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## **The Impact of Fiscal Policies on Economic Growth in a Financial Authority: The Case of the DGRK/Maluku**

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### **Abstract**

This article provides an in-depth analysis of the impact of fiscal policies on local economic growth, using the case of the General Directorate of Revenue in Kinshasa, Maluku branch (DGRK/Maluku). In a context where the mobilisation of domestic resources remains a major challenge for developing countries, taxation emerges as a key instrument for financing development. By adopting a mixed-methods approach combining quantitative analyses of tax revenue over the 2020–2024 period with qualitative surveys of tax officials and taxpayers, the study highlights a positive relationship between the effectiveness of fiscal policies and the dynamics of local economic growth. The results show that improved collection mechanisms, transparency in the management of public funds and the simplification of tax procedures contribute significantly to increased public and private investment. However, institutional, administrative and behavioural constraints continue to limit the optimal impact of taxation on growth. The article offers strategic recommendations aimed at strengthening fiscal governance, administrative performance and voluntary taxpayer compliance.

**Keywords:** taxation, economic growth, financial governance, public policy, local development.

### **1. General introduction**

Economic growth is one of the main objectives pursued by governments, particularly in developing countries facing persistent structural challenges such as poverty, unemployment, inadequate infrastructure and weak basic social services. In this context, the government’s ability to effectively mobilise domestic financial resources appears to be an essential prerequisite for the implementation of development policies.

#### **1.1. Context and justification of the topic**

Taxation occupies a central place among the instruments for mobilising public resources. It not only enables the financing of operating expenditure and investment expenditure, but also steers the economic behaviour of economic agents through incentive and regulatory mechanisms. However, the effectiveness of taxation depends largely on the quality of the fiscal policies implemented and the administrative capacity of the financial authorities responsible for their application.

In the Democratic Republic of the Congo (DRC), local financial authorities, including the General Directorate of Revenue of Kinshasa (DGRK), play a key role in mobilising public revenue. Despite the reforms undertaken, the performance of these authorities remains below the existing fiscal potential, which limits the capacity to finance local development.

It is against this backdrop that this research is set, aiming to analyse the impact of fiscal policies on local economic growth using the case of the DGRK/Maluku.

## **1.2. Research question:**

**The central question is as follows: to what extent do the fiscal policies implemented by the DGRK/Maluku contribute to local economic growth?**

## **1.3. General objective**

To analyse the impact of fiscal policies on economic growth in the province of Kinshasa in general and in the commune of Maluku in particular, using the case of the DGRK.

## **2. Theoretical framework and literature review**

### **2.1. Conceptual foundations of taxation**

Taxation is defined as the totality of compulsory levies imposed by public authorities to finance public expenditure and steer economic activity. It constitutes one of the essential pillars of the modern state's actions. According to Musgrave (1959), taxation is based on three fundamental functions: the resource- location function, the income redistribution function and the economic stabilisation function.

The resource allocation function aims to correct market failures by funding public goods and services such as education, health, security and infrastructure. The redistribution function, meanwhile, seeks to reduce social inequalities through progressive taxation and social transfers. Finally, the stabilisation function enables the state to influence the economic climate through counter-cyclical fiscal policies.

In developing countries, taxation also serves to mobilise domestic resources. It acts as a strategic lever for reducing dependence on foreign aid and strengthening economic sovereignty.

### **2.2. Theories of economic growth**

Theories of economic growth help us understand the mechanisms through which an economy sustainably increases its output. Classical, neoclassical and endogenous approaches offer complementary analytical frameworks.

Classical theories, notably those of Adam Smith and David Ricardo, emphasise the role of labour, capital and savings. Solow's neoclassical model highlights the importance of capital accumulation, technological progress and population growth.

Endogenous growth theories, developed by Romer and Lucas, emphasise the role of human capital, innovation and public policy. From this perspective, taxation can directly influence growth by channelling investment towards productive sectors.

