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THE MONETARY POLICY COMMITTEE INTEREST RATE DECISION IN TURKEY IN THE 2007-2012 PERIOD, AND ASSESSMENT OF THE EFFECTS OF THE CRISIS IN TURKEY IN 2008

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Abstract

The economic crisis can exercise influence over the country in which it starts and others as well. In this study, the subject discussed is that to what extent Turkey has been affected by the 2008 crisis. Apparently it has the appearance of a crisis not affecting Turkey directly. Regarding banking, it can be said that even a successful anti-crisis period has experienced. However, it was observed that the real sector has been affected by it substantially. Thus, it can be said that “Turkey has been influenced by the crisis indirectly.”

Key Words: *Money Market, Money Policy, Financial Crisis, Real Sector Crisis*

Türkiye’de 2007-2012 dönemi Para Politikası Kurulu Faiz Kararları ve 2008 Krizinin Türkiye’deki Etkileri Üzerine Değerlendirme

Özet

Ekonomik kriz, başladığı ülke ile beraber diğer ülkeleri de etkisi altına alabilmektedir. Bu çalışmada özellikle ele alınan konu Türkiye’nin 2008 krizinden etkilenme boyutudur. Görünüş itibarıyla bu kriz Türkiye’yi doğrudan etkilemeyen bir kriz görünümündedir. Özellikle bankacılık açısından başarılı bir krizle mücadele dönemi yaşandığı bile söylenebilir. Ancak reel sektörün ciddi anlamda etkilendiği gözlenmiştir. Böylelikle “Türkiye krizden dolaylı olarak etkilenmiştir” denilebilir.

Anahtar Kelimeler: *Para Piyasası, Para Politikası, Finansal Kriz, Reel Sektör Krizleri*

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INTRODUCTION

In history, economic crises are events changing the direction of countries' economy. For this reason, each economy takes measures to see the future because it is a struggle for preventing the crises. Economic crises cannot predict, and it causes this condition to continue for a while. This situation makes difficult predictions about continuity of economic results emerging with crises.

The crises affect economic policy because they provide a measure for problems appearing in future.

As the market actors, money markets have an important role on economy policies. There is a crisis type called money crisis among economic crisis types.

In this study, effects of 2008 global crisis on Money markets will be examined. If there are a strong money market, effects of economic crises can be reduced. If banking system which is one of the most significant implementers of money markets is strong, the effect of economic crisis can reduce. In 2008 global crisis period, banking system took measures, so it reduced effects of the crisis in Turkey.

In this study, as a hypothesis; "If there are a powerful banking system and a central bank structure in an economy, it can decrease the effects of economic crises."

1 Economic Crisis

Crisis refers to a process in which decision-making mechanism cannot operate fully. The word crisis comes from Greek word "crisis". It's word meaning is to decide (Önder, 200,p.45). Crisis concept has many definitions. Although there is no consensus on a common definition due to the nature of social sciences, different ones made the meet on a common ground. **The crisis also can be defined as declining of the economy from a stable state to an unstable state** (Özgüven, 2001,p.56). Economic crises are given various names according to their types of the outbreak. For example bank and credit , stock market crisis, unemployment crisis, commercial crisis, production crisis, agricultural crisis, industrial crisis, financial crisis, political crisis, overproduction crisis and deficient demand crisis (Ergenç,2009,p.6).

1.1 Features of Economic Crises

Economic crises can arise in different ways: For example, feeling a rapid shrinkage in production, increasing of a downward trend in prices, wage decline and increase in unemployment rates, bankrupts in operating establishments, unexpected changes in macro-economic data (increase in internal and external debts), approaching a collapse in the stock market and/or banking system, increases in speculative movements and facing these movements, loss of confidence against political powers and arising insecurity in the markets etc. elements can show among the major examples of economic crisis indicators (Aktan,2001).

1.2 Types of Economic Crisis

Regarding sectors they affect, economic crises can be put to a dual distinction in the form of real sector crises and financial sector crises.

- Real sector crises lead to shrinkage in GNP and employment
- Financial crises create destructive effects in the real sector of the economy after collapses in financial markets (Delice, 2003,p.58).

Economic crises are classified according to markets in which they arise. The most important effect of the crisis in real sector is observed in the growth rates and in GDP which represents all of them (Coşkun, 2002,p. 225-238).

