$$\text{(II.15)}\quad R_t = 465.30 + \underset{(16.55)}{41.44}\,(i_F - i_{UK})_t - \underset{(168.44)}{441.59}\,(IPO/IP)_t \quad R^2 = .54$$

$$\text{(II.16)}\quad N_t = -\,81.17 + \underset{(13.23)}{62.45}\,(i_F - i_{GM})_t + \underset{(.61)}{2.32}\,IP_t \quad R^2 = .53$$

$$\text{(II.17)}\quad N_t = -323.79 + \underset{(12.29)}{42.93}\,(i_F - i_{GM})_t + \underset{(200.78)}{499.07}\,(IPO/IP)_t \quad R^2 = .38$$

where R and N represent seasonally adjusted resident and nonresident transactions on long-term capital account, respectively (where long-term movements are measured in millions of francs and comprise direct investment, porfolio investment and loans of more than one year's duration); i_j stand for long-term interest rates in France (F), the United Kingdom (UK) and West Germany (GM = the yield on mortgage bonds). Interest differentials between France, on the one hand, and Germany and the United Kingdom, on the other, are significant in explaining total long-term capital flows. Similar regressions using the interest rates of the United States (US), Italy (I), Switzerland (S) and the Netherlands (N) failed to yield statistically significant results. In the large, hypothesis H_1 seems to hold up. It remains to be seen how important interest rates are in determining the disaggregated flows.

As for the income effect, two aspects stand out. First, in the case of residents of Metropolitan France, capital will leave the country when industrial production increases in France. This tends to support the *ECH*. However, as equation (II.15) indicates, *RCH* also yields significant coefficients, although the overall fit is inferior ([15]). Second, the general result is repeated in the case of non-residents; the signs of the income coefficients are, of course, reversed. Thus, as French industrial production goes up, foreign capital flows in and, further, a relative increase in industrial production in OECD in general causes capital to be shifted into France. Expansion of the French economy taken on its own produces capital flows in opposite directions: residents invest abroad while foreign capital flows in. In terms of magnitudes, foreign net flows have tended to exceed net transactions of residents. Moreover, French investors have generally preferred portfolio operations, while direct investment has played an important role in the case of non-residents ([16]).

([15]) The two outcomes are not inconsistent. French expansion provides investment capital, while relative foreign expansion makes investment abroad more attractive.

([16]) For the period covered net non-resident credits from OECD amounted to NF 11,080 million, while net resident outflows equalled NF 978 million. Figures compiled from (25).