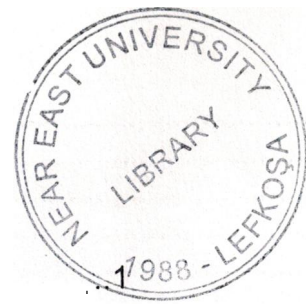## NEAR EAST UNIVERSITY

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INFLATION IN TURKEY
AND
INFLATION AS AN ECONOMIC ILLNESS

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CONTENTS

INFLATION & THE INFLATION IN TURKEY

A clear and inertial increase in the general prices level is called inflation Inflation has three reasons;

a. an increse in the aggregate demand   DEMAND INFLATION

b. an increase in the input prices   COST INFLATION

c. an intractability between supply formation and changing demand composition   STRUCTURAL RIGIDITY INFLATION

I. TYPES OF INFLATION

a)DEMANDINFLATION

Demand inflation is rumoured, generally because of monetory reasons, in the case of aggregate derrıand's going beyond aggregate supply during full employment level. Although all of available production factors labor and capital and naturel resources are used in the economy, or in another way of saying if supply elasticity equals to zero, if demand increases, there' ll be a demand inflation. An increase in production in short period is imposible, real national income stays in the former level but monetary national income increases because of the increase in prices. This autonomic increase in the aggregate demand, can be the result of monetary policy or finance policy. For example banks enlarge credit capacity by getting into debt to Central Bank. The autonomic increase in the consumption trend gives the same result ın the growing countries, the increase in population, urbanization and the contacts with developt countries, causes an increase in the consumption trend. An autonomic increase in the private investment expenditure will give the same result.

Finally, an increase which can not be balanced with an equivalent decrease ın government expenditure (G) serviceable income or in private consumption expenditure (C) is seen. The net effect of this is, the increase in aggregate demand. As a result it is produce which rises with increasing prices.(l)

l ı Richard G. lipsey, Peter O. Steiner, Douglas D. Purvis, "Economics", Seventh Edition, p. 72.

TO MEET AN INFLATION DEFICIT
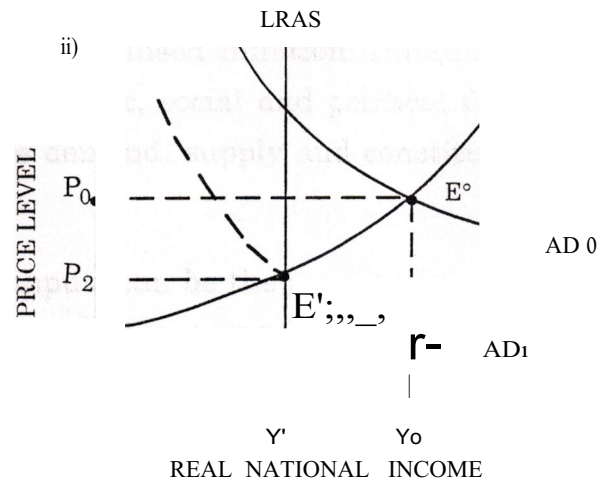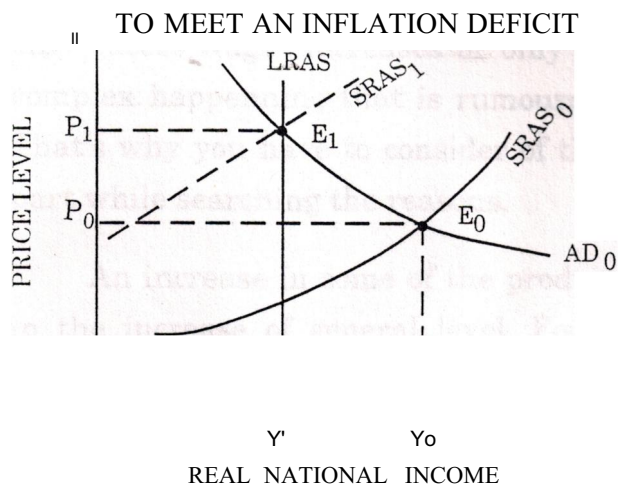
An inflation Deficit can be met by sliding SRAS (Short time aggregate supply curvedline) upwards, by a decrease in the consumptions of privatesector or by a decrease in aggregate expenditure which is warned by policy. At the beginning the equilibrium is E, real national income is Y and price level is Po Inflation deficit toy;, Yo.

i) In this grafic, the deficit can be met by sliding short time aggregate supply curved line to SRAS as a result of the increase in wage and other prices. In that situation the equilibrium income will increase and be Y!, which is fullemployment level. The price will increase and move te P_1 from P_0.

ii) In this grafic; the deficit can be met by sliding aggregate demand curvedlirıe to ,L\D1 . In that position income will be Y,,, price level P2 and the equilibrium point will be E_2 . The slide in AD will be just because of normal decrease in aggregate demand or reducer finance policy.

b) COST INFLATION

Cost inflation is rumoured by an increase in one or more elements prices which forms production costs that causes an increase in general prices level. Cost inflation depends on the reasons which causes demand inflation., We have to consider if the reasons are constant or removed. The reasons of cost inflation are clevalution, the increase in indirect taxes, excess wage increases, the inrease in interest rates and the increase in profit rates.

You can't say only one reason causes inflation. For example you can't say only excess wage increases or only devaluation caused inflation. Inflation is a complex happerning that is rumoured by economic, social and political factors. That's why you have to consider of the some demand, supply and constitutional part while searching the reasons.

An increase in some of the production inputs can be the reason of the start ın the increase of general level. For example in the countries where labor is scanty and the syndicate is strong, the syndicates are succesfull in increasing wages. The increase in wages will increase production costs in the ratio ~ith the seriousness in the aggregate cost. On our times, in most of the sectors the production is done in imperfect competition conditions. That's why firms have the change to transfer the large part of the increase in costs by increasing the prices, to consumers. The increase of the prices of the inputs which are imported, gives the same result. The increase in the imported goods prices, is achieved because of the increase in prices in export country or because of the decrease of the import Country's money value. The increase in import inputs costs especially because of the change in the rate of exchange, raises lot's of the cost of products in the economies where the import inputs are used in most of the industries branches.

If cost increase will create a manner of inflation, monetary structure must be suitable. If the money quantity in circulation and the speed of the money circulation doesn' t change when the goods' prices increase because their costs increased, the structure of proportional price can change or stagflation starts while general prices level increasing, but a manner of inflation doesn't occur ın order to preserve previous level of aggregate dealing capacity and real national income, money capacity must increase when general prices level increased. If more money capacity than the price increasing needed, gained, the stagflation will be removed. It can be gained by the help of banking system by increasing their credits, Central Bank by enlarging its emission quantity, people and firms by supplying their idle money store to circulation. The stagnation will be removed but inflation will arise because the increase in the incomes because of the increase in input prices, will cause cost inflation which is supported by demand inflation. The increase in costs causes real profits increasing if imperfect competition is valid in the market and firms determine their prices by the

method of cost + definite profit ratio and if demand conditions are suitable - ın this position it' s suitable-. If there is not over capacity that' ll counterbalance the increasing demand in the economy, prices will increase again. The increase in consumption goods prices causes, the sellers who sells production goods, demanding new income raising. Finally the increases in costs and demands creates a manner of inflation by supporting each other. The cost increases which aren' t supported by demand increases won' t cause a constant manner of inflation. (2)

Especially, if there are budget deficits in developing countries, this might lead the way to demand inflation and to constant over consumption. In order to avoid this if you increase indirect taxes to decrease or to purchase illicitly the budget deficit, it will cause a cost inflation for once only but as a covering fund, it will avoid or decrease budget deficit and demand inflation in following years. If constant indirect tax increases are made to avoid budget deficit, it will cause frequently, for once but repeatedly and continous cost inflation rounds.

