

Analysis Of The Influence Of Direct Expenditure, Education, And Labor On Economic Growth In North Maluku

Tulus Bakti¹, Made Kembar Sri Budhi²

Faculty of Economics and Business, Udayana University (Unud), Bali, Indonesia

ABSTRACT : This study used panel data consisting of time series data for five years and cross section data of ten districts / cities which resulted in 50 observations. The data source used is secondary data. The analysis technique used in this study is to use multiple linear regression. The results of the test analysis in this study indicate that simultaneously direct Expenditures, education, and labor have an effect on economic growth in North Maluku. Partially, direct Expenditures, education, and labor have a positive and significant effect on economic growth in North Maluku. The variable with the most dominant influence is the variable of Education.

Keywords: *Direct Expenditures, Education, Labor, and Economic Growth.*

I. INTRODUCTION AND LITERATURE REVIEW

Economic growth is a process of changing the economic conditions of a country on an ongoing basis towards a better state within a certain period of time. Economic growth shows an increase in the production of goods and services in an economy, so this economic growth is an important indicator in conducting an analysis of economic development. An economy can be said to be experiencing a change in its development as seen from a higher level of economic activity than that achieved in the previous period. Economic growth can also be interpreted as the process of increasing the production capacity of an economy as reflected in the increase in national income. In economic activity, economic growth actually means the development of the production of goods and services in a country (Gupta, 2020). Economic growth as a long-term increase in the ability of a country to provide more and more economic goods to its population. This capacity grows according to technological advances, institutional adjustments and ideologies that are required. In this case it causes the goods and services produced in society to increase so that it will increase the prosperity of the community. The prediction of the growth model is that countries with more human capital will eventually have more physical capital as well (Musyawiri & Üngör, 2019). Economic growth is one indicator to see economic performance, both at the national and regional (regional) levels. The measurement of the economy in a country is indicated by the value of Gross Domestic Product (GDP). GDP is the total value of all final output produced by an economy, whether carried out by local citizens or foreigners residing in the country concerned.

GDP measures the flow of income and expenditure in the economy over a certain period. The measurement of economic growth is seen from the value of GDP based on constant prices (Real GDP) so that the resulting growth rate is real growth that occurs due to increased production (Abba et al., 2015), so the general measure often used to view economic growth is the value of changes in GDP for scale. national or the value of changes in GRDP (Gross Regional Domestic Product) for the provincial or district / city scale. The value of GRDP at a regional (regional) scale will provide an idea of how the region's ability to manage and utilize existing resources, but GDP per capita growth in Indonesia does not always show sustainability (Kurniawan & Managi, 2018). Economic growth has been recognized as an important factor in economic development (Permadi, 2018). High and stable economic growth from year to year in the region means that their economic welfare is increasing, while a decreasing economy or economic growth with a negative value means that their economic welfare is decreasing. On the other hand, the rate of economic growth is also used to evaluate the appropriateness of the policies that have been taken in connection with the role of government in the economy.

Empirical growth literature has suggested a large number of economic and non-economic variables that can influence economic growth (Kusuma, 2016). The economic growth of a region can be seen from the growth in the value of the Gross Regional Domestic Product, how the region's ability to make optimal use of existing resources. This can be interpreted as the total value of goods and services produced in the area within a certain time (one year). However, not all economic growth models predict the convergence of regional income or output per capital. In addition to increasing regional competitiveness, regional development also strives for a

balance between regions according to their respective potential, the development of the main indicators in regional development, one of which is economic growth which can illustrate the achievement of regional development performance in general.

The goal of economic growth is to achieve a higher level of prosperity by directly improving the quality of life of the people. In the Keynesian model, an increase in government Expenditures (for infrastructure) leads to higher economic growth. In an effort to meet these objectives, local governments must actively intervene to influence the movement of the regional economy and are expected to be able to have their own financial system both in terms of income and expenditure so that they do not depend only on the central government. Local governments make a lot of Expenditures to finance activities in their regions. These expenditures are not only to finance daily government needs but are also allocated to finance economic activities in general. The success of a region's development can be seen from the level of regional economic growth, thus the higher the economic growth usually the higher the level of community welfare. Each region always sets a target for high economic growth rates in regional development planning and goals every year. But in reality, per capita output growth does not always speak to an increase in the welfare economy. High and sustainable economic growth is the main condition for the continuity of economic development. Economic growth can be seen from the value of GRDP which is an indicator to see the success of regional development (Coscieme et al., 2020). Increased economic growth through the Gross Regional Domestic Product indicator which means also improving the welfare of local communities. In increasing economic growth in the regions, it is very important that the local government plays a role in the formulation of strategies and regional development planning, by taking into account activities and shifts in the economic sector from year to year.

