

The Turkish Economy in the Period between 1990 and 2000 in the Light of the Open Economy Policies of the 1980s Developments¹

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The structure of the economy seems to have been reshaped for the post-1980 period with the decisions of January 24, 1980 and the structural changes that followed. In the 1980s, which can be called the transition process to a Free-Market Economy and an open economy, on the one hand, the privatization of state institutions and the determination of the prices of goods and services in free market conditions were tried to be ensured in order to withdraw the state from economic life, on the other hand, it was tried to grant freedom to foreign trade and capital movements. While these two main issues were being realized, the import substitution industrialization strategy was abandoned and the export-led growth model was started to be implemented. The last step of this process of opening up and liberalization was realized with the decision numbered 32 in 1989. While the change in the economic structure was achieved through domestic borrowing in the 1980s, with the liberalization of capital movements in the 1990s, it was seen that economic growth and development were tried to be achieved with hot money inflows rather than foreign direct investments. This orientation made the economy more open to crises, and for the first time there was a crisis in the form of the 1994 economic crisis, which was understood to be caused by hot money. The 1994 economic crisis could only be overcome by giving government guarantees to bank deposits and issuing high-interest Treasury Bills. Even the new banking regulations could not prevent the emergence of similar new economic crises in the following years. Because, we can say that the economic crisis experienced in the 2000s brought about a political transformation along with creating great economic problems.

Keywords: Turkish economy, free market economy, import, export, investments, economic growth, inflation

Introduction

The export-led growth model, as an economic development strategy implemented in the post-1980 period, was able to reshape the structure of the Turkish Economy. In general, the most important feature of the model is that the economy is directed by the state in a way that ensures more and more exports. Generally, within the scope of this model, sectors and products with foreign competitiveness are supported by the state for export and

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the establishment of new industries is encouraged. Initially, the national currency is allowed to lose value through devaluations in order to gain a foreign competitive advantage, and in this way, the increased competitiveness is then supported by increases in productivity, ensuring the development of the country. (Dolanay, 2023d, p. 163; Dolanay, 2023h, p. 452)

The new economic policy preferences that started in 1980 seem to have shaped the economic developments between 1989 and 2000 (Boratav, 2007, p. 171). Economic stabilization policies implemented with the advice of the IMF (International Monetary Fund) were implemented in this period, and with the liberalization of capital movements in 1989, new elements were added to the economic policies in the 1980s (Boratav, 2007, pp. 171-172). Thus, we can say that the Turkish Economy has increasingly come under the influence of fluctuations in capital movements and frequently recurring financial crises (Boratav, 2007, p. 172; Dolanay, 2023h, p. 452).

Economic Changes and Developments Between 1923-1990

With the proclamation of the Republic, despite the bad economic legacy from the Ottoman Empire, great progress began to be made in the field of economy, and efforts were made to achieve the developments that Western Europe had experienced for centuries in a very short time (Dolanay, 2023d, p. 164; Dolanay, 2023h, p. 453).

In the first years after the declaration of the Republic; Since it was agreed in the Trade Agreement annexed to the Treaty of Lizan that the Ottoman customs tariff regime of 1916 would remain in force for 5 years in exchange for the abolition of capitulations, liberal policies were implemented within the framework of the free trade policy (Eğilmez, 2018, p. 136; Dolanay, 2023h, p. 453).

The main goal of the Izmir Economic Congress was to recover the ruined economy taken over from the Ottoman Empire and establish a new economic structure (Eğilmez, 2018, p. 136; Dolanay, 2023h, p. 453).

The state encouraged private enterprise and tried to strengthen private entrepreneurs until the 1930s. We can describe the policies of this period as policies that are open to the outside world and seek to ensure industrialization and economic growth at home. However, despite all efforts, the private sector could not develop to the expected extent, and the outbreak of the Great Depression, which started in 1929 and affected all Western economies, brought the end of liberal policies. (Eğilmez, 2018, p. 137; Dolanay, 2023h, p. 453)

Türkiye İş Bankası was established in 1924 within the scope of the efforts to develop the National Capital in the first years after 1923. İşbank was encouraged by granting the bank the privilege of operating state monopolies, and Turkish businessmen were encouraged by providing capital support from Türkiye İş Bankası. (Boratav, 1993, pp. 28-31; Dolanay, 2023d, p. 164; Dolanay, 2023h, p. 453)

