

FROM FINANCIAL CRISIS TO FINANCIAL STABILITY (TURKISH EXPERIENCE; LESSONS FOR DEVELOPING COUNTRIES)

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Abstract

This paper try to give a picture of Turkish crisis during 2000-2001 and the reforms were fulfilled after that especially in financial system sector. Survey about experiences such as turkey can have many useful lessons for countries like Iran and other developing countries that have similar conditions.

Turkish experience show us in a unstable economic environment that has been characterized by runaway and chronic inflation ; high past through exchange rate; fragility in banking system and heavy fiscal dominance; could implement a structural reforms during a short period and come bake to the right way and reach to the amazing results as soon as possible¹. the conducted exit strategy in turkey consist of three main channel including 1) fiscal reforms; 2) adoption a sustainable monetary policy based on floating exchange rate and tightening monetary base and 3)finally banking sector restructuring². The consequence of conducted reforms can be shown in slowdown inflation rate and achievement to a stable economic growth.

It's necessary to be mentioned that turkey before 2001 reforms had experienced several efforts to achieve a suitable economic conditions but all of them had failed.

The structure of this paper is including: i) in the first section; the conditions before crisis that Turkish economy had be faced with them are drawn. ii) And in the second sector; the main performances were done to pass the crisis especially in the financial sector has been discussed. iii) Finally the lessons taken from Turkish will be explained.

Keywords: financial system, monetary police, inflation

¹. The best evidence for this comment can be shown with the trend of inflation during 2002-2004 periods. while in the November of 2000; inflation was 68 percent ;in the end of 2004 this index reached to the 14%

². The banking restructuring program was initiated in May 2001.