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Turkish budget deficit sustainability and the revenue-expenditure nexus

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Notes

¹A number of earlier studies have examined the sustainability of budget deficits in Turkey. Akcay et al . ([2001](#)) provide evidence questioning budget deficit sustainability while Gunaydin ([2003](#)) provides evidence to suggest 'weak' sustainability. Unlike these studies, this article examines budget deficit sustainability allowing for a growing economy by scaling government expenditures and revenues by GNP.

²Payne ([2003](#)) provides an international survey of the literature.

³The 'strong' form of sustainability requires (1) the government revenues and expenditures are cointegrated, and (2) the cointegrating parameter equals one (Quintos, [1995](#); Martin, [2000](#); Cunado et al ., [2004](#)). This is also equivalent to the existence of a stationary process in the budget deficit.

⁴The number of auxiliary regressors in the ADF* tests was chosen using the Akaike information criterion.

⁵DOLS is the dynamic OLS regression of R_t on a constant, the dummy variable, D where $D=1.0$ for $t>1983$ and 0.0 otherwise, G_t , ΔG_{t-1} , ΔG_{t-2} , ΔG_{t+1} and ΔG_{t+2} .

⁶Incidentally, the break in 1983 corresponds to the general elections in which the military marked the end of the military era. 1983 also marked the end of the military era ([2000](#)).

⁷Note that a budget surplus R_t must respond to a budget surplus, R_t must respond to a budget surplus,

⁸See  in the budg

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