It is also important how real sector crisis and financial crises arise and what kind of results they have. Now these titles will be explained shortly.

1.2.1 Real Sector Crises

Real Sector Crisis is a type of crisis arising in the form of shrinkage in "amounts" in goods and services and labor markets, in other words in production and/or in employment (recession and/or unemployment crisis) or also in the form of inflation crisis (Kibritçioğlu, 2001,p.174).

A) Recession Crisis

It occurs when continuous increases in the general level of prices are below the level that encourages goods and services production investments. In other words recession, crisis is GDP growth rate's being at a low level due to lack of investment.

b) Inflation Crisis

It occurs when continuous increases in prices of goods and services are above a certain limit. As is known, inflation is the increase in prices

(Gök,2006,p.8). A sudden and disturbing increase rising above a certain level in the prices of goods and services is observed. This situation is to an extent disturbing other market instruments and creates insecurity in the market.

1.2.2 Financial Crises

Financial crises can be defined as sudden and sharp falls (or changes) in price and in amounts of financial instruments such as share certificates, bonds and exchange rates traded in financial markets (Kibritçioğlu, Köse, Uğur, 1999,p.2). As a result of problems encountered in the process of being performed of this transmission mechanism by the financial system, the financial crisis arises (Gök,2006,p.8). Financial crises are observed in the form of banking crises, external debt crises, stock market crisis and Money/currency crises.

1.3 Economic Crisis Models

First studies on crisis theories have been performed by Krugman. Crisis models are divided into three categories. These are first generation crises, second generation crises, and third generation crises. First generation crisis models starting with the studies of Krugman in 1979 were used for explaining economic crises experienced in Latin America. Second generation crisis models have been proposed with the studies of Obstfeld in 1994. The crisis experienced in Europe and in some developing countries has been used to explain economic crises based on speculative attacks. After Southeast Asia crisis, as first and second generation crisis models have been inadequate, new crisis models have been proposed (Ergenç:2009,p.15).

2 Money

Money is defined as a means of exchange. Contrary to classical economic view, money has a feature destabilizing or stabilizing in the economy. This situation has been observed in most of the crises arising in the world. The concept of **monetary crisis** has been introduced into literature.

2.1 Monetary Policy and Its Objectives

Countries implement monetary policy using their Central Bank. This application has many purposes.

Full Employment Objective

While all production factors are used, the mainly focused issue is labor factor. Unemployment above the level of %5 in emerging economies and %3 in developed economies is considered as unemployment which should be struggled.

Price Stability Objective; It also can be said that it is the objective of protection of the value of money. For the progression of free market economy, price mechanism should be protected from the disruptive effects of inflation.

Economic Growth Objective; Among the objectives of monetary policy there are also effects supporting economic growth. It is unclear which rates are supported by which reactions.

The Balance of Payments Objective; Balance of payments in economies is also important regarding foreign trade from the objectives of monetary policy.

2.2 Tools of Monetary Policy

Central banks have intervention tools in monetary policy implementations. Each should contain a result. The main ones from the tools are these;

- Rediscount Interest Policy
- Open Market Operations Policy
- Legal Reserves Policy

2.3 Objectives of Tools of Monetary Policy

We can mention about briefly what is aimed as follows when these are used.

Objectives of Rediscount Interest Policy; it plays an role in the adjustment of the volume of money to be transferred to market.

Open Market Operations Policy; It aims to increase the amount of money in circulation or withdraw it from circulation. Quantity and Price effect is at the forefront.

Legal Reserve Ratio Policy; They are the implementations aiming changes in the money stock.

2.4 Monetary Policy Strategies

Two different strategies are implemented so as to get those desired to obtain in the use of tools of monetary policy. **Single-stage Strategies** are for direct ultimate objectives. **Two-stage Strategies** are to use intermediate targets to reach ultimate objectives.