In Turkey the increases in the goods and services which are given by Public Economic Enterprises, give the same result. The Public Economic Enterprises' s deficit will cause demand inflation and money emission. Increasing Public Economic Enterprises' goods prices instead of increasing productivity, decreasing cost and reorganization at public Economic Enterprises will cause again budget deficits and demand inflation. Constant Public Economic Enterprises' s increases will cause repeatedly cost inflation rounds.

In practice to make a difference between demand inflation and cost inflation, is difficult.(3) This has two reasons. First, especially in developed countries generally price increases won't occur in an incorporated way at markets, the board of directors of the firms which show activity in industry sectors that are competition, come together and decide an increase in prices. You have to take care that if that decision will cause inflation or not.

2) Prof. Dr. Sevim Görgün, 'Maliye Politikasa Dears Notları 4 İstanbul 1988, s. 81-82.

3 Tuğrul Çubukçu, "Enflasyon Teorisi ve Türkiye'de Enflasyon, Ankara, 1983.

Second; in practice demand inflation and cost inflation occured together, sometimes demand inflation helixes may occur. In that situation you can' t make a difference between demand inflation and cost inflation. For example labor syndicates may demand a wage increase which will be more than the inflation that' ll occur in next year and this will occur a cost inflatiom that' s over demand inflation, or firms may cause a cost inflation by increasing the prices because of the increase at demands. Again goverment in order to avoid the decrease in employment which is occured because of cost inflation, may increase aggregate demand over this and cause a cost-demand inflation helix. You have to take care, you have to make an analysis.w'

c) STRUCTURAL RIGIDITY INFLATION

Structural Rigidity inflation occurs because of the maladjustment between demand construction. There are alot of reasons. There can be an autonomic increase at the demand of a definite good production capacity can' t keep step to the increase at demand in a short time. For example, if there is a great urbanization trend in a country, the reason of the increase in some basic building inputs prices, is unequal increase at supply with demand. Urbanization increases housing demand and housing investments at cities. Then the demand to the goods which are used in housing like iron, cement, will increase. Because the supply of these goods don' t increase, their prices increases and also in the sectors where the same goods are used as inputs, the price will increase. If we suppose that money. capacity and incomes don' t change, if the consumptions to the goods that prices increased, increases, then demand of the other goods and the prices of these goods must decrease. because the sources glides to the goods which prices decreased from the goods which prices increased, after a period production construction can change according to demand construction, but this kind of change can become confirmed in a long period. Furthermore, the sources in the country may not be available for the production of the good that demand' s increased. In that situation, the bottleneck which is created by the good that demand' s increased, continues. If demand construction changes and if there are bottleneck in lots of goods and if money supply is elastic enough in a country, then those kind of increases at prices change to a manner of inflation.

ı ⁻ı Prof. Dr. Mükerrem Hiç, "Para Teorisi ve politikası" İstanbul 1992 s. 465.

II. EFFECTS OF INFLATION

1. According to social classes; Having narrow income, retireds, salarieds represent the group whose income decreased the most, because their incomes are connected with the augmentation that government will do. They don't have the effect of projecting prices, but producter can increase prices. Sellers are in active position and the others are in passive position.

2. According to saving; When the value of the money decreases, saving decreases. Escape from money starts. People won' t trust money. Buying glides to gold and share instead of money because people arerı' t sure of what' ll happen in the future.

3. According to overseastrade; Goods become expensive because internal prices increase during inflation so foreign demand decreases. Goverment will make devaluation, they decrease the external value of money in order to reduce the price.

4. According to investment; Because the investments need a long time during deflation period, ınvestments won' t be done as the value of money will change.

5. Acconding to interest; Interest rates increase during inflation because the value of money decreases.

6. According to wages; As wages are a price, they' ll increase during inflation. Salarieds need more money because the prices increase. The increase in wages depend on the power of syndicates.

7. According to National Income; nominal national income will increase because prices increase but real national income decreases because the purchasing power of money decreases. (5)

ı:lı Prof Dr. Ali Özgüven. "İktisada Giriş". İstanbul 1989.

III. EVENTS WHICH CAUSE INFLATION IN TURKEY

I St Group; Reasons cause excese demand In this group we have to search the reasons which increases aggregate demand.

a) The more money creation than the economy needs; During the inflation periods which experienced in turkey and from 1970' s till today we see important increases at general prices level, emission and credit capacity and the increase in money supply has been more than the increase in real national income (Table I).

For example according to the prices in 1970' s, although the national income multiplied 2.2 times in Turkey, the money amount in the market multiplied 14.2 times and Central Bank credits multiplied 107 times and whosale prices multiplied about 106 times. So we can say that one of the most important reason of inflation in our country is monetary policy.

b) Budget Deficit; Saving *power* of our economy has been inadequate in order to provide rate of development which was determined development plan .-\lso government increased current expenditure because of political reasons and that's why there has been always budget deficit and these deficits were purchased illicitly by Central Bank sources and by getting into debt. (Table II ₁

c) **Deficits of Publis Economic Enterprises** : Fund need increasel year by year for both circulating capital of public Economic Enterprises and investments. Inflation was effected in a negative way because supplementary financing need except equity capitals has been counterbalanced by Central Bank sources till 1984. Financing part which was secured from budget, used to be 33% ratio of aggregate sources in 1984, in 1985. It receded to 18.3% and in 1984 ıt receded to. 14%. However foreign project credits ratio in aggregate sources increased to 58% in 1986 from 35.7% in 1984.

TABLE I

The Increases at National Income, Emission, Central Bank Credits, Whosale Prices During 1970 - 1986

(millionTL)

Years	National Income" (1986 Producter Prices)		Emission=		Central Bank Credits··		Wholesale Prices Index %
	Value	İncrease %	Value	Increase %	Value	İndex %	
1970	125.425.2	100.0	13.915	100.0	14.565	100.0	100.0
1971	138.185.3	110.2	17.032	122.4	16.273	111.7	115.9
Hl,2	148.476.5	118.4	20.055	144.1	19.534	134.1	136.8
19,'.3	156.457.6	124.8	25.332	182.0	27.886	191.4	164.8
1\)ı 4	168.012.9	134.0	32.860	236.1	45.816	314.6	214.0
Hl,5	181.383.3	144.6	40.938	294.2	54.756	375.9	235.5
197f3	195.327.5	155.7	52.061	374.1	96.824	664.8	272.2
1977	203.358.2	162.1	77.881	575.9	189.699	1.158.6	337.7
1978	209.182.6	166.8	113.662	819.9	241.886	1.511.1	515.3
1979	208.343.1	166.1	182.877	1.314.2	382.138	2.623.7	844.7
198()	206.120.9	164.4	278.615	2.002.3	655.183	4.498.3	1.750.6
1D81	214.671.7	171.2	386.445	2.777.2	925.480	6.354.1	2.349.2
L982	224.542.8	179.0	542.724	3.900.3	910.513	6.251.4	2.998.6
1983	231.863.4	184.9	730.511	5.249.8	1.234.079	8.472.9	3.917.6
1984	245.521.2	195.8	972.609	6.989.6	879.943	6.041.5	5.955.7
1985	258.086.0	205.8	1.393.500	10.014.1	1.299.600	8.922.8	8.335.4
1986	278.102.4	221.7	1.983.900	14.257.7	1.555.500	10.679.7	10.561.2

