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CAUSALITY AS A TOOL FOR EMPIRICAL ANALYSIS IN ECONOMICS

Abstract:

This paper deals with the causal determination of phenomena (briefly causality) as a tool for empirical analysis in economics. Although is the causality difficult to grasp, they are built on the basis of many scientific theories, including economic theory. Causality is very hot topic today, both in philosophy and economics. The causality is used in many multi-sectorial disciplines and the concept of causality is different in various disciplines. In economics, we encounter many assertions that connect cause and effect, but causal relationships are not clearly expressed. At first glance, there may be confusion between cause and effect and the phenomena studied can then be viewed in terms of causality and vice versa. The causality plays very important role in econometric and economics. The paper focused on using of causality in economics and econometric studies. The paper begins with a brief overview of theoretical definition of the causality. Then, the empirical approaches to causality in economics and econometric and selected tools of causality are presented and discussed and the case study of possible using of Granger Causality Test is shown. At the end of the paper we discuss the significance of the Grander Causality Test in economics. The aims of this paper are following: to define the different approaches to causality and describe a short history of this term, to analyse selected econometric methods in interaction with causality and to show on the example of Granger Causality Test using of causality in empirical analysis in economics.

Keywords:

Causality; Economics; Econometric; Empirical Analysis; Granger; Granger Causality Test

JEL Classification: B16, B23, C10