



www.sjm.tf.bor.ac.yu

Serbian Journal of Management 2 (2) (2007) 259 - 275

Serbian
Journal
of
Management

EFFECTS THAT FINANCIAL CRISES ON THE GLOBALIZATION PROCESS CAUSED IN THE COUNTRY ECONOMIES

Y. Akan^{a*} and I. Arslan^b

^aAtaturk University, Department of Economics

^bGaziantep University, Department of Economics

(Received 12 August 2007; accepted 03 November 2007)

Abstract

International economic system displays a rapid changing process in which new trends occurred. The remarkable development in this process is globalization.

In the recent years economic globalization has mostly been observed in financial markets. The globalization process entails some positive and negative impacts on Turkey economy.

In this study we tried to examine the current statue of Turkey economy. In addition, we reviewed the advantages and disadvantages brought by economic crisis for developing countries, in the light of recent developments in the world economy.

Keywords: globalization, economic crisis, Intergration

1. INTRODUCTION

Currently, the capacity of activity in economy has not developed continually by keeping a steady level, but has revealed the fact new economic crisis have occurred. In connection with this, it also reveals that it experienced some certain rise and falls such as national income, employment, industrial and agricultural production, investment and

so on... According to this, economic crisis, in economical activity capacity, has come into being as crisis, repeating in a period of time.

In connection with this, Financial crisis is a situation, stemming from alteration such economic routines as production consumption, with the cause of interior and exterior interaction with the industrial evolution, economic crisis, in european

* Corresponding author: yusufakan@yahoo.com

countries, has occurred due to the economic fluctuations, on average a once in every eight or ten years. Then unemployment, impoverishment, poverty have been substituted for the wealth, prosperity, thriftiness. Especially, as of 1980's, financial crisis in developing countries and the problems caused by these crisis made it necessary to revise the fiscal financial market fact. In global financial confusion International financial structure could be deteriorated. With great ease and thereby fresh arrangements in main principles of financial structure has been needed.

The cause of current financial crisis lies in the instability. Moreover, the unsteadiness among the developments in economic development exchange rate, employment are today's Formulations of financial crisis. Financial crisis, occurred in global system, have deep implications on the country economies. Their feature of implicating in a variety of economies, due to the international economic relations, turned the financial crisis into a subject necessary to take into consideration [1].

The world economy, especially in last century we live now, penetrated into abrupt globalization process. Facilities of cooperation and the division of labour among the developed and developing countries, have made progress.

Globalization, is a conception, including such subjects connected with each other, as the development of economic, political and social relations among countries, belief and anticipations of different societies and cultures being better recognised, and international relations, much more condensing. In the period, named after globalization era, we now live, remarkable alterations in practically every area, have taken place and thereby compulsion of living

in an intricate environment have occurred. Currently, more people are in relations with each other, in proportion to old days [2].

Globalization, has a variety of meanings, ranging from, developing international trade, increasing, foreign investments, creating financial sources transfer, coming from other countries, developing multinational institutions and shared initiatives. Globalization is also described as the inharmoniousness of social and cultural structures and thus different lifestyles of the people, having gradually more identical structure [3].

Globalization, is admitted as a process that the geographical obstacles on the social and cultural arrangements have been annulled and economically, differentiation in people's losses and gains has intensified [4]. The developments, occurred as a result of globalization, have caused the international financial crisis. Afterwards, financial crisis progressively, have its implications in social, political and other territories felt and have played a determining role in all these activities [5].

According to lots of researchers, globalization, is an economic process, having political results based on transformation and abrupt alterations of which roots date back to the 1960's. As a result of the economic crisis in 1970's, international companies, have been obliged to turn their national defects into international ones. No matter how seriously has the globalization conception been considered, as old and old days [5].

In several respects, it is too intricate to understand the globalised world. Globalization has an intricate social, political and economic context, hosting too many subjects in it. Global Economic Integration Process has been accelerating political and

social dispel. Currently, the countries, have been dependent on each other, gradually as the time pass. This development, viewed as globalization, has been evaluated as a positive situation integrally. A new conception as economic globalization is not affect more deeply than ever on account of the fact that the communication has developed, international transportation has been qualified and multi-nayioned companies have condensed their activities.

After the restrictions on the capital circulation and international trade have been annulled and international cooperation has developed worldwide source utility, not only have increased country's participation in international trade, but investments in foreign finance markets have been condensed, as well [6].

Globalization has been a process leav?ng it's mark on the 20th century. Globalization fact has influence on the financial markets, quide from others. The capital, could be circulating among countries, casually and intense capital access toy he markets, especially having a gainful potential. This situation has assisted in developing countries as Turkey to keep up with the already improved ones [7].

