Chapter 4

The Role of Effective Communication on Economic Development: The Effects of Political and Economic Crisis on the Performance of Turkish Economy

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ABSTRACT

The process of financial liberalization draws attention as a process that took place after the 1980s and led by the strong countries, in order to overcome the narrowing in the economies of the world countries which have become polarized because of the Second World War and the Cold War period immediately following the Second World War. In this chapter, firstly, the definition of the financial liberalization period and the effects according to the countries are examined, while the risk and crisis issues are also evaluated. Economic and political crises that have occurred in Turkey after the financial liberalization process in ongoing part of the study also were assessed by considering the effects on the economy. In this context, the economic and political crisis in Turkey are analyzed as to their effects on the country’s economic performance. Accordingly, every 10 years, an economic and political crisis in Turkey took place. The country’s economy is affected negatively in the macro-frame.

INTRODUCTION

Financial liberalization is defined as the elimination of the necessary restrictions to ensure the flow of global financial activities of developing countries to their own countries (Yüksel et al., 2016). Due to World War II and 1929 economic crisis, public economic policies failed to respond to the need. In 1980,
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Fiscal policies became insufficient because of the desire for liberalization and growth in the world so that liberalization is seen as an alternative (Şenel, 2018). Since then, the reform movements required for the limitations of the interventionist state policies have begun to spread to South American countries and developing countries (Dinçer et al., 2018a).

The system that was mentioned as Bretton Woods system and went to the blockage was opened up and the operation and control of the market was left to the private sector and the financial world was liberalized. In this sense, international organizations such as IMF and World Bank have supported these studies. During the period of 1980-1990, countries have made some reforms in their economies. In this context, interest rates were released and the ceiling in loans was abolished. At the same time, the deposit and reserve requirements of banks have to be kept in central banks as legal obligation (Dinçer et al., 2018b).

The financial liberalization process has responded differently in developed countries and developing countries. In this study, in order to examine the effects of the process on economies; US, UK, Germany and Japan economies are under the spotlight. Additionally, in order to examine emerging economies, Russia, India, South Africa, Brazil and Turkey have been focused on the economy. Turkey's economy in developing countries applied import substitution policies in the 1970s. However, the expected yield from this application could not be obtained. Due to the oil crisis in 1977, the economy of the country worsened from its current situation. In this sense, stabilization programs were implemented to alleviate interest pressure and to finance the deficit in the balance of payments.

Financial liberalization process was occurred in Turkey on the same date that the world was carried out in 1980. 24 January decisions have been made and a radical change has taken place in the economy. Price and resource determinants for the first time in the economy have been left to the private sector. At the same time, it has been turned outward in the introverted strategies used for development. The decisions of 24 January were realized with three main objectives: banking system, capital market and economic growth. At the same time, interest rate was released in Turkey with respect to the free market economy.

After these developments, the concept of systematic risk has been added along with non-systematic risks. Non-systematic risks are always in the usual position due to the risks involved. On the other side, the systematic risk covers the whole economy. The risks arising from the concepts such as inflation, interest rate, exchange rate, political and market, which have gained importance after financial liberalization, are also among the systematic risks (Meral, 2018).

In the ongoing part of the study, global crises are examined in detail and the aim is to show the economic destruction caused by globalization and financial liberalization. In these periods, Turkish economy was not only affected by the economic crisis. At the same time, by examining the impact of the instability and economic crisis occurring in Turkey, it is aimed to specify the implications for the economy. In order to examine the effects of this chaos in the political environment on the economy; Turkey’s economy is considered in the macro scale.

In the first part of the study, the definition of financial liberalization is made. At the same time, attention is drawn to globalization and its differences. International institutions and organizations that contribute to financial liberalization are examined. After that, developed countries and developing countries are evaluated in order to look at the adventure of financial liberalization in the world. Finally, the journey in Turkey is examined. In the second part, the relationship between global risks and crises is evaluated. In this context, financial crisis and risk types are mentioned. Then, the relationship between globalization and crisis is discussed. Financial liberalization and risk management are evaluated, and financial crisis and risk management are examined in developed and developing countries.