### **2.3. The link between taxation and economic growth**

Several empirical studies demonstrate the existence of a significant relationship between taxation and growth. Barro (1990) shows that productive public expenditure financed by taxation can stimulate long-term growth. However, excessive tax pressure can discourage private investment.

Stiglitz (2000) emphasises that a fair and transparent tax system fosters taxpayer confidence and improves voluntary compliance, which broadens the tax base and supports growth.

### **2.4. Fiscal decentralisation and local development**

Fiscal decentralisation refers to the transfer of fiscal and budgetary powers from central government to decentralised local authorities. It is based on the idea that local authorities are better placed to identify the needs of the population and allocate public resources effectively.

According to Oates (1972), decentralisation improves the allocative efficiency of public spending by bringing decision-making closer to citizens. Similarly, Bird and Zolt (2003) argue that fiscal decentralisation promotes the empowerment of local authorities and strengthens accountability.

However, to have a positive impact on development, decentralisation must be accompanied by institutional capacity-building, effective oversight mechanisms and genuine financial autonomy.

### **2.5. Theory of optimal taxation**

The theory of optimal taxation, developed notably by Mirrlees (1971), seeks to determine the tax structure that maximises social welfare whilst minimising economic distortions. It is based on a trade-off between equity and efficiency.

In the context of local development, this theory suggests that taxes should be designed in such a way as not to discourage productive investment, whilst ensuring a fair redistribution of the tax burden.

## **2.6. The theory of contributory capacity**

The ability-to-pay theory stipulates that every citizen should contribute to public expenditure in accordance with their economic capacity. This approach justifies progressive taxation and reinforces the perception of fairness in the tax system.

A tax system perceived as fair encourages voluntary compliance by taxpayers and improves tax compliance.

## **2.7. Theory of the developmental state**

The theory of the developmental state emphasises the active role of the state in promoting economic development through coherent industrial, fiscal and social policies.

From this perspective, taxation constitutes a strategic instrument for mobilising resources to finance structural investments.

## **2.8. Conceptual model of the study**

The conceptual model of this research establishes a causal relationship between fiscal policies, revenue mobilisation, local public investment and local economic growth. Fiscal policies directly influence the efficiency of collection, which determines the level of available revenue.

## **2.8. Conceptual model of the study**

The conceptual model of this research establishes a causal relationship between fiscal policies, revenue mobilisation, local public investment and local economic growth. Fiscal policies directly influence the efficiency of tax collection, which determines the level of available revenue. This revenue then determines the capacity for public investment, which in turn affects local economic growth.

Fiscal decentralisation involves transferring certain fiscal and budgetary powers to local authorities. According to Bird and Zolt (2003), this approach can improve the effectiveness of local public policies by bringing decision-making closer to the citizen.

However, the success of decentralisation depends heavily on the administrative capacities of local financial authorities, as well as on transparency and accountability.

## **2.1. Theories of taxation**

Musgrave (1959) identifies three fundamental functions of taxation: allocation, redistribution and stabilisation. These functions reflect the state's role in organising and regulating economic activity.

From a development perspective, taxation is also seen as an instrument for mobilising domestic resources, which is essential for reducing dependence on external aid (Stiglitz, 2000).

## **2.2. Taxation and economic growth**

Barro's work (1990) shows that productive public expenditure financed by taxation can stimulate long-term growth. However, an excessive or poorly structured tax burden can have a negative effect on private investment.

## **2.3. Fiscal decentralisation and local development**

Bird and Zolt (2003) argue that fiscal decentralisation can enhance the effectiveness of local public policies provided that financial authorities have sufficient institutional capacity.

## **3. Institutional context of the DGRK/Maluku**

### **3.1. History and mission of the DGRK**

The Directorate-General of Revenue of Kinshasa (DGRK) is a provincial financial authority established to ensure the mobilisation and management of the city-province of Kinshasa's own revenue. Its creation is part of the financial decentralisation process aimed at strengthening the budgetary autonomy of decentralised territorial entities.

