

Stationarity of Health Expenditures and GDP: Evidence from Panel Unit Root Tests with Heterogeneous Structural Breaks

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Abstract

This paper re-examines the stationarity of national health care expenditures and GDP in a panel setting utilizing data from 20 OECD countries over the period from 1960–1997. A number of researchers have suggested that the empirical results from previous work in this area may not be reliable since the data may not be stationary. However, to date, no research has incorporated structural breaks when testing for unit roots. We advance the literature by utilizing a recently developed LM panel unit root test that allows for heterogeneous level shifts. In contrast to previous analyses that did not consider breaks, our results reject the unit-root null hypothesis for both series.

JEL classification: C12, C22, C23, I10

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