

## **Toplumcu Düşünce Enstitüsü**

### **Tartışma Notu**

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### **New Economy ,New Turkey**

Heraclitus, the great philosopher of Ionia, pointed the “eternal transformation” by saying “Lightning never strikes twice” approximately 2500 years ago. The economy-based decision processes played an important role in the formation of many transformations, destructions and reconstructions. As of today we can see important examples for this evaluation around us ,both internal and external. The last 12 years in this regard, should be evaluated carefully in terms of economic decisions .

As we all know, one of the most important reasons why the Justice and Development Party (AKP) came to power in 2002 was the crisis Turkish Economy went through –mainly “the liquidity crisis” experienced in 2000, November and “the currency crisis” experienced in 2001. After these crisis , the voter punished the leftists due to the failure of Democratic Leftist Party (DSP) and elected the Justice and Development Party. The AKP saw that the support of the voters was sustainable only through the economic policies and they acted in this direction as well as keeping the religious issues on the agenda. AKP kept their shoulders to the wheel with the stability program which was in accordance with IMF activities and policies which and was denounced by Kemal Dervis after 2001 crisis. They struggled against inflation properly, working hard to decrease the inflation rates .The drops in the interest rates caused by the combined effects of the decrease in inflation and the abundance of liquidity in the world have become a means in the construction of Turkey demanding “much more consumption”. Many citizens were able to buy “new houses, new cars and new technological devices” through loan. This spending mania has become such a phenomenon that the government has taken the measure of limiting installments provided by credit cards. These new loan and consumption habits have created the “New Turkish Economy” and “New Turkey”.

Let’s have a look at the figures coming up for the period 2002-2013, in which AKP produced so-called “justice” and “development” without the necessity to look back to distant past;

**The number of protested bills:** The number in 2002 was 498.000, however, the number in 2013 is 1.091.000. The increase rate is 119 percent.

**The amount of protested bills:** The number in 2002 was 816.000.000 TL, however, the number in 2013 is 7.494.000.000 TL. The increase rate is 818 percent and this rate has revealed that the society has been in deep in debt which is impossible to pay.

**The amount of the consumer credits subject to legal proceedings:** The number in 2002 was only 45.000.000 TL, however, the number in 2013 is 1.766.000.000. The increase rate is 3.862 percent!

**The number of people using consumer credits:** The number of people using consumer credits for direct consumption, not for any kind of investments, was 1.300.000 people in 2002, however, the number is 11.200.000 people in 2013. The increase rate for this 776 percent. The current state is the evidence of the fact that the consumption/propensity to save, more precisely the habits of consumption/propensity to save, which is the balancer of individual economy, has been deviating and the debting culture for consuming is rising.

**The total magnitude of consumer credits:** It was 3.300.000.000 in 2002, however, in 2013 it is 181.000.000.000 TL. The increase rate is 5380 percent. The terrifying size of the indebtness can be seen in this figure, too.

**The stock of consumer credit:** The number in 2002 was 2.8 billion TL and the number in 2013 is 231,1 billion TL. The increase rate is 8232 percent.

**The household indebtness:** The financial assets, meaningly the properties of the household within the financial system and their financial liabilities, and their debts since 2003 are listed in the table below. The household had a debt for 8 billion TL while they had a property for 156 billion TL. In the end of 2013, they have a debt for 371 billion TL while they had a property for 730 billion TL. The rate of the debt compared to the asset has increased from 5 percent to 54 percent. It is a 10 times increase. This means a very high-speed increase. The rate of the debt compared to the asset was downgraded to 51 percent in the end of first quarter in 2014 by force of the measures taken. It is still too high. The household consume, but they finance it by getting into debt. When the rate of the debtors increase, they become frightened by the increase in interests, crisis and “political instability”.