1970-76, Turkish Statistigs Annual 1977, p. 363, 1977-84, Turkey Statistics Annual 1985 p. 435; 1985-86 Yearly Economic Reports, ministry of the Finance & Costoms p. 9

"" 1970-78, Conjuncture 1978, p. 29, 1979-84, Turkish Statistic Annual, s. 402 1985-86 1986 Yearly Economic Reports, ministry of the Finance & Customs p. 93

" 1970-76. Turkish Statistics Annual 1977, p. 254, 1977-84, Turkish Statistics Annual 1985 p. 403, 1985-86. Yearly Economic Reports 1986, ministry of the Finance & Customs p. 99,

TABLE II
CONSOLIDAToEDBUDGET DEFICITS BY CURRENT PRICE

Years	Consolidated Budget Incomes	Consolidated Budget Expenditure	Budget Deficit	Budget Deficit Gross National Product
1975	115.1	116.3	-1.2	0.2
1976	153.8	157.7	-3.9	0.6
1977	200.3	240.6	-40.3	4.6
1978	326.6	350.6	-24.0	1.9
1979	556.6	612.8	-60.2	2.7
1980	955.7	1.115.5	-159.7	3.6
1981	1.468.3	1.564.7	-96.4	1.5
1982	1.564.5	1.689.6	-143.1	1.6
1983	2.571.8	2.792.3	-220.5	1.9
1984	3.603.8	4.078.0	-474.2	2.6
1985	5.480.5	5.987.4	-506.9	1.8
1986	7.254.0	6.750.0	-504.0	1.3

Source : Ministry of the Finance and Customs, Yearly Economic Reports 1986 p. 83 and Turkish Economy When Starting 1987, 1987 TÜSİAD p. 31

TABLE III
SUPPLEI\'IENTARY FINANCING SOURCES OF PUBLIC ECONOMIC ENTERPRISES

Financing Source	1975	1976	1977	1978 (Million TL)
Budget	10.749	18.352	31.703	45.375
Foreign project credits	1.430	3.811	5.865	12.500
Goverment Investment Bank	6.968	11.741	12.841	18.000
Funds	9.852	10.549	11.130	11.500
Foreign Iİıdebtmerit	1.957	3.775	-	-
TOTAL	30.686	48.228	61.530	87.375

Financing Source	1980	1981	1982	1983	1984	1985	1986
Budget	153.000	229.600	205.000	292.000	238.000	180.700	150.000
Foreign project credits	82.700	98.800	113.800	154.900	207.800	530.100	625.000
Goverment Investment Bank	16.000	51.800	51.900	39.400	51.200	27.900	120.700
Funds	53.600	73.800	94.000	108.400	173.000	248.200	176.700
TOTAL	305.500	449.000	464.700	594.700	720.800	986.900	1072.400

Source : Doç. Dr. Ayhan Tufan "Inflation in Turkey and Effects", 1988 TUSIAD
       Economic Searches p. 95

d) Consumption Trend' s Increase; The increase in the consumption expenditures part from Gross National Product, had an important effect on the increase in aggregate demand.

In 1972 83.2 % of Gross National Product was used for consumption expenditures. In 1977 the ratio was 84.5 %. ın 1984 the ratio was 82.6 % and in 1986 a decrease was planned but did not succeed because inflation was increasing and also conspicuous consumption was diffused.

Consumer durables, clothing, drinks-tobacco, food and leather are the most increasing items.

Workers remittances can be valid as an important reason of the increase at consumption expenditures.

e) **ESCAPE From Money;** During high inflation periods because of the decrease at purchasing power of money, people use their savings to gold, consumerdurables, landed properties. They' re afraid of pecuniary saving and use their saving for real values. This causes saving gliding to unproductive areas then production decreases and inflation spead increases. In this situation may be people don't experience harm but society creats an harmful social setting.

f) Increase of Population; Our population increases more than 1 million in a year. Nearly half of our total population is under 15 years old, it means they are under production period. That's why most of the good and service production can' t be enough for increasing population and this fastens inflation.

g) **Subvention buyings and support Price Policy;** Subvention Buyings are done without obeying real cost and market conditions and payments are not financed real sources. They're financed by funds which are obtained by Central Bank sources so they cause inflation.

Und GROUP: Reasons which cause supply Bottleneck during periods when there is surplus of demand and inflation if aggregate supply can' t increased because of some reasons such as scarcity of exchange, scarcity of energy, scarcity of skilled labour etc. (even in our country aggregate supply decreases) Inflation becomes more rapid. That' s why we have to look at supply.

a) The largeness of agriculture sector share in National Income; In our country the largeness of agriculture sector share in National Income decreases year by year but if we compare our country with developed countries the largeness of agriculture sector share is very much. Even as in 1968 agriculture sector formed 28.2 % of Gross National Product. This ratio decreased to about 20 % in nowadays (again with 1968' s constant price). agricultural production depends on weather conditions and production can't increased immediately that' s why in respect of supply inflation increases.

b) Difficulties at foreign debt servicing; when we examine balance, of payments in our country, we see that trade balance deficits are in an cronical position. As being a developing country our exports were less then our imports because of the effects of investment good demand surplus and auqmentation of petroleum products. We didn't meet a difficulty at foreign debt servicing during first two period of our development effort although trade balance deficit has been continued. (1963-72) Balance of international payments only gave deficit in 1963 and 1968 and the amount was 88 million and 14 million $ then it didn't give deficit till 1974. During 1975-1980's our export incomes were 2 billion dolars and our import expenditures were about 5.5 billion dolars. The defecit was about 3.5 billion dollars every year. As we can see there was a scarcity of exchange and country economics could only import forced goods and the sectors' production capacity which were tied to overseas, decreased or stopped. That's why aggregate supply decreased and inflation became more rapid.

Also started investments starting to production were late and some of the investments never been started because of scarcity of exchange. This caused acceleration at unemployment, Stabilisation at production capacity and cronical inflation impression.

TABLE IV
AGRİCULTURE SECTOR SHARE IN GROSS NATIONAL PRODUCT

Years	Value	(with 1968' s prices) (million TL) Percentege of GNP
1968	31.699.8	28.18
1969	34.113.3	27.31
1970	32.418.9	25.85
1971	36.675.4	26.54
1972	36.542.9	24.61
1973	32.931.6	21.04
1974	36.330.1	21.60
1975	40.280.7	22.20
1976	43.362.5	22.20
1977	43.505.6	21.40
1978	44.744.5	21.40
1979	45.989.0	22.07
1980	46.766.4	22.70
1981	46.828.8	21.80
1982	49.722.3	22.10
1983	46.960.5	20.14
1984':'	49.839.5	20.29
1985':'	51.028.7	19.77
1985'*	54.667.5	19.65

Source: Government Statistics Institute Editions

Provisional numbers

" Provisional estimations

c) **Government Investments Delays:** The substructure system delayed (energy deficit, way, canal, watering system etc.) because government couldn't finish investments on time. According to these delays, the other investments delayed, increase atproduction capacity at some parts delayed. While aggregate demand was increased, production couldn't be increased enough so inflation became more rapid.

