

MASTER THESIS

Determinants of Economic Growth: A Bayesian Model Averaging

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Abstract

The paper estimates the economic growth determinants across 72 countries using a Bayesian Model Averaging. Unlike the other studies we include debt to GDP ratio as an explanatory variable among 29 growth determinants. For given values of the other variables debt to GDP ratio up to the threshold level is positively related with the growth rate. The coefficient on the ratio has nearly 0.8 posterior inclusion probability suggesting that debt to GDP ratio is an important long term growth determinant. We find that the initial level of GDP, life expectancy and equipment investments have a strong effect on the GDP per capita growth rate together with the debt to GDP ratio.