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THE EXTEND OF THE RESPONSE OF GOVERNMENT EXPENDITURE IN SOUTH AFRICA

Abstract:

In South Africa, the total government expenditure keeps increasing yearly for the provision of public services such as health, education Social protection and Housing trying to improve the social state. This increase in total government expenditure is affecting the budget deficit and the government is increasing taxes and trying to reducing spending. This study aims to examine the extent to which education, health and defence response to shock from total government expenditure in South Africa. Data was collected from the South African Reserve Bank from 1983 to 2017. The Generalise Impulse Response function and Variance Decomposition was used to analyse the data. The results showed that total government expenditure responses positively to shock from education, health and defence response. Also, over the periods, education, health and defence explain the variation in total government expenditure. This study recommends that reducing the defence expenses will not have much effect on the total government expenditure.

Keywords:

Government expenditure, Education, Health, Social protection, Housing, South Africa, Generalised impulse response function and Variance decomposition.