THE EFFECTS OF NATIONAL EXPENDITURE ON ECONOMIC GROWTH IN NETHERLANDS

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ABSTRACT

National expenditure is a platform where a country should not feel like it is a burden because it can give good impact to the country if the government itself could handle it properly. Also, national expenditure could not be the causes of any bankruptcy. In fact, it is actually one of the reason a country could generate profit. This paper examines the effect of national expenditures on economic growth in Netherlands over the period from year 1987-2016. The dependent variable of this research is Gross Domestic Product (GDP) using four independent variables which are Military Expenditure (MIL), Gross Capital Formation (GCF), Import of Goods and Services (IMP), and Households and NPISHs Final Consumption (HOU). These independent variables are used to see whether there is significance or insignificance relationship with economic growth. Netherlands is a high income country which used to examine because it contributes to high economic growth especially in household and NPISHs final consumption. The data is collected from World Development Indicators (WDI) with the data that had been used in this research is quantitative secondary data and the data structure is time series data. This paper used ordinary least squares (OLS) method which is a method to minimize an error. The findings indicate that the independent variable have positive relationship with GDP and HOU has the higher level impact in economic growth. The results of all the study suggest that greater national spending can provide better overall economic growth.

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INTRODUCTION

1.1 INTRODUCTION

Netherlands is a country in north western Europe which known for a flat landscape of canals, tulip fields, windmills and cycling routes. The capital of Netherlands is Amsterdam. Netherlands is one of the high income countries. High income countries are countries that have Gross National Income (GNI) per capita of $12,236 or more (Bank, 2018). Example of high income countries other than Netherlands are Australia, Austria, Belgium, Bahamas, The Barbados, Canada, Chile, Cyprus, Czech Republic, Spain, Estonia, Finland, France, United Kingdom, Greece, Hungary, Iceland, Israel, Italy, Korea Republic, Lithuania, Latvia, Malta, New Zealand, Poland, Portugal, Slovak Republic, and Slovenia, and Uruguay.

The economic growth is the increase in the capacity of an economy to produce goods and services compared from one period to another which usually measured as the percent rate of increase in real gross domestic product, real GDP. Growth is the stage in the process of growing or progressive development, expansion and evolution. Economic is the social science that studies the production, distribution and consumption of goods and services. It is the study of man in the ordinary business of life which requires how he gets his income and how he will use it. In other words, economic is the study of wealth. A healthy economic growth is where the economy stays in the expansion phase of the business cycle as long as possible. The GDP growth rate is how much more the economy produced than in the previous years.

A variety of measures of national income and output are used in economics to estimate total economic activity in a country or region, including gross domestic product (GDP), gross national product (GNP), net national income (NNI), and adjusted national income which also called as NNI at factor cost. All are specially concerned with counting the total amount of goods and services produced within the economy and by different sectors. The boundary is usually defined by geography or citizenship, and it is also defined as the total income of the nation and also restrict the goods and services that are counted. Gross national expenditure which formerly known as domestic absorption is the sum of household final consumption expenditure, general government final consumption expenditure also formerly known as general government consumption, and gross capital formation or gross domestic investment.