

Measuring the Effect of Public Expenditures on Competitiveness by Using ARDL and NARDL Approaches: Case of Turkey / Kamu Harcamalarının Rekabet Gücü Üzerindeki Etkisinin ARDL ve NARDL Yaklaşımıyla İncelenmesi: Türkiye Örneği

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ABSTRACT

Competitiveness is defined as the capacity of an economy to compete against foreign producers who produce substitute goods and services. When competitiveness is defined at the real exchange rate, it will also change when nominal exchange rates and domestic prices change relative to trading partners (Makin, Ratnasiri; 2015). However, there are many factors affecting the competitiveness of an economy. The real exchange rate is generally handled by factors such as monetary policy price level, interest rates, purchasing power parity rather than fiscal variables. But, according to the Mundell-Fleming model, fiscal policies are ineffective as they reduce competitiveness. In this context, the factors that determine the competitiveness on the basis of expenditure behavior are examined by using especially household expenditures as a fiscal policy indicator, household consumption expenditures and investment expenditures. The long-term relationship between Turkey's public expenditures, household consumption expenditures and investment expenditures and Real Effective Exchange Rates (REER) as an indicator of competitiveness was tested with ARDL, Non-linear ARDL and Gregory-Hansen structural break Cointegration models by using the data of the periods 1998: Q1 and 2019:Q2. Based on the results, it is observed that the public expenditures has no significant effect on Turkey's competitive power and fiscal policy is not a significant factor in determining the competitiveness. On the other hand, household expenditures and investment expenditures have a significant effect on competitiveness.

KEYWORDS Competitiveness; Public Expenditures; ARDL; NARDL; Gregory-Hansen

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