TÜRKİYE'DE ENFLASYON VE TALEP KISICI POLİTİKALAR

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Özet: Bu çalışmada öncelikli olarak enflasyon ile ilgili kısaca teorik tanımlara yer verilmiştir. Daha sonra Türkiye'de enflasyonun tarihi süreci ele alınmıştır. Enflasyon talep yönüyle ele alınmış ve Türkiye'de enflasyonla mücadelede IMF güdümünde uygulanan talep kısıcı politikalara yer verilmiştir. Bu bağlamda gelir ve harcama akımlarını karşılaştırmak suretiyle Türkiye'de ki enflasyonun beklentilerin aksine talep yönlü olmadığı ortaya konmak istenmiştir. Kredi kartı harcamalarını düzenleyici önlemler almak suretiyle özellikle Memur, işçi ve emekli gibi sabit gelir gurubunun gelir düzeyinin belli oranlarda iyileştirilebileceği sonucuna ulaşılmıştır.

Anahtar Kelimeler: Türkiye, Enflasyon, Talep, IMF, Ücret

DEMAND-REDUCING POLICIES AND INFLATION IN TURKEY

Abstract: In this study, theoretical definitions of inflation are given primarily. Further, the historical process of inflation in Turkey is pictured. Inflation has been discussed in terms of demand and in fight against inflation in Turkey, demand that is under the control of IMF is given to the restrictive policy. Inflation is discussed from the aspect of demand and, it is aimed to show if the inflation in Turkey, in contrary to general anticipation, is non-demand oriented, by comparing income and expenditure flows in this context. It has been concluded that who have a fixed income, such as especially civil servants workers and the retired, provided that having precautions against credit card spending, will be able to have an improved level of income.

Keywords: Turkey, Inflation, Demand, IMF, Fee

1.INTRODUCTION

Defined as the constant increase of the general level of prices, inflation has almost been a nightmare especially for developing countries. Inflation can be demand-related as well as it can be supply-related. Thus price increases can be originating from both productions cost increase and excessive demand pressure. In this fight against inflation, production cost increase, being involuntary and not being possible to intervene; monetary authorities are driven to, relatively easier to-do, demand-reducing policies. the countries, facing economic crisis applies to IMF in the resolution process. And IMF always recommended demand-reducing policies, which are defined as austerity policies colloquially. In this context, first wage and salary increases are limited. In time wages and salaries fell behind price increases and

this, lowered the public purchase power. After crisis, policymakers, refrained from making reformatory interventions to wage and salary, with the fear of re-increase in prices. For this reason wages stayed in low levels. In this study, it is represented that wages in Turkey can be increased to a certain level without causing inflation.

2. RELATION BETWEEN INFLATION AND DEMAND

The demand related factors of Inflation, can be defined in the scope of classical quantity theory and Keynesian approach of Monetarist movement. Classical quantity theory represents the relation between money supply and general level of prices with: $P = (V/T).M$ equation. According to this equation, general level of prices increases as money supply increases. This causes inflation. Thus, inflation is a monetary issue (Kibritçioğlu, 2001). In Monetarist approach uncontrolled increase of money supply mainly effects the general level of prices. And this situation causes inflation (Andersen, Leonall & Carlson, 1970). In Keynesian approach not direct income but the part of income spent on consumption is related with inflation and the effects of monetary easing is reflected in aggregate expenditure level by means of interest rates and investment outlays in relation to these rates, indirectly. Until reaching full employment level of national income demand pressure of monetary easing partially effects the current output and general level of prices. After reaching this, full employment level of national income, the demand increase resulting from monetary easing is fully reflected in general level of prices. But within the scope of this theory, the aim can be achieved without reaching the full employment level of national income by increases in the general level of prices. In short term, capital stock of economy being stable increases employment volume and this causes diminishing yield in production level and increases the cost, in respond to

increasing demand and production, increasing labour demand increases the negotiating power of employees and by approaching the full employment level the bottlenecks faced in production shows that, besides demand related factors, cost related factors can cause inflation before reaching the full employment level, as well (Saatçioğlu, 2005). There are different reasons of choosing demand-reducing policies in fight against inflation. And price stabilization is preliminary for monetary authorities.

