

The Causal Relationship between Government Revenue and Expenditure in Jordan

H. A. Al-Zeaud

Department of Economic, Deputy Dean of Faculty of Finance and Business Administration, Al al-Bayt University, Mafrqa, Jordan

Abstarc :

The main purpose of the study is to examine the causal relationship between government revenues and expenditures of the Jordan government over the period from 1990 to 2011 using Granger causality and VECM tests methodology. Which provides channels of causation between government revenues (GR) and government expenditures (GE).The empirical results show that bidirectional causality running between revenues and expenditure. This result supports lend support to the fiscal synchronization hypothesis, implying that government of Jordan makes its revenues and expenditures decisions simultaneously. On other hand, it shows that allocated expenditures decide the amount of revenues which in turn affects the size of expenditures for the present and the next fiscal year(s). Thus the policy maker should pay attention to the bidirectional causality between government expenditures and revenues which might complicate the government's efforts to control the budget deficit and may contribute in explaining the high national debt figure.

Key Word :

Government expenditures; Revenues; Granger Causality; VECM; Causal relationship; Bidirectional; Synchronization; Budget deficit; National debt

Volume 5, Number 2, - 2015