III= Group; Reasons which Caused Cost Inflation;

a) Devaluati9n and increase at import goods prices; Devaluation and increase at import good prices are one of the most important reasons of cost inflation. İmported goad's prices increase because of devaluation (inputs like rawmaterials, investment good, intermediate good, spare port and liquid combustible). These kinds of increases, increase production costs so selling prices increase and they change to a rapid inflation if monetary- credit policies do not regulated in a good way.

In our country if we examine price increases and devaluations together in 1970-1985 period, we can see a close relationship between two events. As you can see at Table VI price increases become severer during the years when devaluation is high.

Except this, effect of devaluation was reflected to general prices level more than before because' market mechanic couldn't work properly because of psychological factors.

Together with inflation,· the increase in oilprices, the increase at import goods in devoleped countries aggravated the effect of devaluation.

b) Support Price Policy: Inconsequent Support price policies created both demand inflation and cost inflation because these goods were important inputs in lots of production.

c) Excess wage Increases; Wage increases may cause cast inflation when they are more than inflation ratio and productivity increases.

ıvtlı   Group; Structural   Changes;

According to the theory reasons   caused demand and cost inflation do not exist in developing countries, but inflation may occur as a result of structural changes.

Supply   elasticity is low at agriculture   or industry   sector in devoloping countries. In the other hand increase at real incomes of the ones who stayed at agriculture   part and increase at food goods demands are expected because there are always population rushes from village to city. Food goods' supply elasticity is very low so food goods prices will increase because' production does'nt increase Inreasing prices will cause wage increases, wage increases will cause increase at industry   goods costs and this cause increase at general prices level. If this change is supported by monetary and credit policies than inflation will become rapid.

TABLE VI

| | Devaluations   and Wholesale Prices Increases | | |
Years	1 Dolar= TL	Devaluation Ratio According to Last Year(%)	Wholesale Price Index Increase (1963=100)
1970	11.50	27.80	6.7
1971	14.92	29.73	15.9
1972	14.15	-5.16	1S.0
1973	14.15	0.00	20.5
1974	13.93	-1.49	29.9
1975	14.44	3.66	10.1
1976	16.05	11.15	16.5
1977	18.00	12.15	24.1
1978	24.28	34.88	52.6
1979	31.08	28.00	63.9
1980	76.04	144.66	107.2
1981	111.22	46.27	36.8
1982	162.55	46.15	25.2
1983	280.0	72.25	30.6
1984	444.30	58.69	52.0
1985'	575.00	29.19	40.0
1986	755.00	31.30	26.7

Source: Treasury and Foreign Trade Under Secreteriat,

In our country, urbanization ratio is very high, the goods which support prices are applied increases, people who works at agriculture part start to have increasing sreal income because of workers remittances. Thats-why as a result of structural changes we can talk about increasing inflation.C6)

INFLATION

All the indices used as indicators of inflation show that the annual rate of inflation, which had been pulled down to around 30 percent in 1982-1983, reaccelerated in 1984. The different indices indicate that, in 1984, price increases wei-e somewhere between 43 percent (Istanbul Cost of Living Index of the Istanbul Chamber of Commerce) and 52 percent (Wholesale Prices Index of the Treasury and Foreign Trade Under-secreteriat). Despite the fact that price mcreases during the last quarter of 1984 were considerably pelow those in the corresponding period of 1983 (the Wholesale Prices Index rose by 7.5 percent in the last quarter of 1984 as against 12.8 percent in the corresponding quarter of 1984 as against 12.8 percent in the corresponding quarter of 1983), it is difficult to accept that inflation is now under control).

(6) Doç. Dr. Ayhan TUFAN "Inflation in turkey and Effects", TUSIAD Economic Seorches 1988 p. 93-103.

TABLE VII

WHOLESALE PRICES INDEX (1963=100)

Year/Month	Index	Chain Index	Change With Respect To Corresponding Month of Previous Year	Change With Respect To End of Year
1983				
JAN	5007.0	4.0	25.0	4.0
FEB	5088.6	1.6	24.9	5.7
l'vIAR	5246.3	3.1	24.1	8.9
APR	5362.1	2.2	23.7	11.3
MAY	5426.5	1.2	24.1	12.7
JUN	5635.6	3.9	29.5	17.0
JUL	5735.5	1.8	30.2	19.1
AUG	5845.6	1.9	31.0	21.4
SEP	5988.4	2.4	32.5	24.3
OCT	6138.0	$2.0\tilde{}$	36.l	27.4
NOV	6424.8	4.7	39.9	33.4
DEC	6784.5	5.6	40.9	40.9
1984				
JA.i"J	7140.8	5.3	42.6	5.3
FEB	7401.1	3.6	45.4	9.1
l\,lAR	7541.4	2.3	44.3	11.6
APR	8056.4	6.4	50.3	18.7
MAY	8649.4	7.4	59.4	27.5
JUN	8691.2	0.5	54.2	28.1
JUL	8738.9	0.5	52.4	28.8
AUG	9089.0	4.0	55.5	34.0
SEP	9354.9	2.9	56.2	37.9
OCT	9584.2	2.5	56.l	41.3
NOV	9794.6	2.2	52.5	44.4
DEC	10066.1	2.8	48.4	48.4

Source: Treasury and Foreign Trade Under Secreteriat

A number of factors were possibly responsible for reacceleration of inflation in 1984.

It is to be noted that the stance of the monetary and fiscal policies pursued ırı 1984 was not sufficiently "anti inflationary". An examination of the various monetary indicators shows that there was in fact a higher rate of monetary expansion in 1984 than in 1983. The average annual percentage increase in the banknote issue was 43.9 percent as against 25.5 percent in 1983 and reserve money also recorded a higher rate of growth (46.90 percent as against 37.71 percent in 1983).

On the other hand, whilst the December to December Ml growth rate was confined to about 11.9 percent, the annual rate of growth of M2 climbed to 48.81 percent, about as high as the rate of inflation; this in itself must cause some doubt on the appropriateness of the current monetary policy' s choice of Ml as its guideline.

- The deflationary and demand - reducing effects of the "high interest rate policy" in the initial periods began to weaken as high rates were maintained for long period. High interest rates no longer seem to act as an effective brake on inflation, since they influence prices and costs on both the supply and the demand sides.

On the demand side, high interest rates tended to further distort income distribution in the country. Because the highest rates of interest were paid on three-months' time deposits, depositors, and particularly small deposit holders, preferred to spend rather than re-invest their interest earnings. Oh the supply side, high interest charges have become a major cost element in so far as production is concerned. The exhorbitant credit charges made by the banks to their corporate customers in industry have long been reflected in price mark-ups to the maximum levels which the elasticity of demand allow.

- Another factor fuelling inflation dynamics is the spiralling depreciation of the Turkish Lira against the US dollar and other major hard currencies.

Imported goods or products manufactured with sizeable imported inputs have been much effected by the rise of the dollar; in addition, SEE and corporate price policies have tended to shift on to the consumer the increased costs of petrol and other fuels stemming from the steady rise of the dollar against the Turkish Lira.

- The attempt to turn the SEEs into profit-making organizations had adverse effects on their prices last year. The SEEs, which account for nearly half of Turkey's industrial output and which produce many of the basic inputs for private industry, contributed to overall rise in costs by making sporadic price increases during the course of the year.