2.5 Money Supply

It is calculated depending on the monetary base. Accordingly it can be formulated as follows;

Money Supply = Monetary Base x Monetary Base Multiplier

Items constituting money supply of CBRT

M1: Money in circulation + Demand deposit + Certificate of deposit

M2: Term deposit + Certificate of deposit

M2Y: M2 + Domestic, foreign exchange deposit accounts

M3A: M2 + Official deposits at central banks

M3: M2A + Other deposits at central banks

3 Economic Crises in History

Countries are affected by economic crises directly or indirectly. Regarding this impact, dialogues of countries with countries having crisis are taken into consideration. Thus, a graded influence is observed. The 19th century is regarded as the period when definitions similar to the present form of the definitions of the economic crisis was started to be used. Previous crises were mostly famine crises manifesting itself as poor harvest and hunger. Besides although rare, crises stemming from excessive state interference or transportation difficulties were also encountered.

In the period over a century between 1820 and 1929 many economic crises occurred in the world. The main ones are 1825, 1836, 1847, 1857, 1866, 1873, 1882, 1900, 1929, 1980-81, 1994 and 1998 crises (Ergenç,2009).

3.1 The Crisis of 1825

It occurred as a result of faulty investment policies initiated by British investors and bankers in Latin American countries (Ergenç,2009). Narrowing in credit volume affected British industry deeply. Due to the effects of the crisis, the balance of payments of England was upside down, and England was able to get over from the crisis in 1832 (Hayta, 2012).

3.2 The Crisis of 1836

Faulty investments initiated by British investors and banks in their countries in the USA and financial transactions related to railway construction in the country caused this crisis to arise. The effects of mentioned crisis spread to countries such as France and Belgium.

3.3 The Crisis of 1847

The reason for this crisis starting in England is the speculations related to railway construction. The crisis was not limited to England; its effects also were felt in France and the USA. Meanwhile, Central Bank of England had to suspend convertibility of national monetary unit Sterling temporarily due to the crisis.

3.4 The Crisis of 1857

The reason for this crisis is monetary factors. Gold mines in Australia and USA caused to large-scale speculative movements and European countries of that period, and the USA was considerably affected by the crisis.

3.5 The Crisis of 1900

The rapid industrialization of Russia caused to irregular economic fluctuations in Russia’s economy and a crisis occurred. The effects of the crisis spreading to also other European countries were able to be lessened with the increase of purchasing power thanks to gold brought from South Africa.

3.6 The Crisis of 1929

Undoubtedly the most profound crisis of economic history is the crisis of 1929. Having a financial distress of certain banks in European countries caused to sudden declines in prices of the stock certificate on Wall Street and then it influenced the entire economy of USA. The crisis not limited to this spread to other countries.

3.7 1980–1981 Crises

Housing finance companies crisis; Because of inadequate banking regulations, financial crises were experienced in bank-like finance companies (Saving and Loan companies similar to the old term of the banker in Turkish literature) in the US. In this process, these institutions taking interest risk

(through maturity mismatch) and making the profit were entirely in an adverse condition due to the increase in oil prices in 1979 and short-term interest rate hike so as to bring down the rate of inflation. Panic atmosphere occurring due to becoming insolvent of these firms was a burden to American Economy with a loss of 25 Billion Dollars. In this process, FED president of that period was criticized because he was not able to give adequate confidence and liquidity to the market. (Ergenç,2009).

3.8 Argentine Economic Crisis

After successive economic crises experienced as from the 1980s, Argentine economy progressed toward stability in 1989 and structural reforms were initiated under the chairmanship of Carlos Menem. In 1991, the value of Peso was equalized to dollar and increase in money supply was associated to increase in foreign exchange reserves and thus the rate of inflation was brought down.

However economic recession started due to the effects of factors such as political conflicts, narrowing of consumption by increasing unemployment and interest rates, inefficiency of real sector becoming chronic, competitive power of the country's being reduced by dollar gaining strength, Mexican, Asian, Russian and Brazilian crises that swept the whole world in the second half of the 1990s. Economic crisis arising in 2001 caused to collapse of the Argentine economy and brought the country into the declaration of a moratorium (Özen,2001).

3.9 1998 LTCM CRISIS

The crisis starting as a result of Russia's inability to pay its debts in 1998 ended up with the bankruptcy of LTCM. FED bailed out this firm and prevented its effect on financial markets. Besides, FED offering sudden and rapid liquidity to the market prevented the spread of the crisis and got plus point. However the source of the crisis is not foundations of USA economy, liquidity shortage was experienced, and FED overcame it (Ergenç,2009).

