

SIMONA VŠETIČKOVÁ

University of Economics, Faculty of Economics, Department of Economics, Prague, Czech Republic

THE GOVERNMENT EXPENDITURE STRUCTURE AND ECONOMIC GROWTH

Abstract:

This article examines the effect of the government expenditure structure on the economic growth. The objective is to determine which components of public expenditures are growth enhancing and which growth retarding. The theoretical model is set into the endogenous growth framework and describes the growth mechanism of productive and unproductive government expenditures. The growth impact of public spending composition is analysed for 18 European countries from 1996 to 2012. The empirical part is based on the panel data analysis. The empirical findings suggest that reallocating public resources towards education and health can promote growth. On the contrary higher expenditures on social spending and defence are likely to be growth-retarding.

Keywords:

Government expenditure, Economic growth, Endogenous growth theory

JEL Classification: E62, H10, H50