

ABSTRACT

Government of Central Java Province as an implement of development agent in Central Java still faced with the problem of how to increase the growth of regional output, as well as to overcome the problem of poverty. While in reality, when compared with other provinces in Java, the total value of Gross Domestic Product (GDP) of Central Java is still relatively low. When we studied about the factors that affect regional output, government investment in Central Java province was fourth when compared with other provinces of Java Island. Similar things happen on the amount of labor force working in Central Java, which ranked third, but with a negative growth rate in 2008. Furthermore, HDI value of Central Java Province was in a position which is low compared to other provinces in Java.

This study aims to analyze the effect of capital stock of the previous year, government investment, labor work, and the Human Development Index of output growth regency and municipalities in Central Java during the years 2007-2008. The model used in this study are based on neoclassical economic growth theory put forward Solow namely capital and labor factors. The method used in this study is panel data with fixed effects approach (fixed effect model). The use of dummy years in this study is to look at variations in output growth over time in regency and municipalities in Central Java.

From the results of the regression effect of capital stock of the previous year, government investment, labor work, the Human Development Index, and the dummy year to output growth in the Regency / Municipality in Central Java during 2007-2008 can be concluded that the 95 percent level ($\alpha = 5$ percent) variable capital stock of the previous year, labor work, and the Human Development Index. Meanwhile, government investment and a dummy variable region are not significant at 95 percent level ($\alpha = 5$ percent).

Keywords: Output Growth, Capital Stock, Government Investment, Labor Work, Human Development Index