The Central Bank of the Republic of Turkey was established in 1930. Thus, Türkiye began to print its own currency through its own Central Bank and an institution that could direct monetary policy emerged. In the same year, the Law on the Protection of the Value of Turkish Currency was enacted. We can say that this law is a kind of fixed exchange rate regime designed to prevent the value of the Turkish Lira from changing against foreign currencies. Within the framework of the law, the exchange control regime has been adopted and foreign currency inflows and outflows into the country are subject to state control. (Eğilmez, 2018, p. 138; Dolanay, 2023h, p. 453)

The first foreign debt of the Republic of Turkey took place in 1930. In 1930, in exchange for the lighter and match production privilege being given to a US (United States) company, a loan of 10 Million US Dollars was received from the Turkish-American company with a 20-year payment and an annual interest rate of 6.6%. In

1932, the Soviet Union gave Turkey an interest-free loan of 8 million US dollars, to be repaid with agricultural products in 20 years. (Alpay, & Alkin, 2022, p. 60; Dolanay, 2023h, p. 453)

We can say that the tradition of intervention in the economy, which is thought to have started with the establishment of Sümerbank in 1933, started with the state determining the interest rate for the first time. The First Five-Year Industrial Plan (1934-1938) began to be implemented in 1934, and the establishment of production facilities in the weaving, mineral processing, paper, soil and chemical industries began. We can say that the production facilities established in five areas with loans received from the Soviet Union formed the production infrastructure of the following periods. With the National Protection Law enacted in 1940, it was accepted that some other economic indicators, in addition to prices, should be determined by the state. This law, which formed the basis of statist policies, also included provisions to punish the black market. Within the framework of the National Protection Law, Wealth Tax could be collected from the wealthy, especially the minorities, through the Wealth Tax. (Eğilmez, 2018, pp. 138-139; Dolanay, 2023h, p. 453)

While the TL/US Dollar exchange rate was 2.1 in 1930, it was 2.8 in 1949. Türkiye became a member of the IMF and the World Bank in 1947. GDP, which was 1 billion USD in 1929, reached 3.2 billion USD in 1949. The average annual economic growth rate of the period was 2.6%. During the period, there was an average budget surplus of 0.2% and a foreign trade surplus of 0.6%. This period was a period when Ottoman debts were not paid and import substitution policies were implemented. In 1939, the Wholesale Price Index was created and inflation began to be measured. The average inflation rate between 1939 and 1949 was 25.2%. (Eğilmez, 2018, p. 139; Dolanay, 2023h, pp. 453-454)

After 1954, import and exchange control regimes began to be implemented again within the country until 1961. In addition to controls in the foreign trade regime, import substitution policies continued to be implemented through state investments to eliminate the decreases in imports of consumer goods. After 1961, it can be said that the policies established in this previous period were essentially continued. Because the import substitution development strategy was preserved and protectionist foreign trade policies were continued. (Boratav, 1993, pp. 45-62 and pp. 63-118; Dolanay, 2023d: 164; Dolanay, 2023h, p. 454)

We can say that the Assembly Industry Directive, adopted in 1964, formed the legal basis of import substitution industrialization policies, at least for the automotive industry. Thus, the import substitution industrialization model has become evident as an economic policy choice. (Azcanlı, 1995, pp. 117-126; Dolanay, & Oğuztürk, 2018; Dolanay, 2023d, p. 164; Dolanay, 2023h)

In addition to the ongoing policy strategies, for the first time industrialization strategies began to be carried out through comprehensive plans that were different from before. This process, that is, both the import substitution development strategy and the plan-based industrialization strategy, continued uninterrupted until 1980. (Boratav, 1993, pp. 45-62 and pp. 63-118; Dolanay, 2023d, p. 164; Dolanay, 2023h, p. 454)

The economic crisis environment experienced with the rise in oil prices around the world in 1973 and 1979, and the import substitution development strategy implemented in the country, causing economic bottlenecks, were effective in the economic policy changes after 1980. The failure to revise economic policies after the first oil crisis in 1973 and the prevention of the reflection of this cost element on domestic prices by subsidizing the rise in oil prices by external debt and domestic resources had an impact on the economic depression environment that began to be experienced in 1977 and gradually intensified by 1980. In the post-1980 period, the application of the export-led growth model began to come to the fore and efforts were made to establish mechanisms that would encourage export-led growth within the country. New economic policies have enabled great successes to

be achieved both in the field of foreign trade and economic growth. Similar to the great economic development achieved by import substitution policies between 1950 and 1970; In the period from 1980 to 1990, high economic growth rates were achieved with the export-led growth model, which is a different development strategy. We can say that compared to the low inflation and rapid growth period between 1950 and 1970, growth was achieved with high inflation rates in the period between 1980 and 1990, and this had a disruptive effect on economic and social balances. (Boratav, 1993, pp. 94-138; Dolanay, 2023d, pp. 164-165; Dolanay, 2023h, p. 454)

