

The relationship between government expenditures and economic growth in Thailand

Document Information:

Title: The relationship between government expenditures and economic growth in Thailand

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Citation: Jiranyakul, K., and Brahasrene, T. (2007) "The relationship between government expenditures and economic growth in Thailand", **Journal of Economics and Economic Education Research**, Vol. 8, No. 1, pp. 93 – 102.

Keywords: Economic growth, government spending, cointegration, causality

Article type: Research paper

Publisher: Whitney Press, Inc.

Abstract

The notion that more government expenditures can stimulate growth is still controversial. Some researchers found positive relationship between government expenditures and growth with bi-directional causation, while others indicated that growth caused government spending to expand. The causation between government expenditures and economic growth in Thailand was examined using the Granger causality test. There was no cointegration between government expenditures and economic growth. A unidirectional causality from government expenditures to economic growth existed. However, the causality from economic growth to government expenditures was not observed. Furthermore, estimation results from the ordinary least square confirmed the strong positive impact of government spending on economic growth during the period of investigation.

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