

EconWorld2017@Rome

Effectiveness of Anticipated and Unanticipated Economic Policies / Beklenen ve Beklenmeyen İktisat Politikalarının Etkinliği

İlyas Şıklar¹, Hasan İslatince¹¹Anadolu University, Turkey

A B S T R A C T

The aim of this study is to test whether this hypothesis which is obtained through the analyses, conducted on the basis of rational expectations approach, and named as policy ineffectiveness in short is valid for developing countries. As Khan (1987) stated, it is a necessitation to test the rational expectations hypothesis in the context of developing countries. Tests on the rational expectations model in the context of developing countries are limited to certain Latin American countries such as Argentine, Brazil and Chili. On the other hand, the studies on this subject are in the form of cross-sectional data analyses rather than being specifically on one country (Khan – Knight, 1982). Turkey is an exemplary country that could be studied in this context. The first part of our study is for introducing what the policy ineffectiveness hypothesis is. To this end, first the distinction between anticipated and unanticipated policy is clarified through presenting the Lucas critique. In order to achieve this, the part in question avoids complex econometric notations as much as possible and simplifies the subject through the usage of graphical demonstrations where possible. The second part basically includes a specification for the rational expectations hypothesis that is to be developed considering the structural characteristics of a developing country. Following the specification, the model analyzed and the subject is discussed within the frame of theoretical grounds. In the third part, called the Estimation Results, econometric problems experienced during the estimation phase and estimation methods are presented and then the results obtained are considered from various aspects. Finally in the conclusion part, the conclusions arrived at based on the previous parts are summarized and some policy suggestions are made for decision makers.

JEL

E51, E52, E58, E63