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THE IMPACT OF PUBLIC EXPENDITURES ON THE ECONOMIC GROWTH OF ALBANIA

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Abstract. *The main purpose of this paper is to analyze public expenditures and their impact on economic growth in Albania. It is widely recognized that an increase in public expenditures translates into an increase in GDP level. The analysis of the impact of public expenditures is associated with elements that affect economic growth both positively and negatively. Therefore, this is a topic that requires continuous study, not only for governance but also to understand the impact they have on each individual and the economy as a whole. Albania is a small country with an open economy, so the study of the impact of public expenditures on the economy is very important to understand their use as an instrument of fiscal policy and to predict trends in the future. In the conditions of change and reformation of fiscal policies, the structure of government expenditures will likely also change. To study the level of expenditures helps to understand in which functions the government has mostly directed the revenue it has received from different sources. We also highlight which government functions are well covered by spending and which are at low levels and require more attention. This paper takes into study health public expenditures, defense public expenditures, education public expenditures and total public expenditures. These variables are analyzed based on the econometric model. These variables have the highest impact on the level of GDP.*

Keywords*: public expenditures, GDP, Albania.*

JEL Classification: H51, H56, E62

1. INTRODUCTION

Fiscal policy has an important impact on the growth of a country's economy. Changing the level of public expenditures is one of the instruments of this policy. At a theoretical level, an increase in public expenditure could have positive, negative or no effects on growth.

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a. The purpose of the paper

The purpose of this paper is to study and analyze the distribution of public expenditures and the impact of each component on economic growth. Albania is pursuing fiscal consolidation policies, which may lead to changes in the structure of government expenditures. Often, restrictive fiscal policies mean a reduction in public expenditure. In these cases, the government must make decisions to limit and reduce consumption and public investment. But which components of public expenditure should be cut? The answer depends on the contribution that each component of expenditures has to economic growth and this contribution varies from one country to another. This study will be based on the analysis of the public expenditures of Albania for the period 2000-2022. Through an econometric analysis, we will reach conclusions on the impact they have on the economy.

b. Objectives

1. To analyze the theories and models developed by different researchers for public spending and the impact they have on economic growth.
2. To determine the relationship between public expenditures and economic growth through the econometric model.
3. To analyze the impact these variables have on the study carried out based on the relevant tests.
4. To reach a conclusion and recommendations for effective public expenditures in the country.

2. LITERATURE REVIEW

According to Ansari (1993), the relationship between public expenditures and economic growth has been addressed in two different areas of economic policies: the public finance literature and the macroeconomic models literature (p. 31). The relationship between public expenditure and national revenue has been treated in a characteristically dissimilar manner in two major areas of economic analysis. While public finance studies have generally postulated that growth in public expenditure over time is caused by growth in national revenue, most macroeconomic models have tended to take the opposite view.

The divergent views on the causative relation between the two variables, in turn, rest on more basic differences in assumptions (Singh & Sahni, 1984, p. 630). The public sector and production will increase with economic development (Goffman, 1968, p. 59). Government expenditures do not play a significant role in promoting economic growth in the four countries in our study (the Philippines is the exception). This is surprising because it is widely believed that government has played an important role in the development of these countries (Dogan & Tang, 2006, p. 55).

The state must manipulate the levels of aggregate demand to avoid insufficient or excessive demand by adjusting the level of expenditures and tax revenues to achieve full employment. The growth of public expenditure in the case of Turkey is not directly dependent on and determined by economic growth, as Wagner's law states. Of course, public expenditure is the outcome of many decisions in the light of changing economic circumstances (Demirbas, 1999, pp. 18-19).

According to Huang, (2006, p. 144), empirically, Wagner's Law investigates the long-run relations between government size and the economy. These different views result from

different assumptions that have been made about the relationship between public expenditures and economic growth.

Classical economists think that adjustments in price levels can automatically lead demand to reach the level of full employment, but Keynes argues that the process of self-regulation is impossible without state intervention because it would lead to a decline in employment and also a decline of the national product (Demirbas, 1999). On the one hand, Singh & Sahni (1984), Ram (1986) and Holmes & Hutton (1990) conclude that government expansion through increased public expenditures has a positive effect on economic growth. Public infrastructure, education and health expenditures can in principle be complementary to private activities and therefore have positive effects on GDP. For example, new transport infrastructure saves travel time and therefore, will bring positive effects to private agents.

