

Abstract

The thesis examines the relationship between economic growth, investment, and military expenditure, utilizing a balanced data panel for 14 European countries over three periods: 1970 – 1991, 1992 – 2020, and 1970 – 2020. A vector autoregression model was applied to estimate the relationship for the European population. Regression of the 14 European countries over the entire period of 1970 – 2020 has yielded neither statistically significant autocorrelation nor cross-correlation between the studied variables. The same is true when regressing the 14 countries in the period 1992 – 2020. For the same group of European countries in the period 1970 – 1991 some statistical significance has been found in the autocorrelation between investment as a share of GDP and its lags. It appears that the introduction of a time break between year 1991 and 1992 (the fall of the Iron Curtain) has no impact on the studied relationship for the selected group of countries and the time period. The results of the thesis suggest no identifiable relationship between the variables for the chosen European sample of 14 countries.