

Increasing Public Expenditure

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Abstract: This article aims to analyze and interpret the phenomenon of increased public expenditures, and test explanatory theories, as well as to analyze the relationship between public spending and GDP in the short and long term, where you see the Wagner hypothesis that causal heading of GDP to government spending, while there is a causal relationship positive trending of government spending to GDP according to the Keynesian hypothesis, in this study will be used descriptive analytical method to validate these hypotheses. Results in the short and long term made it clear that there is a difference in the outcome of Applied Studies, where we find that each supports a relationship Wagner, in the sense that the causal trending of real GDP to government spending, and more precisely to increase the economic growth lead to increased aggregate demand, which leads in turn increasing the need to increase government spending and to increase the resources available to the government sector, to finance the increase in spending by the additional resources resulting from the economic growth, while others opines opposes the existence of the relationship.

Index Terms: public spending, explanatory hypotheses.

1 INTRODUCTION

Increased importance of studying public expenditure theory recently associated with the role of the state and the expansion of its authority and increasing its intervention in economic life, which is important because this overhead, to being a tool that will serve the state through its economic policy in achieving the objectives they seek, they reflect all aspects of public activities and how they were funded, so note that the increase in public expenditure theory have developed Milhaudha with the development of state intervention in economic life, public Gigantica is an amount of money allocated by the state of their budgets for the purpose of spending on economic sectors and administrative bodies state, in order to contribute to increase the production capacity of these sectors, and as a contribution to increase the economic growth of the state. The public expenditure in accordance with the perspective of classical State guard, was a limited and targeted spending to provide certain services carried out by the state, but with the development of the role of the state and its transformation from a guard state to the intervening State, any sense of control over economic life, the greater the importance of the division of public expenditures due the diversity and increasing public expenditure, so as to facilitate these expenses account and follow-up by the state apparatus, there To modify the running headings, select View | Header and Footer. Click inside the text box to type the name of the journal the article is being submitted to and the manuscript identification number. Click the forward arrow in the pop-up tool bar to modify the header or footer on subsequent pages. apparatus, there are the expenses of management and investment expenses, as well as manufacturing expenses real expenses, and expenses ordinary and extraordinary.

2: Analysis of the phenomenon of increasing public expenditure and explanatory hypotheses have.

Overhead size has grown and evolved with the evolution of the role of the state, where the governments in the previous period lead neutral role, and is restricted duties to finance its traditional functions, were not public expenditures importance occupied at present by the traditional theory has been relatively neglected subject of public expenditure had not been subjected to him in detail, it is focusing on the technical and legal aspects, and in particular the legislative rules governing the operation of public spending and control it, without that draw attention to the social and economic these expenses aspects and factors that determine the size, Construction of

classic was associated in a group to the concept of State Guardian, which is characterized by expenditures neutrality, so public spending does not affect national economic balance, and also Daltha, and perhaps the economic idea of John-Baptiste Say and his famous phrase (the best spending the least in size) is better reflecting this trend, but with the development of modern economic thought, economists stressed that there can be no alimony neutral and it has to be the existence of effects of the economic, social and political for any kind of public expenditure, and with the evolution of the role of the state and the emergence of the traditional theory of Keynesian about the need for state intervention in economic activity with all available its policy tools, economic, financial and to achieve public benefit, become responsible the economic and social balance, and owns a large part of the means of production, where he became general spending a good indicator of the amount of the state's share of productive resources, add to that that it has become a tool of tools important for fiscal policy of the state, which are modifying whenever the need arises, and that to deal with economic fluctuations and to balance the economy and maintain it. The phenomenon of increasing public expenditure, is an economic phenomenon exists in all countries of the world, despite opposition economists of this phenomenon, which is known as the phenomenon of growth of public spending, where the world was German (Wagner), the first to draw attention to this ZaWagner), the first to draw attention to this phenomenon, after the study on public expenditure and their increase, as concluded through them, and the trend toward increasing state activity, as the literature suggests, particularly macro-models, to the existence of a relationship between government spending and GDP (GDP), where this relationship benediction with interest a lot of economists for a long time, where two schools have emerged from contrasting views on the nature of the relationship between government spending and economic growth are as follows: -

