

Variable	Financial development measured as					
	Total capitalization	Bank debt	Accounting standards	Accounting standards in 1983	Accounting standards and capitalization	Instrumental variables
Industry's share of total value added in manufacturing in 1980	-0.912 (0.246)	-0.899 (0.245)	-0.643 (0.204)	-0.587 (0.223)	-0.443 (0.135)	-0.648 (0.203)
Interaction (external dependence $\times$ total capitalization)	0.069 (0.023)	—	—	—	0.012 (0.014)	—
Interaction (external dependence $\times$ domestic credit to private sector)	—	0.118 (0.037)	—	—	—	—
Interaction (external dependence $\times$ accounting standards)	—	—	0.155 (0.034)	—	0.133 (0.034)	0.165 (0.044)
Interaction (external dependence $\times$ accounting standards 1983)	—	—	—	0.099 (0.036)	—	—
$R^2$	0.290	0.290	0.346	0.239	0.419	0.346
Number of observations	1217	1217	1067	855	1042	1067
Differential in real growth rate	1.3	1.1	0.9	0.4	1.3	1.0

*Notes:* The dependent variable is the annual compounded growth rate in real value added for the period 1980–1990 for each ISIC industry in each country. External dependence is the fraction of capital expenditures not financed with internal funds for U.S. firms in the same industry between 1980–1990. The interaction variable is the product of external dependence and financial development. Financial development is total capitalization in the first column, domestic credit to the private sector over GDP in the second column, accounting standards in 1990 in the third column, and accounting standards in 1983 in the fourth column. The sixth column is estimated with instrumental variables. Both the coefficient estimate for the interaction term and the standard error when accounting standards is the measure of development are multiplied by 100. The differential in real growth rate measures (in percentage terms) how much faster an industry at the 75th percentile level of external dependence grows with respect to an industry at the 25th percentile level when it is located in a country at the 75th percentile of financial development rather than in one at the 25th percentile. All regressions include both country and industry fixed effects (coefficient estimates not reported). Heteroskedasticity robust standard errors are reported in parentheses.