- The bad harvest of 1983 led to sharp increasses in prices of some produce and food-stuffs in 1984. In fact, the Wholesale Prices Index for food and fodder recorded a rise of 61.3 percent, well-above the rise in the General Index.

In some agricultural products, the growth of export demand created relative shortages at home which also prompted higher prices.

- The government failed also to change the inflationary expectations of economic units and public opinion at large. In fact, by issuing Treasury bonds with interes rates of as much as 55 percent free of tax, it boosted inflationary expectations despite its official end-1984 inflation target of 25 percent.

The Cost of Living Indices published by the Treasury and Foreign Trade ·Cneler-Secretariat showed annual average rises of 47.3 percent for Ankara and 4:6.6 percent for Istanbul, whilst the Istanbul Chamber of Commerce' s (Istanbul) 'Wage Earners' Cost of Living Index rose by an annual average of 43.7 percent.

The Consumer Prices Index prepared by the State Institute of Statistics indicated an annual average increase of 48.7 percent for Turkey as a whole, with higher averages for the Black Sea Region (49.6 percent) and for the Aegean and Marmara Regions (49.6 percent), and lower averages for the East and South East Anatolian Regions (48.4 percent), the Mediterranean region (48.1 percent) and the Central Anatolian Region (46.5 percent). Some cities had average price increases as high as 55.7 percent (Diyarbakır), 51.6 percent (Zonguldak), 50.7 percent (Trabzon) and 50.6 percent (Istanbul) and as low as 44.9 percent (Erzurum), 45.5 percent (Izmir), 45.8 percent (Eskişehir) and 46 percent (Bursa, Ordu).

The common charasteristic of all Indices was higher prices for food than for the other sub-groups.

The Wholesale Prices Indices exhibited higher average rates than the cost of living and consumer prices ındices. Wholesale prices increased by 52 percent

according to the Treasury arıd Foreign Trade Under Secretariat by 50.3 percent according to the State Institute of Statistics and by 46.4 percent according to the Istanbul Chamber of Commerce.

On a sectoral base, energy sector prices showed the highest rate of increase, followed by those of the agriculture, manufacturing and mining sectors.

In raw materials, the highest price increases were registered by animal feeding stuffs, vegetable food-stuffs, animal products, livestock and industrial raw materials and semi-finished products.

On a yearly average basis, private sector prices increased more (by 51.4 percent) than public sector prices (by 47.7 percent), whilst the overall average was 50.3 percent, according to the 'Wholesale Prices Index of the State Institute of Statistics.

The Internal Terms of Trade moved in favour of agriculture, raısıng the annual average to 74 in 1983 from 65 in 1983, with marked rise in the second quarter and a silght in the last quarter.I?'

GRAFFIC I

WHOLESALE
PRICE INDEX

The Turkish Economy 1985, Tusiad. p.
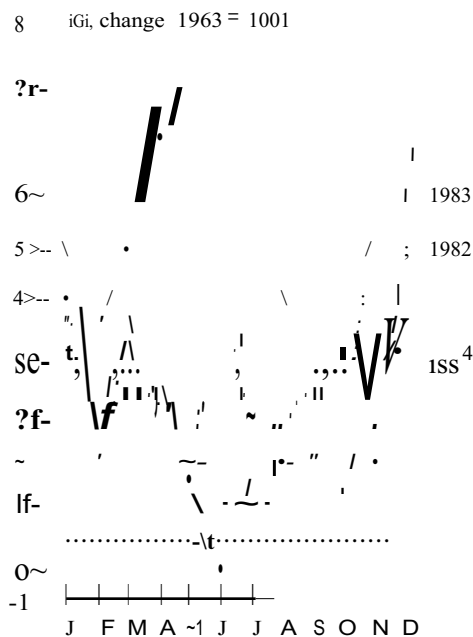
(Annual averages) (1963 =

	GENERAL INDEX	PERCENTAGE CHANGE		PERCENTAGE CHANGE	HEATING LIGHTING	PERCENTAGE CHANGE	CLOTHING	PERCENTAGE CHANGE

ANKARA

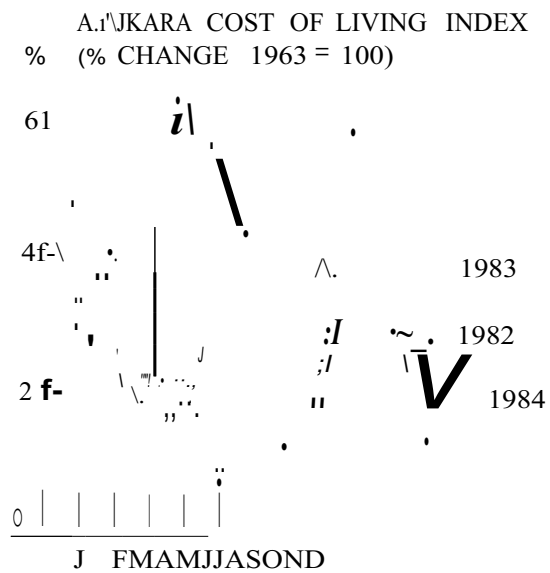| | | | 260.4 | 22 | | 12.8 | | 29.5 |
1974		23.9	313.3	41		5.2		4.7
1975		21.2	375	58		5.5		5.4
1976		17.4	459.6			29.5		33.0
1977		26.0	650.0			67.7		71.0
1978		61.9				70.6		95.5
1979		63.5				66.3		85.8
1980		94.3				4		44.0
1981		37.6						35.8
1982		32.7						25.1
1983	6548.7	28.8						34.5
1984	9533.8	45.6						

ISTANBUL (Min...)

1974				22.3		26.6		
1975				27.1		10.4		
1976				21.3		23.4		
1977				23.2		32.4		
1978				53.0		79.5		
1979				54.1				
1980				91.7				
1981								
1982					8301.7			
1983					0512.9			
1984								

ISTANBUL (Chamber of Commerce)

1974	268.4			23.7				
1975				26.8				
1976				18.5				
1977				27.1	557			
1978				61.5	942			
1979				59.8	1786			
1980				75.4	4141			
1981				41.7	5702			
1982					7074			
1983					9310			
1984					2316			

GRAFFIC II

IST.A.NBUL COST OF LIVING
INDEX
(% change 1963 - 100)

JFMAMJJASOND

GRAFFIC III

A.ı'\JKARA COST OF LIVING INDEX
(% CHANGE 1963 = 100)

J   FMAMJJASOND

TABLEX

WHOLESALE PRICE INDICES (1963=100)

YEARLYAVERAGE,PERCENTAGECHANGE

	1980	1981	1982	1983	1984
GENERAL INDEX	107.2	36.8	25.2	30.6	52.0
A) FOOD & FODDER	100.3	41.6	21.2	26.5	61.3
1. FOOD	78.3	57.9	15.5	19.5	63.1
- Cereals	111.6	72.1	19.7	20.3	64.1
- Pulses	40.5	48.6	47.8	11.5	52.9
- Other	136.3	38.1	15.5	18.6	62.8
2. LIVESTOCK	94.3	16.6	27.9	47.6	44.9
3. LIVESTOCK PROD.	78.2	23.7	29.6	24.3	61.6
4. FODDER	103.0	48.4	10.1	32.4	76.5
B₁ INDUSTRIAL RAW rvIAT. & SEMI- rvLA.J."l'UFACT. GOOD	115.8	31.1	30.3	35.5	41.9
1. FUEL	169.6	32.7	28.8	37.6	30.7
2. MINERALS	102.2	20.7	38.3	25.9	39.0
3. TEXTILES	79.4	22.4	32.5	44.5	47.5
4. LEATHER	67.5	29.7	25.0	32.3	49.0
5. IND. MIN. OILS	153.3	58.0	32.9	28.0	52.1
6. PAPER	169.7	30.5	18.6	22.3	52.8
7. CONSTRUC. IVIAT.	88.4	17.2	29.8	46.6	53.2

