Lingnan 嶺南大學 University

Department of Economics Seminar

"Why Doesn't Productive Government Expenditure Always Boost Economic Growth?"

(in English)

Date: 22 April 2015 (Wednesday)
Time: 2 pm – 3:30 pm
Venue: WYL102, Dorothy Y. L. Wong Building

Professor Junxi Zhang
Vice President and Professor
Tianjin University of Finance and Economics

Abstract:
Existing theories point out that productive government expenditure is beneficial to economic growth, but empirical studies find an uncertain or non-monotonic relationship between the two variables. This paper attempts to frame this empirical fact into theories. To this end, we construct three models of expenditure structure with effective consumption, considering productive government activity as a flow and as a stock respectively as well as the growth rate as endogenous. It is found that two elements are essential, whether government consumption and private consumption are substitutable or complementary and whether productive government activity is modelled as a flow or stock. Under the case with substitution and flow, both GDP per capita and the growth rate rise with the ratio of productive government expenditure initially and then fall after reaching a peak; otherwise, the two rise only with the ratio of productive government expenditure. Our findings have enriched the existing theoretical literature.

Biography:
Professor Zhang earned his Ph.D. in economics from University of Pittsburgh, USA in 1992. He has published 10 papers in various journals. His research interests are Open Macroeconomics/International Finance, Macroeconomics/Monetary Economics, Financial Economics, Chinese Economy.

All Are Welcome

For enquiry:26167381(Grazie)