

Türkiye’de İkiz Açık Hipotezi’nin VECM Yaklaşımı İle Analiz Edilmesi (1980-2013) / Analyzing Twin Deficit with VECM Approach in Turkey (1980-2013)

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A B S T R A C T

This study analyzes the relationship between budget balance and foreign trade, using the example of Turkey. The data analyzed is annual and encompasses the years between 1980 and 2013. In order to determine the relationship between the variables and the direction of these relationships, the Joansen co-integration and VECM error correction models have been applied. According to our empirical results, there is no short term relationship between budget deficits and trade deficits in the period under analysis. However, it is possible to talk about the existence of a long-term relationship. In these circumstances, there is a positive relationship between budget deficits and trade deficits. According to the results obtained by the study, the Traditional Keynesian Approach is supported and the Ricardian Equivalence Approach is rejected. In return for one unit change occurring in budget deficits in Turkey, the balance of trade has a 4.13% deficit. In addition, it is observed that 14% of the imbalance in the level of foreign trade caused by the budget deficit is corrected within a year.

KEYWORDS Twin Deficit; Budget Balance; VECM

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