The DGRK's main mission is to collect, monitor and safeguard the tax and parafiscal revenues due to the province. It is primarily involved in the collection of property taxes, taxes on economic activities, administrative fees and other local levies.

### **3.2. Administrative structure of the DGRK**

The DGRK is structured around a general directorate, central directorates and municipal branches. This structure aims to bring the tax administration closer to taxpayers and improve the efficiency of revenue collection.

Each local office, including that in Maluku, is responsible for identifying taxpayers, issuing tax notices, collecting revenue and conducting tax audits.

### **3.3. Socio-economic profile of the municipality of Maluku**

The municipality of Maluku is characterised by a vast area, a predominantly rural population and significant economic potential in the agricultural, industrial and commercial sectors. Despite these strengths, the level of development remains low due to inadequate infrastructure and public services.

### **3.4. Institutional issues and challenges**

The DGRK/Maluku faces several challenges: a lack of material resources, a shortage of qualified staff, low levels of digitalisation of procedures and resistance from certain taxpayers to paying tax.

This section outlines the organisation, remit, revenue sources and structural challenges of the DGRK/Maluku.

## **4. Research methodology**

### **4.1. Type and research approach**

This study adopts a mixed-methods approach combining quantitative and qualitative methods. This choice is justified by the complex nature of the issue under study, which requires both the quantification of phenomena and an in-depth understanding of the perceptions and behaviours of stakeholders.

The quantitative approach enables an analysis of trends in tax revenue and their relationship with local public investment, whilst the qualitative approach aims to gather the opinions, experiences and assessments of tax officials and taxpayers regarding the tax policies implemented.

### **4.2. Type of research**

This research is descriptive, analytical and explanatory in nature. It is descriptive in that it presents the characteristics of tax policies and collection mechanisms. It is analytical because it examines the relationship between tax policies and economic growth. Finally, it is explanatory as it seeks to identify the key determinants of tax efficiency.

### **4.3. Study population**

The study population consists of two main categories:

1. tax officials of the DGRK/Maluku;
2. taxpayers carrying out economic activities in the municipality of Maluku.

### **4.4. Sampling method and sample size**

Purposive sampling was used to select participants. This approach enables the identification of respondents with information relevant to the study's objectives.

The sample comprises 15 tax officials and 75 taxpayers, distributed across sectors of activity (trade, crafts, agriculture, services).

### **4.5. Data collection tools**

The main data collection tools are:

- The well-structured questionnaire;
- The semi-structured interview guide;
- The literature review form;

The questionnaires enabled the collection of quantitative data, whilst the interviews provided in-depth qualitative information.

### **4.6. Validity and reliability of the instruments**

The validity of the instruments was ensured by a pre-test with a small group of respondents. The necessary corrections were made prior to the final administration.

Reliability has been enhanced through the standardisation of questions and the training of interviewers.

### **4.7. Data analysis techniques**

Quantitative data were processed using descriptive statistics (frequencies, percentages, means). Qualitative data were analysed using thematic analysis.

### **4.8. Ethical considerations**

Participation in the study was voluntary. The anonymity and confidentiality of the information were guaranteed.

### **4.1. Type and research approach**

This study adopts a mixed-methods approach combining quantitative and qualitative methods. This approach allows the scale of phenomena to be measured through numerical data whilst understanding the perceptions and behaviours of the participants.

## 4.2. Population and sampling

The target population comprises tax officials from the DGRK/Maluku and taxpayers engaged in various economic activities. A purposive sample was selected.

## 4.3. Data collection tools

The instruments used are the questionnaire, the interview guide and document analysis.

## 4.4. Analysis techniques

Quantitative data were analysed using descriptive statistics. Qualitative data were subjected to thematic analysis.

