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THE RELATIONSHIP BETWEEN ECONOMIC GROWTH, EXPORTS AND GOVERNMENT EXPENDITURE: THE CASE OF TURKEY

Abstract:

The aim of this study, to analyze the relationship between economic growth, exports and government expenditures in the period of 1980-2013; to test if export-led growth hypothesis holds in Turkey. In this analyze, ADF unit root, Johansen Co-integration and Granger Causality tests are used. According to ADF unit root test, all the variables are stationary in their first levels. Johansen Co-integration results show that there is a long-run relationship between economic growth, exports and government expenditure. Because there is co-integration between the variables, VECM is used to test causality. Empirical results show that there is a unidirectional causality which runs from export to economic growth in the short-run period. In the long-run period, While it is found that the causality runs as bidirectional between economic growth and government expenditure, there is a unidirectional causality which runs from export to economic growth and government expenditure.

Keywords:

Economic Growth, Export, Government Expenditure, VECM, Causality