

Public Spending and Economic Growth: An Empirical Analysis of Developed Countries

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Abstract : The purpose of this paper is to investigate the effects of public spending on economic growth and examine the sources of economic growth in developed countries since the 1990s. This paper analyses whether public spending effect on economic growth based on Cobb-Douglas Production Function with the two econometric models with Autoregressive Distributed Lag (ARDL) and Dynamic Fixed Effect (DFE) for 21 developed countries (high-income OECD countries), over the period 1990-2013. Our models results are parallel to each other and the models support that public spending has an important role for economic growth. This result is accurate with theories and previous empirical studies.

Keywords : public spending, economic growth, panel data, ARDL models

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