When the historical process has been researched, it appears that economic situations are not in static level, but every prosperity period and economic recession or deterioration. This kind of alterations, being disclosed by the economic activities, has caused the fluct uations in economy [8].

Currently, globalization has been experienced mastly in finance and capital markets. By means of globalization, the limitations, stating the international finance markets have been annulled and international capital trends have reached immense degrees [9].

Currently, improvements in commodity, service and financial markets, have made it mandatory for the countries to perceive the world as a global market. Certain countries, taking advantage of this global process, prosperously, have increased the life standarts on part of economy and social. Abrupt technological improvement, info's being much more accessible for good and the development of capital productivity, form the fiscal basis of globalization.

2. DEVELOPMENT PROCESS OF FINANCIAL GLOBALIZATION

In historical development process, ranging from the primivite societies to the info ones, production activities have come into being towards meeting the requirements, no matter which social level have they reached. While people's requirements stem from various reasons, conditions, product of social life and development level, on the otherhand, have been determined within the framework of production activities [10].

Crisis is not a nowly established conception on the part of people and world. As of 1980's, when the globalisation of international capital accelerated, it was triggered to pronounce much more than ever. In agreement with this, transformations in economic and finance structure, lack of sources sufficiency, the culture of market economy, not being instilled into people, have made the conception "country" very crucial to the financial crisis, prabable to take place[11].

As of the 1980's, the economic crisis, occurred in developing countries (Turkey sets a pattern fort his) and the problems,caused by these crisis, have made it obligatory to make allowance fort he

globalization fact once again. Financial Globalization fact occurred in international market in 1980's have brought along with itself, such new institutional investments roles in finance of international capital trends, investment, funds and corporations, markets having convertibility, elimination of limitations determining national finance markets, and their opening disobedience to the international rivalry, by abolishing controls and restrictions [12].

In global financial process, international financial structure could be impairing with great ease; and thus it has been essential to rebuild the financial structure.

Major step of globalization process, rests on recognising and implementing the financial cultural structure. In the event of incompatibility with these developments, systematic crisis can occur.

Globalization fact has been experienced mostly in economy, trade and finance territories. In addition to globalization of production, developments and occurrences of global relations in finance territory, have made it possible for financial capital to circulate in international territories, without confronting any obstacle [13].

As a result of considerably weakened foreign financing facilities with the debt crisis having realized in 1980's developing countries have inclined towards the foreign capital by changing the integration of private capital trends so as to provide capital savings they need with the purpose of fulfilling their improvement and development thus a relation between capitals globalization process and debt crisis can be discussed [14].

3. THE CONCEPTION OF FINANCIAL CRISIS

Financial crisis conception occupies

plenty of space and theoretically alike practically in literature. Yet, there have been some certain problems not settled. Crisis can be described as confusion and panic, experienced in finance markets as a result of the government's unexcusable defects.

Crisis word, derives from Latin and Greek in Greek language, meaning of crisis, derived from "krinein" is reaching a decision. However, this word has been used as unsteadiness or potential danger [15].

Currently, crisis has been perceived as an unsteady situation requiring reform, and taking place abruptly. In view of the fact that developing countries could resist to sharp rivalry conditions in finance market, financial crisis have occurred [16].

From an economic viewpoint, every society longs for reaching the highest prosperity level with the aids of available sources they have. The real purpose is not only to increase the prosperity level, but to keep it continually as well. Because currently and in past economies have been confronted by financial crisis in a global manner [17].

4. DEVELOPMENT PROCESS OF FINANCIAL CRISIS IN TURKEY

It is being recognised that in market economies, economic activity volume has not developed continually and by sustaining a steady pace, but it has showed continual fluctuations. Economic, political and psychosocial form the causes of these fluctuations [18].

Turkey economy, especially 1974's, has increased short-termed debts as a result of continual rises in petroleum prices. This has caused petroleum importing to increase and thus expenses that are unwarranted.

Therefore, exchange predicament came out, and financial crisis also occur because of the effect of inconsistent fiscal policies, implemented eventually. In Turkey, consecutively in 24 January 1980, 5 April 1994 and between 20 October 2000 and 21 February 2001 there happened critical financial crisis. By the measures, that will be conceived in the end of this crisis consist of various policies. These provide the demand and supply balance, decrease the inflation rate, increase the development potential, decrease the public deficits to the lowest level entrepreneurship of private sector, balance the payments economy is being dependent on foreign investments and so on...[19].