The depression environment of the 1980s seems to have affected the first and comprehensive questioning of the Import Substitution Industrialization Strategy, which Turkey has been implementing since the beginning of the industrialization process, and the beginning of the transition to the Export-Oriented Growth Model. With the industrialization policies followed after 1980, rapid growth was achieved, although instabilities were observed from year to year. Although growth rates fluctuated between 9.2% and 3.3% in the period between 1981 and 1990, an average growth of 7% was achieved. (Karluk, 1996, p. 219; Dolanay, 2023d, p. 165; Dolanay, 2023h, pp. 454-455) An unstable growth process has also been experienced in the field of manufacturing industry. During this period, growth rates below and above the average growth rate of 10.0% and 1.8% were achieved in the manufacturing industry. Although the manufacturing industry could grow faster than other sectors and become the engine of economic development, while the share of the industrial sector in GDP was 25% in 1980 (Karluk, 1996, pp. 219-220; Dolanay, 2023d, p. 165; Dolanay, 2023h, p. 453), this rate was only 25.3% in 1990. While the share of agricultural goods exports in GNP decreased after 1980, the share of the industrial sector increased. The export growth rate is higher than the growth rate (Dolanay, 2023d, p. 165; Dolanay, 2023h, pp. 454-455).

Economic Growth and Development Between 1990-2000

In order to eliminate the negativities in the economy, in the VI. Five-Year Development Plan, it is stated that balanced economic growth in stability is desired (Tokgöz, 1999, p. 192; Dolanay, 2023h, p. 455).

By the end of the 1980s, the “policy of reducing inflation by keeping the exchange rate increase low” gained momentum with the liberalization of capital movements in August 1989 (Decree No. 32). With the real appreciation of the Turkish Lira (TL) in 1989 and 1990, the foreign borrowing tendency of banks and companies increased (Çapoğlu, 1992, p. 18; Doğan, 2015, p. 238; Dolanay, 2023h, p. 455). We can say that the ever-increasing public deficits along with the real appreciation of TL against foreign currencies, the increases in real labor costs above productivity since 1989, and the high chronic inflation in the 1989-1993 period created an environment in which the external deficit gradually increased. (DPT, 1995, p. 1; Doğan, 2015, p. 238; Dolanay, 2023h, p. 455).

Since the 1980s, the government has turned to short-term capital imports to solve all these negative developments in the economy. With this solution, which required the TL to be convertible and the liberalization of financial markets, a transition from “Export-Oriented Growth” to “Import-Oriented Growth” through capital imports occurred in this period (Kazgan, 1995, p. 201; Doğan, 2015, p. 239; Dolanay, 2023h, p. 455).

Accordingly, by allowing foreign companies to market their securities in Turkey and people residing in Turkey to find resources by listing their foreign securities (DPT, 1990, p. 18; Doğan, 2015, p. 239), it makes Turkey the freest country in terms of capital movements. While the Decree No. 32, which brought the country into effect, import funds were rapidly reduced. Following this Decree, the IMF officially approved the convertibility of TL in February 1990 (Kazgan, 1995, p. 206; Doğan, 2015, p. 239; Dolanay, 2023h, p. 455).

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With the financial liberalization implemented in 1989, foreign capital inflow began to Turkey, as in many developing countries that implemented this practice. However, this capital was mostly capital that came for speculative purposes. In other words, the capital inflow at the end of the 1980s was mostly short-term capital inflow directed towards portfolio investments. Foreign capital has mostly turned to debt financial instruments. This situation has led to increased uncertainties in Turkey, as in many developing countries. In addition, we can say that no control was applied to capital inflows, and this situation was effective in increasing the negativities. (Sönmezay, 2007, p. 38; Dolanay, 2023h, p. 455)