Monetary policy is a policy to realize macro objectives, primarily price stabilization, determined by using variables such as money supply, interest rate, credit volume. "Contractionary/Tight monetary policy" can be followed by means of supporting high interest rates and monetary shrinkage. Since 1980s, after facing high inflation without getting the desired results, activist monetary policies, aiming multi-goals such as increasing production, decreasing unemployment, are left and highlighted the preliminary goal of monetary policies as price stabilization. The belief of low of or zero inflation is a primary condition of steady high growth is become popular worldwide. After not achieving the desired results from exchange rate peg and monetary targeting strategies in some countries, this brought inflation targeting up as an alternate strategy. Inflation targeting strategy is a monetary policy implementation which can be defined as a monetary policy, serving to the purpose of providing price stability and sustaining it, to be based on a determined numeral inflation target or target range and this target to be announced to public (Kartal, 2011).

The main reason of the price stabilization target to precede the other targets such as development, income distribution, unemployment; is economic sector to grow its power on fiscal policies. Financial circles are facing the threat of their income

of return on assets to meltdown because of inflation. Especially this problem is more visible in fixed-rate financial assets. And financial circles are highly repressive about low inflation. They play a highly important role in implementing contractionary policies and increasing interest rates on the grounds that decrease in unemployment rates, increase in public deficits and increase in growth rate would increase the inflation (Eroğlu, 2007).

3.DEMAND-REDUCING POLICIES IN TURKEY

Orthodox stabilization policies, which are recommended as a solution to inflation and balance of payments by International Monetary Fund(IMF) between 1950s to the mid-1980s to the developing countries, contains quick outlay expirations, tax increases and tight monetary policies. Orthodox stabilization policies are policies, generally accepted by international organizations and especially by IMF and furthermore deemed as preliminary in providing stabilization. These policies are successful in providing real balance and closing the budget deficit. But their success in providing balance between prices (wage, price, exchange, interest) is still argued. This brings up the wage and price policies and the deficits of orthodox programmes in providing relative price balance tried to be covered (Bayraktutan & Özkaya, 2002).For long years, Turkey tried to fight against inflation via IMF. With the advice of IMF, constantly demand-reducing policies are preferred in this fight. In the end the demand-reducing policies also became chronic as well as inflation. Even after reaching single digit levels in inflation monetary authorities insisted on implementing demand-reducing policies. Turkey, met the high inflation for the first time in 1979-80 with the balance of payments. This rate being almost 100% was highly contradicting to the experienced 10% rate of 1960s-70s. at the beginning of 1980s a highly effective

stabilization programme was implemented and with the help of tight financial policies and radical reforms, inflation was lowered in one year. In this period Turkish economy also became open to foreign countries. Even though inflation was lowered, in mid-80s macroeconomic balances became unstable again. And afterwards CPI was always over 50%. With the January 24 decisions the regime was changed into flexible exchange rate and devaluation in the rate of 50% was made. With liberality barriers of commerce also diminished slowly. In relation to the decrease in financial need of public sector, monetary easing was taken under control and price increases decelerated. Afterwards with the easing of monetary policies, this deceleration reversed. As a result of balance of payments reformation process,monetary policies tightened and interest rates increased again. ın relation to this, rediscount credits deducted and legal proceedings started on required reserves (Peker, 2011).

Especially in the crisis stemming from financial markets in late 1990s, governments implemented IMF supported stabilization programmes, which aims public deficits and taking inflationist pressure under control indirectly. One of the implementations of these contractionary fiscal policies implemented within the frame of these programmes, is creating primary surplus target as a specific financial rule. These fiscal policies were mainly targeting decreasing public expenditure and increasing public revenue. Contractionary fiscal policies to provide fiscal discipline by creating primary surplus, they reduced the budget deficit significantly. The primary surplus with the rate of 6.5 per cent implemented in 2000-2002 was defined as reducing the public domestic debt stock by giving primary surplus in public sector (Şimşek ve Altay,2009).

Main focus point of IMF type stabilization programmes are exterminating instability between aggregate demand and aggregate supply which reflects the balance of payments deficit and increase in prices. It is seen that IMF type stabilization programmes are mainly recommending demand oriented policies.Recently IMF understood the importance of supply factors and started to use policy instruments to improve production bottlenecks and usage of sources in the stabilization programmes. Still it is seen that in IMF programmes demand factors are given much more importance when its compared to supply factors (Topallı, 2006).

