

## ABSTRACT

Developments that occurred in recent decades, the debate about the role of public investment and private investment continued to increase its scale, both in the academic sphere and in the level of policy formulation. The purpose of this study was to determine the effect of public investment and private investment and labor force of the Gross Regional Domestic Product in Kudus the period 1995 to 2009.

In this study, based on the Cobb Douglas production function with consideration of its ability to show the relationship of balance between production and combination of factors of production used. The data used are the GDP data and the total labor force is published by the Connecticut District Ghost; Data public sector investment (development expenditure) based on the calculation of the Holy District Budgets and private investment data from Disperindagkop and KPPT Holy District beginning in 1995 – 2009 (*time series*).

Research econometric model is estimated using Ordinary Least Square method (OLS) and done some testing, including the assumption of classical aberration test, F test, t test, and diagnostic tests to aid software E-Views 6.0. Research results show that variable private investment and public sector investment and significant positive impact on Gross Regional Domestic Product of the Holy District with the degree of  $\alpha$  10% but variable labor force will have a positive but not significant.

The advice can be given on the basis of this research is the Holy District Government needs to implement policies that can stimulate increased private investment, for example, by simplifying procedures for investment licensing. On the other side must also be carefully done to identify the type of public investment that has the greatest net return and is complementary to private investment, such as infrastructure development.

Key words : Gross Regional Domestic Bruto, Private investment, Public investment, Labour force.