We can say that the economy experienced a turbulent growth period in the 1990s with the influence of changes in economic policy preferences. Thus, national income shrank at rates varying between 6% and 9.5% in 1994, 1999 and 2001, and deterioration and uncertainties occurred in macroeconomic indicators in the period between 1990 and 2000. We can say that during this period, the management of the Turkish Economy and some of its institutional arrangements gradually came under the control of international financial institutions. The agreement and related regulations made with the IMF started with the 1994 financial crisis, were interrupted in 1995, and came back to the agenda with an 18-article close monitoring agreement in June 1998. This process continued in the following years with the stand by agreement signed with the IMF in 1999 and an Additional Letter of Intent written by the IMF in 2000. (Boratav, 2007, pp. 172-173; Dolanay, 2023h, pp. 455-456)

Especially in developing countries, the state's role as a pioneer, guide and encourager in industrialization was possible in the pre-1980 period, when the world had nation states that were relatively disconnected from each other and not in competition. This approach had a chance to survive during the cold war between the Eastern and Western Blocks. However, we can say that after the 1960s, as international regional integrations began to form, the Cold War began to lose its former effectiveness, national industrial systems began to become blocked due to import substitution policies, and the phenomenon of knowledge economy became stronger, the national constraints and opportunities and the industrialization approach began to lose its importance and validity. The foreign exchange bottleneck caused by the oil crises in the 1970s forced developing countries, including Turkey, to adopt open economy principles. (Türkkan, 1998, pp. 115-116; Dolanay, 2023h, p. 456) The Washington Consensus, announced in 1979, put an end to this economic conjuncture that forced developing countries to open up to the outside world. We can say that the decisions taken with this consensus document, which directed developing countries to open up to the outside world and transition to a free market economy, were later repeated by the World Trade Organization with similar principles. (Dolanay, & Oğuztürk, 2018; Dolanay, 2023h, p. 456)

The industrialization program based on import substitution continued to be implemented until the early 1980s. State intervention played an important role during the implementation of this program. In this sense, the public has contributed significantly to capital accumulation by providing incentives to both infrastructure and manufacturing industry investments, as well as subsidies to private sector fixed capital investments. The contributions provided had their effect until the early 1980s, and in 1980, the manufacturing industry sector figures reached 26.3%, leaving its mark on the last 30 years (Saygılı, Cihan, & Yurtoğlu, 2005, p. 2). Although fixed capital investments in the manufacturing sector reached their highest level in 1980, they tended to decrease in the following years. While the agricultural sector investments were 4.5% in 1990, the share of agricultural

investments did not decrease in 1999, and it was clearly seen that they had a greater weight than the manufacturing sector investments, which decreased to 2.6% in this period. Therefore, it was possible to deduce that agriculture was given more importance than industrialization. (Uslu, 2020, p. 82; Dolanay, 2023h, p. 456)

In terms of sectors, the largest fixed capital shares between 1980 and 1990 are respectively; transportation, energy, manufacturing and other services. This is followed by agriculture, mining, education, housing, health and tourism. During this period, while emphasis was placed on the transportation and energy sectors, fixed capital investments in the tourism sector remained at a low level. Considering the 1990-2000 period, it was seen that the transportation sector had the largest share. (Uslu, 2020, pp. 82-83; Dolanay, 2023h, p. 456)

Due to the intense crises that occurred one after another in the Turkish economy between 1990 and 2000, it is seen that there were disruptions in economic activities and economic growth targets were interrupted by crises in various sectors (Türeli, 2008, p. 1; Uslu, 2020, p. 83; Dolanay, 2023h, p. 456). In 1990, there was an increase in other sectors except the tourism sector. The transportation sector ranked first with an increase of 98.4% in 1994. During this period, the other services sector ranked second with a share of 18.4%, while the other sectors were; agriculture 10.2%, energy 11.6%, education 7.4%, health 4.8%, manufacturing 3.1%, mining 2.6%, tourism 1.90% and housing 1.7%. In the agricultural sector, which started to increase in 1994, this situation continued until 1997 and decreased by 8.1% in 1998. As of 1997, there has been a rapid increase in the education sector. (Uslu, 2020, pp. 82-83; Dolanay, 2023h, p. 456)

Table 1

Economic Growth Rates Between 1990-2000 (%)

Years	GDP growth rate	GNP growth rate
1990	9.3	9.37
1991	0.9	0.35
1992	6.0	6.40
1993	8.0	8.14
1994	-5.5	-6.08
1995	7.2	7.95
1996	7.0	7.12
1997	7.5	8.29
1998	3.1	3.86
1999	-3.4	-6.08
2000	6.1	6.34

Sources: www.tuik.gov.tr; Akyazı, and Ekinci, 2009, p. 19; Beyazıt, 2004, p. 90; Dolanay, and Oğuztürk, 2018, pp. 284-301; Dolanay, 2023h, p. 457.

