

Global Crisis of 2008 and its Effects on an Emerging Economy of Turkey's Growth Process

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Abstract

By the year 1980 with a new world order began to take shape more clearly, the crisis started to gain global feature. All economies involved in the global system were forced to play the role given by the new order. In this study, within the framework of this new order, effects of the last global crisis of 2008, and the rising economy in Turkey will be discussed. At the same time the course and speed of the effects of the crisis will be revealed. The basis of the study which is enriched by the statistical studies will be formed by self effects as well as the taken and applied economic decisions. In the first section, the process after the national crisis that Turkey had experienced since 2001 will be evaluated. It has been identified that Turkey has shown a negative growth from 2002 to 2008. In 2009, Turkey experienced strict contraction and began to recover in 2010. However, experiencing the growth rate of 7.7% until 2009 has emerged as a contradiction since the growth rate was 4.5% even in the 1950s. Today, if this rate is not increased, convergence is inevitable, which is the focal point of the study. Another focal point of the study is, the next 10-year period in Turkey's contribution to production due to the young population will peak of the active population, and will develop a low risk banking system and the goal of being the 10th greatest country by the year 2023. In the case of what can be done to achieve that goal; Interest and inflation will not increase but followed more loosely program than in the past, maintenance of the external source input and the others.

Keywords: Global Crisis, Turkey, Emerging Economy, Expansion, Economics

Introduction

Turkey economy, particularly after 1980, as a result of both internal and external dynamics, experiences numerous crises. These crises experienced made the growth, qualified as increase in production capacity, unstable. This instability negatively affected the national income per capita. When these crises of interest are combined with political and economic negative developments, it is observed that the serious falls in growth rate. With 2001 National Crisis is overcome, in the process ranging to 2008 Global Crisis, growth rate actualized over 5%. The realizations in growth directly affect the other areas of economy. The aim of this study is to discuss the effects of 2008 Global Crisis, one of crises affecting Turkey, on growth process of Turkey.

The Concepts Economic Growth and Crisis

Growth, one of the oldest targets of societies (Soule and Antell, 2001: 327) and expressed as increase in income, is measured by the increases in real Gross Domestic Product (GDP) (Parasız, 2003: 10). Also, in order to be able the vicious circle of poverty, it was considered as a necessary condition (Yılmaz and Akıncı, 2012). Growth is analyzed via variations occurring from year to year. But, it is not reasonable to assess the increase or decrease in growth with the figures of only one year. For example, positive growth expresses the continuous and permanent increase in income level, not an increase for one time (Ülgener, 1980: 408-412). Together with increase of crises, the fruit of capitalism i.e. the disruptions in economic balance (Eğilmez, 2012: 167), growth was begun to be scrutinized not only quantitatively but also qualitatively. Thus, provided that the increase in growth rose the income per capita, it was begun to be emphasized that it was reflected on the individual as development and welfare. The welfare and development of the individual comes to our face as final aim of growth. But, the crises interrupting the ordinary course damage to this final aim. Togetherness of crisis and growth presents the answer of the question “Why is growth desired in economic meaning?” more clearly so that growth targets on the society and its development. The desired growth is the one that gives a chance to save to the individual and society about future, distributes the increase in welfare justly, encourage the human development making a contribution to the society, and realize it (Berber, 2004: 6). Provided that the growth enabled all of these, the dimension of development and welfare is proceeded. What already implied with economic growth is the growth free from price increases i.e. real growth (Eğilmez, 2012: 38).

2008 Global Crisis And Growth Process of Turkey That Is An Emerging Economy

In the second half of the year 2008, the essence of crisis reaching global dimension is the problems experienced in mortgage market in US (Susam ve Bakkal, 2008:73). Turkey entering a serious recession period with crisis caught the stability via the fiscal and monetary policies applied . But this stability was badly affected from the global crisis unavoidably. This exposure made itself evident in especially in growth rate so that, together with crisis, slowing occurred in the growth rates of both the developed and developing countries, not only of Turkey. while the growth rate of world economy was 5% in 2007, it fell to 3s% in 2009 (Susam and Bakkal, 2008: 77). While Turkey recorded a growth of 1.1% in average between 1997 and 2001, this average became 7.2% in average between 2002 – 2006 (Kesici, 2010: 12). Together with this crisis, not only in Turkey but also all over the world, the values of national income, employment, credit, and foreign trade experienced the greatest fall after 2nd World War (Aydoğuş, 2009: 31). In Turkey economy, The growth that fell together with crisis was followed by the regression in foreign trade and increase in budgetary deficit. In response to these negativities, current deficit fell and interests regressed. The financial sector damaging in the national crisis in 2001, with loosening the monetary and fiscal policies and going to interest reduction (Eğilmez and Kumcu, 2011: 362), reached the position of finding the real sector to be able to give credit. But, in the last crisis, real sector was also damaged, so that as experienced in the year 2008, the most important characteristic of economic system entering crisis and the symptom of crisis

became mistrust prevailing in markets (User, 2009: 1). This also made itself evident seriously in real sector.