## 4.5. Ethical considerations

The confidentiality of the information and the anonymity of the participants were guaranteed.

## 4.1. Approach and type of research

Mixed-methods research: quantitative and qualitative.

## 4.2. Population and sample

The sample consists of 90 respondents, broken down as follows (tax officials and taxpayers):

**Table 1:** Tax officials and taxpayers.

| Category                  | Number of respondents |
|---------------------------|-----------------------|
| DGRK/Maluku officials     | 15                    |
| Traders                   | 25                    |
| Drivers and motorcyclists | 15                    |
| Landlords and tenants     | 15                    |
| Community leaders         | 10                    |
| Managers                  | 10                    |

## 4.3. Data collection methods

Our research was based on questionnaires, interviews and literature review.

## 4.4. Analysis techniques

We relied on descriptive statistics and thematic analysis.

## 5. Presentation and analysis of results

This chapter presents in detail the results of the analysis of the quantitative and qualitative data collected from the DGRK/Maluku and taxpayers. It highlights the trends observed, the relationships between variables, and the economic and institutional implications.

### 5.1. Trends in tax revenue for the DGRK/Maluku (2020–2024)

#### 5.1.1. Analysis of the trend in tax revenue from 2020 to 2022

From 2020 to 2022, tax revenue rose sharply, from 576.641 billion FC to 898.311 billion FC, representing a 56% increase over the period. To better understand this trend, we will conduct an overall analysis by sub-periods, followed by a detailed analysis by tax category.

#### 5.1.2. Overall analysis

Over the period from 2020 to 2022, the trend in tax revenue can be divided into three sub-periods. From 2020 to 2021, there was an acceleration in revenue growth, resulting in a consistently positive average annual growth rate of 5% between 2020 and 2021, albeit with a slowdown between 2021 and 2022 (3%). This trend will reverse in 2023, following the intensification of the socio-political crisis. We will then see an unprecedented fall in revenue (-12%). From 2024 onwards, a recovery will begin, but it will not be until 2025 that revenue returns to its 2022 level. From 2020 to 2022, this trend continues, with an estimated average growth rate of 16.33%. Between 2020 and 2023, domestic tax revenue grew by an average of around 8%. Table 1 shows the trend in domestic tax revenue over this period.

#### 5.1.3. Analysis of trends in different taxes

In the DRC, the tax structure is such that certain taxes generate the most revenue and are therefore referred to as 'leading taxes'.

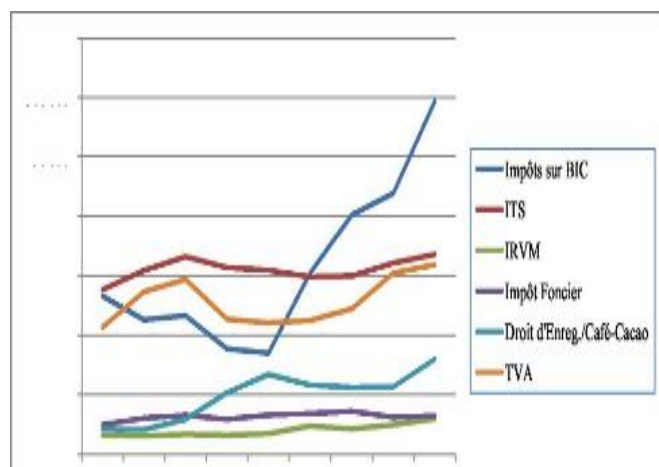
These are:

- Tax on industrial and commercial profits (IBIC);
- Tax on wages and salaries;
- Tax on income from securities;
- Property tax;
- Registration and stamp duties;
- Value added tax;

Our analysis will be limited to a few taxes, particularly those that appear to affect the productive sector more directly and significantly. These are:

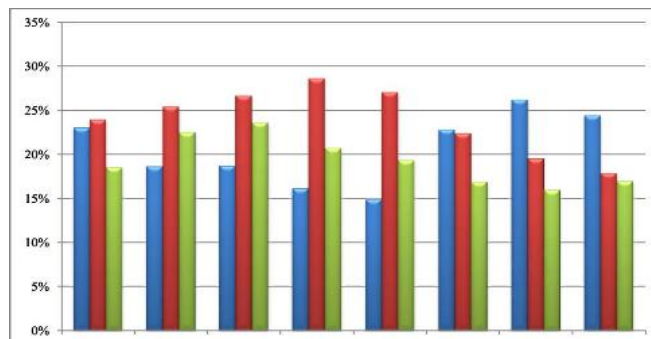
- Tax on industrial and commercial profits;
- Personal income tax;
- Tax on wages and salaries;
- Value added tax;

Between 2020 and 2022, the leading taxes accounted for an average of 78.46% of total tax revenue. The main taxes are largely driven by three main categories of tax, which account for nearly two-thirds of total revenue. These are, respectively, tax on wages and salaries (24%), tax on industrial and commercial profits (20.60%) and value added tax (19%) (Figure 2)



**Figure 1:** Trend in revenue from major taxes from 2020 to 2022

Source: ANAPI, Aggregates Directorate *Interpretation of the table and chart*



**Figure 2:** Changes in the share of the three

Source: ANAPI, Aggregates Directorate *Interpretation of the table and chart*

Domestic tax revenue consists largely of direct taxes. Between 2020 and 2024, personal and corporate income taxes accounted for 47% of total domestic tax revenue, whilst VAT, which is a consumption tax, contributed 19%. This leads us to conclude that the Congolese tax system relies on income taxes. Such a situation is detrimental to capital accumulation and could therefore have a negative impact on economic growth.

Analysis of the data shows an overall increase in tax revenue over the period studied. This trend is marked by an estimated average annual increase of around 15%. This growth reflects the efforts undertaken by the tax authorities to improve collection mechanisms.

However, this growth is not consistent. Some years have seen slowdowns linked to factors such as an unfavourable economic climate, health crises, and protests by certain taxpayers.

The main categories of revenue include:

- Property tax;
- Taxes on commercial activities;
- Administrative fees;
- Penalties and fines;

Of these categories, property tax is the main source of revenue, followed by taxes on commercial activities.

## **6. Analysis of the effectiveness of collection mechanisms**

The effectiveness of collection depends largely on the administrative organisation, the tools used and the skills of tax officials. The results show that staff training.

### **6.1. Analysis of the effectiveness of collection mechanisms**

The effectiveness of collection depends largely on the administrative organisation, the tools used and the skills of tax officials. The results show that staff training and the gradual introduction of computerised systems have improved the traceability of operations.

However, several weaknesses remain, notably:

- Delays in issuing tax notices;
- Insufficient tax audits;
- Limited territorial coverage;
- Banks, whereas taxpayers have to travel to pay at a bank in the Insecurity fuelled by MOBONDO militias;
- The absence of a town centre;

### **6.2. Impact of tax revenue on local public investment**

The data indicate a positive correlation between increased tax revenue and the financing of local public investment. The sectors that benefit most are:

- Road infrastructure;
- Education;
- Health;
- Sanitation (Salongo: the KIN BOPETO service);

This relationship confirms that increased revenue mobilisation enables local authorities to expand their capacity for action.

### **6.3. Taxpayers' perceptions of fiscal policies**

Surveys reveal that many taxpayers perceive taxation as a burden rather than a civic duty. This perception is often linked to a lack of transparency regarding the use of collected revenue.

However, some of those surveyed acknowledge that when public services improve, their willingness to pay tax increases.

