

## **Fiscal Impacts of Privatization in Turkey**

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There are many reasons for that privatization is an attractive application for most of the countries. Since 1980s, fundamental problems that developed and developing countries meet such as economic stagnation, high public deficit, high borrowing cost, high inflation and high burden of tax are forced the countries to find alternative sources of income. In this regard, privatization applications have become an important policy which aims economical, fiscal, political, and social purposes for many countries. On the one hand, privatization incomes obtained from the selling of public enterprises can become a solution to the permanent deficit of public sector. On the other hand, these incomes can be used in the financing of larger deficits arouse because of cyclical reasons. It can be said that it is aimed business activities under private ownership are expected to increase and in addition to this, the reasons of public finance gain importance, public sector decreases and additional sources to increasing public expenditures are formed by using the incomes from the privatization. The proliferation of privatization works around the world has started with Chile and England after 1980s. And because USSR system collapsed and these countries entered to free market system based on private property, privatization increased in these countries. In Turkey, legal infrastructure works concerning privatization have started in the middle of 1980s, but the increase in privatization works has accelerated after 2004.

In this study, fiscal impacts of income obtained from the privatization applications in Turkey between 1986 and 2012 are examined. The fundamental hypothesis of this study is whether or not privatization has a detractive effect on budget deficits and public sector borrowing requirement as a tool. To test this hypothesis, two different models

estimated has been developed by linking incomes from privatization and some macroeconomic variables with budget deficit, public sector borrowing requirement and public debt stock. In this study, the effect of privatization incomes in turkey on budget deficits and public sector borrowing requirement has been analysed on the basis of ordinary least square method. The discovery of the analysis showed that between 1986-2012 privatization incomes in Turkey increased budget deficits and increased public sector borrowing requirement. According to the result, it can be expressed that privatization, as a tool which reduces budget deficits does not satisfy the expectations, but because of its reducing effect on public sector borrowing requirement, privatization has a positive effect on public finance.

**Keywords:** Privatization, Fiscal Impacts, Turkey.