Analyzing the Relationship between Public Debt
and Economic Growth

Name:
Class:
Module name:

Motivate Your Research Question/topic

Public obligation and financial growth are crucial topics for the economy and people's well-being.

Numerous studies have shown that high public debt hurts financial development, highlighting the relevance of this issue.

Morganti (2022) found that countries with high public debt had substantially lower economic growth than countries with low public debt.

According to an IMF study, high public debt levels can lower economic growth, raise borrowing costs, and boost debt crises.

High state debt has severe economic and social effects, as shown by the Greek and Argentine debt crises.

This issue is important because high community responsibility can limit a management's capacity to employ in infrastructure, education, and healthcare, which are necessary for sustainable economic growth.

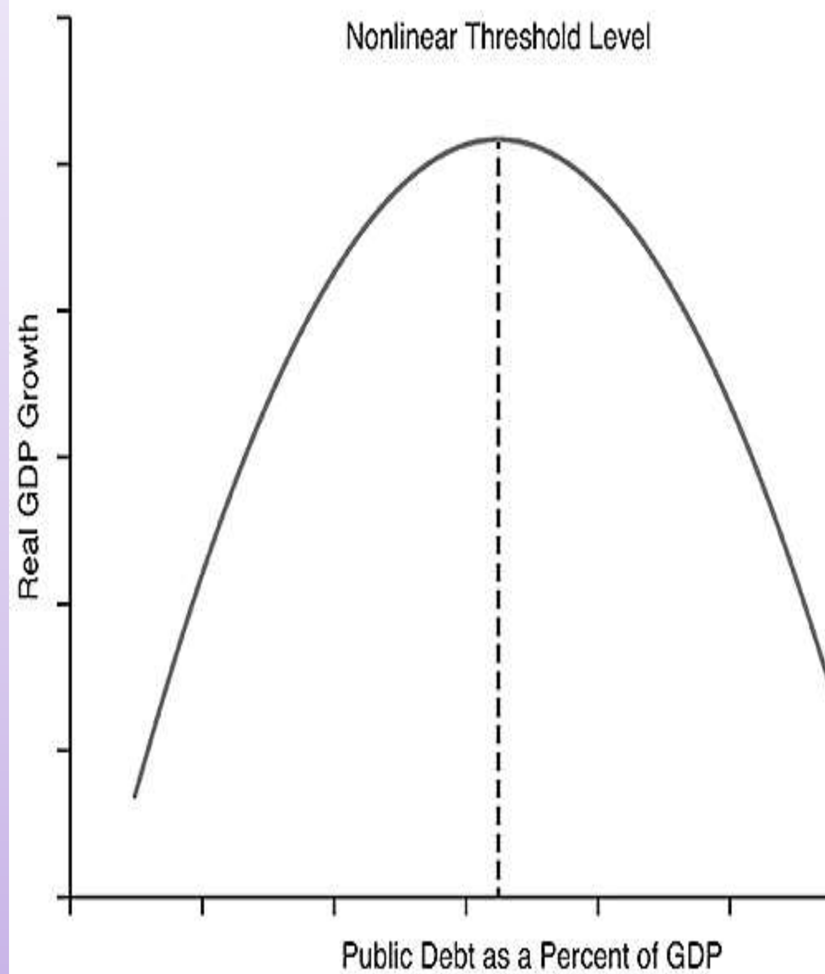
Policymakers can support maintainable financial growth and handle public obligation by grasping the connection between the two.

Summaries The Main Findings Of Your Literature Review

- The literature on the connection among community debit and profitable growth has consistently found that high heights of public debt can have negative effects on monetary growing.
- The chief methodologies used in these studies include econometric modeling, case studies, and cross-country comparisons.
- Econometric modeling studies use statistical models to estimate the connection concerning public commitment and economic progress while regulatory for other factors that may affect economic growth.
- For example, a study by Morganti (2022) used econometric modeling to show that countries with debt-to-GDP ratios above 90% experienced significantly lower economic growth rates compared to countries with lower debt-to-GDP ratios.

FIGURE 1

THE RELATIONSHIP BETWEEN DEBT AND GR



Summaries The Main Findings Of Your Literature Review

The correlation between government borrowing and expansion of the economy has also been studied through the lens of case studies.
Research in this area looks at the belongings of large public debt on the financial prudence of specific nations.
Taking Greece as an example, the IMF found that high amounts of state debt resulted in slower economic development, higher borrowing costs, and a higher chance of debt crises.
Research into the relationship between government borrowing and GDP development frequently employs comparisons across nations.
These analyses look for trends and patterns by comparing economic growth rates and public debt levels across numerous nations.
By way of illustration, the OECD found that higher debt-to-GDP relations were related with slower economic development charges than lower debt-to-GDP ratios in its analysis of 144 countries.

Explain The Main Elements Of Your Project Plan

Study subjects have primarily focused on the national debt and area economic development. Various economic models have been used to analyse state debt: multi-linear deterioration, horizontal changeover recession (STAR), pooled autoregressive dispersed lag (ARDL), etc (Eurozone, Asia, etc.).

External and domestic debt division and economic growth have not been studied.