The most important distinction of this crisis in terms of Turkey economy is that chronic inflation was not experienced, when crisis set out and while it was continuing (Akut, 2009: 21). Turkey entered the last crisis more strongly. The other point is also that low inflation, low interest, and floating exchange rate is simultaneously under consideration in economy. So, for the savers providing return with high interest, the new and different period started (Akut, 2009: 27). According to Çolak (2009), the recent global crisis collapsed supply oriented economic policies becoming popular after 1990 and ended the institutional structuring formed with these policies. That is government began to be effective again in economy.

Table 1: National Income Figures / Turkey (2000-2012)

Year	Quarter	GDP in current price (Million TL)	Development Rate (%)	GDP with constant price (Million TL)	Development Rate (%)
2011	1	289.905	20,3	26.383	12,4
	2	317.392	19,3	28.083	9,3
	3	351.173	18,6	31.177	8,7
	4	339.243	14,7	29.533	5,3
	Annually	1.297.713	18,1	115.174	8,8
2012	1	326.880	12,8	27.257	3,3
	2	346.340	10,1	28.895	2,9
	3	376.419	7,2	31.667	1,6
	4	364.177	7,4	29.935	1,4
	Annually	1.416.817	9,2	117.753	2,2
2000	Annually	166.658	59,3	72.436	6,8
2001		240.224	44,1	68.309	-5,7
2002		350.476	45,9	72.519	6,2
2003		454.780	29,8	76.338	5,3
2004		559.033	22,9	83.485	9,4
2005		648.931	16,1	90.499	8,4
2006		758.390	16,9	96.738	6,9
2007		843.178	11,2	101.254	4,7
2008		950.534	12,7	101.921	0,7
2009		952.558	0,2	97.003	-4,8
2010		1.098.799	15,4	115.174	9,2

Source: www.tuik.gov.tr/PreHaberBultenleri.do?id=13471

With current prices						With (constant prices (1998))		
Year	Population in the middle of year		Development Rate	Per Capita	Development Rate	Year		Development rate
	'000	TL	%	\$	%		TL	%
1998	62 464	1 124	-	4 338	-	1998	1 124	-
1999	63 364	1 651	46,9	3 907	-9,9	1999	1 071	-4,7
2000	64 252	2 594	57,1	4 130	5,7	2000	1 127	5,3
2001	65 133	3 688	42,2	3 021	-26,9	2001	1 049	-7,0
2002	66 008	5 310	44,0	3 492	15,6	2002	1 099	4,8
2003	66 873	6 801	28,1	4 559	30,6	2003	1 142	3,9
2004	67 723	8 255	21,4	5 764	26,4	2004	1 233	8,0
2005	68 566	9 464	14,7	7 022	21,8	2005	1 320	7,1
2006	69 395	10 929	15,5	7 586	8,0	2006	1 394	5,6
2007	70 215	12 009	9,9	9 240	21,8	2007	1 442	3,4
2008	71 095	13 370	11,3	10 438	13,0	2008	1 434	-0,6
2009	72 050	13.221	-1,1	8 559	-18,0	2009	1 346	-6,1
2010	73 003	15.051	13,8	10 022	17,1	2010	1 450	7,7
2011	73 950	17 549	16,6	10 466	4,4	2011	1 557	7,4
2012	74 855	18 927	7,9	10 504	0,4	2012	1 573	1,0

Source: www.tuik.gov.tr

Note: Population estimations are based on 2008 Address Based Population Registration