2.1: Wagner Act: -

The world was the German Adolf Wagner was the first to notice the people of this relationship and in the year (1892) where he formulated the law he called the continued expansion of government activity by law, where the text of the law that government spending is growing steadily, both in absolute size, or relative, as a result of the development achieved in society, that is, the need to increase public expenditures due to three reasons, namely: -

- * The demand for public goods is growing with high rates of urbanization and industrialization and then the expansion

of the public sector in order to ensure the efficiency of economic performance.

- * The economic development of the society and the consequent results lead to the expansion of cultural services, social welfare and education lead to higher government spending.
- * Government intervention for the management and financing of natural monopolies.

This hypothesis, which assumes the existence of a relationship between economic growth and government spending supports, in essence, the economy of demand-side theory, that the supporters of this theory claim to effective intervention by the government in the economy through spending, and save money in order to stimulate demand for goods and services and ensure economic growth and stability. However, this statement contradicts the supply-side approach in the field of public finances, as public spending affects economic growth through inflation, this law, and expresses the long-term relationship between government spending and national income in the countries which are in the early stages of development, and is worth noting that Wagner has been influenced by historical events experienced by Germany in the late nineteenth century and made from high-income as a result of the rapid growth in the field of technology, as it is supposed that the law operates under the following conditions: -

- * High per capita income.
- * Technological change in a particular type.
- * Expand political participation in the country.

The content of this law refers to the causal heading of GDP to government spending, increase in rates of economic growth inevitably lead to the widening of state activity and thereby increase government spending a larger percentage of the rate of increase in the average per capita gross domestic product (GDP), as that would lead economic growth to increase aggregate demand, which in turn leads to a greater need to increase spending Government, as well as to increase the resources available to the government sector to finance the increase in spending by the additional resources resulting from the economic growth which is assumed Wagner Act. The increase in government spending justified by the role played by the government in society, where the government is working Btid many different economic activities, in order to provide for the rights of property suitable environment as incentives for competition and prevent monopoly and to ensure that laws, in addition to national defense spending, and worth mentioning, we find that the government intervene in the economy in order to correct inequalities caused by the market system and alleviate the poverty and the redistribution of income and wealth. The classic approach in the interpretation of government spending growth is Wagner's hypothesis, which is based on the positive relationship between public spending and economic growth, as is public spending and internal function variable of economic growth, where the nature of this law led to the development of five different Nmadj, and then tested in the sixties of the century last, but it is as yet no definitive standard for Tak a decision on any one of these more conviction and effectiveness to test the Wagner Act which models is as follows: -

Model 1 $G = F Y$ Peacock wiseman 1969

Model 2 $G FY$ Goffman 1968

Model 3 $G N F Y N$ Gupta 1967 Michas 1975

Model 4 $G GDP FY N$ Musgrave 1969

Model 5 $G GDP FY$ Modified p w 1967

whereas ::

C private consumption:

I private investment:

Y GDP:

N Population:

G / N per capita government spending:

Y / N per capita GDP:

G / GDP ratio of government spending to GDP

The main difference between these models is is to measure variables () Some believe that Musgrave formula (Alnmodj 4) function is considered more suited to test the Wagner Act, whilst others, said Kaufman formula is the most appropriate.