Based on the GRDP of 34 Provinces in Indonesia at 2010 Constant Prices (ADHK) in 2019, North Maluku is the province that has the lowest GRDP. Based on data from the Central Statistics Agency, it is known that North Maluku province in the last five years from 2015 to 2019 has always been the province with the lowest GRDP in Indonesia. This condition is caused by many things, both internal and external. A low GRDP indicates that the added value of the goods and services produced is also low and the GRDP becomes a benchmark in seeing economic activities such as regional income, industrial activities, and other activities that are the lifeblood of the economy. This low GRDP is also caused because North Maluku is a province with a relatively small area. In this case, the economic growth experienced by North Maluku is also low. This situation illustrates that there needs to be special attention from the regional government so that the GRDP in North Maluku can increase significantly in the coming years.

North Maluku experienced a significant increase in the value of GRDP during the period 2015 to 2019. However, despite this increase, North Maluku is still the lowest total GRDP in Indonesia. According to Bank Indonesia, the economy of North Maluku in 2019 is projected to still grow positively, but experienced a slowdown in the first and second quarters. This condition is seen from the demand side, it is known that the slowdown in economic growth (Zilibotti, 2017) at that time was driven by the Gross Fixed Capital Formation sector which was caused by the wait and see action of investors and also following the plan for the 2019 Indonesian Presidential Election which fell in April 2019 yesterday. The slowdown in economic growth is not only due to the above effects but also due to foreign exports which are also predicted to experience a slowdown in line with the decline in production in the mining and processing industries (Antolin-Diaz et al., 2017).

Economic theory would suggest that on some occasions a lower level of government Expenditures will increase economic growth while on other occasions a higher level of government Expenditures will be more desirable. Local government Expenditures plays a role in meeting community demand with the provision of facilities and infrastructure that are not fulfilled by the private sector. The level of effectiveness of local government Expenditures so far can be measured by how much economic growth is each year. The expenditure function of the economic sector is the function with the largest interaction, which shows that regional competition is more driven to achieve higher economic growth (Al Husna & Yudhistira, 2017). According to Piabuo & Tieguhong (2017) increasing household / government Expenditures on health, nutrition, and education actually increases economic growth rather than slowing growth, because healthy and educated households produce more and contribute to economic growth. The higher the level of education, the greater positive impact on the economy. In North Maluku, the quality of education is still considered low, concerning, and far behind the others, especially in eastern regions such as Maluku, North Sulawesi and West Papua. There are many schools with limited infrastructure and the quality of teachers who are less competent and unequal, resulting in less qualified people, this is evidenced by natural resources that are still not optimally utilized by the local community. Based on data sourced from the Central Statistics Agency (2020), the average length of schooling in North Maluku in 2019 was 9 years, an increase compared to 2018 which was 8.72, the increase experienced was only 0.28. This figure is still considered low when compared with the government policy, namely the 12 year compulsory education.

In addition to direct Expenditures and education, Rustariyuni & Ayuningsasi (2016) states that one of the factors that also affects economic growth is the condition of the labor in the region. If all qualified workers

are actively involved in the economy, it will increase the output of goods and services, which in turn encourages economic growth (Seran, 2017). Thus, an increase in the number of workers will have an impact on increasing the number of goods and services produced. Meanwhile, according Ariessi & Utama (2017) a homogeneous and unskilled labor is considered to be able to move and shift from the traditional sector to the modern sector smoothly and in limited numbers. Instead of capital, labor and technical change must become increasingly reliable as alternative sources of future economic growth (Taufik et al., 2015). The supply of labor contains high elasticity. The increasing demand for labor (from the traditional sector) stemmed from the expansion of modern sector activities. The high rate of unemployment also shows the narrow job opportunities caused by not developing the region's economy. Thus, one of the factors that also affects economic growth is labor.

Based on data sourced from the Central Statistics Agency (BPS), North Maluku has the highest Open Unemployment Rate in Indonesia in August 2019, it is known that the North Maluku Open Unemployment Rate is 4.97 percent, meaning that it needs special attention from the government to open it up. new job opportunities to meet labor demand. The labor working in North Maluku in 2019 is known to be 522.42 thousand people and the Labor Force Participation Rate which should be able to increase economic growth has actually decreased by 0.72 percent compared to August 2018. This condition is an obstacle for North Maluku in managing all its resources to obtain maximum GRDP, so it requires special attention from the local government.

