FRI-2G.404-1-EM-07

PUBLIC SPENDING AND ITS IMPACT ON GROSS DOMESTIC PRODUCT (GDP)

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Abstract: *The global recession after the crisis during 2008 reduces the Gross domestic product (GDP) and increases quickly unemployment in all over the world. As it known, to be overcame the recession, it is possible to put in the practice monetary and fiscal instruments. First of them influence on expected inflation, with second of them it looks for to be increased aggregate demand in the economy and as a result - GDP. The last recession requires more aggressive actions comparing with previous.*

It is created original model for testing of the impact of total public spending, capital, public spending for salary and social insurance and public spending for maintenance by consolidated state budget on value of GDP. The period of research is 2005 – 2013 in the case of Bulgaria.

In conclusion, the coefficient of determination shows strong correlation between GDP and public spending by the consolidated state budget. The calculated coefficients of correlation between aggregate supply and capital spending, and such for salary and social insurance maintain the stimulating of economic activity in the country significantly depends on public spending.

Keywords: *Public spending, GDP Growth, regression model*

JEL Codes: H50, E62, C13

The paper is awarded with "Best Paper" Crystal Prize - 57th Science Conference of Ruse University, Bulgaria, 2018, ISBN 978-954-712-753-1.