2.2 Keynesian hypothesis:

John Maynard Keynes thought that the problem does not lie in the kidneys, which focused on the theories and previous laws, the supply side, it lies in the demand side of the kidney, so the view was Keynesian, has given the paramount importance of government spending, where the main goal is to increase effective demand, where they found increasing government spending in the basic instrument of economic policy, both from the standpoint of creating necessary to achieve the ideal growth rates in the long-term conditions. Where Keynes found a link between increased spending and the growth of the national income through multiplier mechanism, which shows the impact of investment spending to increase national income, through its ability to create new individual entry and then increased purchasing power, the multiplier concept in all models is Keynesianism is based on the special feature of public spending, therefore, public spending in the literature of growth, according to this hypothesis is treated as a variable external cause growth in national income, albeit more Nmadj macro becomes a variable policy, which could affect the growth and development, this can be the window display Keynesian hypothesis through Nmodj four sectors which displays balance income when the output equals aggregate demand It is clear that () as a component of (), in the case of the increase in spending will cause a rise based on the multiplier effect in the framework of Nmodj aggregate demand and supply kidney income (), as it works to transfer aggregate demand curve () to the right, which achieve a new balance point in the short term, and in return supply curve turns kidney in the short term to the left to restore the balance, after to that point will return output to normal rates, as well as the prices, so the effective demand, which came out of Keynes theory emphasized the positive impact of public spending automatic on economic growth especially in the early stage of development, and an important tool available to governments to stimulate economic activity and to use, so it is assumed that the causal relationship is moving from government spending to GDP, in the sense that an increase in government spending leads to higher economic growth rate, as proposed by the thrust of Keynesian policies. There are also other **models** explain this phenomenon, such as Nmodj development in increasing the public spending and put Musgrave in which he stressed that the first stages of development makes the urgent need for a public social services (such as roads, electricity, ports), which are reluctant about the private sector to lower paybacks economic and high costs, making the government obliged to provide to become a public sector investment to total investment is very high and then begin to decline in the

advanced stages of economic development, and so the contribution of the private sector gradually, also tried both () clarification of Time trend to track public spending through a specific Nmodj compensatory effect shows , meaning that increasing public spending is the dominant feature during the years of war and social and political unrest which increases the taxes to finance the increased spending, but that the end of wars and crises will not bring this Spending to what it was because governments sought to reconstruction, but more services to compensate for the suffering of wars and crises, as and () has interpreted the change in public spending to change in the volume of public revenue by calculating the flexibility (the degree of response to public spending to change public revenues) as the high value of the evidence of the flexibility rush out the principle of priority spending, as the revenue is not designed to cover the spending, not specified spending in light of revenue, creating a budget deficit. It is worth mentioning that the general budget () represents interventionist fiscal policy and reflect its objectives through consumer and investment spending in light of the public revenues that define its parameters and components (taxes, customs duties, oil's share) Politics interventionist finance through (oil share, change size of the tax, change fees customs, foreign exchange) are indispensable in the oil economies and as general revenues represent the other opposite side of public spending in the state budget, they are a way to finance it, so I had to adapt expenses in light of revenue in order to avoid budget deficits, but observed in life process, either that the budget be in surplus or deficit as the economic situation of the state, so the change in public spending may not respond quickly and clearly to the change in the amount of revenue as interpreted by Who used the flexibility index, since the high flexibility evidence of the speed of response, and when testing the hypothesis () on the impact of public revenue through flexible account of the impact of public revenues in public spending, it has been shown it by estimating equation double **logaretim** between public revenues as a variable independent and public spending as a variable , as the equation has a high statistical sign by comparing the calculated value () with () spreadsheet, as well as the high value of the mouthpiece of the explanatory power, as well as the absence of a problem correlation of self, and the high correlation coefficient demonstrates the strength of the relationship between two variables but the degree public spending variables in response to public revenues were not high, because the flexibility is less than the right one, which reflects the weak correlation between public spending decisions and to changes in oil revenues.

2.3 The real reasons for the growth of public spending:

Increasing real public expenditure is increasing the burden of overhead costs and increased state intervention in economic and social life of the citizens and the most important of these reasons are:

2.3.1 Economic reasons:

Is a product gave the state its neutrality and its expansion in public projects and to increase its involvement in addressing the special economic volatility in periods of recession. Increased national income allows the state to increase spending without incurring necessarily increase the burden on individuals, and can be summarized in these economic reasons in the following points: Increase the national income

and the expansion of the establishment of new development projects.* State fight recession through expansion in public spending Provide economic benefits for entrepreneurs to increase competitiveness

2.3.2 Social reasons:

The social reasons for the growth of public spending in the following points:

- * Increasing migration to the cities and the creation of slums in need of government assistance programs.
- * Increased social awareness has led to the need to develop educational and health services.

