



## Do public expenditure components boost growth?

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### ABSTRACT

*Theoretical debate on economic growth of European Member States (EMS) has been very heated in the last decades. On a side, some authors highlighted that the run-up to European Monetary Union (EMU) would have been generating the integrative and internal forces necessary to realize the economic growth among all the MS. On the other side, other authors affirmed that particularly the Southern European countries, not prepared to continuous fiscal discipline (especially in terms of spending control) would have been worsening their economic position. The present work aims to empirically investigate the impact on economic growth of two public spending budgetary components in the Central, Southern, Eastern and Mediterranean European Countries, assessed in the compliance context of fiscal discipline related to public spending control. For this purpose we analyze two different dataset, both referred to the time period 1998-2013: the first one is based on four-year interval averages, the second one on annual data. Given the structure of data, we employ the static and dynamic panel regression estimators. The main findings of the analysis could be summarized as follows: the public expenditure components as public gross fixed capital formation and to a lower extent social benefits (other than transfers in-kind) record significant economic effect on the growth rate (positive and negative, respectively); furthermore a particular economic relevance, in negative terms, is shown by the dummy variable highlighting the compliance with fiscal discipline.*

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