

George Kouretas

**Saving, Investment and Capital Mobility in EU Member Countries: A Panel Data
Analysis of the Feldstein-Horioka Puzzle**

In this paper, we reexamine the long-standing and puzzling correlation between national saving and investment in fourteen EU countries. We employ a panel data set for the period 1970-2013 and we apply recently developed maximum likelihood panel cointegration methodologies. We find that there exists a long-run relationship between savings and investment for this panel of EU member countries, with the savings retention coefficient being low in magnitude but statistically different than zero. Therefore, we argue that there is weak evidence in favour of the Feldstein-Horioka puzzle and that the long-run international solvency condition is maintained in most of these countries. This evidence implies a moderate degree of capital mobility which is consistent with the macroeconomic experience of these countries during the period under investigation.