

Government Expenditure on Human Capital Development, Culture and Economic Growth

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Abstract. Government expenditure and economic growth are both subjects of public attention because the source of government expenditure is mainly from public taxes. The tax payers would expect that their tax contributions be spent wisely by the government. In the other hand, the public would expect high economic growth as a whole in return. The role of human capital in supporting economic growth is well known in the growth literature. In traditional view, the study of human capital has been focused on the education factor. However, human capital is a broad concept that identifies human characteristics which can be acquired and could increase the workers' income, productivity level and welfare. It is commonly include knowledge and skills of the workers that can be obtained partly through education and training and physical strength, mental capacities such as cognitive functioning and reasoning ability, and vitality that dependent on health and nutrition, and other factors, such as an environment that is conducive to learning, cultural and religious aspects. In Malaysia, the public sector plays a dominant role in providing infrastructure necessary to build human capital. Furthermore, Malaysia aims to be high-income economy and developed nation by year 2020. In order to reach this target, government should produce a first class mentality society and productive human capital that is able to generate the economy above the value chain. Policymakers will have to develop strategies for a rapid development of human capital. Greater attention should be given to the development of healthy, educated and well-trained manpower capable of high productivity; hence, a vibrant economy. Recent literature in the field of cultural economics points out that culture may represent an important driver of economic growth. By considering culture as one of the element in the human capital development, this study investigates the government expenditure on human capital development including expenditure in art and culture on economic growth in Malaysia.