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Influence of Economic Growth on Government Expenditure: Evidence from Asian Countries

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Abstract: This paper estimates the impact of economic growth on the government expenditure across 27 Asian countries. The empirical results provide clear cut evidence of a direct relation between economic growth and government expenditure which is in line with Wagner's law. A long-run elasticity implies that a rise in economic growth is associated with a proportionate rise in government expenditure. In addition, trade openness and inflation inversely affect government expenditure in the long run, while their effects remain insignificant in the short run.

Keywords: Wagner's Law, Inflation, Trade Openness, Elasticity

JEL Classification Number: E62, H50, C23

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