In that regard, Li & Huang (2009) studied the relationship between per capita real GDP growth and physical capital, human capital and health investment in the production function. Panel data models were used in the estimation based on the provincial data from 1978 to 2005. The empirical evidence showed that both health and education have positive significant effects on economic growth. Wang(2011) studied the international total healthcare expenditure data of 31 countries from 1986 to 2007 to explore the causality between an increase in healthcare expenditure and economic growth. Panel regression analysis and quantile regression analysis were used.

The estimation of the panel regression reveals that health expenditure growth will stimulate economic growth; however, economic growth will reduce health expenditure growth. Concerning the estimation of quantile regression, in countries with low levels of growth, health expenditure growth will reduce economic growth. Mehrara & Musai (2011) examined the stationary and co-integration relationship between health expenditure and GDP based on the panel co-integration analysis for a sample of 13 Middle East and North Africa (MENA) countries, using data from 1995 to 2005. The findings indicated that the share of health expenditures to GDP decreases with GDP. This implied that healthcare is not a luxury good in MENA countries.

Elmi & Sadeghi (2012) investigated the causality and co-integration relationships between economic growth and healthcare expenditures in developing countries from 1990 to 2009. Their findings indicated that revenue is an important factor across developing countries in the level and growth of healthcare expenditure in the long-run. Additionally, the health-led growth hypothesis in developing countries is confirmed.

Taban (2006) investigated the relationship between health and economic growth in Turkey within the context of causality, using data from 1980 to 2000. According to the empirical results, a two-way causality relationship was seen between life expectancy at birth and economic growth, no causal relationship was found between health expenditures and economic growth.

Mankiw, Romer, & Weil (1992), found a positive relationship between education and economic growth, by considering an extended Solow growth model. Barro & Lee (1993) investigated that there is a positive relationship between education and economic growth by taking 129 countries as their sample. In contrast to such a positive relationship, some empirical studies explain that education and economic growth are not significantly related.

Bils & Klenow (2000) viewed that there might be a positive correlation between education and economic growth, but the relationship between education and economic growth does not necessarily explain the educational influence on economic growth. As

far as their views, both education and economic growth can be affected by the total factor productivity.

Karagol & Palaz (2004) study shows that there is a long-run equilibrium relationship between GNP and defence expenditures. Furthermore, the short-run causality test indicates that there is a unidirectional causality between variables, from defence expenditure to economic growth. To see the effect of a shock, we employed impulse response analyses. The results show that GNP decreased during the period then output finally recovered from the initial shock to defence expenditures. An investigation of the relationship between defence expenditures and economic growth in South Africa by Mosikari & Matlwa(2014) concludes that there is long run relationship between defence expenditure and economic growth. Also, for causal analysis military expenditure seems to granger cause gross domestic product per capita at a 5 percent significance level.

In their study, Yilgör, Karagöl, & Saygili (2014) analyze GDP and defence expenditures of the developed countries with cross-sectional ADF and SURADF unit root tests using annual data for the years 1980–2007. They conclude that in the long term, according to the Pedroni cointegration test, a relationship exists between defence expenditure and economic growth.

Furthermore, by utilizing the Granger causality test, we find that defence expenditure is a factor in economic growth. In other words, our study validates the hypothesis that defence expenditures by economically developed countries positively contribute to their economies.

3. METHODOLOGY

The type of study is descriptive-correlational, which consists of a dependent variable, which is GDP economic growth, and independent variables, which are Exp Edu, education expenditures, Exp Health, health expenditures, Exp Defence, defence expenditures. It tries to find the relationship between the variables and describe it. Among many influencing factors, we have chosen those because there are typical factors for Albania as a developing country. The scientific research question is: what are some of the components of government expenditures that affect sustainable economic growth? The methodology that followed is detailed in every step with the correct processing of data, the verification of every statistical test, the clear raising of hypotheses and the realization of the analysis of the influencing factors of public expenditure on economic growth. The data sources are secured from the World Bank (2023) and represent the period from 2020-2022 with annual data. The Eviews-12 program was used for the construction of the econometric model, data analysis and statistical tests.

a. Model specification

GDP Growth (Y) - dependent variable
Exp Edu (X1) - independent variable
Exp Health (X2) - independent variable
Exp Defence (X3) - independent variable

This paper intends to perform the multiple linear regression of Y against X1, X2 and X3, according to the equation:

$$y_t = \beta_0 + \beta_1 x_{1t} + \beta_2 x_{2t} + \beta_3 x_{3t} + \varepsilon_t \quad (1)$$

For 22 years this paper estimates the linear multivariable equation for the choice, based on the observed data that we have available, and which are presented as a time series. Thus, through the estimators of the ordinary least squares method, we will find the values of the estimated parameters of the model b0, b1, b2 and b3 and we will interpret them.