### **6.4. Major obstacles identified**

The main obstacles identified are:

- The complexity of tax procedures;
- Corruption;
- Low tax awareness;
- The lack of dissuasive penalties;
- The lack of banks, meaning that taxpayers have to travel to the town centre to pay at a bank and then return to Maluku to file their returns;
- Insecurity fuelled by the MOBONDO militias;

### **6.5. Trends in tax revenue**

- Detailed analysis of trends.
- Effects on public investment.
- Link between revenue and infrastructure.
- Taxpayers' perceptions.
- Level of satisfaction and constraints.

### **6.6. Discussion**

This chapter interprets the results obtained in the light of existing theoretical frameworks and empirical research. It situates the findings of this study in relation to theories of taxation, economic growth and fiscal decentralisation.

## **7. Fiscal policies and domestic resource mobilisation**

The results show that improvements in collection mechanisms at the DGRK/Maluku have led to a gradual increase in tax revenue. This finding is consistent with the analyses of Musgrave (1959) and Stiglitz (2000), according to which a well-organised tax system is an essential instrument for mobilising domestic resources.

In the context of the DRC, where dependence on external aid remains high, the mobilisation of local resources appears to be a fundamental condition for economic sovereignty. The experience of the DGRK/Maluku shows that even in an

environment characterised by structural constraints, there is scope for improvement when efforts are made in terms of organisation and management.

### **7.1. Taxation and local economic growth**

The empirical analysis reveals a positive correlation between increased tax revenue and the financing of local public investment. This relationship confirms the work of Barro (1990), which argues that productive public expenditure financed by taxation can stimulate economic growth.

In the case of Maluku, investment in road infrastructure, education and health has helped to improve people's living standards and boost economic activity. These results suggest that local taxation can play a driving role in the structural transformation of local economies.

### **7.2. The role of fiscal governance**

Fiscal governance appears to be a key determinant of the effectiveness of fiscal policies. The problems of corruption, lack of transparency and inadequate oversight identified in this study confirm the findings of Bird and Zolt (2003) regarding the institutional limitations of local financial management in developing countries.

Strengthened fiscal governance, based on transparency, accountability and professional ethics, is essential to increase taxpayer confidence and improve voluntary compliance.

### **7.3. Taxpayers' perceptions and tax compliance**

Negative taxpayer perceptions of taxation constitute a major obstacle to revenue mobilisation. When citizens do not clearly perceive the benefits of their contributions, their willingness to pay tax diminishes.

However, the study also shows that visible improvements in public services can strengthen tax compliance. This finding highlights the existence of a virtuous circle between taxation, the quality of public spending and taxpayer support.

### **7.4. Implications for public policy**

The findings of this research imply that local tax policies must be designed not only as instruments for revenue collection, but also as tools for development. Public authorities are called upon to integrate economic and social dimensions into the design and implementation of tax policies.

### **7.5. Managerial implications for the DGRK/Maluku**

The findings of this study highlight the need for the DGRK/Maluku to adopt modern, performance-based management. Financial management must evolve from a purely administrative approach to a results-based managerial approach.

Firstly, strategic planning must be strengthened. The DGRK/Maluku should adopt a multi-year strategic revenue mobilisation plan setting out clear, measurable and realistic objectives.

Secondly, human resources management must be improved. Ongoing training for tax officials in taxation, information technology and professional ethics is an essential prerequisite for increasing the efficiency of revenue collection.

Thirdly, the gradual introduction of digitalised procedures (filing, payment, monitoring) would help to reduce transaction costs, limit corruption and improve transparency.

### **7.6. Implications for local and provincial authorities**

Local and provincial authorities must view taxation as a strategic tool for economic development. This requires better coordination between tax policies and investment policies.

Revenue raised must be prioritised for projects with a significant socio-economic impact, such as infrastructure, education, health and support for productive activities.

### **7.7. Implications for national public policy**

At the national level, it is necessary to continue reforms aimed at harmonising the legal tax framework, strengthening tax collection across all 26 provinces, and improving coordination between the various financial authorities.

