

# Relationships between Savings, Investment and Economic Growth: International Evidence

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## ABSTRACT

This paper examines the relationships between savings, investment and economic growth for 25 OECD countries and Taiwan using annual time series data over the period of 1950 to 2004. We adopt unit root tests to determine the existence of a unit root of each series. We then employ the autoregressive distributed lag (ARDL) bounds testing approach to test for cointegration. The advantages of the ARDL approach are not prerequisite to examine the non-stationarity property and order of integration of the variables. The procedure can be employed regardless of whether the underlying variables are integrated of order zero i.e.  $I(0)$ , integrated of order one i.e.  $I(1)$  or fractionally integrated. F-test is used to examine whether a cointegrating relationship exists among the variables. The results show that 9 countries have long-term equilibrium of cointegration. Furthermore, we find that national investment and economic growth Granger cause national savings in Italy and United States; national savings and economic growth Granger cause national investments in South Korea, New Zealand and United Kingdom; national savings and national investments Granger cause economic growth in Greece and Turkey. Notably, these three variables have influence each other in Japan and Netherland.

Keywords : cointegration、ARDL test、causal relationship

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