Let us start with the dependent variable Y_t to see if the series is stationary, to make predictions for future periods.

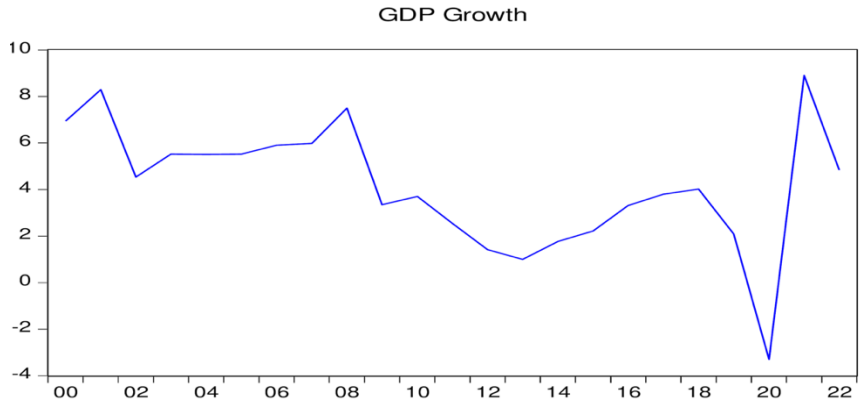

Fig. 1 GDP growth of Albania (2000-2022)
Source: Own calculation, 2023

i. Figure 1 shows that the values of the series fluctuate towards the average value (4.15) sustainably, with a somewhat more exaggerated fluctuation around the year 2020. An important factor in the economic decline in 2020 is Covid-19.

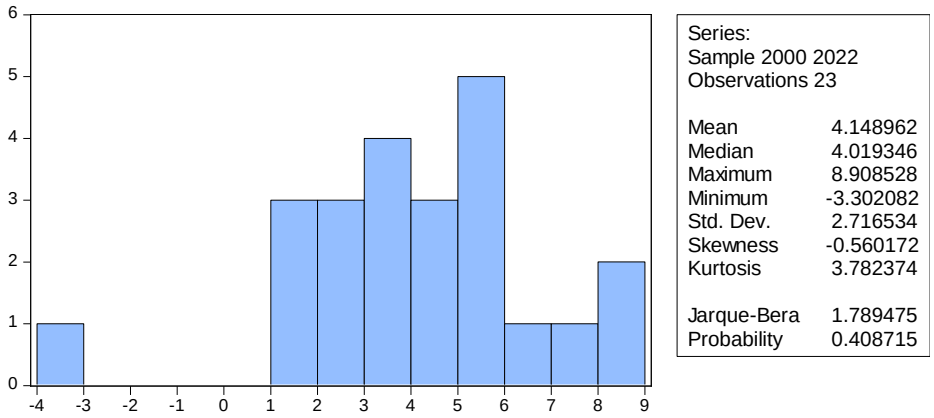

Fig. 2 Distribution of normality of y_t values
Source: Own calculation, 2023

Ho: Distribution of normal values

The probability value of the J-B test statistic was greater than 0.05, therefore Ho is true. The distribution value of the Yt slights bias (suppression) from the left, is also shown by the negative value of Skewness.

ii. In this paper we use the ADF Test to test the stationarity of the series formally. From Figure 1, it seems that the most likely form of your series is a "Random walk with drift, without trend". Performing the ADF unit root test resulted in Table 1.

Table 1 GDP unit root test

Null Hypothesis: GDP_GROWTH has a unit root
Exogenous: Constant
Lag Length: 0 (Automatic - based on SIC, maxlag=4)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-3.611533	0.0141
Test critical values:	1% level	-3.769597	
	5% level	-3.004861	
	10% level	-2.642242	