## **8. Discussion of results**

### **1. General interpretation of the results**

The results obtained show that the fiscal policies implemented by the Maluku branch of the Kinshasa Directorate-General of Revenue (DGRK) have a significant influence on the mobilisation of local revenue and, consequently, on the economic dynamics of the municipality.

The analysis reveals that:

- Improved tax collection increases available public resources;
- Stricter management reduces losses due to tax fraud and evasion;
- However, excessive tax pressure can hamper local economic activity;

These findings confirm that taxation serves both as a **tool for raising funds** and as a **strategic lever for local development**.

## 2. Comparing the results with economic theories

### a) Reference to the Roy Harrod and Evsey Domar model

According to the Harrod-Domar growth model, economic growth depends on:

- The savings rate
- The level of investment
- The capital-output ratio

In the case of the DGRK/Maluku:

- An effective tax system increases public revenue.
- These revenues can be reinvested in local infrastructure.
- Public investment stimulates local economic growth.

Thus, the empirical results of the study partially confirm the assumptions of the Harrod-Domar model, particularly regarding the role of tax-financed public investment.

### b) Keynesian approach

From John Maynard Keynes's perspective, state intervention through taxation can:

- Stimulate aggregate demand
- Correct economic imbalances
- Promote economic recovery

Data from Maluku show that when tax revenues are channelled into infrastructure projects (roads, markets,

administrative services), they contribute to local economic activity. This is in line with the Keynesian approach, which holds that public spending stimulates growth.

## 3. Real impact on local growth in Maluku

**Local context:**



The municipality of Maluku, characterised by:

- A large geographical area
- A predominantly informal economy
- A low level of industrialisation

faces significant structural constraints.

The study shows that:

- Taxation contributes to local funding,
- But its impact on growth remains limited by:
  - Inadequate infrastructure,
  - The size of the informal sector,
  - The low tax-paying capacity of economic operators.

## 4. Limitations observed

The discussion highlights several limitations:

1. **Limited broadening of the tax base:** A large proportion of economic activity falls outside the formal tax system.

2. **Perceived lack of transparency:** Taxpayers' mistrust reduces tax compliance.
3. **Correlation but not absolute causality:** Although tax revenues are increasing, their direct translation into measurable economic growth remains partially limited.

## 5. Managerial implications for the DGRK/Maluku

The results suggest several avenues for improvement:

- Modernisation of tax management tools;
- Digitisation of tax collection;
- Raising taxpayer awareness;
- Strategic allocation of revenue to sectors with a high economic impact;
- Establishment of banks in Maluku;

From a public management perspective, tax performance should not be assessed solely on the basis of revenue volume, but also on its **impact on sustainable local development**.

## 6. Scientific contribution of the study

This research contributes to:

- To enrich the literature on local taxation in the DRC;
- To offer a microeconomic analysis of growth within a fiscal framework;
- To demonstrate the importance of the link between fiscal governance and territorial development;

## Conclusion of the discussion

Ultimately, the study confirms that the fiscal policies of the DGRK/Maluku have a positive impact on the mobilisation of public resources. However, this impact on local economic growth remains contingent upon:

- The quality of management;
- Good governance;
- The strategic reallocation of tax revenues.

Taxation thus appears not as an end in itself, but as a **strategic instrument for local economic development**.

## 7. Limitations of the study and research prospects

### 7.1. Limitations of the study

This study is limited to a single local financial authority, which restricts the generalisability of the results. Furthermore, certain statistical data were not always available or reliable.

## 9. General conclusion

The aim of this research was to analyse the impact of tax policies on local economic growth using the case of the DGRK/Maluku. The results show that local taxation is an important driver of economic development when effectively implemented.

The study highlights a positive relationship between increased tax revenue and the financing of local public investment. However, the impact of taxation remains limited by institutional, administrative and behavioural constraints.

### 9.1. Research prospects

Future research could focus on a comparative analysis of several fiscal administrations or on the impact of tax digitalisation on revenue mobilisation.

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