As can be seen in Table 1, there was an unstable economic growth situation between 1990 and 2000. While high economic growth rates were observed in the years of hot money inflow, hot money outflows, on the one hand, led to economic contraction, and on the other hand, we can say that these years of economic contraction in 1994 and 1999 were years of economic and financial crisis. (Dolanay, 2023h, p. 457)

Investments in the Period Between 1990-2000

The years 1984-1989 were a period of expansion for the Turkish economy. The revival in the economies of developed countries and the export-based growth strategy followed by Turkey played an active role in this expansion and caused an increase in exports. However, by 1990, we can say that two important developments in

the outside world had a negative impact on the Turkish economy. These are the end of the Iran-Iraq war and the 1990 Gulf Crisis. As a result of the sanctions imposed on these states, Türkiye has caused the loss of two very important markets for its economy. In addition to these two developments, which are closely related to the Turkish economy and have deep effects, the contraction experienced in other countries' economies had negative effects on Turkey's exports. (Karadaş, 2019, p. 54; Dolanay, 2023h, p. 457)

Budget deficits putting pressure on inflation, wrong exchange rate policy and failures in economic management caused the country to enter an economic crisis in 1994, and it became inevitable to take economic measures in April to save the country from the effects of the economic crisis. The coalition government of the period took the April 5 decisions within the scope of these measures. In making these decisions, the deficiencies in the financing of public expenditures were seen as one of the main reasons for the economic crisis and measures were tried to be taken in this context. In line with the decisions taken, investment expenditures and current expenditures would be cut in the short term, and the budget balance would be achieved with temporary tax applications. As a result of the steps taken towards this goal, partial success was achieved for a while, but everything turned upside down again with the early election decision. Populist practices applied to business due to early elections further increased expenditures, but budget revenues could not increase and budget discipline deteriorated and the problem deepened further. (Karadaş, 2019, pp. 54-55; Dolanay, 2023h, p. 457)

There were no encouraging results after the election, and the formation of a coalition government was inevitable. As a result of long-term studies and negotiations, the Anayol government was established, but due to the texture incompatibility between the parties forming the coalition, a harmonious government could not be established and this government did not have the opportunity to work efficiently. In the new situation, due to political uncertainties, urgent decisions in the economy could not be taken on time. IMF officials, who were planning a new stand-by agreement with Turkey, refrained from making a new agreement due to the negative economic trend and political uncertainties and left Turkey by preparing a report stating that the Turkish economy was deteriorating. (Karadaş, 2019, p. 55; Dolanay, 2023h, p. 458)

Türkiye became a member of the World Trade Organization in 1995 and the Customs Union in 1996. However, it has been revealed that the Customs Union Agreement did not yield the intended positive results for Turkey due to unfair conditions such as duty-free entry of EU industrial products into the country. With this agreement, foreign trade deficits increased. In addition, due to the Asian Crisis in 1999 and the hot money outflows in Turkey, economic balances were disrupted and a new stand-by agreement with the IMF became inevitable. (Karadaş, 2019, p. 55; Dolanay, 2023h, p. 457) We can say that the economic crisis in 1994 and the Gölcük and Düzce earthquakes in 1999 further deepened the fragilities in the Turkish economy, which was already in a bad situation. (Karadaş, 2019, p. 56; Dolanay, 2023h, p. 458)

As can be seen in Table 2, after withdrawing from fixed capital investments in the 1980s, the public sector was content with minimum investment expenditures in the 1990s (Dolanay, 2023h, p. 458).

For example, while the ratio of public fixed capital investments to GDP was 5.7% in 1989 and 1990, this ratio was 5.2% in 2000 (Karadaş, 2019, p. 54 and p. 56; Dolanay, 2023h, p. 458).

