

## Budget Deficits and Democracy: The Case of Turkey

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There is a vast body of literature on the political economy of budget deficits. These studies used different models to explain the political motivations behind budget deficits. There are some studies to explain the budget deficit in developed countries and assume that budget deficit is an expected outcome of fiscal policy in democratic countries. However, the studies have come to conclusion before analyzing whether the democracy affects budget deficit or not. To our knowledge there have not been many studies to explain whether the level of a country's democracy affects budget deficits or not. In this paper, we will show a country's level of democracy has a positive effect on budget deficit using a single country: Turkey. This research based on a time series analysis covering 35 years between 1975 and 2010 by using VAR (Vector Autoregressive) method. Our results suggest that Turkey's level of democracy has indeed effects on budget deficits. We also find evidence that before the local election is held governments uses expansionary fiscal policies in order to increase the reelection probabilities.

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