

Detailed answers to the Referee Report on the manuscript No. 2013-46, entitled
“Financial Liberalization, Financial Development and Productivity Growth – An Overview”
by Agnieszka Gehringer

Dear Referee,

I very appreciate the insightful comments and suggestions to the manuscript. All of them are crucial to improve the quality of the paper. Here is how I dealt with the particular issues:

Regarding the contents:

- a) The conceptual distinction between financial liberalization and financial development has been elaborated according to the lines you suggested. This is an important point, on which some clearness was missing in the original version of the paper:
 - Whereas I intentionally focus on financial globalization rather than on financial liberalization (including thus both domestic and international side of the process) a dedicated comment clarifying my scope was missing. Consequently, I have stressed the fact that financial liberalization, indeed, pertains not only international but also domestic dimension and I provided here the suggested reference to Williamson and Mahar (1998) as well as to Christiansen et al. (2013), who explicitly distinguish the two dimensions of the financial liberalization process. Moreover, where needed, I added the adjective “international” in front of financial integration/liberalization to make the focus more straightforward.
- b) The measurement issue has been also improved by discussing in more details the concrete measures applied in the past finance literature. As rightly pointed in the referee report there are numerous dimensions of (international) financial liberalization, both when looking at *de facto* and *de jure* sides of the process. In particular, I keep the original distinction (that can be well recognized in the literature) between capital market liberalization, stock market and banking sector liberalization. To all three categories I provide numerous examples of *de facto* and *de jure* measures, with references to the contributions applying them. Here the reference to the Index of Financial Reform by Abiad et al. (2008) was a very useful comment.
- c) The suggestion to account for the literature on the impact of financial market reforms on productivity dynamics (Christiansen et al., 2013) is a valuable one and has been incorporated in the elaborated version of the manuscript.

Regarding the structure:

- a) Including Section 3 into 2 is a good idea, but still keeping the discussion, on the one hand, on the conceptual and, on the other hand, on the measurement issues distinct might be advantageous. This is most importantly motivated by the fact that the choice of a concrete measure into the study of the effects of finance on growth has often been undermined in

the past empirical contributions, although it is a central question. Consequently, it deserves a careful and dedicated investigation.

- b) Section 5 is now part of Section 4 (that, in turn, now became section 3). Consequently, Section 3 (ex Section 4) has been renamed to accommodate for the fact that it deals with the contributions from both theoretical and empirical literature on the effects of finance on productivity growth.
- c) Due changes in the paragraph of the introductory section describing the structure of the paper has been made.

Yours sincerely,

Agnieszka Gehringer