However, as can be seen in Table 2, while public fixed capital investments withdrew from the field, private fixed capital investments were able to fill their place. We can say that this trend brought about a relative rise in private fixed capital investments in 1996 and 1997. (Dolanay, 2023h, p. 459)

Table 2

Share of Fixed Capital Investments in GDP

Years	Public fixed capital investments	Private fixed capital investments	Total
1990	5.2	16.0	21.2
1991	5.6	16.5	22.1
1992	5.5	16.4	21.9
1993	5.4	19.2	24.6
1994	3.7	19.1	22.8
1995	3.1	19.8	22.8
1996	3.8	20.0	23.8
1997	4.6	20.5	25.1
1998	5.2	17.2	22.4
1999	5.0	14.5	19.5
2000	5.2	16.0	21.2

Sources: <http://www.sbb.gov.tr/ekonomik-ve-sosyal-gostergerler>; Karadaş, 2019, p. 56; Dolanay, 2023h, p. 458.

Inflation Rates Between 1990-2000

In the 1990s, stability in the Turkish economy began to deteriorate even more than before and inflation rates were observed to increase. We can say that the economy remains in complete uncertainty. So much so that, while the growth rate remained below 2% in 1991, it reached an average of 7% between 1990 and 1993. This uncertainty made the economy risky and as a result, there was an outflow of foreign capital from the country. (Şahin, 1995, p. 212; Aydoğan, 2004, p. 9; Dolanay, 2023h, p. 459) Again, unstable stability and uncertainty shook the public's confidence in the Turkish Lira and the demand for foreign currency increased in anticipation of devaluation. For this reason, the Central Bank's foreign exchange reserves became unable to meet this demand and as a result, the foreign exchange deficit grew. We can say that Turkey is no longer a country that can receive direct investment, but has become a country in need of short-term and speculative investments. (Aydoğan, 2004, pp. 94-95; Dolanay, 2023h, p. 459)

Table 3

Some Economic Indicators (1990-2000)

Years	Inflation (% of wholesale prices)	Growth rate (%)	Current account deficit (\$Billion)
1990	48.6	9.4	-2.6
1991	59.2	0.3	0.3
1992	61.4	6.4	-0.9
1993	60.3	8.1	-6.4
1994	149.6	-6.1	2.0
1995	64.9	8.0	-2.3
1996	84.9	7.1	-2.4
1997	91.0	8.0	-2.6
1998	54.3	3.9	1.9
1999	62.9	-6.4	-1.4
2000	32.7	6.1	-10.5

Sources: Tokgöz, 2001, p. 250 and p. 277; Aydoğan, 2004, pp. 95-96; Yiğit, 2018, p. 60; Tokgöz, 2001, p. 267 and p. 295; Dolanay, 2023h, p. 459.

In 1994, inflation reached its highest level, money supply was increased despite the tight monetary policy intended to be implemented with the January 24 decisions, and public deficits increased. Financing by the Central Bank resources both increased the money supply and caused inflation to rise. One of the reasons that fueled inflation in this period was ineffective tax policies. Taxes could not be brought to a level to cover government expenditures and their collection could not be achieved. As a result, income-expenditure inequality took place, and in order to eliminate this, either T.R. Central Bank resources were used or borrowing was resorted to. Türkiye has now become a country that pays off its debt with debt. These factors caused inflation to increase significantly. All of the mentioned reasons caused the general level of prices to rise in the short term. Again, during this period, as interest rates remained at high levels, there was a contraction in the credit opportunities of the private sector and a decrease in investments, and an increase in unemployment rates was recorded. (Aydoğan, 2004, p. 95; Dolanay, 2023h, p. 459)

In the first half of 1994, uncertainties in the markets and exchange rates and the reduction in public expenditures to eliminate this caused a contraction in production and domestic demand, and as a result, GNP decreased by 6.1%. Again, during this period, the inflation rate was at 149.6% (Aydoğan, 2004, p. 96; Dolanay, 2023h, p. 460).

With the effect of the implemented stabilization program, there was a revival in the economy in the second half of 1994, and it was observed that the inflation rate gradually decreased. As we enter 1995, there are two great expectations that make the public think optimistically: First, with the enactment of the privatization law, privatization will accelerate, the burden on SOEs will decrease, and therefore the public's borrowing requirement will decrease. Secondly, the Customs Union will be realized and the economy will gain a new momentum (Tokgöz, 2001, p. 252; Aydoğan, 2004). Also this year, there were increases in domestic demand and towards the end of this year, as a result of the increases in capacity utilization and production, the economy entered a relatively rapid economic growth process again and an annual growth rate of 8% was achieved. The inflation rate continued to decrease and was determined as 64.9% (Aydoğan, 2004, p. 96; Dolanay, 2023h, p. 460).

