Spillover financial dynamics on growth with pension funds

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Abstract

Considering carried out reforms in many developing countries, it was assumed that pension funds could improve financial system and therefore economic growth. Nevertheless, empirical evidence and the study of existing relationships in these dynamic remain scarce. The present document proposes the modeling and solution to problems that limit these studies through different specifications, including the capture of nonlinearities, confirming the robustness of this contribution. The positive effect of pension funds on growth is conditioned by the level of development of the financial system: securities market, banking, and the level of public debt trading. It is also demonstrated that, precisely, it is the pension funds that contribute to the development of the financial system, as well as the existence of magnitude relationships and thresholds, which consideration would make public policies more effective.

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