II. HYPOTHESIS DEVELOPMENT

Economic growth is one of the benchmarks for the success of economic development in an (Weya et al., 2017). To support the economic growth of a region, supporting factors such as direct Expenditures, education and labor are needed. The higher the education level of a person, the knowledge and expertise will also increase so that it will encourage an increase in work productivity. Thus, education plays an important role not only for innovation but also in determining long-term growth (Adipuryanti & Sudibia, 2015). Human resources can contribute to increasing technical progress because education facilitates innovation, diffusion and the adoption of new technologies. Therefore, it is very important to understand how knowledge (education) in developing countries and how knowledge affects economic growth (Kaur & Singh, 2016)

Fitriani (2018) states that the labor variable has a positive effect on economic growth. Increased economic growth has a close relationship with the growth in the production of goods and services in an economic area within certain time intervals. The higher the level of economic growth, the faster the process of increasing regional output so that the prospects for regional development are getting better. Rasid Desky et al. (2020) states that the direct expenditure variable has a positive and significant effect on economic growth. Amir et al. (2015) states that the components of the education index have a positive effect on economic growth in Bali. This opinion is based on the theory of education as the most important asset for society to increase productivity as a labor so as to encourage economic growth.

Increased economic growth has a close relationship with the growth in the production of goods and services in an economic area within certain time intervals. The higher the level of economic growth, the faster the process of increasing regional output so that the prospects for regional development are getting better. Roşoiu (2015) explains that direct Expenditures has a significant effect and has a positive relationship to economic growth, this is because the Expenditures made has a direct impact on economic growth. However, if the direct expenditure allocation is wrongly targeted or incorrect, it will cause economic growth to decline / slow down. The hypothesis proposed in this study are as follows.

H1: Direct Expenditures, Education, and Labor simultaneously influence Economic Growth in North Maluku.

H2: Direct Expenditures, Education, and Labor partially have a positive effect on Economic Growth in North Maluku.

H3: Labor variable which has the most dominant influence on economic growth in North Maluku.

III. METHODS

This study using a quantitative research method and associative paradigm. The research was conducted in 10 districts / cities in North Maluku in 2020 and used the previous year's data, 2015 to 2019. The dependent variable in this study is economic growth and the independent variables in this study are Direct Expenditures (X1), Education (X2), and Labor (X3). This study uses panel data regression model, Panel data is a combination of two data characteristics, namely cross section and time series. The number of cross section data is 10 districts / cities in North Maluku and 5 years of time series data starting from 2015 to 2019. Thus the number of observations in this study is 50 data collected from variable data needed in North Maluku. . The data collection technique used in this study is the non-participant observation technique.

IV. RESULTS AND DISCUSSION

Economic Growth has the highest value of 7290.4 and the lowest of 726,5000. The highest economic growth occurred in Taliabu Island Regency in 2015 and the lowest economic growth occurred in North

Halmahera Regency in 2018. The mean and median values of economic growth were 2344,042 and 1623,300. The standard deviation value of economic growth is 1676,536. The mean value of the dependent variable on economic growth is greater than the standard deviation, so it can be concluded that the average of all data on the dependent variable is able to describe all variables well. Direct Expenditures has the highest value of 922,3600 and the lowest is 301,9100. The highest direct expenditure occurred in South Halmahera Regency in 2019 and the lowest occurred in Sula Islands Regency in 2019. The mean and median values of direct expenditure were 464,7882 and 439,0900. The standard deviation of the direct expenditure variable is 107.1205. The mean value is greater than the standard deviation, so it can be concluded that the average of all data on the independent variables is able to describe all variables well.

The education variable has the highest value of 11.58000 and the lowest is 6.840000. The highest education occurred in Ternate City in 2019 and the lowest occurred in Morotai Island Regency in 2005. The mean value was 8.300800 and the median value was 7.965000. The standard deviation value in the Education variable is 1.182023. The mean value of the education variable is greater than the standard deviation, so it can be concluded that the average of all data on the independent variable is able to describe all variables well. The highest labor rate of 102.8800 occurred in South Halmahera Regency in 2018 and the lowest of 19.12000 occurred in Taliabu Island Regency in 2015. The mean and median values of labor were 49.89400 and 41.85000. The standard deviation of the Labor is 26,53227. The mean score of the labor variable is greater than the standard deviation, so it can be concluded that the average of all data on the independent variable is able to describe all variables well.