By the end of the 1990s, the optimistic atmosphere in the economy was giving way to negativity again. While it was thought that inflation was decreasing, inflation started to accelerate again. The private sector, which was accused of not helping to reduce inflation in 1998, increased prices less than the public sector in 1999. In other words, it was the public sector that increased inflation. Again, during this period, budget deficits increased and the state's domestic debt reached around 25 billion dollars. The problem here is not in the amount of the debt, but in its maturity. so that; The state had to borrow 30% of our national income within a year and tried to cover our debts with high-interest loans. Inflation has started to rise again. (Aydoğan, 2004, p. 96; Dolanay, 2023h, p. 460)

Countries with high current account deficits and where the banking system and macroeconomic balances do not function harmoniously are more easily affected by crises. In Turkey, especially, the exchange rate policy implemented was envisaged to be 61% consistent with the inflation target at the end of 1998, but the exchange rate policy followed by the Central Bank could not yield the expected results due to the devaluations that occurred as a result of the Southeast Asian Crisis that started in June 1997. About a year after the Southeast Asian Crisis, the world economy faced the Russia Crisis. The first effects of these crises on the Turkish economy were on the stock market. The real damage of the crisis on the real sector showed itself in the long term. Another negative consequence of the crisis for our country was that Turkey faced intense competition in international trade as a result of the contraction in world demand for goods and services. During the global economic crisis, Turkey

could not take advantage of the opportunity for foreign capital escaping from crisis regions to turn to our country due to the lack of cheap imported input opportunities in the industry, high labor costs and lack of economic stability (Karabiçak, 2000, p. 59; Yiğit, 2018, pp. 60-61; Dolanay, 2023h, p. 460).

Turkey tried to prevent the high inflation rates encountered between 1990 and 2000 through the monetary policies of the traditional and monetarist approach and failed (Boratav, 2007, p. 188; Dolanay, 2023h, p. 460).

We can say that inflation also increased in the years when the exchange rate increased uncontrollably as a result of financial crises (Boratav, 2007, p. 188; Dolanay, 2023h).

In years when the current account deficit increased and the exchange rate remained low in real terms, the economic growth rate was high. For example, as can be seen in Table 3, when the current account deficit reached its highest value in the period we consider, the economic growth rate also reached 8%, which is the highest value of the period we consider. We can say that the main reason for this is Turkey's need for external resources in order to grow economically (Dolanay, 2023h, p. 460).

Again, although the current account deficit increased to a very high level in 2000, we can say that the economic growth rate remained behind that of 1993, at 6.8%, due to the real depreciation of the Turkish Lira due to the November 2000 financial crisis (Yiğit, 2018; Turan, 2005; Dolanay, 2023h, p. 461).

In the period between 1990 and 2000, Turkey's degree of opening up to foreign trade increased significantly (Boratav, 2007, p. 188). While the foreign trade deficit was 9.3 Billion \$ in 1990, it increased to 26.6 Billion \$ in 2000 (Aydoğan, 2004). We can say that the increase in foreign trade deficits is due to the Customs Union with the European Union (EU), cheaper foreign exchange prices in real terms and the increase in the import dependence of the industry due to these two factors (Boratav, 2007, p. 188; Dolanay, 2023h, p. 461).

According to Boratav (2007), the current account balance had a surplus in the years of economic crisis when economic growth slowed down and a deficit in years when economic growth accelerated. For example, during the 1994 economic crisis, the current account balance gave a surplus (Boratav, 2007, p. 189 and p. 192; Dolanay, 2023h, p. 461).

General Evaluation

Following the opening-up policy of the 1980s, capital movements were also liberalized with the decision taken through the decree law no. 32 in 1989. Türkiye, which was in search of external resources, thought that it could meet its external resource needs without any problems with the decision numbered 32. (Dolanay, 2023d; Dolanay, 2023h, p. 461)

Although the resource needs have been met with this approach, the Turkish Economy has automatically entered a situation where foreigners must rely on foreigners to provide resources (Dolanay, 2023h, p. 461).

