



THE EFFECT OF PUBLIC DEBT ON DOMESTIC PRODUCT AND UNEMPLOYMENT (AN EMPIRICAL STUDY ON THE PALESTINIAN ECONOMY)



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ABSTRACT

This study sought to recognize the effect of public debt on unemployment and domestic product. Also, it aimed to identify the developments that occurred in some indices in the Palestinian economy. To achieve the goals of this study, the researchers employed the data covering the period (1999-2014) as well as the simple regression analysis. The findings showed that the percentage of public debt to gross domestic product amounted, on average, by 20%. Furthermore, it was found that there is a connection of statistical effect between the rate of public debt and the independent variable, rate of debt, to gross domestic product. Meanwhile, the findings showed no connection between the rate of public debt and gross domestic product.

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Contribution/ Originality

Very few studies sought to tackle the topic of this study, or at least this topic was not dealt with from all angles. This paper is an addition to existing literature as it contributes to recognize the effect of public debt on unemployment and domestic product. Furthermore, this study is among very few studies that use regression analysis in the period between (1999) and (2014) to highlight the aforementioned relationship.

1. INTRODUCTION

The Palestinian economy is considered one of the emerging economies in terms of structure. This economy is facing many restrictions that influence its development. On the ground, the Palestinian economy is characterized by fragility and poor performance as it is dependent on the Israeli economy which obstructs its development.

The economic path is tracked through a number of statistics and reports issued periodically, and these are known as economic indices. These measure the general performance of the various economic sectors, and clarify the track whether economy is gaining momentum or seeing a setback. Economic indicators help those concerned to set economic forecasts and estimates that contribute to put the appropriate economic policies. Among these economic indicators are rate of domestic product, rate of public debt and rate of unemployment (Central Palestinian Bureau of Statistics, 2010).

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