# The Relationship between Government Expenditure and Economic Growth in the OECD Countries : Test of Wagner ’ s Law


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### ABSTRACT

This paper examines the relationships between government expenditure and economic growth for 7 OECD countries. 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 intergration 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 Thailand supports Wagner ’ s law; Italy and New Zealand support Keynesian theory; Denmark, Philippines, Singapore and Switzerland support neither Wagner ’ s law nor Keynesian theory.



Keywords : Wagner ’ s Law、cointegration、causal relationship


### Table of Contents



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