EVALUATING THE EFFECTIVENESS OF GOVERNMENT SPENDING IN STIMULATING GROWTH

Sumaiya Meng, University of Palermo, Italy

ABSTRACT

Government spending is a vital tool for stimulating economic growth, especially during periods of downturn or sluggish expansion. This article evaluates the effectiveness of different types of government expenditures in promoting economic activity, job creation, and long-term development. It examines fiscal stimulus, infrastructure investment, social spending, and the role of efficient public administration. The article also considers the challenges of fiscal sustainability and the conditions under which government spending maximizes growth potential.

Keywords: Government Spending, Economic Growth, Fiscal Stimulus, Public Investment, Economic Development, Fiscal Policy, Infrastructure.

INTRODUCTION

Government spending has long been recognized as a key instrument in influencing economic growth. Through fiscal policy, governments can inject demand into the economy, create jobs, and build critical infrastructure. However, the effectiveness of such spending depends on how, when, and where funds are allocated. This article explores these dynamics and evaluates the impact of government expenditure on economic expansion (Albassam, 2020).

Government spending broadly falls into categories such as consumption (public services and wages), investment (infrastructure, technology), and transfer payments (social welfare). Each type affects the economy differently. For example, infrastructure investment tends to have long-term growth effects, while transfer payments may stimulate short-term consumption (Amusa & Oyinlola, 2019).

During recessions or economic slowdowns, fiscal stimulus—through increased government spending or tax cuts—can help revive demand. Keynesian economics supports this approach, suggesting that proactive spending boosts aggregate demand, reduces unemployment, and accelerates recovery. The effectiveness, however, varies with timing and scale (Aschauer, 1990).

Investment in infrastructure such as roads, energy, and telecommunications improves productivity by reducing costs and connecting markets. This type of spending often yields high economic returns and supports sustainable growth. Well-planned infrastructure projects can also attract private investment and enhance competitiveness (Butkiewicz & Yanikkaya, 2011).

Spending on education, healthcare, and social protection contributes to human capital development, which is critical for long-term growth. A healthy, well-educated workforce is more productive and innovative. Social spending can also reduce inequality, fostering more inclusive economic progress (Cwik & Wieland, 2011).

The impact of government spending is highly dependent on the efficiency and transparency of public administration. Wasteful or corrupt spending diminishes growth effects. Effective project management, clear accountability, and sound procurement practices ensure that public funds translate into tangible economic benefits (Ilina & Sergeeva, 2015).

Citation Information: Meng, S. (2025). Evaluating the effectiveness of government spending in stimulating growth. *Journal of Economics and Economic Education Research, 26*(3), 1-2

Government spending can have multiplier effects, where an initial outlay stimulates further economic activity through increased consumption and investment. The size of these multipliers depends on economic conditions, such as idle resources and openness to trade. Spillover benefits can also extend to neighboring regions and sectors (Lin, 1994).

While government spending can stimulate growth, excessive or poorly managed expenditures may lead to fiscal deficits and rising public debt. Unsustainable debt levels can crowd out private investment and create economic vulnerabilities. Balancing stimulus with fiscal responsibility is thus crucial (Riedl, 2010).

Empirical studies show mixed results depending on country context and spending composition. For instance, countries with strong institutions and efficient governance tend to derive greater growth benefits from government expenditure. Conversely, in fragile economies, the impact may be limited or short-lived (Ugochukwu & Oruta, 2021).

Government spending effectiveness is also influenced by monetary policy and external economic conditions. Coordinated fiscal and monetary policy can amplify growth effects, while global economic shocks or trade disruptions may dampen them (Van et al., 2013).

CONCLUSION

Government spending remains a powerful tool for stimulating economic growth, particularly when directed toward productive investment and social development. However, its effectiveness depends on strategic allocation, efficient execution, and fiscal sustainability. Careful evaluation and policy design are essential to ensure that government expenditure supports resilient and inclusive economic expansion.

REFERENCES

Albassam, B. A. (2020). A model for assessing the efficiency of government expenditure. *Cogent Economics & Finance, 8*(1), 1823065.

Amusa, K., & Oyinlola, M. A. (2019). The effectiveness of government expenditure on economic growth in Botswana. *African Journal of Economic and Management Studies, 10*(3), 368-384.

Aschauer, D. A. (1990). Is government spending stimulative?. *Contemporary Economic Policy, 8*(4), 30-46.

Butkiewicz, J. L., & Yanikkaya, H. (2011). Institutions and the impact of government spending on growth. *Journal of Applied Economics, 14*(2), 319-341.

Cwik, T., & Wieland, V. (2011). Keynesian government spending multipliers and spillovers in the euro area. *Economic Policy, 26*(67), 493-549.

Ilina, I. E., & Sergeeva, O. L. (2015). Methods of assessing the efficiency of public spending on research and development design work. *Mediterranean Journal of Social Sciences, 6*(4), 250-255.

Lin, S. A. (1994). Government spending and economic growth. *Applied Economics, 26*(1), 83-94.

Riedl, B. M. (2010). Why government spending does not stimulate economic growth: Answering the critics. *The Heritage Foundation, 2354*, 1-9.

Ugochukwu, S. D., & Oruta, L. I. (2021). Government expenditure and economic growth in Nigeria: A disaggregated analysis. *Traektoria Nauki= Path of Science*, *7*(11), 4022-4035.

Van Cauwenberge, P., Bauwhede, H. V., & Schoonjans, B. (2013). An evaluation of public spending: The effectiveness of a government-supported networking program in Flanders. *Environment and Planning C: Government and Policy, 31*(1), 24-38.

Received: 01-May-2025, Manuscript No. jeeer-25-15951; **Editor assigned:** 05-May-2025, PreQC No. jeeer-25-15951(PQ); **Reviewed:** 17-May-2025, QC No. jeeer-25-15951; **Revised:** 24-May-2025, Manuscript No. jeeer-25-15951(R); **Published:** 31-May-2025

Citation Information: Meng, S. (2025). Evaluating the effectiveness of government spending in stimulating growth. *Journal of Economics and Economic Education Research, 26*(3), 1-2