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The Analysis of Turkey's Trade Deficits and Budget Deficit with Nonlinear Models / Türkiye için Ticaret Açığı ile Bütçe Açığının Doğrusal Olmayan Modellerle Analizi

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ABSTRACT

In this paper, it is aimed to investigate the non-linear relationship between the trade deficit and the general budget deficit, which is mentioned as one of Turkey's serious economic problems for the period 2006: 01-2017: 02, using the Threshold Autoregressive (TAR) Models and to determine whether the relationship varies depending on the threshold value. Factors such as changes in government policies or crises cause significant breaks in the time series and this requires the use of non-linear models. The TAR model that takes place in this group models the nonlinear data generation process and assumes that there is more than one linear regime in the observed series. Because, budget deficits based on analysis will prevent long-term economic growth with large trade deficits, the relationship between these two variables has become one of the main concerns among researchers and policy makers. However, the applied studies on the relationship between these two deficits point to different results. Namely, the increase in budget deficits may be due to the increase in trade deficits and vice versa. This study was initiated by first testing whether the series is stationary or not, and whether the series were linear or not, and then based on the results, appropriate TAR models for the stationary but non-linear series were estimated. Finally, it was decided which theories, Keynesian or Ricardian, were explain the relationships between the variables, and then the effects of fiscal policy measures and / or the exchange rate policy were evaluated to reduce or eliminate the deficits.

KEYWORDS Threshold Autoregressive Model; TAR Model; General Budget Balance; Trade Deficit

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