3.10 Southeast Asian Crisis

Today, it seems that it is quite difficult to separate economic crisis felt more prominently in certain regions of the world from globalization. Advancement in communication technology paving the way for globalization

and outward-oriented economic policies firstly caused by the globalization of capital and other processes followed it.

This crisis arose in Southeast Asian countries called as Asian tigers and having rapid economic growth in the last part of the twentieth century in July 1997. Starting first in Thailand, it influenced Malaysia, the Philippines, Indonesia and South Korea and later other parts of the world. Although starting date of this crisis is 2nd July 1997, speculative attacks against the money of some Asian countries and devaluation of Thailand currency Baht started much earlier than this date.

4 The Effects of Economic Crises on Monetary Policies in Turkey and 2008 Economic Crisis

When economic crises in history are analyzed, it is observed that central banks direct money market according to cyclical situations. When distribution by objectives of tools of monetary policy is examined, we can observe that each political tool is also a market intervention. Offensive and defensive application methods of the central bank have already been scientifically proven (Parasız,2002, s:53).

It tries to control monetary base with open market operations; it intervenes in the free market economy with rediscount policy regarding price stability, and it makes arrangements of foreign trade and balance of payments by using its tool. Thus, it can be observed that each political tool has an aim. Apart from the general objective, specific objectives can always be observed (Parasız,2002, s:23).

When the effects of money markets on economic crises mentioned above are examined, it can be observed which policies are formed by central banks as a precautionary measure. When briefly analyzed, clearer results stand out. Large effects have been observed in all of the great economic crises in history. It arose due to narrowing in credit volume. Implemented interest policies, errors in investment finances and intervention errors of central banks in markets with policy instruments caused to these problems.

4.1 Macro Economic Indicators between 2007-2012 in Turkey

Political instability is surely one of the factors having the effect on the extent of economic crises. For this reason, while examining the period of 2008, effects of political structure cannot be ignored. Accordingly

macroeconomic indicators regarding 2007-2012 period have importance. Political stability has a great impact on foreign trade and money markets.

When macroeconomic indicators in Turkey are examined respectively, effects in real terms can be understood better. In fact, we can say that 2008 crisis is the economic opportunity rather than the economic crisis in certain areas because of banking practices in Turkey.

When examining the economic indicators by years, the effect of 2008 global crisis can be estimated within the frame of certain data. According to this, an evaluation will be carried out considering GDP figures of the 2007-2012 period, per capita income figures, growth figures and foreign trade in Turkey. Accordingly;

Economic progress in Turkey has improved with positive effects of single-party government since 2002. This situation can be understood with indicators of political change happening after 2001 crisis. A rapid improvement can be observed soon after a period in which inflation is at 69 %, and growth figures are at - 5%.

TABLE 1: 2007-2012 MACRO ECONOMIC INDICATORS IN TURKIYE

	GDP(*)	Per Capita Income	Growth	Foreign Trade Volume(*)	Inflation %
2007	647,155	\$7,690	%4,67	277,4	8,39
2008	730,337	\$7,643	%0,66	334,0	10,06
2009	614,553	\$7,169	%-4,83	243,1	6,53
2010	731,169	\$7,757	%9.16	299,4	6,40
2011	774,754	\$8,331	%8,77	375,7	10,45
2012	788,863	\$8,409	%2,13	389,1	6,16

Source:<http://www.mfa.gov.tr/turk-ekonomisindeki-son-gelismeler.tr.mfa>

(*)- Million USD

In the light of this information, first of all, when examining GDP figures, there is an improvement in 2007 and 2008 in Turkey. The decline in 2009 increases through the following years. However as is seen, a turn to the figure in 2008 has continued until 2011. In other words, changes in GDP have started to improve after 2010.

The improvement in Per Capita Income shows similar progress depending on GDP figures.

In this period economic growth figures make clearer the comment because the economic growth rate is -5% in 2001, and this rate increased to the level 9% in 2004 but it decreased to the level of -4,83% in 2009.

When examining foreign trade volume, while it was 72 billion \$ in 2001, it reaches to the level of 277,4 billion \$ in 2007 . It reaches to the level of 334 billion \$ in 2008. However, the decline in 2009 has affected it until 2011.