*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation
Dependent Variable: D(GDP_GROWTH)
Method: Least Squares
Date: 12/19/23 Time: 20:15
Sample (adjusted): 2001 2022
Included observations: 22 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
GDP GROWTH (-1)	-0.764993	0.211820	-3.611533	0.0017
C	3.054207	1.044363	2.924468	0.0084
R-squared	0.394731	Mean dependent var		-0.095545
Adjusted R-squared	0.364468	S.D. dependent var		3.380234
S.E. of regression	2.694732	Akaike info criterion		4.906983
Sum squared resid	145.2316	Schwarz criterion		5.006168
Log likelihood	-51.97681	Hannan-Quinn criter.		4.930348
F-statistic	13.04317	Durbin-Watson stat		2.112255
Prob(F-statistic)	0.001741			

Source: Own calculation, 2023

The probabilistic value of the ADF statistic was lower than 0.05, verifying Ho, which indicates that the series does not have a unit root, so it is stationary. Consequently, based on the observed values of the series, we can predict the future.

b. Regress Y on X1, X2 and X3

The results of the analysis are presented in Table 2.

Table 2 Least Squares

Dependent Variable: GDP_GROWTH
Method: Least Squares
Date: 12/19/23 Time: 18:54
Sample: 2000 2022
Included observations: 23

Variable	Coefficient	Std. Error	t-Statistic	Prob.
EXP_EDU	2.198381	2.424048	0.906905	0.3758
EXP__HEALTH	-6.805401	1.964927	-3.463437	0.0026
EXP__DEFENCE	-5.159503	3.046904	-1.693359	0.1067
C	45.60279	13.59728	3.353818	0.0033
R-squared	0.429822	Mean dependent var		4.148962
Adjusted R-squared	0.339793	S.D. dependent var		2.716534
S.E. of regression	2.207268	Akaike info criterion		4.578159
Sum squared resid	92.56865	Schwarz criterion		4.775637
Log likelihood	-48.64883	Hannan-Quinn criter.		4.627824
F-statistic	4.774300	Durbin-Watson stat		2.597844
Prob(F-statistic)	0.012076			

Source: Own calculation, 2023

The multiple regression model is statistically significant, but before interpreting its parameters, we must test: **Phase One** Functional form, **Phase Two** Multicollinearity, **Phase Three** The normality of the waste, **Phase Four** Autocorrelation, **Phase Five** Heteroskedasticity.

Phase One: Functional form Ho: The linear form is suitable
Ha: The functional form is not suitable

The basic hypothesis is tested with Ramsey's RESET test (table 3)

Table 3 The Ramsey RESET Test

Ramsey RESET Test
Equation: UNTITLED
Specification: GDP_GROWTH EXP_EDU EXP_HEALTH EXP_DEFENCE C
Omitted Variables: Squares of fitted values

	Value	df	Probability
t-statistic	0.327957	18	0.7467
F-statistic	0.107556	(1, 18)	0.7467
Likelihood ratio	0.137023	1	0.7113
F-test summary:			
	Sum of Sq.	df	Mean Squares
Test SSR	0.549841	1	0.549841
Restricted SSR	92.56865	19	4.872034
Unrestricted SSR	92.01881	18	5.112156
Unrestricted SSR	92.01881	18	5.112156

LR test summary:

	Value	df
Restricted LogL	-48.64883	19
Unrestricted LogL	-48.58032	18

Unrestricted Test Equation:
Dependent Variable: GDP_GROWTH
Method: Least Squares
Date: 12/19/23 Time: 19:01
Sample: 2000 2022
Included observations: 23

Variable	Coefficient	Std. Error	t-Statistic	Prob.
EXP_EDU	3.207334	3.953525	0.811259	0.4278
EXP__HEALTH	-10.08976	10.21487	-0.987752	0.3364
EXP__DEFENCE	-7.836632	8.739370	-0.896704	0.3817
C	67.23231	67.40703	0.997408	0.3318
FITTED^2	-0.058650	0.178835	-0.327957	0.7467
R-squared	0.433208	Mean dependent var		4.148962
Adjusted R-squared	0.307255	S.D. dependent var		2.716534

Source: Own calculation, 2023

The probabilistic value of the test statistic is greater than 0.05. This is evidence for the validity of the basic hypothesis. Therefore, the linear form of the specified model is suitable.

Phase two: Multicollinearity test

Table 4 Multicollinearity test

	EXP__DEFENCE	EXP__HEALTH	EXP_EDU
EXP__DEFENCE	1.000000	-0.683595	-0.205613
EXP__HEALTH	-0.683595	1.000000	0.502726
EXP_EDU	-0.205613	0.502726	1.000000

None of the values of the correlation coefficients between the factors is greater than 0.8. Defense expenditures are inversely proportional to health and education expenditures, even the negative linear relationship between defense expenditures and health expenditures is relatively strong (0.68). Expenditures on health and education have a positive correlation.

