

Regional convergence in Turkey: Spatial Dynamic Panel Model and System GMM

A substantial amount of empirical research has investigated the decisive role of the public capital on determining conditional convergence due to the fact that public capital plays an important role in the regional economic growth. Moreover, public capital has a vital role on investment decision particularly in developing countries. As a result of that, lack of the public capital could be binding constrain for the growth if it has not efficient and appropriate provision. Thus, spatial dependence of public capital should be prominent for determining regional disparities. On the other hand, in real life convergence is not happen in cross-county per capita income levels as claimed in neoclassical theory. As a result, income differences remain a challenge not only among the countries but also regions in a country. Hence, the aim of this paper is to investigate the impact of public capital on regional convergence utilizing the Mankiw, Romer and Weil (1992) model at NUTS 2 level for the period of 2005-2014. The results of the study support the existence of regional convergence for Turkey NUTS 2 level in the model with spatial effects. However; the results of the study indicate that public capital has no significant impact on regional convergence.