4.FIGHT AGAINST DEMAND INFLATION IN TURKEY AND PREFERRED METHODS

If there is a demand related inflation in this country, the ways directly limits the purchasing power of public are applied. Primarily, contractionary fiscal and monetary policies such as increasing interest rates and increasing tax rates are preferred.

4.1.Fight Against Demand Inflation In Turkey And Interest Rates

One way for monetary authority to take aggregate demand under pressure is using short term interest rates. With the regime change to open economy inflation targeting in Turkey, short term interest rates set as an instrument and the change in interest rates are related to the changes in inflation expectations. Implementing inflation targeting, policy setup of central bank focuses on effecting inflation by means of aggregate demand, linking the change in interest rates to the changes in inflation expectations. It is represented that with the interest policies implemented by CBRT since 2002, crucial acquisitions are achieved in the fight against inflation and aggregate demand taken under control (Balaylar & Abuk Duygulu, 2011). In fight

against inflation, a monetary authority to apply monetary discipline or limitation is an implementation mainly seen in orthodox programmes.

The main condition of Orthodox policies is providing trust to economic agents that the targets of the programme to be abided completely (credibility). On the other hand, the basis of orthodox policies is tight fiscal and monetary policies to be adopted. Liberalizing prices in application, a policy to limit public expenditures and increasing tax revenues is implemented. From this aspect "The Transition to Strong Economy of Turkey", having similar characteristics, can be defined as an Orthodox stabilization programme (Taşar, 2010).

With the "Transition to Strong Economy" programme, Turkey has entered to an important economical changing period. In early 2002 Turkey switched to implicit inflation targeting and at the beginning of 2006 switched back to explicit inflation targeting (İnal, 2006). Thus since 2002 short term interest rates are being used as a policy instrument and probable developments as to next period inflation are evaluated and determined. Central Bank desired to follow the path of tight monetary policies to prevent factors such as inflation to become off track, disruption of the expectations, shocks etc. to be reflected in prices. By implementing tight monetary policies, it is aimed to repress aggregate demand and thus, to lower inflation rate (Badurlar, 2009).

Besides inflation rate, in creation of expectations, the interest rate of short term policy implemented by CBRT, representing the position of current monetary policy is an highly important factor effecting expectations. From 2002 to May 2010 overnight borrowing rate is used as policy interest rate and after May 2010, one-week repo rate, announced to public within " Exit Strategies for Monetary Policies" released on 14th April 2010, has

started to be used as policy interest rate (Yılmaz, 2012).

4.2.Tax Policies In Fight Against Inflation In Turkey

Especially in developing countries, the direct taxes which mainly concern high-income groups such as income and corporate tax are not collected sufficiently. For this reason indirect taxes are preferred as an easy way. Thus both budget deficitsare closed and also consumer demand is suppressed in these inflationist environments.

There is an interaction between inflation, being defined as the increase in general level of prices as a result of aggregate demand to be higher than aggregate supply, and taxes, which is a public revenue collected by government forcefully. Inflationist environments cause a decrease in the real value of tax revenues and the changes in tax rates has an important effect on inflation. Taxes, being the partial transfer of private sector revenue to public sector, they have an impact on aggregate demand. With the taxes taken from personal income, purchasing power of demandants decreases and this decreases the demand against products and thus an anti-inflationist environment is created. From the aspect of aggregate supply, the indirect taxes on the inputs used in production causes cost increase, in other words, this causes cost inflation. These kind of taxes being reflected on the price of the product, causes general level of prices to increase and inflation (Güvenek, Alptekin ve Çetinkaya, 2010).

In Turkey indirect taxes, having a 48% share in total tax revenues in 1990, by increasing constantly in 2005 they reached the level of 70%s. And direct taxes lowered from 52% to 30%levels (Armağan, 2007). In 2010 these rates were 7% for direct taxes and 14.3% for indirect taxes and it is even higher than the double. Between the years of 2002 to 2010 it is seen that the share of indirect taxes in GDP navigates in the actual level of almost doubling direct taxes share and tax burden is mainly concentrated onindirect taxes. (Gencel, 2012).This shows that the choice in tax policies in Turkey is mainly concentrates on indirect taxes not direct taxes. In EU countries the share of indirect taxes in total tax revenues is 35% and the share of direct taxes is 65% (Armağan, 2007). The Table2 given hereinbelow, represents the shares of indirect and direct taxes in total tax revenue in Turkey.