The crisis process, Turkey now experiences, is not to assess to consist of nothing but fallacious technical economic policies and unconnected randomly situation. Actually above mentioned crisis is the direct result of non-liberal policies having been put into effect as of 1980's of which purpose is abandon the notional economy to badly managed market powers. So, the circle of artificial development, instability and recession Turkey economy has experienced since last 20 years is based on the unsupervised policy transformations having been implemented so as to liberalise notional economy. In the wake of this formulation process one of the most significant and determining points in economy policy is to leave the process of adjustment prices are up to the market conditions. Adjustment prices are to determine by conceiving of the conditions in the market and be dependent on the demand and supply.

Inflation's gradually rising in Turkey current account balance deficits reaching intolerable points real notional disposal and

investment's gradually falling down could be perceived as different means of the crisis. Eventually since relations between central bank and treasury have not been established firmly somewhat central bank has been affected badly and this situation was the reasons why implemented policies as of 1980's go up in smoke Turkish banking system be affected highly credibility supplied in international area be shaken and of course 1994 crisis in Turkey occur.

To the crisis, causing the decisions, reached in 5 April 1994, there were too many allegations towards it, from people, one of whom were claiming it was financial and happened due to the predicaments in economy, lack of satisfaction of major insufficiencies in market, non-occurrence of radical reforms and not making use of exchange rate as a price changeable long-lasting, come to the fore. Thus, where as proportioned prices were pursuing a fallacious policy, inflation expectations increased, to a certain extent.

Economic crisis, occurred in 2000 in Turkey Economy, stem from various points that are listed below. Development, that is unable to achieve increasing reserves of the interior savings and tax, steadily, ancline towards short-termed foreign indebtment in financing. And other one is that development is destitute of consistency and industrialization strategy [20].

In Turkey, from the beginning of development process of capitalist system to current day, economic crisis, coming out at intervals of ten years, an average have taken place. When Turkey's development process is considered generally, it appears that there having been efforts to attach fact of searching for new economic policy (being on the agenda following every economic crisis) to the industry and foreign trade policies

(coming out after economic crisis). Alteration of economic structure shaped towards structural (peculiar to Turkey) and social-cultural interaction, states the economic crisis. Moreover, recessions can only be surpassed by substituting interior factors for symptoms of the exterior factors.

Inflation, has been considered as a significant political key in Turkey. Currently, this fact is gradually on the brink of being a financial problem. If accurate measures are not taken or implemented steadily, it is hardly possible to settle the financial crisis, occurring as a result of this [21].

With respect to one of the reasons, leading to the economic crisis in Turkey, there is an agreement that it is public sector financing deficit. Generally, in Turkey economic crisis is recognised as acute fluctuations, formulated by on admissible alterations in market of any commodity, service, production factor, or Exchange branda and prices [22].

In Turkey, there has been an economic crisis, affecting practically sector in last ten years. Although it was known reasons, precautions and result of this crisis, it could not get rid of them. Main reason for this, the bureaucrats can not develop themselves about experience and knowledge [23].

That is more distinctive as of 1980, lies in the formulation of financial crisis, prevailing among economy and finance sectors. In other words, impairment in public services rest on a finance statement, not settled yet. Financial crisis in Turkey is perceived as a mixture of reletions of confusions in economic and politic structures [24].

In any country, implementing mixed economic system and experiencing on unsupervised globalization process as of 1980's, problems in economic, politic and fiscal structures come to a more distinctive

position. Rather, crisis in state finance in the direct result of difficulties in markets [25].

5. CHARACTERISTICS OF FINANCIAL CRISIS IN TURKEY

Turkey has adapted a development strategy towards exporting thanks to economic stability program and as a consequence, it has made highly significant progresses in exporting, while 1980's is considered as a period of developments in importing trends. The most important causes of prosperous situations in exporting in 1980's lie not only in lack of capacity utilities in the period of economic fluctuations but in gainful commercial and production facilities, submitted to Turkey by Libya and Iraq and Iran as well. However, the periods of after 1980's, are the years having experienced economic fluctuations, stemmed from inability in fulfilment of structural transformation that is most important part of a improvement towards exporting. This period, that entails conceiving of new production territories and Technologies, includes the years when importing reach to the highest point, exporting has not kept up with it. Turkey in economic fluctuation process, have let the international capital sources penetrate into country, in compliance with 32 th article of constitution. Therefore, this forms the basic causes of economic crisis in Turkey [26].

As a consequence of Turkey's wrong policy, industry sector, making progresses in exporting in 1981-1988, could not sustain its international rivalry power. And also, the deficit in foreign trade and current accounts has reached to unbearable points. High Exchange and inflation decreased the production capacity and refuted the

possibilities of new investment formulations.

In these periods when Turkey has made progress mostly by making use of foreign savings instead of national savings the most conspicuous formulation is alterations of short-termed capital movements. In 1993 its highest foreign trade deficit and current account deficit has risen in relation to the past years. Economic crisis has taken place when it is endeavored to fall down the interest are interested in exchanges. This crisis affected the reel sector abruptly and then there was an economic recession.

