

ABSTRACT

This study is aimed at (1) examining Simon Kuznets hypothesis stating that in early stage, a country's economic growth will widen income disparity, but after a certain period, the economic growth will narrow the income disparity, (2) analyzing whether variables of human capital development and local government investment give an impact on regional income.

Data used in this study was Panel Data on 19 Regencies and 1 Municipality in Papua Province with 7 years period (2003 – 2009). The regional income disparity was approached by Weighted Williamson Index. There have been two models developed in this study, Simon Kuznets Model and Economic Growth Model analyzing impact of Human Capital Development (HUM) and Local Government Investment (INV) on Regional Income (Gross Domestic Regional Product, GDRP). Analysis technique employed in this study was Ordinary Least Square (OLS) for Income Disparity Model and Fixed Effect Model (FEM) for Economic Growth Model.

Findings of this study suggest that (a) Simon Kuznets hypothesis is still applied and evidenced in the study location of Papua Province, (b) human capital development and local government investment gave a positive and significant impact on regional income appropriate economic theory. This study gives clear description of human capital development and local government investment can be a representative of production factors in accelerating economic growth.

Key Words : Simon Kuznets Hypothesis, Income Disparity, Economic Growth, Human-Capital Development, Local Government Investment.