



# Government Size and Economic Performance: How Substantial are linkages in the Case of Pakistan?

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*Abstract*—Along with fiscal management, the government of Pakistan is actively engaged in the market through public sector enterprises. This study is aiming to investigate whether such a huge involvement government in the economy has served as a stimulant in economic growth or contributed otherwise? Considering the dynamic nature of the research query, we opt to use Johansson's maximum likelihood of multiple cointegration technique for long-run analysis and short-run analysis we opted Error Correction technique, by using consistent data from 1981 to 2018, due to the availability of consistent data series. The empirical findings reveal that in case of long run an inverse association among the variables of share of government in the economy is observed and no statistical evidence found to endorse the existence of the short-run association. There are some potential sectors where private investment can contribute more efficiently as compared to public sector investment. Therefore, the transfer of ownership from the public to the private sector may contribute significantly to stimulate the economic growth in Pakistan.

*Keywords*—Size of Government, Economic Growth, Crowding out, Private Investment, Dynamic Analysis