

EconWorld2014@Prague

Türkiye’de Faiz Haddi ve Enflasyon İlişkisi: Gibson Paradoksu’na Yönelik Bir Değerlendirme/ The Interest Rate and Prices in Turkey: A Study of The Gibson Paradox

Nejla Adanur Aklan¹, Hülya Kanalıcı Akay¹, Mehmet Çınar¹

¹Uludag University, Turkey

ABSTRACT

Gibson (1923) observed that higher prices were accompanied by a rise –rather than a drop- in interest rates (vice-versa). This relationship was believed to be a paradox because most economic theorists predicted that the correlation would be negative. Gibson’s paradox is the observation that the rate of interest and the general level of prices are positively correlated. The aim of this study is to test the validity of Gibson paradox for Turkish economy between 1982 and 2013. The relationships between price level and interest rate are analyzed econometrically by employing Johansen cointegration analysis. According to the results, there is a positive and statistically significant relationship between interest rate and price level in the long run. As a result, this study reflect that Gibson Paradox is also valid for Turkey.

KEYWORDS Price level; interest rate; Turkish economy; cointegration with breaks

JEL C32