

The Effects of Government Current and Development Expenditures on Private Sector Consumption Expenditures in Business Cycles

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Abstract:

In the present study, the effects of government financial variables' shock on private sector consumption expenditures during the seasonal sequence of 1370-1395 is evaluated. To this aim, the framework proposed by Tagkalakis (2008) and Hristov (2013) is used while some adjustments are made due to the dependence of the Iranian economy on oil revenues. The results show that tax revenue shocks on private sector consumption expenditures in business cycles is not significant and current government expenditures during economic boom and recession periods and construction expenditures during recession periods have a positive and significant effect on the growth of private sector expenditures. Moreover, the effects of current expenditure shocks on private consumption growth are higher during boom and recession periods and also the impact of current spending shocks is greater than government construction expenditures on private sector expenditure growth during the recession.

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