

## Investigation of the Relationship between Government Expenditure and Country's Economic Development in the Context of Sustainable Development

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**Abstract :** Arising problems of countries' public finances, social and demographic changes motivate scientific and policy debates on public spending size, structure and efficiency in order to meet the changing needs of society and business. The concept of sustainable development poses new challenges for scientists and policy-makers in the field of public finance. This paper focuses on the investigation of the relationship between government expenditure and country's economic development in the context of sustainable development. Empirical analysis focuses on the data of the European Union (except Croatia and Luxemburg) countries. The study covers 2003 - 2012 years, using annual cross-sectional data. Summarizing the research results, it can be stated that governments should pay more attention to the needs that ensure sustainable development in the long-run when formulating public expenditure policy, particularly in the field of environment protection.

**Keywords :** economic development, economic growth, government expenditure, sustainable development

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