4.2 Analysis of Money Market Management between 2007-2012

When evaluating decisions of the Monetary Policy Committee, all data is given on a monthly basis. Because figures in National Accounts are annualized, interest data of central bank is also required to be annualized.

Data is converted from monthly figures to yearly figures in time-series analysis. The purpose of this method is to provide data to have standard time intervals. Accordingly, at first, a grouping will be done on four terms according to quarterly periods, and then a conversion process to annual data will be done.

4.2.1 Analysis of Decisions of the Monetary Policy Committee in 2007

It is necessary to analyze the period of 2007 to evaluate decisions of monetary policy committee after 2008 and its market intervention ways. For this reason, decisions of each year have been examined. When examining decisions of monetary policy committee, we will analyze following interest rates types.

I- Overnight Interest Rates

II- Late Liquidity Window Interest Rates

III- Within the frame of open market operations, overnight and one-week borrowing facilities rate provided for primary dealers via repo transactions.

Decisions of monetary policy committee can be understood more, if monetary policies in Turkish economy are evaluated after and before 2008 economic crisis. Decisions of monetary policy committee concerning 2007-

2012 periods have been analyzed. Data have been obtained from Central Bank. Data given on a monthly basis have been evaluated after converting annual data.

For data conversion process, interest rates have been taken from MF records on a monthly basis. It has been converted in 3-months periods.

Monthly interest data of monetary policy committee given in the appendix of study have been converted to annual data as the following.

$$Z = \sqrt[n]{Z_1 \times Z_2 \times \dots \times Z_n}$$

With this operation, data in each period should be in the same time series, so it is divided into three-month periods. t=2007 period borrowing rate of interest is as follows on a yearly basis;

a) At first borrowing rate of interest will be converted in 3-month periods and then it will be annualized.

$$Z_1 = \sqrt[3]{17,5 \times 17,5 \times 17,5} = 17,5$$

$$Z_2 = \sqrt[3]{17,5 \times 17,5 \times 17,5} = 17,5$$

$$Z_3 = \sqrt[3]{17,5 \times 17,5 \times 17,25} = 17,42$$

$$Z_4 = \sqrt[3]{16,75 \times 16,25 \times 15,75} = 16,24$$

$$Z_t = \sqrt[4]{16,75 \times 16,25 \times 15,75} = 17,15$$

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In 2007 when calculations are made again for each title, annual data are as follows;

2007	Overnight Interest Rates		Late Liquidity Window Interest Rates		Repo rate For Open Market Operations
	Lending Rate of Interest	Borrowing Rate of Interest	Lending Rate of Interest	Borrowing Rate of Interest	Rate of Interest
%	17,15	22,02	13,15	25,02	21,02

When this calculation is made in the same way for other years, annual rates for all periods are obtained as the following.

	Overnight Interest Rates		Late Liquidity Window Interest Rates		Repo rate For Open Market Operations
YEARS	Lending Rate of Interest	Borrowing Rate of Interest	Lending Rate of Interest	Borrowing Rate of Interest	Rate of Interest
2007	17,15	22,02	13,15	25,02	21,02
2008	15,94	19,48	11,98	21,65	17,64
2009	8,60	11,14	4,42	14,18	10,13
2010	5,08	8,93	2,06	11,93	7,93
2011	2,24	9,77	0	12,79	8,85
2012	5	11,74	0	14,74	5,75

Regulations in the lending rate of interests weren’t changed throughout nine months in 2007. An alteration was made together on every three titles in October 2008 when the first was made.

Overnight interest rates, late liquidity window interest rates and repo rate for open market operations were changed. Changes are respectively as follows.

When examining average change in interest rates in 2007, an increasing change is observed. This change started at 3,30‰ level, and it was at 3,54‰ level after three months.

In this period, interest rates between 16/01/2007 and 13/09/2007 were pegged. However, rapid declines started in interest rates as from October 2007 period.

Declines in figures of 2008 continue, but there is no change in February, March, and April. There is an increase in interest rates in May and December in 2008.

Rapid declines are observed in figures of 2009. Within the frame of these decisions, central bank allows cash flow to market together with inflation. Lending rate of interest decreased from 17,5% to 6,5% level. Besides, borrowing rate of interest of central bank from late liquidity window interest rates decreased from 13,5% to 2,5% level.