Source : Treasury and Foreign Trade Under Secreteriat

TABLE XI
INTERNAL TERMS OF TRADE (*)

QUARTER	1976	1977	1978	1979	1980	1981	1982	1983	1984
I	114.2	113.7	109.1	86.3	68.8	81.1	73.7	67.5	73.6
II	113.6	110.6	100.8	73.9	65.8	77.3	72.5	63.3	77.4
III	105.5	101.5	93.2	72.4	68'.0	70.7	68.8	63.0	73.7
IV	112.2	101.8	85.5	68.8	74.7	72.6	66.9	68.2	73.0
Aı'\JNUAL AVERAGE	110.8	106.9	97.1	75.3	65.5	75.4	69.8	65.1	74.4

¨ .-\.gTicultural prices **/** Industrial prices

Source: Treasury **&** Foreign Trade Under secreterial

TABLE XII
INFLATION

Countnes	1980-91 Yearly Average inflation
Turkey	44.7
Polond	63.1
Alaeria	10.2
Chile	20.5
Iran	14.1
Argentina	416.8
Brasil	327.7
Meksico	66.5
Portugal	17.4
Greece	17.7
Spain	8.9
S. Korea	5."
Tailand	3.7
Endonesia	8.5
Israil	89.0
Italy	9.5
France	**5.~**
Germany	2.
Japon	1.5

Source: Economc Forum. TOBB 199-! Searching Mustafa Sönmez.

ISTANBUL COST OF LIVING
INDEX % change 163 = 100
Source: ISTANBUL CHAMBER OF COMMER

1974

1964
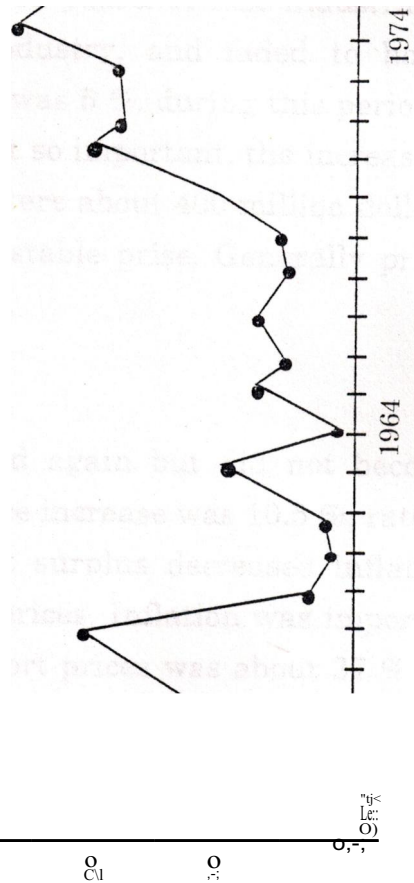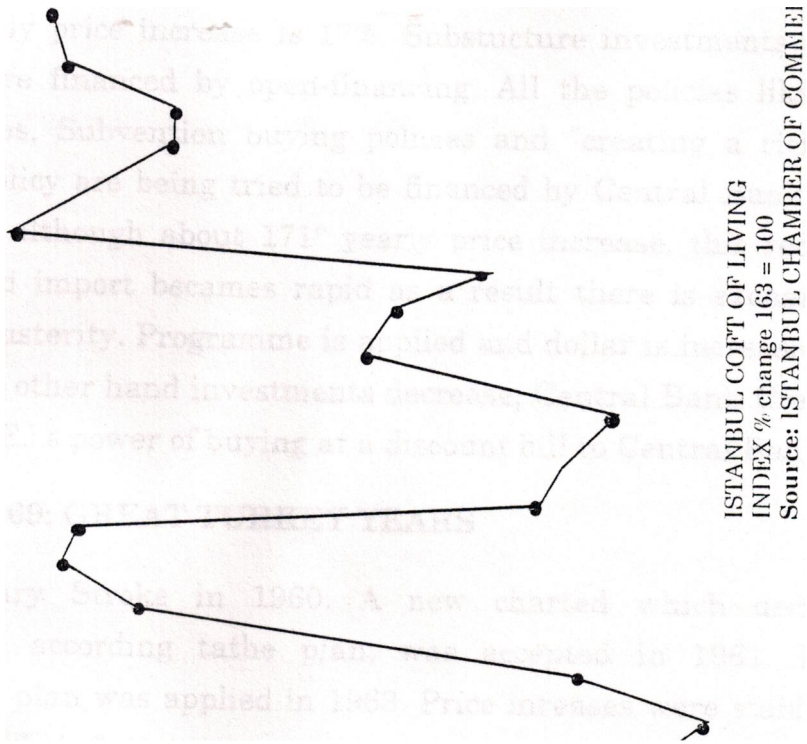
Source: Economic Forum, TOBB 1994 p.23. Searching Mustafa Sönmez

1953-1959 Democrat   Party   Period

It is an inflation period when experienced in the near future of 2nd world war. Yearly price increase is 17%. Substucture investments are very fast and sources are financed by open-financing. All the policies like Public Economic Entecprises, Subvention buying policies and "creating a rich person in every parish" policy are being tried to be financed by Central Bank. Exchange rate is stabilized although about 171° yearly price increase. this reduces the speed of export and import becames rapid as a result there is exchange bottleneck. In 1958 an austerity. Programme is applied and dollar is increased to 9 TL from 2.8 Tl. On the other hand investments decrease, Central Bank Credits decrease, and same P.E.E.' s power of buying at a discount bill to Central Bank is limited.

1959-69: GREAT TURKEY YEARS

Military Stroke in 1960. A new charted which decided to continue clevaloping according tathe plan, was accepted in 1961. First five yeared developing plan was applied in 1963. Price inreases were stable; 5 % yearly, the period which inflation was very low during last 40 years. A fast industration period which depends on consumption goods industry,   and faded to home, market. Yearly rate of growth was 5.7 %, inflation was 5 %. during this period to gain foreign sources wasn't difficult. Export was not so important, the increase in import didn't disturb. Foreign grants and sources were about 400 million dollars. Also labour exchanges helped steady growth and stable prise. Generally prime minister was Demirel. Popülist policies were used.

1969-1972 AGAIN INCREASING

It was a period when inflation became rapid again but did not become graver. Yearly increase at circulation was 21 %, price increase was 10.5 %, rate of growth was 7.5%. It can be accepted that import surplus decreased inflation press. In this period world crisis effected internal prices. Inflation was imported together with goods import. Period increase at import prices was about 37 %. In August 1970, with a new devaluation price of dollar was increased to 15 TL from 9 TL, but import didnot decrease. Enterence of labour exchanges made important helps to foreign source need. During this period march 12 military Stroke was

made. Stabilization was secured by congealing prices and suspending strike and collective labour contract.