As it is known, the return on an investment with a high risk should be so high that individuals and institutions can invest in risky places by taking the risk for high returns. (<https://www.spi.gov.tr/docs/other>; <https://ets.anadolu.edu.tr/storage/nfs/ebook>; https://butso.org.tr/2019_sunular/FIN...; Akgüç, 1994; Dolanay, 2023h) We can say that foreign investors also want higher returns when they see high risk in the Turkish economy (Seyidoğlu, 2003; Dolanay, 2023h). Therefore, in a sense, foreign resource inflow has become dependent on the risk perception of foreign investors and therefore the level of return on investment that should be generated accordingly (Dolanay, 2023h, p. 461).

In the Turkish economy, especially after 1989, the balance of the public sector began to seriously deteriorate. Public sector deficits were due to structural and institutional reasons. The state's revenues could not be increased.

Although public revenues could not be increased, public expenses had become uncontrollable. The size of the informal economy had reached unpredictable levels and social corruption had increased. Waste and extravagance in the state had reached very serious levels. (Topoğlu, 2010, p. 24; Dolanay, 2023h, p. 461)

When public sector expenses could not be covered by tax revenues, Central Bank resources were resorted to and intensive borrowing was undertaken. The government's need for borrowing caused interest rates to rise, and by keeping domestic interest rates higher than foreign interest rates, short-term capital was attracted to the country. Since the overdue debts could not be paid with solid resources such as tax revenues, they resorted to borrowing again and tried to pay off the debt with debt. (Topoğlu, 2010, p. 24; Dolanay, 2023h, p. 461)

Before the crisis, balance of payments deficits reached record levels. The supply of hot money in the foreign exchange market gave the impression that there was no problem. However, on the one hand, the sharp increase in the balance of payments deficits and, on the other hand, the evaluations of international organizations regarding the credit rating have increased speculation in the foreign exchange market. (Topoğlu, 2010, p. 24; Dolanay, 2023h, p. 461)

When we look at the main causes of the 1994 crisis, the public sector financing deficit and current account deficit of the Turkish economy play a leading role in this crisis as well. In addition, the Gulf War and the European Currency Crisis (ERM) that occurred before 1994 caused external financing conditions to become more riskier. Internally, the weakness in the basic financing indicators of the economy, the populist use of external and internal financing opportunities created by short-term financial capital in the public sector, and the combination of policy mistakes in public sector debt management have caused the public sector financing deficit to become unsustainable. (Tarkun, 2012, p. 58; Dolanay, 2023h, pp. 461-462)

As Kazgan (2002) stated, the 1994 crisis was very severe but short-lived. In the summer months of 1992 and 1993, the turmoil in the European money markets and the devaluations in rival countries were also caused by the effect of the "hot money withdrawal" policy. These two ultimately experienced the expectation that Turkey was losing its competitiveness in foreign markets. As a matter of fact, the main indicator of the expectation that TL will be devalued is that the current account balance (CIB) deficit approached 6.5 billion dollars at the end of 1993. Added to this was the government's policy of reducing the interest rate in the autumn of the same year. We can say that the \$4.2 billion capital flight triggered by the expectation of devaluation has disrupted Turkey's shallow money market and stock market. (Tarkun, 2012, p. 58; Dolanay, 2023h, p. 462)

Before the 1994 crisis, while the increase in the amount of domestic debt and high budget deficits disrupted the economic balances, deposit interest rates were also in an upward trend (Tokgöz, 1999; Boratav, 2007; Dolanay, 2023h, p. 462).

By 1992, the overvalued exchange rate policy was abandoned. In order to attract foreign capital, a high interest policy was implemented and this policy was continued until mid-1993. After mid-1993, the government attempted to reduce interest rates and funds began to move between the stock market, foreign exchange market and gold market. The desire to reduce interest rates caused both the prices to rise in the foreign exchange and gold markets and the interest rates to rise even more rather than decrease. In January 1994, the factor that ignited the crisis in the financial markets was the reduction of increasing interest rates. (Dolanay, 2023h)

During the financial crisis of 1994, foreigners who had previously invested in Turkey left the Turkish market, thinking that the risk exceeded the return with the sudden increase in the exchange rate, which led to the deepening of the financial crisis (Dolanay, 2023h, p. 462).

Conclusion

We can say that the process of opening up to the outside world and integration with the world economy has made the Turkish Economy more fragile and prone to crises. We can say that the severity of the need for hot money inflows for economic stability and growth has, in a sense, become a scale that determines the depth of financial crises. Although high economic growth rates were achieved during this period, this economic development performance could be interrupted by years of high economic contraction.

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