2.3.3 Political reasons:

These reasons are as follows:

- * The development of political thought in many communities, and the consequent development of the spread of many of the principles and systems of democracy that led to the different look of citizens to public services on a truly mind of their rights, and the duty of the duties of the government.
- * Growing feeling by governments of responsibility towards the communities in the provision of minimum public services such as education and health, etc.
- * Military spending increased.

2.3.4 Financial reasons for the increase in public expenditure.

These reasons are as follows:

- * Ease of borrowing in the modern era, which led to the large number of asylum countries to public loans to get the necessary revenues to cover the deficit, resulting in an increase in public spending.
- * There is a surplus in public revenues, leading to encourage the government to spend,

2.4 Virtual reasons for increasing public expenditure:

The increase in the size of public expenditures, does not necessarily mean an increase in the real benefit of public services, and this is what is known as virtual increase of public spending, which do not result in an increase in the benefit, it might be because this kind of increase to the following reasons:

2.4.1 Deterioration in the value of money:

to lower the value of the currency and deteriorating purchasing power, which would require spending larger amounts to get the same level of public goods and services

2.4.2 Urbanization and population growth:

The increase in population and the creation of new regions accompanied by an increase in public expenditures, so the apparent increase for indigenous people because it does not entail an increase in the real value of public utility .

2.4.3 Expanding the territory of countries:

leading the expansion of the state, and increase its territorial space, the direction of public expenditure towards the increase.

2.5 evaluating previous studies:

There are many previous applied research that dealt with the study and determine the relationship between government spending in real output in the short and long term and test the law of Wagner vs. Keynesian premise and in different countries, including:

- * Study () et al. (1999) to test the law of Wagner vs. hypothesis Alkinsah, where by examining the relationship between government spending, national income Kinda for the duration of the (1950-1995) in the short and long term, as the study found that the relationship between the two variables is possible only in the long term.
- * Study () (1999), which was conducted in the European Union for the period (1949-1998) with respect to the relationship between spending and national income over the long term to test the validity of the Wagner Act in those countries, where the results were very vague.
- * Study () (2002), where the goal of this study is the demonstration of a causal relationship between government spending and GDP in Saudi Arabia during the period (1965-1996), where results showed a causal relationship one-way stretch of GDP product to government spending, which in turn supports the existence of the Wagner Act, which means that government spending depends on GDP
- * Study () (2002) to consider the nature of the relationship between government spending and economic growth of the Gulf Cooperation Council for the period (1970-1997), where the results of the study showed that the national income is an important factor in expanding the role of government to grow the My hypothesis Wagner, and with a relationship long-term government spending between the national income.
- * Study () (2003), to test the Wagner Act versus Keynesian hypothesis in Malaysia, where the study showed the existence of a joint integration between the two variables and causal heading of GDP to government spending in the short term.
- * Study () (2005) about the nature of long-term relationship between government spending and economic growth in the Philippines for the period (1980-2004) where he found that the changes in the short term in GDP have a significant positive impact with government spending
- * Study () (2006), which focused on testing the Wagner Act of both China and Taiwan for the period (1979-2002) to estimate the relationship between government spending and output over the long term, as The results of this study that there is no relationship in the long term between government spending and output, and this that is opposed to Wagner's hypothesis
- * Study () (2006), where this study aims to determine the direction of causality between government spending, national income by testing Wagner hypothesis for five countries (Indonesia, Malaysia, Singapore, Philippines, Thailand), where the results showed that government spending does not play a role important in promoting economic growth in the five countries except the Philippines. * Study () (2006), where the study examined the relationship between government spending and national income in Greece during the period (1933-1938), which resulted in the findings of a relationship between two variables in the long run, in which tests the causal pointed to the existence of a relationship stretching from

income National real to government spending, and this corresponds to the Wagner hypothesis.