Table 1: The Shares of Income, Corporate and Value-added Taxes in General Budget Tax Revenue (2000-2012) (Thousand TL)

YEAR(S)			INCOME TAX COLLECTION	THE SHARE IN TAX REVENUE(%)	CORPORATE TAX COLLECTION	THE SHARE IN TAX REVENUE (%)	TOTAL VAT COLLECTIONN (DOMESTİC + EXPORT)	THE SHARE IN TAX REVENUE(%)
2000			6.212.977	23,4	2.356.787	8,9	8.379.554	31,6
2001			11.579.424	29,1	3.675.665	9,3	12.438.860	31,3
2002			13.717.660	23,0	5.575.495	9,3	20.400.201	34,2

2003			17.063.761	20,2	8.645.345	10,3	27.031.099	32,1
2004	(*)		19.689.593	19,5	9.619.359	9,5	34.325.208	34,0
2005	(*)		22.817.530	19,1	11.401.986	9,6	38.280.429	32,1
2005	(*)		26.849.808	20,3	13.583.291	10,3	42.263.650	32,0
2006	(*)		31.727.644	21,0	12.447.354	8,2	50.723.560	33,5
2007	(*)		38.061.543	22,2	15.718.474	9,2	55.461.123	32,4
2008	(**)		44.430.339	23,4	18.658.195	9,8	60.066.230	31,6
2009	(*)		46.018.360	23,4	20.701.805	10,5	60.169.248	30,6
2010	(*)		49.385.289	21,0	22.854.846	9,7	75.649.986	32,1
2011	(*)		59.885.000	21,0	29.233.725	10,3	95.550.463	33,6
2012	(*)		69.671.645	22,0	32.111.820	10,1	103.155.875	32,5

(1) edv. nav. and emtv. Excluded
(2) edv. nav. and emtv. Included
Note: 1- 2000-2005 numbers, local administiration and fund shares excluded, refusals and refunds included total values.
2- in years between 2008-2012 minimum living allowance is included in income tax stoppage numbers in tax incomes.
(*) To provide the same base with former years, refusals and refunds are included in the numbers.
(**) In the budget act between the years of 2006 - 2012 local administrationsand fund shares along with, refusals and refunds being included, to provide same base these components are included in the numbers.
Source: Revenue Administration,
http://www.gib.gov.tr/fileadmin/user_upload/VI/CVI/Tablo_59.xls.htm,
Accessed:05.11.2013

4.3.Comparison of Demand Increase and Inflation Rates in Turkey

The income has to transform into expenditure to be able to talk about an economical demand. Expenditures are generally realized in two ways: a person or a corporation realizes this expenditure either by using self-sources or contracting debts. In this section the expenditures in Turkey considered from this aspect and it is aimed to compare real inflation numbers with loans taken from banks and the expenditures made with credit cards.

**Table2: The Expenditures with Credit Cards and Bank Cards in Turkey (2008-2013)**

Transaction Amount (million TL)		
Year	Credit Card	Bank Card
2013*	314.382,04	267.011,90
2012	361.328,97	311.040,93
2011	290.856,77	255.080,41
2010	234.492,06	217.064,27
2009	203.150,30	185.101,38
2008	185.548,92	153.222,42

Chart 1: Credit Volume of Banking Sector (Including CBRT) (Weekly, Thousand TL)

