

Twin Deficits Hypothesis: The Case of Turkey

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Abstract : Budget and current account deficits are main problems for all countries. There are different approaches about the relationship between budget deficit and current account deficit. While Keynesian view accepts that there is a casual link between these variables, Ricardian equivalence hypothesis rejects it. The aim of this study is to analyze the validity of Keynesian view for Turkish Economy using VAR analysis with the monthly data in the period of 2006-2014. In this context, it will be used Johansen Cointegration Test, Impulse-Response Function and Variance Decomposition Tests.

Keywords : budget deficit, current account deficit, Turkish economy, twin deficits

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