The t test on the direct expenditure variable shows that the t-count value is 3.144662 which is greater than t-table 1.67866 and the significance results obtained are $0.0029 < 0.05$, so partially direct Expenditures has a positive and significant effect on economic growth in North Maluku. The coefficient value of the Direct Expenditure variable is 0.000202 with a positive sign which indicates that the Direct Expenditures variable has a positive relationship to Economic Growth. This means that, if the independent variable Direct Expenditures increases by 1 billion rupiah while the independent variable Education and Labor is constant, the economic growth variable will increase by 0.000202 units of billion rupiah. Piabuo & Tieguhong (2017) shows that direct Expenditures has a positive and significant relationship to Economic Growth. Meyera & Shera (2017) also has the conclusion that Government Expenditure, in this case direct expenditure, has a positive effect on economic growth. In this case it means that the higher the value of Direct Expenditures and it is allocated on target, the higher the perceived economic growth will be.

The t test on the education variable shows the tcount value of 2.463440 is greater than t table 1.67866 and the significance results obtained are $0.0176 < 0.05$, so partially education has a positive and significant effect on economic growth in the Regency / City of North Maluku. This is indicated by the coefficient value of the Education variable of 0.016793 with a positive sign. This means that, if the independent variable of Education has increased by 1 year while the independent variables of Direct Expenditures and Labor are fixed, the Economic Growth variable will increase by 0.016793 units of billion rupiah. These results are the same as research conducted by Octavianingrum (2015) which also shows that education has a positive influence on economic growth and also research conducted by Hanif & Arshed (2016) stated that education has a positive and significant effect on economic growth. In this case, it means that the higher the level of education is able to increase economic growth in a region.

The t test on the labor variable shows the t-count value of 8.675260 is greater than t table 1.67866 and the significance results obtained are $0.0000 < 0.05$, so partially the labor has a positive and significant effect on economic growth in North Maluku regency / city. The coefficient value of the Labor variable is 0.008697 with a positive sign which indicates that the Labor variable has a positive relationship to Economic Growth. This means that, if the labor has increased by 1 thousand people while Direct Expenditures and Education are constant, the Economic Growth variable will increase by 0.008697 units of billion rupiah. Korkmaz & Korkmaz (2017) in their research showed a positive relationship between labor and economic growth. The results of this study contradict the results of research conducted by Purnamasari et al. (2017) states that labor has a positive but insignificant effect on economic growth, because the increase in labor is still influenced by age, education, one's productivity. Thus, an increase in the labor is expected to be able to increase economic growth in order to obtain the welfare of the entire community.

The value obtained from the coefficient of determination R^2 is 0.728488. This value means that the proportion of the effect of direct Expenditures, education, and labor on economic growth is 72.85% while the remaining 27.15% is influenced by other variables that are not in the regression model. The regression coefficient value for Education is 0.016793 which is the largest compared to the regression coefficient for Labor of 0.008697 and the regression coefficient value for Direct Expenditures is 0.000202, so it can be concluded that the education variable is the dominant influence on Economic Growth in North Maluku. According to the Central Bureau of Statistics, the quality of community education in an area is indicated by the average length of schooling. RLS in North Maluku has always increased in the last 5 years from 2015 to 2019, which means that

the quality of education has also increased. In human capital theory, it explains that the higher the education one completes, the higher the person's quality. In this case, it means that a high level of education will have a better job and income than a low level of education. If income reflects productivity, the more people who have higher education, the higher the productivity, so that the results will have an effect on economic growth which can be seen from the high and increasing GRDP value.

V. CONCLUSION

Based on the results of data processing and testing simultaneously, it shows that Direct Expenditures, Education, and Labor have a simultaneous effect on Economic Growth in North Maluku. Partially direct Expenditures has a positive and significant effect on economic growth in North Maluku. Partially, education has a positive and significant effect on economic growth in North Maluku. Partially, labor has a positive and significant effect on economic growth in North Maluku. The variable of education is the variable that has the most dominant influence on the variable of economic growth in North Maluku.

Local governments are expected to focus more on allocating and increasing direct Expenditures. The allocation and increase of direct expenditures that are right on target can support employment and at the same time promote economic growth. Education needs to be an important concern for the government. Improving the quality of education needs to be done because the figures are still low, so it is advisable for the local government to provide and improve supporting facilities and infrastructure in North Maluku equally. Thus, every level of society is able to get access to education and in the end it can increase productivity and have an impact on increasing economic growth. The community is also expected to be able to participate in increasing economic growth through participation in training and educational activities provided by the local government, which aims to improve the quality of local human resources so that they can become an attraction for investors to invest so that they have an impact on opening up the field. new jobs so as to reduce the open unemployment rate as well as increase local economic growth.

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