Total Volume of Loans
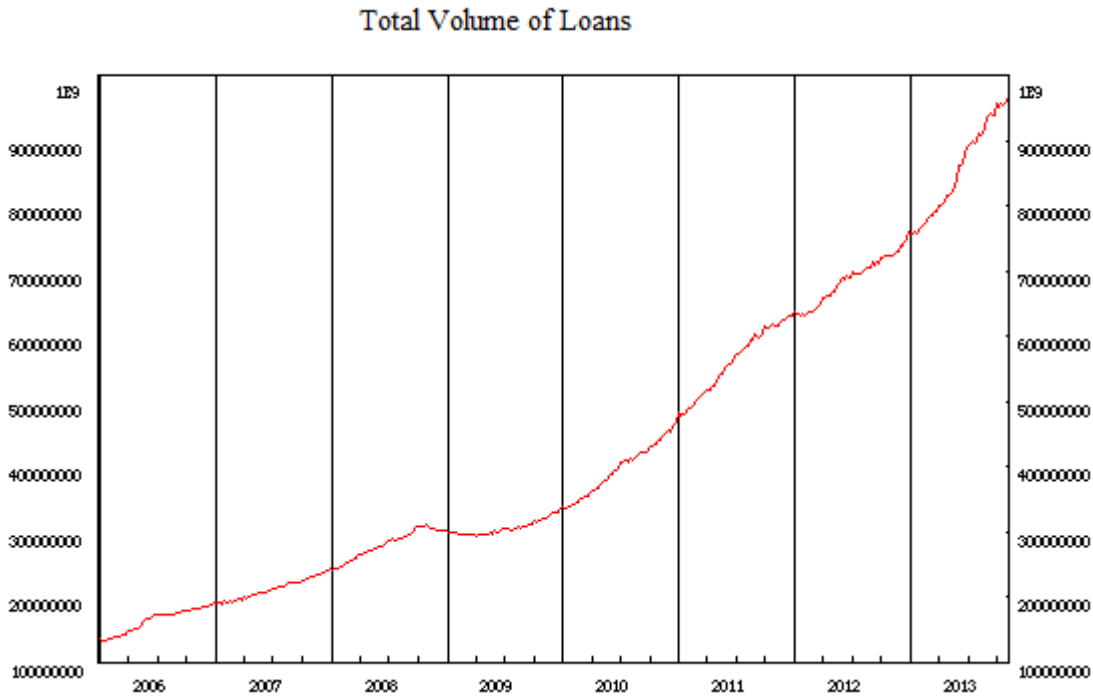
Credit Volume of Banking Sector (Including CBRT) (Weekly, Thousand TL)[*]

Source: Central Bank of the Republic of Turkey, General Directorate of Statistics, Directorate of Monetary and Fiscal Data

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[*]This chart includes the banks within the scope of Saving Deposit Insurance Fund. There has been a transition after, formerly being one of the development and investment banks Deutche Bank, to become classified as a deposit bank from the date of 10.22.2004. After most of its shares (89%) were bought by Fortis Bank and NV-SA, from the date of 07.08.2005, T. Foreign Trade Bank Inc., is classified as a foreign deposit bank instead of private deposit bank.The changes observed in the data of Private Deposit Banks and Foreign Deposit Banks, from the date of February 18 2011, are the result of Turkish Economy Bank (TEB) and Fortis Bank Turkey to merge under the name of TEB.

Table 3: Consumer Price Index Numbers (2003=100)

Annual Change (Change According To The Same Month Of Previous Year) (January) (%)	
2007	9,93
2008	8,17
2009	9,50
2010	8,19
2011	4,90
2012	10,61
2013	7,31

Source:http://www.tuik.gov.tr/, Accessed:01.03.2014

In 2008 total card expenditure is 338millionTL and, in 2013 with a 58%percent increase this number is 581millionTL (Table1). And the total credit volume in 2006 is 120000000 TL but in 2013 with an approximate 90% increase the volume is around 1000000000 TL. CPI rate in January 2007 is 9.93% but in 2013 with a decrease of 2 points it is 7.31%. According to this data, during this periods there is a excess demand booming relatively to income increase rates. Nevertheless, the stabilization in inflation rates continued.

5. RESULTS

The obvious progress in Turkish economy, when it is compared to former periods, is undeniable. No doubt those single party regimes, along with consistent approach of monetary authorities have a crucial share in realizing this. In fight against inflation generally demand-reducing policies are preferred. For this reason, especially wage increases of fixed income groups such as officers, workers, minimum wage groups and pensioners, are taken under control. As it can be deducted from tables and charts, a huge part of Turkish population is in debts above their income. This situation is mostly occurs via debt instruments as credit cards or bank loans. This creates an excess demand in consumption of goods and service. Though the inflation rate is still stabile and is not increasing. So, one can say that the inflation in Turkey is not demand related. The level of income is low in Turkey. Especially by putting limitations on borrowing facilities, provided by credit cards, by means of taking average of total debt amount as a basis, the income levels can be improved. Otherwise,this will strengthen the exploitation dominancy of financial sector, conducted via interest mechanisms. And economy will become fragile between debt and interest.

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