Borrowing rate of interest of central bank from late liquidity window interest rates was reduced to the level of 0 (zero) in 2010. Policy interest rate one-week repo rate started to be determined as from 2010. In this period, policy interest rate was determined as 7% in May; it was determined as 6,5% in December. The borrowing rate of interest of central bank was reduced to the level of 1,5% in December. This rate was determined as 17,5% in 2007. Similarly, until September 2010 it was used as 6,5%.

Decrease in interest rates is stable in the range of January - September in 2011. 1,5% rate changed as 5% in October. According to Decisions of the Monetary Policy Committee, the view related to fighting against inflation and stabilization of downside risks on the economy was dominant during eight months. Accordingly the change in interest rates was disapproved. In the last quarter of 2010, borrowing rate of interest of central bank increased from 1,5% level to 5% level and lending rate of interest increased from 9% level to 12,5% level. It was emphasized that movements related to exchange rates might have a negative effect on inflation.

There is no change in the lending rate of interests in 2012, and it is 5% all year round. The borrowing rate of interest is 12,5% in first three months of the year and it is 11,5% in other months. Borrowing rate of interest in late liquidity window interest rates was implemented as 0% all year round.

There is a statement at the end of the decisions of committee "It should be overemphasized that all kinds of new data and news which will be announced may cause prudential political standing of the committee to change". It was presented to the attention that foreign economic movements are observed, and the situation will affect the practice existing at any moment.

When examining data of 2008, positive changes are observed in figures of GDP and Per Capita Income from economic indicators in comparison previous year. This change is observed as the negative in 2009. Negative effect of 2008 global crisis is observed in figures of other years. Recoveries observed as from 2010 are observed in 2011 and 2012. Declines in 2009 can be accepted as a loss year according to indicators in the Turkish economy.

When interest policy of central bank is evaluated regarding economic indicators, it is seen that there is seriously decrease in interest rates as from 2009. Lending rate of interest is 17,15% in 2007, but it decreased 5,08% level in 2010. The borrowing rate of interest decreased 22,02% level to 8,93% level. Central Bank not only made a big contribution to economic growth with its low-interest rate policy but also it played a positive role in preventing the probable recession by providing credit expansion.

CONCLUSION AND EVALUATION

It is observed that decisions of the monetary committee directed money markets through central bank, and it carried out critical and active studies on economic crisis periods. When considered that changes in interest rates, affect many factors such as inflation, exchange rates and credit markets, this condition becomes more remarkable.

As is seen in crises in history, each economic crisis has two different results. First, one is that economy is affected in the crisis period and the second one is that crisis affects the development of economy negatively in coming years.

If the economies don’t have the infrastructure to deal with these crises, negative results increase. As stated above, results are always same considering crises in previous periods. The country having crisis has a trouble, and other countries are affected by the crisis.

Given countries affected from the results of all these crises, it is seen that there isn’t a panic preventer mechanism among mechanisms protecting countries against crises. With speculative movements in a time of crisis, economies cause many unexpected results to appear.

There was a powerful political structure, and this prevented economic problems to be felt in the country in 2007. In this period interest rates underwent a change mainly to fight against inflation.

However towards the end of 2008, critical changes in interest rates are observed. As long as crisis made itself felt in world countries, Turkey started to take stricter measures.

Rapid declines were observed in 2009. The borrowing rate of interest of central bank decreased from 22,5% to 9% level. Late liquidity window lending interest rates decreased from 13,5% to 2,5% .

This rate decreased from 1,75% to 0%. in 2010. During the ongoing periods, an implementation at 0% level in the lending rate of interest from late liquidity window from interest decisions continued. However, changes in other items continued. A decision of change was taken only in September period, and it was considered everything to continue as stable in 2010.

When examined the effects of interest rates followed by monetary policy committee, objectives with decreases and increases will be better understood.

Overnight interest rates in the title of I are determined in the way of borrowing and lending rate of interests. Central bank determines debiting assessments with this interest rate. Being high and being outside of conjuncture of this rate gives general information about the economic structure. This condition results from the connection between the central bank and other banks. As is seen, there are continuous declines as from 2007 in Turkey. The main point to consider is that central bank took on the task of funding market through banks in crisis period continuously. This situation removed banks' shortage of cash depending on market movements. Apart from that, through banking regulation and supervision agency, it tried to direct productive usage of sources of banks kept under firm control. In other words, it helped to take measure before probable imbalances appear.

