

## **ABSTRACT**

*Income per capita is often used to measure the economic prosperity in a region, how many goods and services available to the average population for consumption and investment activities. Factors affecting the income per capita is the output and population and the factors that affect the output of local spending and the labor force.*

*This study aims to analyze the effect of regional expenditure and labor on output and income per capita. The research was conducted in Central Java Province during the period 2005-2009. In this study used path analysis.*

*The results showed that there are a direct positive relationship between the variable realization of indirect spending, direct spending, and labor on output. So is the relationship of output to income per capita. But there is a negative direct influence between variable labors to income per capita.*

**Key words:** *regional expenditure, labor, income per capita, output, path analysis*