

ABSTRACT

The research was conducted in the regency of Central Sulawesi. Because of this study focused on economic growth as productivity activities, so public investment, private investment, and labor became the main variable. Discussing public investment as a manifestation of the development resources, it could not be separated from the role of regional fiscal policy. In the decentralization, the local government was expected to optimize their local revenue. However the value of regional tax in the regency of Central Sulawesi was lower than public investment. Tax revenue could be influenced by many factors, such as per capita income and population.

To analyze the relationship between variables, this research used regression with simultaneous equation that used structural equation in the model. The result showed that there was a significant and positive effect of private investment and labor on regional economic growth in Central Sulawesi during 2007-2011. In addition, the result also showed a no significant relationship in public investment to economic growth although public investment would promote economic growth. As fiscal instruments, local taxes had not significantly influence to the public investment while local taxes were significantly influenced by income per capita and population in the province of Central Sulawesi.

Key words: Economic Growth, public investment, local tax, private investment and labor.