It reveals that negative results of the crisis tried to be prevented with interest rates of the central bank by years in Turkey couldn't be hidden in other macro indicators. It is observed that the stability seen in money markets, by years is not seen in production. When considered GNP movements, it can be said that practices in interest rates didn't support economic growth. Accordingly decisions in interest rates supported finance market but it couldn't support production. One of the main reasons of this condition is that partner of the economy being crisis center are also affected by this crisis. Turkey is also a partner country with economies affected by this crisis in the

international market. Therefore, it should be said that export-oriented growth and import-oriented growth were affected by the crisis.

When viewed from another aspect, it can be said that exaggerated measures in protection of banks caused necessary resources for production not to be found. Apart from implemented interest policy, banks hindered efficiency in selectivity in credit users controlled by Central Bank by the name of the black list and in the implementation of an oversensitive system and in the transfer of monetary resources.

In this context, problems in macro data are considered as a result of the crisis around the world. This situation created a similar perception around the world so a condition for the benefit of Turkey arose in foreign capital mobility. When examining figures in this period, increases have the quality to support this condition.

As a result; the main hypothesis in this study shows the truth of it; A strong money market can lessen the results of the crisis during a crisis. However, this condition just hides real situation.

The real condition substantially protected Turkey from destructive effect including future of the crisis.

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<http://www.tcmb.gov.tr/yeni/ppyeni/ppk2008.html>(Erişim Tarihi: 25/07/2014)

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<http://www.tcmb.gov.tr/yeni/ppyeni/ppk2011.html>(Erişim Tarihi: 25/07/2014)

ADDITION– 1 TABLES

TABLE 1 -DECISIONS OF THE MONETARY POLICY COMMITTEE IN 2007

	I		II		III
	Lending rate of interest	Borrowing rate of interest	Lending rate of interest	Borrowing rate of interest	Lending rate of interest
2007					
16.01.2007	17,5	22,5	13,5	25,5	21,5
15.02.2007	17,5	22,5	13,5	25,5	21,5
15.03.2007	17,5	22,5-	13,5	25,5	21,5
18.04.2007	17,5	22,5	13,5	25,5	21,5

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14.05.2007	17,5	22,5	13,5	25,5	21,5
14.06.2007	17,5	22,5	13,5	25,5	21,5
12.07.2007	17,5	22,5	13,5	25,5	21,5
14.08.2007	17,5	22,5	13,5	25,5	21,5
13.09.2007	17,25	22,25	13,25	25,25	21,25
16.10.2007	16,75	21,5	12,75	24,5	20,5
14.11.2007	16,25	20,75	12,25	23,75	19,75
13,12,2007	15,75	20	11,75	23	19

Source:<http://www.tcmb.gov.tr/yeni/ppyeni/ppk2007.html>(Date Accessed: 25/07/2014)

TABLE 2- DECISIONS OF THE MONETARY POLICY COMMITTEE IN 2008

	I		II		III
	Lending rate of interest	Borrowing rate of interest	Lending rate of interest	Borrowing rate of interest	Lending rate of interest
2007					
17.01.2008	15,5	19,5	11,5	22,5	18,5
14.02.2008	15,25	19,25	11,25	22,25	18,25
19.03.2008	15,25	19,25	11,25	22,25	18,25
17.04.2008	15,25	19,25	11,25	22,25	18,25
15.05.2008	15,75	19,75	11,75	22,75	18,75
16.06.2008	16,25	20,25	12,25	23,25	19,25
17.07.2008	16,75	20,25	12,75	23,25	19,25
14.08.2008	16,75	20,25	12,75	23,25	19,25
18.09.2008	16,75	20,25	12,75	23,25	19,25
22.10.2008	16,75	19,75	12,75	22,75	18,75
19.11.2008	16,25	18,75	12,25	21,75	17,75
18.12.2008	15	17,5	11	20,5	16,5

<http://www.tcmb.gov.tr/yeni/ppyeni/ppk2008.html>(Date Accessed: 25/07/2014)