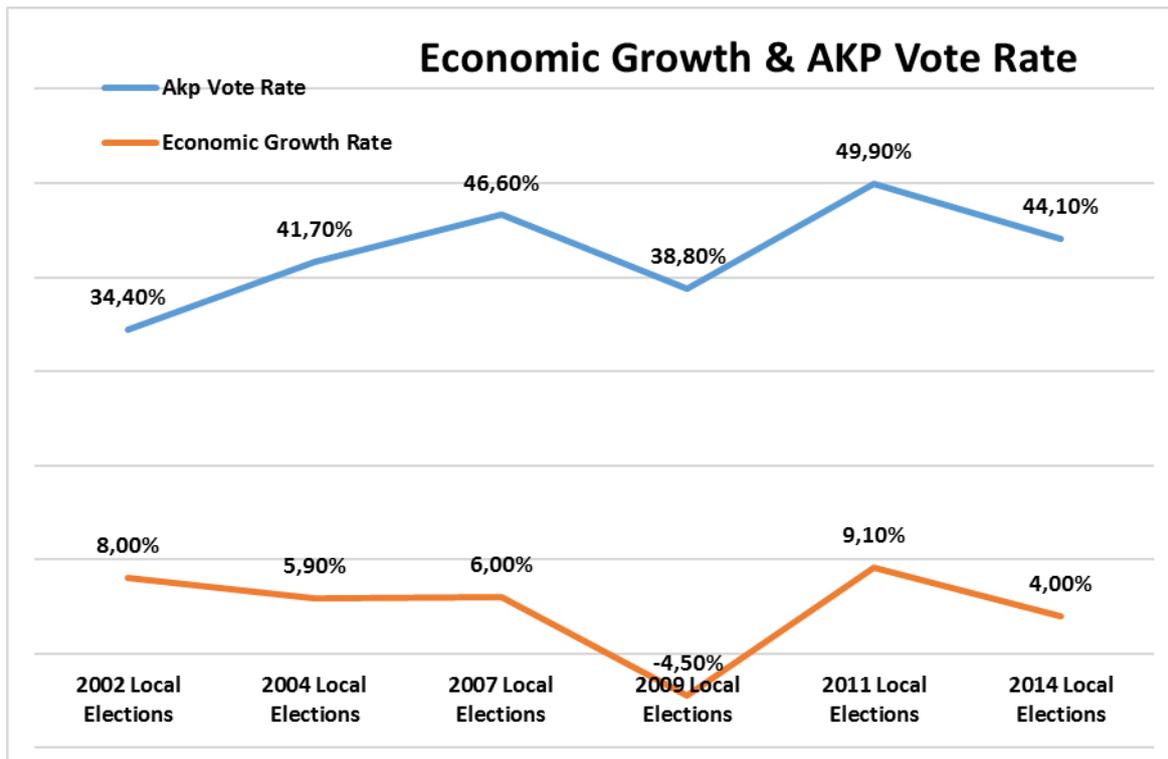
## THE BALANCE SHEET OF THE HOUSEHOLDS

Year	Financial Assets (billion TL)	Debts (billion TL)	The debt compared to the asset (%)
2003	156.0	8.0	5.1
2004	190.7	18.1	9.5
2005	216.3	39.0	18.0
2006	256.0	60.6	23.7
2007	281.3	84.1	29.8
2008	253.8	102.5	29.0
2009	402.0	118.9	29.6
2010	480	195	41
2011	543	252	46
2012	605	300	50
2013	695	373	54
2014*	730	371	51

Sources: TCMB,BDDK,TOKi,SPK,MKK \*1st Quarter

As we can understand from the figures above, the most important reason for AKP to make interferences which puts the independence of Central Bank at risk and thus decreasing the international economic credibility of Turkey is its success in making people consume by keeping the borrowing cost low for our citizens living on the loans.

Let's have a look at the table below, for an example concerning the economy-based decision process of Consumption-centered New Turkey.



The decrease in the vote rates in elections can be seen in 2009 by -4,5 percent and in 2014 local elections when there is a relatively low growth by 4 percent. As we can understand from these figures, the voters do not forgive and tell that they will give up if the economy is not good in the local elections when the macro-economic signs are put accepted as secondary importance...Will AKP “hit the peak” when the economy “hits rock bottom”?

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