Turkey economy entered 2011 with a growth over that is predicted. In the first quarter of the year 2011, GDP grew 12.4%. With this growth rate, Turkey economy became one of the fastest growing economies of the world. Also in EU, Turkey that is the fastest growing country maintained this title of it with the growth rate of 8.2% actualizing over the expectation in the third quarter. Turkey economy, with its growth of 8.2% in third quarter, took place in the first rank among European and OECD countries, and in world ranking, in the second rank as a county having the most increase rate of GDP, following China. Turkey economy, with the effect of delayed internal demand in the crisis period as well, experienced a strong and internal demand induced growth process in the leadership of private sector in the years 2010 - 2011. In 2010, together with the expectation becoming better in the market, middle termed polices and the trust to the political stability and fast input of capital, and strongly financed investments provided economy to grow rapidly. Turkey economy, despite the controlled slowing beginning in the second half of 2011, rose up the pre-crisis level by 14.1%. The Turkey economy growing 8.8 % in average in 2011, with this performance of it, took places among the fastest growing countries in the world. In this period, the increase in the consumption and investment expenditures of private sector became the driving force of especially internal demand induced stimulation and significantly affected the growth. In this process, current deficit reached the highest levels and distinction in the internal and external demand from the aspect of expenditure became very remarkable. The most important contribution to the growth of 8.5% in 2011 came from the internal demand with 10.2 points. Since the saving levels is low, this growth, mostly financed with external

resources, caused the rate of current deficit to GDP to rise to %10. This situation led to some concerns about the sustainability of economic growth. In the first half of 2011, while Turkey economy was growing based on internal demand, the external demand negatively affected the growth. This situation varied along with the second half of the year. With the effect of the measures taken to cool down the economy, while rebalancing process was begun in internal and external demand, the contribution of external demand to the growth gradually took a positive appearance. Turkey economy beginning to slow in a balanced way, beginning from the second half of 2011, orientated the path of soft landing, where one was in. This process we called as soft landing is to balance the composition of growth between internal and external demand and thus this is normalization of growth.

Table 3: Basic Indicators on World Economy (%)

	2008	2009	2010	2011	2012*	2013*
World Growth	2,8	-0,6	5,1	3,8	3,3	3,6
World Trade Volume	3,0	-10,7	12,6	5,8	3,2	4,5

Source: IMF, World Economic Outlook Report, October 2012

Also in the 2012, the negative effects of global crisis on world economy continued, despite the measures taken had the tendency of slowing in country economies was maintained. Although 5 years passed from global crisis to now, especially the developed countries and Euro region, many countries could not still solve their basic macroeconomic and financial problems. Emerging countries, also including Turkey, often depend on the capital coming from the developed countries and this dependency can be viewed as a suicide agreement, when the things get worse i.e. in the periods of crisis (Roubini, 2012: 139). As a matter of fact, the effect of the last crisis was felt on the real sector of Turkey and caused the real sector to become smaller (Çoban, 2012: 167). At the end of 2008, after worldwide crisis becoming deeper with the bankrupt of Lehman Brothers, world economy showed a strong improvement, but lost an acceleration again beginning from the second half of 2011.

Conclusion

Also before 2011, Turkey that could not catch a stable growth trend, along with 2008 Global Crisis, experienced a fall in its growth rate from time to time. The high growth experienced in the first quarter of 2008 was mostly resulted from the increase in internal demand. Beginning from the second quarter of 2008, the fall in growth rate began in the growth rates and in respect with third quarter, the effects of international crisis were thoroughly begun to be felt. Depending on becoming of crisis deeper, the growth rate continued to fall. In addition:

1. The last crisis is viewed as the mother of all monetary crises
2. Political stability, structural reforms, and macroeconomic stability make positive contribution to the growth rates.
3. Diplomacy and economic activities going toward from multi - polarity to single polarity affected every kind of institutes and the rules, supposed not be changed, began to change. While the power balances was reestablished, acquiring maximum share will be the best result. What appears from here is that Federal Reserve Bank did not intervene and raise the interests in American economy growing and experiencing energy outbreak in the years

before the last crisis, even if on the purpose of preventing inflation in American economy. As a result of all of these, the depression economy returned.

4. Crisis affected all areas in the world. Along with the global crisis experienced some paradigms determining the world and Turkey economy collapsed. This collapse is also the predictor of new formation after crisis. For example, China economy is expected to reach a growth of \$ 30 trillion in 2040. When considering the effect of China, it will not be wrong to say that new economic order will pass to labor intensive system again. The labor-intensive strategy here implies brain power, not the muscle force. That is, the essence of creating economic value any longer became knowledge
5. At the point, where global crisis turned into global crisis, and deeply affected the real sector, crisis became a debt crisis. At the moment, EU countries are experiencing the best example of this situation. While Europe is experiencing crisis, that Asian countries are growing gives an opinion to us about the new system and new world. Economic dynamic is rapidly shifting toward Asia.

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