TABLE 3- DECISIONS OF THE MONETARY POLICY COMMITTEE IN 2009

	I		II		III
	Borrowing	Lending	Borrowing	Lending	Lending rate of
2009					

Şahin Çetinkaya

	rate of interest	rate of interest	rate of interest	rate of interest	interest
15.01.2009	13	15,5	9	18,5	14,5
19.02.2009	11,5	14	7,5	17	13
19.03.2009	10,5	13	6,5	16	12
16.04.2009	9,75	12,25	5,75	15,25	11,25
14.05.2009	9,25	11,75	5,25	14,75	10,75
16.06.2009	8,75	11,25	4,75	14,25	10,25
16.07.2009	8,25	10,75	4,25	13,75	9,75
18.08.2009	7,75	10,25	3,75	13,25	9,25
17.09.2009	7,25	9,75	3,25	12,75	8,75
15.10.2009	6,75	9,25	2,75	12,25	8,25
19.11.2009	6,5	9	2,5	12	8
17.12.2009	6,5	9	2,5	12	8

<http://www.tcmb.gov.tr/yeni/ppeni/ppk2009.html>(Date Accessed: 25/07/2014)

TABLE 4- DECISIONS OF THE MONETARY POLICY COMMITTEE IN 2010

	I		II		III
	Lending rate of interest	Borrowing rate of interest	Lending rate of interest	Borrowing rate of interest	Lending rate of interest
2010					
14.01.2010	6,5	9	2,5	12	8
16.02.2010	6,5	9	2,5	12	8
18.03.2010	6,5	9	2,5	12	8
13.04.2010	6,5	9	2,5	12	8
18.05.2010	6,5	9	2,5	12	8
17.06.2010	6,5	9	2,5	12	8
15.07.2010	6,5	9	2,5	12	8
19.08.2010	6,5	9	2,5	12	8
16.09.2010	6,25	8,75	2,25	11,75	7,75
14.10.2010	5,75	8,75	1,75	11,75	7,75
11.11.2010	1,75	8,75	0	11,75	7,75
16.12.2010	1,5	9	0	12	8

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<http://www.tcmb.gov.tr/yeni/ppyeni/ppk2010.html>(Date Accessed: 25/07/2014

TABLE 5- DECISIONS OF THE MONETARY POLICY COMMITTEE IN 2011

	I		II		I
	Lending rate of interest	Borrowing rate of interest	Lending rate of interest	Borrowing rate of interest	Lending rate of interest
2009					
20.01.2011	1,5	9	0	12	8
15.02.2011	1,5	9	0	12	8
23.03.2011	1,5	9	0	12	8
21.04.2011	1,5	9	0	12	8
25.05.2011	1,5	9	0	12	8
23.06.2011	1,5	9	0	12	8
21.07.2011	1,5	9	0	12	8
23.08.2011	1,5	9	0	12	8
20.09.2011	5	9	0	12	8
20.10.2011	5	12,5	0	15,5	12
20.11.2011	5	12,5	0	15,5	12
20.12.2011	5	12,5	0	15,5	12

<http://www.tcmb.gov.tr/yeni/ppyeni/ppk2011.html>(Date Accessed: 25/07/2014

TABLE 6- DECISIONS OF THE MONETARY POLICY COMMITTEE IN 2012

	I		II		III
	Lending rate of interest	Borrowing rate of interest	Lending rate of interest	Borrowing rate of interest	Lending rate of interest
2009					
24.01.2012	5	12,5	0	15,5	12
21.02.2012	5	12,5	0	14,5	11
27.03.2012	5	12,5	0	14,5	11
18.04.2012	5	11,5	0	14,5	11
29.05.2012	5	11,5	0	14,5	11

Şahin Çetinkaya

21.06.2012	5	11,5	0	14,5	11
19.07.2012	5	11,5	0	14,5	11
16.08.2012	5	11,5	0	14,5	11
18.09.2012	5	11,5	0	13,0	9,5
18.10.2012	5	9,5	0	12,5	9,0
20.11.2012	5	9,5	0	12,0	8,5
18.12.2012	5	9,5	0	12,0	8,5

<http://www.tcmb.gov.tr/yeni/ppyeni/ppk2012.html>(Date Accessed: 25/07/2014)