

Fiscal Decentralization and Regional Inflation in Turkey

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Abstract:

The impacts of fiscal decentralization on macroeconomic indicators have been draw great interest among economists. Inflation, as one of the macroeconomic indicators, and fiscal decentralization link has also been studied in many countries. There are three different hypothesis regarding the relationship between fiscal decentralization and inflation namely commitment, collective action and continuity hypothesis. All three of these hypothesis foresee different impact of fiscal decentralization on inflation. Empirical studies found support for all three hypothesis so whether fiscal decentralization harms or helps to control inflation is still a controversial issue. This study attempts to investigate the connection between fiscal decentralization and regional inflation in Turkey where research is scarce. The fiscal decentralization data is based on the reports of Turkish Court of Accounts for the year 2014 and 2018 while regional inflation data is from TUIK. The impact of regional fiscal decentralization on the regional inflation estimated using OLS regression method. Finding of the study is evaluated in terms of mentioned hypothesis as well as policy implications.

Keywords: Fiscal Decentralization, Inflation

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