

## **ABSTRACT**

Thesis Title : Impact of Change in Public Capital on Economic Growth

Student's Name : Miss Supaporn Wongta

Degree Sought : Master of Economic

Major : Financial Economic

Academic Year : 2000

Advisory Committee:

1. Assoc. Prof. Asambhinabong Shatragom Chairperson
2. Assoc. Prof. Kanchana Tanmavad
3. Assoc. Prof. Ati Thaiyanan

The increasing of public capital investment may have either positive or negative effects on economic growth. Whether the effects are positive or negative depend on the sources of capital financed and the crowding out effect on private investment.

The increasing of public capital investment can be achieved by either debt-financed or government-consumption financed methods of public funding. Debt-financed fund is derived through increasing of public debt, while government-consumption financed is the reorientation of public expenditure from government consumption to investment.

The objective of this thesis is to study the effects of debt-financed and government-consumption financed of public investment on Thailand's

economic growth. The relationship between public and private capital investment are also studied and analyzed. Multiple regression analysis was used to find the empirical results and the period under studied was from 1973 – 1997.

The study found that the increasing of public capital investment, both from debt-financed and government-consumption financed sources of fund, has significance positive effects on economic growth. Growth of debt-financed and government-consumption financed public investment by 1% would cause positive changes in economic growth by 0.108% and 0.619% respectively. It is also found that 1% growth in public investment will cause negative change in private investment, the so-called crowding-out effect, by 0.0013%.

The results of this study suggested that increasing public investment should be funded by government-consumption financed method and the government should pay more attention to the crowding out effect.