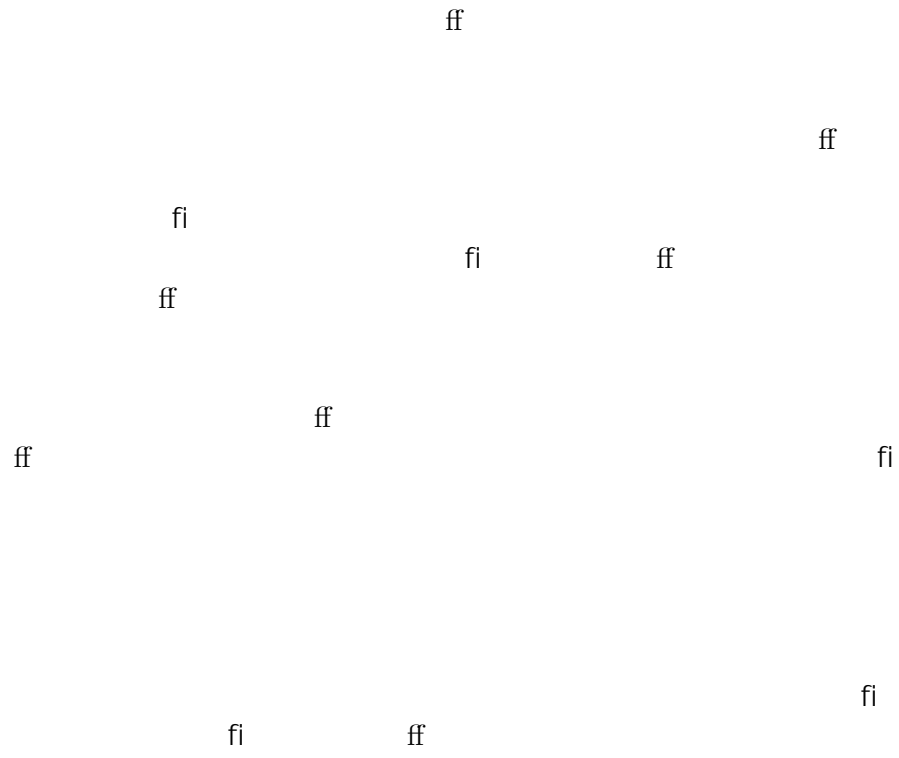
JEL Classification

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1 Introduction

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2 The model

$$\begin{aligned}
 \mathbf{x}_t &= \mathbf{A} \mathbf{x}_{t-1} + \mathbf{B} \mathbf{u}_t \\
 \mathbf{y}_t &= \mathbf{C} \mathbf{x}_t + \mathbf{D} \mathbf{u}_t
 \end{aligned}$$

$$\mathbf{A} = \begin{pmatrix} a_{11} & a_{12} & a_{13} & a_{14} \\ a_{21} & a_{22} & a_{23} & a_{24} \\ a_{31} & a_{32} & a_{33} & a_{34} \\ a_{41} & a_{42} & a_{43} & a_{44} \end{pmatrix}$$

$$\mathbf{B} = \begin{pmatrix} b_1 & b_2 & b_3 & b_4 \end{pmatrix}$$

$$t = \begin{matrix} 0 \\ + \\ ' \end{matrix} \begin{matrix} 2 \\ 1, t-1 & 2, t-1 & 1, t-1 & 3, t-1 & 1, t-1 & 4, t-1 & 1, t-1 \\ 1, t-1 & 2, t-1 & 2, t-1 & 3, t-1 & 2, t-1 & 4, t-1 & 2, t-1 \\ 1, t-1 & 3, t-1 & 2, t-1 & 3, t-1 & 3, t-1 & 4, t-1 & 3, t-1 \\ 1, t-1 & 4, t-1 & 2, t-1 & 4, t-1 & 3, t-1 & 4, t-1 & 4, t-1 \end{matrix} + ' t-1$$

$$= \begin{matrix} 11 & 12 + & 12 & 13 + & 13 & 14 + & 14 \\ 21 + & 21 & 22 & 23 + & 23 & 24 + & 24 \\ 31 + & 31 & 32 + & 32 & 33 & 34 + & 34 \\ 41 + & 41 & 42 + & 42 & 43 + & 43 & 44 \\ & 11 & 12 + & d & & & \end{matrix} ;$$

$$=$$

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1	0 061 (0.002)	2	0 103 (0.000)	3	0 069 (0.006)	4	0 062 (0.000)
11	0 216 (0.000)	22	0 084 (0.005)	33	0 124 (0.000)	44	-0 002 (0.942)
12	0 049 (0.033)	21	0 157 (0.000)	31	0 027 (0.044)	41	0 088 (0.000)
13	0 085 (0.000)	23	0 105 (0.031)	32	0 088 (0.000)	42	0 017 (0.225)
14	-0 027 (0.451)	24	-0 009 (0.874)	34	-0 031 (0.381)	43	0 061 (0.015)
	-0 009 (0.637)		0 015 (0.563)		0 025 (0.271)		-0 007 (0.609)
	0 057 (0.000)		0 231 (0.000)		0 288 (0.000)		0 063 (0.000)
	0 088 (0.000)		0 216 (0.000)		0 295 (0.000)		0 075 (0.000)

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11	-0 001 (0.000)	22	0 364 (0.000)	33	0 083 (0.000)	44	0 401 (0.000)
11	-0 062 (0.000)	22	0 801 (0.000)	33	0 811 (0.000)	44	0 776 (0.000)
12	0 149 (0.317)	21	0 218 (0.032)	31	-0 666 (0.000)	41	-0 514 (0.000)
12	0 496 (0.008)	21	0 215 (0.089)	31	0 193 (0.155)	41	0 239 (0.304)
13	0 447 (0.000)	232	0 447 (0.000)	34	0 447 (0.000)	44	0 447 (0.000)

