

Magdalena Osińska*

Jerzy Boehlke*

Marcin Fałdziński*

Maciej Gałecki*

*Nicolaus Copernicus University in Torun, Poland

Modeling economic growth in the TECM framework

The rationale for modeling economic growth comes from the fact that growth is a substantial category for planning on both levels: macro- and microeconomic. The regime switching concept is well established when a cyclical pattern is considered. In this paper we concentrate on modeling only one phase of the cycle, i.e. economic growth. However the dynamics of growth is not stable over time the threshold error correction model (TECM) is used to check: impact of institutional patterns, different mechanisms of growth and changes in the dynamic of growth. Three different economies are compared over similar time periods: since 1980 till 2016. The economy of Ireland started its reforms on liberal and decentralized background, in Spain the reforms were centrally elaborated and introduced, while in Turkey the reforms were centrally planned but due to weak market mechanisms and economic institutions situation changes after each election. The results differ between the examined countries. The empirical findings are supported by a couple of tests for threshold type nonlinearity like the Tsay test and Hansen and Seo test.

Keywords: economic growth, Ireland, Spain, Turkey, threshold error correction model (TECM)