1972-1980: Expected misfortune

Inflation motion of these years did not show a integrity. After 1976 a fast inflation increase was experienced. Import price increase which started in the beginning of 1970' s became rapid in 1973 and oil prices increased 4 times and continued after 1974. The reflection of this increase to internalprice was tried to avoid. Augmentation to P.E.E.'s prices were postponed for a long period. The· subvention which was applied to oiland manure, continved. Cyprus mission and populist finance policies increased public expenditures but public revenues didnot change. The increase in private enterprise credits continued. The trouble of the P.E.E.'s whose loss increased, to Central bank and Treasury, increased. Export did not increse because exchangerate was fixed. Labour exchange enterence decreased but import increased and trade balance deficit reached to the most highest level of its history. A bottleneck which was summarized with exchange bottleneck and high inflation, was tried to overflow by the help of 24 January 1980 stabiliy programme. A new economicperiod started.

1980-1983: A new Period

The programme came in force in 24th January 1980 and it's imperfect principles were completed ofter 12th september 1980 millitary stroke. This programme depended on three shock treatment such as high devaluation, high P.E.E.'s augmentations, and removing of price controls This programme was not only stability measures and also ıt was servicing to structural conformity which aimed an integration between. Turkey and World Integration in this period reducer finance policy in which wages decreased, income from agriculture and woodland was retarded, PEE. augmentations become rapid, high devaluation, high interest and liberal import, was used. Price increases were retarded and decreased till 1983.

1983-1993: Increase at Public deficit

A new parliamentary period. Motherland Party was capable about 7 years. Prices started to increase especially after 1987 with a new popülism. Goverment

counter balanced substructure with foreign debts and internal debts. This policy increased interests, ~interests increased rate of exchange. Import become expensive and was reflected to ınternal price. The procedure which was created by debt, high interest, high rate of exchange, expensive import and high price, was lived together. with high rate of growth. But in this growth, automotive and whitegoods production which were faded to home-market, were in the first raws. The exchange which the economy needed was counter balanced by short term foreign liability by the support of high interest and fixed ratio of exchange under inflation.

IV SOURCES OF INFLATION IN TURKEY

After 1980's, external factors which caused inflation during 1976-1980 were over.A barrel of oil was 35 dollars during 1976-1980 but ofter 1980's it increased till 12 dollars. Again, before 1980 inflation in the world was 10 % but in 1988 the average inflation of industried countries was 3,6 % (Sl it's better to search the sources of inflation in our economy, than searching in external sources.

Economy policies that applied after 1980's were generally monetary policies. Although there was severe monetary policy, in practice money supply was increased more rapidly than aggregate production. A quick growth aim and high public borrowing caused this result so inflation occured.

The instrument which was chosen for obtaining economic balance. In Turkey there were cronical budget deficits so in such a country to use finance policy woud be proper in order to decrease public expenditures and to increase tax revenues. In 1987 public deficit was 2.5 trillion TL, ın the first part of 1988 public deficit was 1.7 trillion TL, In 1989 fiscal year consolidated budget deficit was 4 trillion 480 billion TL.(9)

(,S| International Currency Review. London, 1988, p. 31

|9| Kurtçebe Alpternoçin 1989 fiscal year consolidatet budget; Finance Review 90, May-August,

L9.SS p. 15.

Second mistake which caused inflation was made in interest policy. In Turkey interest is a function of income and is connected with income distrubition but we met with an application in which interest was accepted as a function of savıng.

Interest does not have a role on savings that stimulates. Savings are gained by not dispersing profit and using in autofinancing, in private erıterpr-iss A part of profit goes to banks as a result of high interest policy and share of autofinancing decreases. Really, in 1988 when 500 firms were examined, it was seen that autofinancing share in aggrate equity capita] was 16 %. Also interest has no effect art compositions where saving occurs such as composition of social insurance, Bağkur, Oyak.

On the other hand traditions and religious believes effect homepeople's saving to glide to fiscal compositions, in a negative way.

Also interest income makes consumptions become rapid and increases inflation because interest income is gained without working. So first reducer effect on aggregate demand by the help of a high interest policy, changes in a time and becomes enlarging effect.

Also interest causes cost inflation because it is a cost element. Lot's of firms experlenced financing bottleneck because of cost shocks. High credit interests decreased production and fed inflation. Inflation can effect income distribution Mark-up applications were diffused in market as a result of income distrubtion which was out of order. Prices were regulated according to the purchasing power of people whose income did not effected by inflation , so this caused price increases to continue.

Third mistake which feeds inflation in the view economy policies in Turkey, was rate of exchange policies which was at the back of "Growing Model Faded to Export".

At the beginning of 1980 1 dollar= 90,15 TL, in Jonuary of 1989 it increased to 1855 TL. This rate of exchange policy spoiled internal balance while stimulating export.

In 24th January 1980 programme export increase was thought stimulative factor about the increase in production. In that period manufacturing industry was working with 51 % capacity. Also in order to control inflation internal demand restriction wanted to be created and import input were experienced in production because of exchange bottleneck. But the capacity of private manufacturing industry increased to 76.6 % in the end of 1987. On the other hand manufacturing industry investments ratio in aggregate investments decreased to 15.6 %. Capacity Limit was close in money industry brunches, this increased the importance of new investments but high real interests were obstacles for invesment increases.(10)

V EFFECTS OF INFLATION

24th January Stability Programme and 12th September military stroke were so important. The characteristics which reflects that period, are;

- Inflation had three places

- Devaluations that passed over lOD % than Turkish Lira was left to free t1oating

- Price control an market was nearly over

- Consumption demand was tried to be decreased by applying severe monetary policy.

- High augmentations were made to P.E.E. goods in order to counterbalance the deficit of P.E.E., but later prices were left free.

- Protection of time valuve of money and saving of people were aimed by first increasing interest then letting them free.

\1With these measures, inflation was decreased to 40 9 in 1-1,5 year. The

ı 10) Doç. Dr. Vildan Serin "Internal and External Problems of Turkish Economy Which arewaiting hır tobe Solved", TUSIAD 1988. TCSIAD Ekonomik Araştırmaları, 1988 p. 143-144.

measures were O.M for a short time (1-2 year), but these measures were applied to long time with the same dose, as a result of this cost ınflation increased in Turkey and in 1983 the inflation which was about 30 %, started to increase But in a long time production has to be increased under monetary balance instead of increasing the dose of monetary measures. After decreasing inflation to 30 %, decreasing towards one place had to be stable. Because distortion in both production and consumption type of the country, was a result of years and could not be corrected in a short period.

TABLE XIII

Parameters (Billion dolars)	1981	1983	1985	1986
Saving Deposit	10.7	8.5	8.8	8.8
Foreign Dept	18.0	22.0	24.0	25.8
Imports	8.9	9.2	11.3	11.7
Exports	4.7	5.7	7.8	9.1
Trade Balance Deficit	4.2	3.5	3.5	2.6
Investments	11.3	9.7	8.9	9.0
:Jatıorıal Income	59.6	51.2	49.8	36.7
..\ggregate Unemployment (Billion person)	3.0	3.2	3.5	3.7

PS ın 1981 1 $ = 110.24 TL   1983 1 $ = 224.03   1985 1 $ = 575.00   1986 1 $= 755.00 TL

- Rate of Growth decreased

In the first three planned period increase of GNP Poverage was 6.7 % and ın this period investments were made with the ratio of 18.5 % of GNP. Capital / produce was 2.7 %. In 1979-1985 period capital / produce increased to 4 !Jr with the effect of the decrease in investments / GNP to 15.5 % and the decrease in rate of growth to 3.6 %. As it can be seen, rate of growth decreased by the effect of inflation.

