

ABSTRACT

This study has examined the impact of public and private investment on the process of economic growth in the context of Pakistan's economy during the years 1972 to 2008. The question whether or not public and private investment has a beneficial impact on economic growth is far from settled in the theoretical and empirical literature. The study analysis is based on Neo-Classical Solow (1950) growth model which has become the basic framework for most subsequent research on growth. The study estimated model by using VAR based Co-integration technique and Vector Error Correction Model (VECM) to see the long run equilibrium relationship and short run dynamics. The stationary property was checked by testing for unit root using Augmented Dickey Fuller (ADF) test and Phillips Perron (PP) test. The results indicated that Public investment's impact on economic growth and private investment's impact on economic growth were statistically significant. But private investment has a strong positive impact on economic growth; the larger magnitude shows the stronger positive impact on economic growth.