

Kulteera Thongyai 2011: The Effects of Government Expenditure on Economic Growth in Thailand. Master of Economics, Major Field: Economics, Department of Economics.
Thesis Advisor: Assistant Professor Arunee Punyasavatsut, Ph.D. 170 pages.

This study is about the effects of government expenditure on economic growth in Thailand. The objectives of the study are: to consider the overall of government expenditure and to examine the effects of each category of government expenditure on economic growth. The government expenditure was categorized into government consumption expenditure and government investment expenditure. In case of the government consumption expenditure, it composed of compensation of employees and net purchases. For the government investment expenditure, it was divided into expense of construction and equipment. The quantitative analytical tools employed in this study are unit root test, cointegration test followed Johansen and Juselius (1990) and vector error correction model (VECM) test. This research used annual data during 1980-2009.

The results found that private capital stock, the ratio of government consumption expenditure and gross domestic product were related to the growth rate of gross domestic product in the long run. They showed statistically significant positive relationship. Also, the ratio of government investment expenditure and gross domestic product, the ratio of government equipment expenditure and gross domestic product were related to the growth rate of gross domestic product in the long run but in the opposite direction. However, the negative relationship did not mean that the increases in the ratio of government investment expenditure and gross domestic product had an adverse effect on the growth rate of gross domestic product. But the reason may be that; when the growth rate of gross domestic product was slow down, the government tended to stabilize the economy by allocating more government spending. The spending may be in the form of government investment for infrastructure for maintaining the sustained economic growth. In the short run, the results found that the ratio of government consumption expenditure and gross domestic product, the ratio of government investment expenditure and gross domestic product, the ratio of government construction expenditure and gross domestic product, the ratio of government equipment expenditure and gross domestic product has statistically significant effect on the growth rate of gross domestic product.

Student's signature

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