TABLE IVX

Rate of Growth of GNP

Years	Aggriculture	Industry	General
1978	2.8	3.4	2.9
1979	2.8	-4.7	-0.4
1980	1.7	-5.9	-1.1
1981	0.1	9.1	4.1
1982	6.2	6.3	4.6
1983	-0.1	8.2	3.3
1984	3.7	9.3	5.9
1985	2.6	4.7	4.9
1986	7.2	10.9	7.9

- Foreign Trade Capacity increased and balance changed. According to the parameters in 1981 the counterbalance ratio of export to import was 52.6 %, it increased to 69 % in 1985, to 77.7 % in 1986. But foreign trade bounds (Export pnces / import prices) was 100% in 1973, and decreased to 74 1° in 1979, to 50 : in 1986. The reason of the decrease in foreign trade bounds is the more decrease of the external volue of money than the decrease of internal value of money during inflation

- Home Trade Bounds turned to for industry.

If we look at the price increases in agriculture and industry sectors, we can see that generaly the prices in industry sector increases more rapidly than the prices in agriculture sector during inflation.

TABLE XV

Foreign   Trade

(Million Dollars)

	1980	1981	1982	1983	1984	1985	1986
Imports	7.909.4	8.933.4	8.842.4	9.235.0	10.331	11.230	11.640
Exports	2.910.1	4.702.9	5.746.0	5.727.8	7.389	8.255	9.050
Foreign Trade Capacity	10.819.5	13.636.3	14.588.7	14.962.8	17.720	19.485	20.690
Trade Balance Deficit	-4.999.3	-4.230.5	-3.096.7	-3.507.2	-2.942	-2.590	
The counterbalance ratio ofimport with Export(%)	36.8	52.6	65.0	62.0	71.5	73.5	77.7

Source: Government Statistics Institute, Turkish Statistics Annual 1985 Ministry of the Finance
& Customs 1986 Yearly Economic report p. 118

TABLE XVI

Price defiator at agriculture   & Industry   Sector
(Percentage   of Yeraly Querages)

Years/Sectors	Ist Plan	nnd Plan	IIIrd Plan	1978-79	1980-85
Agriculture	4.4	11.3	25.1	42.1	44.S
Industry	4.4	9.2	19.1	75.9	54.8

Source: Hasan Lay, "Turkiye'de piyasa Ekonomisine geçişin Tarım Sektörü üzerindeki etkileri,
p. 7. Simp. Tebliği İzmir 1985.

Industry   goods prices increase more rapidly because in devoloping Countries arı important part of industry inputs depends on imports; that' s why import inputs are expensive for home market because of inflation.

- National Income per capital decreased.

When last 10 yeared period was examined, income per capital decreased because Türkish lira was left to floating in freemarket, with current prices in 1975 income per capital was 935 dollars, it increased to 1350 dollars in 1980, decreased to 1000 dollars in 1984 and 1985 and again increased to 1124 dollars.

Again for 1980-1985 period, although the avorage inflation rate was 45.5 %, the yearly increase in minumum prices was 30 %, the increase in daily social insurunce Institute wages was 33 %, the increase in civil servant wages was 37 %, the increase in aggriculturel income per aggricultural population was 40 %. It means their real income decreased.

In order to talk about the effect of inflation of aggriculture sector, we have to examine inputs and outputs of agriculture sector.

- Cost ınflation at agriculture sector was higher than general inflation level.

The increasing Agricultural input prices is more than inflation ratio. (Table XVIII) but agricultural goods price increases were close to inflation ratio, that's why income decreased at agriculture sector.

TABLE XVII

Agriculture Sector INPUT-OUTPUT PRICE DEFLATOR (%)

Years	InputDeflator	OutPut Deflator	Difference: %)	Inflation Ratio
1979	65.8	63.7	-2.1	63.9
1980	128.9	99.9	-29.3	107.2
1981	46.1	45.6	-0.5	36.8
1982	27.2	20.1	-7.6	25.2
1983	30.0	25.1	-4.3	30.6
1984	52.9	58.0	-5.1	52.0
1985	49.8	40.0	-9.8	40.0

Source: Hasan lay. "Türkiyede piyasa Ekonomisine geçişin Tarım Sektörü üzerinde etkileri p.9 Izmir-1985.

After 1981 although there was an increase (2 %) in the use of inputs of productors, in last years there was a 3 % decrease in the share of added value of agriculture sector.

- Interest ratio were high

Increasing general interest ratios, increased agricultural credit costs and this situation effected agricultural prcducturs credit using and also agricultural input usingCll)_

In Turkey the amount of money which has a great role in the increase of internal public depts, effect prices by the working of quantity theory of Money and this effection can only be uneffectable with the increase in ratio of production. Production in Turkey is always less than the increase ın money quantity and the economy is always under pressure of inflation(l2)_

VI TO STOP INFLATION

Measures in order to stop inflation, are;

- Government expenditures must decrease

- :\Iunicipal expenditures must decrease

- Fund expenditures must decrease

- Cnbalanced coining money must controlled

- Saving as ration must increase

- \Vasting in goverment must decrease

- Tax revenves must increase

- The value of Turkish lira against foreign currencies have to be controlled

- Excess and constant augmentations to PEE' s goods and services musn t dorıe' [13].

11) Doç. Dr. Ayhan Tufan, "Türkiyede Enflasyon *ve* Etkileri"

12) Dr. Yılmaz Büyükerşen, "Iç Devlet Borçlarının Enflasyonist Etkileri". Eskişehir 1966, p. 200.

ı 13 ı "Genel.Ekonomik Konularda Tusiad Kamuoyu Araştırması, 1988.

VII Program of April 5th and Inflation·

One result of the monetary program imptemented by TCMB in 1990 was that the Turkish lira appreciated (inreal terms) againts foreign currencies while higher agricultural production held the increase in the consumer price index that year to "only" 60.4 %. The downward trend of inflation witnessed in 1989 and 1990 however was upset first of all by an upsurge in petroleum prices resulting from the Gulf crisis of 1991 and then by the run-up to early general elections called towards the end of the some year. The result was that inflation abruptly shot up to 71.1 %, Openhanded wage and salary increases of around. 145 % and monetary and fiscal policies that were also generously expansionist were among the foremost contributors to the inflationary, jump in 1991. Furthermore, "realignments" of the prices of the products of state-owned industries, deferred in 1991 because of the impending electrons, took place in the early months of 1992. This combined with attempts during the year to finance some 30 % of public-sector deficits by creating new money, resulted in a rise in the general level of prices. Similarly, §iving to the scheduled local electrans in early 1994, money and fiscal policy remained slack during 1993 with the result that there was no remission in inflation.

The increases in the price of the products of the state-owned industries, announced in a conjunction with the April 5th resolutions, led to an immediate increase in inflation but in the following month (may), the rate of inflation slipped. at the moment, the question of whether or not Turkey is in for a both of hyperinflation depends upon the Success of the measures of April 5th Cl4).

Nowadays, the rate of inflation is 150 %, most of the people in Turkey are hopeless. Prices always increase, cost of living increases.

ı 141 „Economic Bulletin". June 1994, No:20, Esbank, p. 5.

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