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Is Armey Curve Valid in Turkey? A Fourier Cointegration Approach / Türkiye’de Armey Eğrisi Geçerli Midir? Fourier Eşbütünleşme Yaklaşımı

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ABSTRACT

It has been a debate issue for years what is contribution to economic growth of government size. Thus Armey (1995) suggest that there is a optimal point where government expenditures are optimal for economic growth. According to Armey (1995) the relation between government expenditure and economic growth is inverted U-shaped. The relation which has appeared as an Armey curve in the literature has been tested by several authors. Within his framework it is analyzed validity of Armey curve with fourier function cointegration method which developed by Tsong et. al (2016) based on 1998: Q1-2018: Q4 period for Turkey. It is concluded that Armey curve is valid in Turkey. Thus, the idea that government expenditure increases economic growth should not be seen as the only policy option and fiscal policies should be designed taking into account this situation.

KEYWORDS Armey Curve; Economic Growth; Fourier Cointegration Method; Turkey

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