Also, the VIF (variance inflation factor) values were smaller than 5, an indicator of the absence of multicollinearity.

Table 5 Variance inflation factor

Variance Inflation Factors
Date: 12/19/23 Time: 19:16
Sample: 2000 2022
Included observations: 23

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
EXP_EDU	5.876009	315.1755	1.405498
EXP__HEALTH	3.860939	685.2356	2.526904
EXP__DEFENCE	9.283625	87.25526	1.971625
C	184.8860	872.8135	NA

Source: Own calculation, 2023

Phase three: Test of normality of residuals
In this phase, tests of normality of the residuals are performed through the Jarque-Berra statistic.
Ho: The waste distribution is normal
Ha: The distribution of waste is not normal

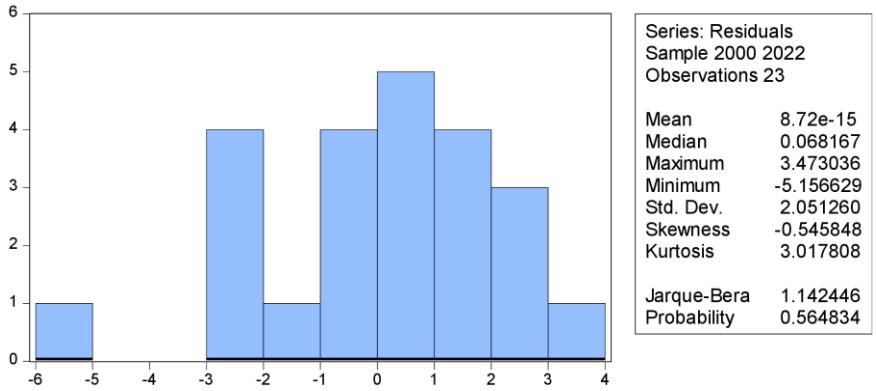

Fig. 3 Test of normality of residuals
Source: Own calculation, 2023

The probabilistic value (p-value) of the J-B statistic (0.56) was greater than 0.05, and the Ho hypothesis is confirmed. Only a small negative bias is observed.

Phase Four: Serial Correlation LM Test
Ho: There is no autocorrelation of residuals
Ha: There is autocorrelation of residuals

Ho testing was done with the Breusch-Godfrey test statistic with the LM approach. The probability value of this statistic was greater than 0.05, Ho is confirmed. Therefore, residuals of the model do not "suffer" from autocorrelation (table 6).

Table 6 Serial Correlation LM Test

Breusch-Godfrey Serial Correlation LM Test:			
F-statistic	1.336606	Prob. F(2,17)	0.2890
Obs*R-squared	3.125259	Prob. Chi-Square(2)	0.2096
Test Equation:			
Dependent Variable: RESID			
Method: Least Squares			
Date: 12/19/23 Time: 19:29			
Sample: 2000 2022			
Included observations: 23			
Presample missing value lagged residuals set to zero.			

Variable	Coefficient	Std. Error	t-Statistic	Prob.
EXP_EDU	1.059533	2.480590	0.427129	0.6746
EXP__HEALTH	-0.699347	1.979602	-0.353277	0.7282
EXP__DEFENCE	0.037290	2.998062	0.012438	0.9902
C	0.670641	13.37757	0.050132	0.9606
RESID(-1)	-0.407315	0.252244	-1.614768	0.1248
RESID(-2)	-0.177638	0.255624	-0.694921	0.4965
R-squared	0.135881	Mean dependent var		8.72E-15
Adjusted R-squared	-0.118272	S.D. dependent var		2.051260
S.E. of regression	2.169174	Akaike info criterion		4.606028
Sum squared resid	79.99034	Schwarz criterion		4.902244
Log likelihood	-46.96932	Hannan-Quinn criter.		4.680525
F-statistic	0.534642	Durbin-Watson stat		1.895733
Prob(F-statistic)	0.747305			

Source: Own calculation, 2023

The residuals were not affected by any of the regressors (explanatory variables).