Thus, my study will examine whether foreign and internal debt affect economic growth differently in key emerging countries like India, China, Brazil, Vietnam, and Argentina and mature countries like the US, UK, Japan, Germany, and France

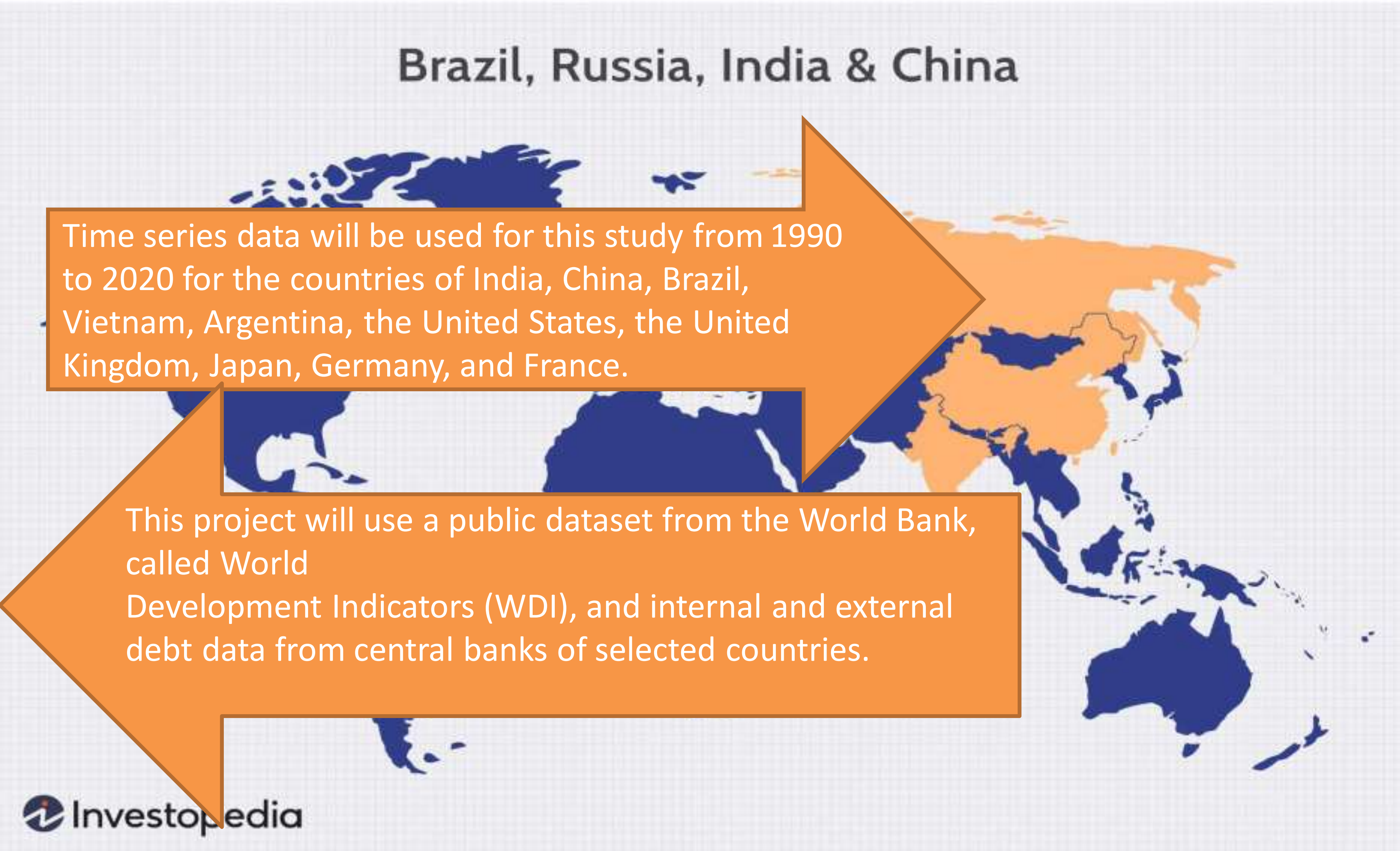
Empirical Model

This study will use the following pooled regression model

$$y_{i,t} = \alpha_i + \sum_{l=1}^{p} \beta_0 y_{i,t-l} + \sum_{l=0}^{q} \beta_1 i_{i,t-l} + \sum_{l=0}^{q} \beta_1 e_{i,t-l} + \sum_{l=0}^{q} \beta_2 x_{i,t-l} + u_{i,t}$$

where i and t indicate nation and duration, y indicates real GDP, i and e indicate the internal and external debt-to-GDP ratios, and x represents a set of control variables including transparency, human capital, and the ratio of public expenditures to GDP.

Sample



Time series data will be used for this study from 1990 to 2020 for the countries of India, China, Brazil, Vietnam, Argentina, the United States, the United Kingdom, Japan, Germany, and France.

This project will use a public dataset from the World Bank, called World
Development Indicators (WDI), and internal and external debt data from central banks of selected countries.

Conclusion

The literature study concludes that public debt and economic growth are complex and dependent on many factors.

Some studies have found that high state debt can hurt economic growth, but others have found that it can help under certain situations. Using statistical models, panel data analysis, and case studies, the literature survey provides a solid foundation for understanding public debt and economic growth.

The project plan collects and analyses data for a selected group of nations over a specific time frame to examine public debt and economic growth. Investment, inflation, and political security will also be examined.

The effort will also advise countries on managing public debt for economic growth. A presentation will summarise the report's results and policy consequences. The effort seeks to balance the public debt-economic growth issue

Conclusion

- The literature analysis concludes that there are many variables that influence the correlation between government borrowing and economic expansion.
- Public obligation can have a beneficial impression on trade and industry advance under certain circumstances, despite the fact that high amounts of debt generally have the opposite effect.
- The methods used to compile the literature review provide a solid foundation on which to build a comprehension of the dynamics at play among private responsibility and commercial expansion.

References

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