Policies that reduce government debt may influence people's quality of life

Poster · March 2021

2 authors, including:

Fahim Rafique
Hochschule Mittweida

Policies that reduce government debt may influence people's quality of life

Fahim Rafique

Faculty of Applied Computer Science and Biosciences

Hochschule Mittweida, Germany

HOCHSCHULE MITTWEIDA UNIVERSITY OF APPLIED SCIENCES

Background

- Government debt or public debt accumulation is not only considered to be a specific problem of the emerging nations, but also extends to the industrialized nations such as countries like Japan, Greece and even the United States which are now dealing with debt crises.
- Many financial debates indicate that the debt incurred to intensify economic growth via investment should also contemplate interest payment costs.
- There are also counter-arguments emphasising that if governments borrow to stimulate growth via increased economic earnings, then state debt growth might not pose a problem to the economy.
- Studies that are done on debt-growth relationships, a large majority of them find threshold somewhere between 75% to 100% of GDP. Furthermore, one in every three studies finds a negative relationship between high levels of government debt and economic growth.
- In other studies, it was demonstrated that govt. debt or public debt could impact people's standard of living or quality of life especially in the long run, it could reduce people's overall living standard.
- The aim of the present study was examine the relationship between government debt and quality of living for OECD countries over the sample period 2005-2015.
- Based on the previous studies we hypothesize that the policies that reduce government debt may not increase the quality of life.

Method

We plan on using the OECD dataset 2005-2015 in the context of Germany. We are using this dataset because it's publicly available, diverse and longitudinal data. Plus it's also available in the context of Germany. We will measure general government debt indicators and household disposable income, household spending, household savings, household debt as an indicator of people's quality of life. Government debt is the principal barometer based on which the government formulates different financial policies.

For data analysis, SPSS software pacakage were used and the results were obtained from Pearson correaltion testing.
In the correlation table, GGDEBT= general government debt, TIME=the time interval of 2005-2015, HDDI= household disposable income, HHSAV=household savings, HHDEBT=household debt, HHSPENDING=houlsehold spending..
All the data were taken in per capita unit in USD.

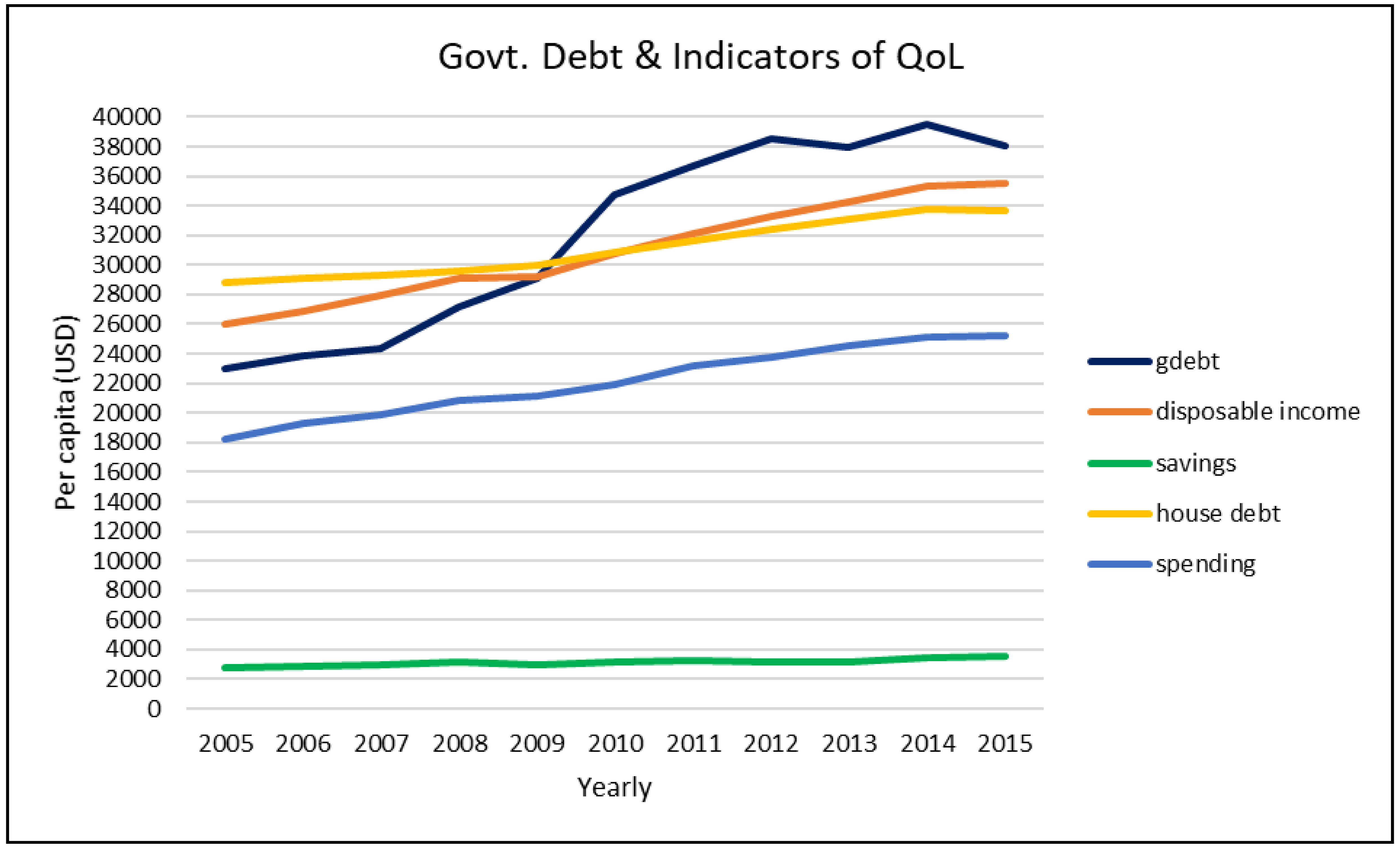
References

1.Kurihara, Y., 2015. Debt and economic growth: The case of Japan. Journal of Economics Library, 2(2), pp.45-52.
2. Smrčka, L. and Arltová, M., 2014. Debt in Relation to the Standard of Living Enjoyed by the Population of Developed Countries. Prague economic papers, 23(1), pp.84-107.
3. Omodero, C.O., 2020. Public Debt and the Living Condition of People in Nigeria. EuroEconomica, 39(1).
4. OECD (2021), General government debt (indicator). doi: 10.1787/a0528cc2-en (Accessed on 13 March 2021)
5. OECD (2021), Household disposable income (indicator). doi: 10.1787/dd50eddd-en (Accessed on 13 March 2021)

Results

	TIME	HDDI	HHSAV	HHDEBT	HHSPENDING
GGDEBT Pearson Correlation	0.75**	0 .30	- 0.80**	- 0.76**	0.74**

**. Correlation is significant at the 0.01 level (2-tailed)



Discussion

- This project examines the effect of public debt on the quality of life which is represented by the per capita income in the country.
- The public debt comprises both external and internal debt sources and their effects on standard of living are being assessed from 2005 to 2015.
- There is a significant positive correlation between household spending and government debt.
- Household savings and household debt were negatively correlated with government debt.
- There was no significant correlation between household disposable income and government debt.
- We observe that there is a rapid growth in government debt from 2009 to 2014 and started declining in 2015.
- Household disposable income, household debt and household spending rose gradually.
- Before the financial crisis in 2008 the government debt was lower than the household disposable income and household debt but starting from 2009 the government debt surpassed the disposable income and household debt per capita..
- The household spending was relatively consistent throughout the time period.