Phase Five: Heteroskedasticity Test
Ho: The distribution of residuals is homoscedastic
Ha: The distribution of residuals is heteroskedastic

Table 7 Heteroskedasticity Test

Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	0.934858	Prob. F(3,19)	0.4432
Obs*R-squared	2.958334	Prob. Chi-Square(3)	0.3981
Scaled explained SS	2.036801	Prob. Chi-Square(3)	0.5648

Test Equation:
Dependent Variable: RESID^2
Method: Least Squares
Date: 12/19/23 Time: 19:36
Sample: 2000 2022
Included observations: 23

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	7.405639	36.17120	0.204739	0.8400
EXP_EDU	-10.18861	6.448404	-1.580021	0.1306
EXP__HEALTH	4.909617	5.227060	0.939269	0.3594
EXP__DEFENCE	0.600766	8.105313	0.074120	0.9417
R-squared	0.128623	Mean dependent var		4.024724
Adjusted R-squared	-0.008963	S.D. dependent var		5.845594
S.E. of regression	5.871731	Akaike info criterion		6.534947
Sum squared resid	655.0673	Schwarz criterion		6.732424
Log likelihood	-71.15189	Hannan-Quinn criter.		6.584612
F-statistic	0.934858	Durbin-Watson stat		1.511577
Prob(F-statistic)	0.443207			

Source: Own calculation, 2023

The probability value of the Breusch-Pagan-Godfrey test statistic was greater than 0.05 (Table 7). This indicates the lack of heteroscedasticity of the residuals in the evaluated model. The distribution of residuals was not affected by the regressors.

The three independent variables linearly explain about 34% of the total variance of Y (Adjusted R-squared). Multivariable regression model equation:

GDP_GROWTH = 2.19838056765*EXP_EDU - 6.80540082074*EXP__HEALTH - 5.15950295442*EXP__DEFENCE + 45.6027915016

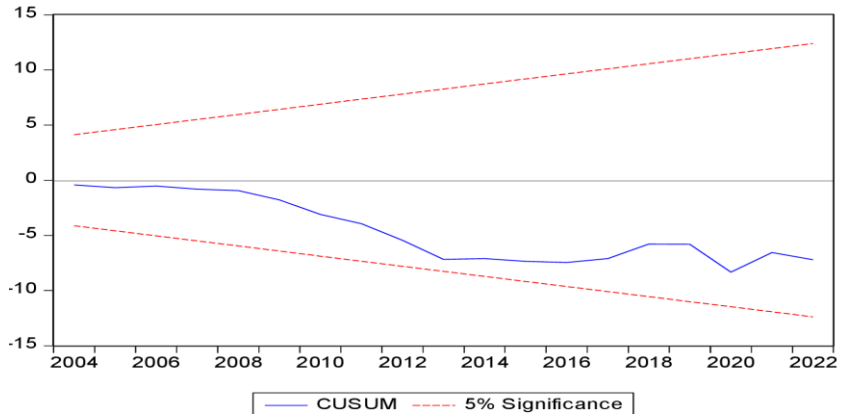

Fig. 4 Cusum
Source: Own calculation, 2023

4. RESULTS

In summary, we can say that in the multivariable regression model specified and evaluated through least squares method estimators, none of its main assumptions were violated. Also, the functional form of the model (linear form) is suitable. Returning once again to the results of Table 2, we see that only one of the three explanatory variables (X2, health expenditures) affects Y in a statistically significant way, for a significance level of alpha=0.05. This influence is negative. The value of the regression coefficient b2 next to this variable shows that, if X2 increases by 1 unit, Y is expected to decrease by 6.4 units, provided that we keep the other two variables under control (unchanged). The value -6.805 measures the estimated change in average GDP as a result of a 1 percent change in health expenditures. From this model, we understand that if health expenditures increase by 1 percent, then GDP decreases by 6.805 percent. The negative sign before the coefficient indicates an inverse relationship between these variables. As Mehrara & Musai (2011) conclude, the share of health expenditures to GDP decreases with GDP. This implied that healthcare is not a luxury good in MENA countries.

The value 2.198 measures the estimated change in average GDP as a result of a one percentage unit change in education expenditures. From this model, we understand that if the expenditures made by the government in education increase by 1 percent, then the GDP increases by 2.198 percent. The positive sign indicates a direct relationship between these two variables. As agreed by Mankiw, Romer, & Weil (1992), Barro & Lee (1993)

and Bils & Kleno, (2000), both education and economic growth can be affected by the total factor productivity

At the equation of regression, we can consider the defence expenditures as statistically significant (with 10% significance) as the p-value is approximately 0.10. The value -5.159 measures the estimated average change in GDP as a result of a 1 percent change in defense expenditures. From this model, we understand that if the public expenditures on social protection and public order increase by 1 percent, then GDP decreases by 5.159 percent. The value is negative indicating an inverse relationship between them.