- * Study () et al (2006) to test Alglagh between government spending and gross domestic product in the short term Zataiwal in (51) is a developing country, where the results showed there was no evidence to reflect the direction of increasing government spending over time, which indicates the existence of a long-term relationship between the two variables coincide with the Wagner Act.
- * Study () year (2007) about the relationship between government spending and GDP per capita in Thailand and that the results pointed to the absence of causality in both directions and that the relationship between the two variables is very weak in the long term.
- * Study () (2009) was an attempt to verify the hypotheses about the causal relationship between government spending and economic growth in the long term to African countries for the period (1988-2004), and the results showed it that economic growth is causing the government to spend the long and short term to an end whether which it is consistent with the Wagner Act more than a hypothesis Keynes
- * Study () year (2009) to demonstrate the relationship between public spending with income growth, Hbut results showed that the causal link between government spending and national income is two-way, as this conclusion confirms both the hypothesis and the Wagner Act Keynes.
- * Study () (2009), to study the relationship between government spending and growth, economic growth in Malaysia for the period (1960-2005), where he explained to the empirical results support the Wagner Act and the Keynesian hypothesis both in Malaysia.

It is clear from previous studies problematic dialectical relationship between government spending and gross domestic product, sometimes by causality of government spending to GDP and at other times of GDP to government spending and sometimes be causal in both directions.

2.6 Results:

- * The phenomenon of increased public spending is considered a natural economic phenomenon, stems from being, the tool used by the state through the economic policy in achieving its objectives.
- * Achieve labor CAM
- * Achieve full employment and price stability, and justice in the distribution of income as well as increase the rate of economic growth.
- * Avoid the occurrence of the phenomenon of unemployment through government spending policy, since the presence of rising unemployment meant a reduction in effective demand kidney, here are a government spending policy expansive enough to achieve economic recovery.
- * Public spending is the basic engine through which the government can create the positions filled by absorbing part of the unemployment and mitigated.
- * Fiscal policy is considered among the most effective ways and tools that address the economic recessions.
- * Reduce the severity of the phenomenon of inflation through activating the role of the productive sectors and other means of financing through public spending.
- * Investment in human resources, which in turn contribute

to accelerating the development Alaguetsadahz

- * Alleviate the effects of the economic downturn by rationalizing public spending and work to restore the balance between income and expenditure and balance of payments.
- * Helps to reduce public spending in the prices of essential commodities, through economic support and subsidies granted to some of the projects to reduce production costs as well as to cover their budget deficits to continue in production.

2.7 Recommendations:

- * Subjecting public spending to economic feasibility standards in order to achieve efficiency and effectiveness in the use of public resources.
- * Achieving economic balance at the highest rates of growth of GDP, through rationalization

Public spending and monetary policy more effective.

- * Rationalize public spending in general, and the reduction of recreational and unnecessary public spending, so as to address the deficit and increase the surplus in the general budget in an effective manner.
- * Lack of growth of public expenditures exceeded revenue growth except in cases in which it deems necessary state.
- * The possibility of using the standard models is the prediction of GDP for the year is, after knowledge of public spending in that year.
- * A mechanism for cooperation between governmental bodies and ministries DAT relating to the economy, and such as the Ministry of Planning and Economy, the Ministry of Industry, Ministry of Finance, Foreign Trade, Ministry of Higher Education, to put plans in economic topics discussed subjects for theses and doctoral even the benefit to everyone put
- * Concern over the supply of researchers, whether students graduate economists or economic data experts that will help researchers in their studies, so that the positive results of their studies will help state agencies in the development plans.
- * In-depth studies and research, using statistical and quantitative methods, which have been instrumental in the variables and economic indicators analysis, an analysis of scientifically sound, so that we can predict the sound developments in these variables in the future .

2.8 Conclusion:

There is a difference in the outcome of Applied Studies, where we find that the Wagner Act supports the existence of a relationship between government spending and gross domestic product, while we see that others are opposed to the existence of this relationship, which used many of the statistical methods to validate these hypotheses, as results showed in term short and long, the direction of causality of real GDP to real government spending, which supports the relationship Wagner Act.

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