SUMMARY

Project Title: The impact of government spending on economic growth in some developing countries in the South East Asia

Code number: KT.13.12

Implementing Institution: Faculty of Development Economics, University of Economics and Business, VNUHN

Duration: From 11/2013 to 9/2014

1. Objectives:

Sustainable economic growth becomes one of the leading goals in developing countries as it helps to improve their citizens’ living standard and close the gap in income with developed countries. Understanding the causes and determinants of economic growth is of great important because it would help the countries to decide appropriate growth policies. Among of many factors affecting economic growth, the role of government in general and government expenditure in particular have received a good attention.

In the period from 1990 to 2012, the ASEAN-5 including Indonesia, Malaysia, Philippine, Thailand and Vietnam has achieved significant economic growth with the average of 5.4% per annum. Also in this period, the ratio of government expenditure and GDP for the whole group is 20.5% and government expenditure increases at the average rate of 6.2% annually. Is there any relationship between government spending and economic growth in the ASEAN-5 countries in this period? The research tries to answer this question and from that offers policy implications for economic growth strategy in these countries in the following years.

2. Main contents:

The research carries out 3 main issues:

- Synthesize the various theoretical views and empirical studies on the impact of government spending on economic growth.
- Assess the effect of government spending on economic growth for group of 5 ASEAN countries in the period from 1990 to 2012.
- Offer policy implications for economic growth strategy in those countries in the flowing years.

3. Results obtained:

The study found that government expenditure has a positive impact on economic growth for ASEAN-5 in the 1990-2012 period. While government investment expenditure creates a direct impact on economic growth through the contribution of capital formation that increases the economy’s stock of capital, government consumption expenditure has its indirect impact via positive externality that goods and services provided by the government created on output of the private sector.