5. CONCLUSION

Health expenditure has a negative impact on economic growth, but indirectly it has a positive impact on the growth of health care and the increase of the well-being of the individual.

Defense expenditure also has a negative impact on economic growth, but we can consider significant, so the use of defence resources should be done in a balanced way between the three main categories of expenses (personnel, operations and maintenance as well as investments for modernization and infrastructure), to ensure harmonious and integrated development of all areas of defence.

The government should channel expenditures towards the most productive sectors of the economy, targeting projects that increase the level of health and defence services. It is important to first ensure universal access in both sectors. In this way, the cost of business development can be reduced, the standard of living for the country's poor can be increased and economic growth can be promoted in the long term.

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6. APPENDIX

Model data

Year	GDP Growth	Exp Total	Exp Edu	Exp. Health	Exp. Defence
2000	6,946216592	33,84	3,430170059	5,94418573	1,246360242
2001	8,293312631	32,69	3,458699942	5,92583275	1,309291375
2002	4,53652416	31,54	3,117799997	5,6645999	1,320034494
2003	5,528637465	29,68	3,138230085	6,19891882	1,336842924
2004	5,514667911	30,16	3,227519989	6,0557785	1,381157942
2005	5,526424247	28,89	3,281549931	5,83303022	1,350004971
2006	5,902659036	29,19	3,191459894	5,6859889	1,567769089
2007	5,983259519	29,31	3,275929928	5,70842791	1,820765344
2008	7,50004143	31,73	3,509226084	5,50962448	1,984868857
2009	3,35428935	32,68	3,191459894	5,7276206	1,51721714
2010	3,706938153	29,39	3,41307497	6,23899555	1,558591893
2011	2,545406145	28,92	3,240008354	6,11952829	1,528266338
2012	1,4172428	28,23	3,30906105	6,09262609	1,487082577
2013	1,002017541	29,19	3,539299965	6,27234411	1,408982101
2014	1,774448853	31,73	3,216967106	6,44164276	1,346515991
2015	2,218726375	30,76	3,437969923	6,48361206	1,162303864
2016	3,314980684	29,14	3,962090015	6,66606188	1,103581009
2017	3,80259872	29,16	3,611720085	6,54604626	1,109151006
2018	4,019345617	29,08	3,152944803	6,65958786	1,160544785
2019	2,087711996	29,08	3,916239977	6,82645369	1,280805962
2020	-3,302082039	32,62	3,342299938	6,52369874	1,298479116
2021	8,908527818	31,55	3,0904212	5,975	1,220844661
2022	4,844235895	31,39	3,3	5,663986	1,584880924

UTICAJ JAVNIH RASHODA NA EKONOMSKI RAST ALBANIJE

Osnovna svrha ovog rada je analiza javnih rashoda i njihovog uticaja na ekonomski rast u Albaniji. Opšte je poznato da povećanje javnih rashoda dovodi do povećanja nivoa BDP-a. Analiza uticaja javnih rashoda povezana je sa elementima koji utiču na ekonomski rast i pozitivno i negativno. Dakle, ovo je tema koja zahteva kontinuirano proučavanje, ne samo za upravljanje, već i za razumevanje uticaja koji oni imaju na svakog pojedinca i privredu u celini. Albanija je mala zemlja sa otvorenom ekonomijom, pa je proučavanje uticaja javnih rashoda na privredu veoma važno za razumevanje njihove upotrebe kao instrumenta fiskalne politike i predviđanje trendova u budućnosti. U uslovima promene i reformisanja fiskalnih politika, verovatno će se promeniti i struktura državnih rashoda. Proučavanje nivoa rashoda pomaže da se razume u koje funkcije je vlada uglavnom usmeravala prihode koje je primila iz različitih izvora. Takođe ističemo koje funkcije vlade su dobro pokrivene potrošnjom, a koje su na niskom nivou i zahtevaju više pažnje. U ovom radu razmatraju se javni rashodi u zdravstvu, javni rashodi za odbranu, javni rashodi za obrazovanje i ukupni javni rashodi. Ove varijable se analiziraju na osnovu ekonometrijskog modela. Ove varijable imaju najveći uticaj na nivo BDP-a.

Ključne reči: *javni rashodi, BDP, Albanija*