

Fiscal Multipliers Over Business Cycle

Ümit Yapıcı

Kırşehir Ahi Evran Üniversitesi, Türkiye
u.yapici91@gmail.com

Hale Kırmızıoğlu

Kırşehir Ahi Evran Üniversitesi, Turkey
halekirmiziloglu@hotmail.com

Abstract

One of the greatest challenges in economics is to understand the movements of business cycles. It is also important to find the appropriate policies for both recessions and expansions. In that sense, the role of fiscal multipliers in economic activity, especially in the periods of recessions, should be revealed in terms of how it is adopted, and which channels are responsible for the transmitting mechanism. Considering the fact that Turkey has experienced a significant volatility in its growth rates over several years, the aim of this paper is to analyze government spending with an emphasis on other fiscal policy instruments and detect whether its impact on economic activity is different in recessions than in expansions. This study offers some important insights into the macroeconomics literature in the sense that fiscal multipliers might be a significant actor of the behavior of business cycles. We are going to empirically test our arguments in the case of Turkey, which will give us a broader understanding of how these variables interact both in the short run and in the long run.

Keywords: Fiscal Multipliers, Business Cycles, Macroeconomics, Fiscal Policy, Econometrics

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