It is recognised that public financing deficits are the direct causes of reducing the price of deficit financing rather than compensating fort his financing deficit (reaching to the various points recently) has deteriorated most of the inifiatives in economy. As a result there have been extensive demands for Exchange treasury has come out to be unable to land remarkable rises in interest rates have been tastified and lastly three divisioned inflation rates have penetrated into economic structure. In 1994 economic problems have been more obvious and deeper than ever. All these difficulties have made the gravity of new stability program unquestionable having longed for actually. That's to say the decisionsin 5 April 1994 have been reached as a consequence of a process like that After this formulation process in Turkey economy, there has been an immense economic crisis in 1994 on account of the rises in macro instabilities in period. In this period, economic policy in Turkey, has been viewed as a period when development strategy based on rises in national demonds maintain and development is preferred to the stability. Highly extensive demands in state have forced both real and financial markets under pressure. So as to meet the rising public expenses, such options

as getting into dept in national and foreign market and making use of CB advances have been sustained. Thus, foreign trade has risen and international rating institutions have made Turkey be perceived as a speculative country regarding the feasibility of investment. Therefore, economy has been expased to a serious stagflation crisis. Fiscal crisis, also, has affected the production part of the country badly. Production deficit along with unemployment is the indicative of economic crisis, Crisis fact, not being alien to Turkey economy, has gained a new perspective in 1997-1999. Because economic crisis having been faced based on national dynamics. Turkey has been obliged to deal with too crucial adversities recently, due to interior getting into dept, production insufficiency, politic instabilities and then etc... [27].

These crisis in Turkey has risen the inflation much more by forming the basic cause of economic instability and this predicament has led to instable development process. Abrupt rises in inflation has played an important role in occurances of economic and social confusions and this process has fallen down the tendency of potential development. This instable development inflation caused, has posed an obstacle for making use of economic sources, as efficiently as possible [7].

The crisis, Turkey economy has penetrated into it, in february 2001, is considered as a crisis which can not succeed in increasing national savings and tax reserves, continually, do incline towards shorttermed foreign getting into dept in development financing at a velocity of a speed gradually accelerating in last eleven years, and that is deprived of consistent development, industrialization strategy and lastly persist in being neglectful of

investments in education and technology. Turkey will be able to do away with most of current crisis only after has provided it by making use of all facilities in its hand thanks to sufficient and healthy investments analysis economically and meticulously. The demand for falling down the inflation with great radical prohibitions that can not be settled for years with necessary precautions has, this time, made Turkey economy get carried away with a more serious crisis [28].

It's no use considering the crisis process, Turkey economy experience as being made up of results of independent, random situations, and wrong technical economic policies. Actually, the crisis mentioned, is the direct result of non-liberal policies, having been implemented since 1980's, of which aim is to abandon the national economy to unsupervised market powers. Rather, artificial circle of development instability recession, Turkey has experienced for last twenty years, is dependent on unsupervised, untimely political transformations that have been put into effect with the aim of liberalising the national economy.

Turkey must certainly make allowance for economic development and industrialization strategy based on rivalry and open to foreign investments in 2002. Institutional structure, relevant to free market economy, local economic integration movements and foreign economic relations. Turkey has developed is dependent on considering economic market savings as highly important, that is being gradually more serious so as to fulfill an economic development, like that in 2002-2003. In an effort to do it, it is an unavoidable requirement to separate much more sources for investments of social infrastructure and especially education and health.

5.1. Causes of Financial Crisis

In any economy, increases in public, current account and savings deficits are the main causes of impairments in economy's structural balance. Extensive fiscal and economy policies disclose these deficits. As a result of this, either exchange rate became more valuable or interest rates rise extensively. Increases in public and current account deficits results in rises in interest rates and therefore, at the same time by rising exchange's price and demand, it has given the way for occurrence of a financial crisis [29].

In developed countries, satisfaction of national markets, searching for accessing to foreign markets, especially after the petroleum crisis in 1970's and rises in trends of economic activities form the same economic factors of occurrence of globalization process. multi-nationed companies, with in the framework of new international labour distribution, has extended the whole production to the world everyday, a large sum of money in financing markets, wander around the world, from one country to another. From an economic standpoint, today, an important part of the countries has begun to integrate into each other.

5.1.1. Fiscal Causes

The main cause of instability, having been experienced in fulfillment of all functions of state and occurred especially in 1980's rests on financial crisis [24].

The structure of economic crisis dynamics is among the interests of macro economy. The facts of alternative budget deficit, targeted, financing problem, fiscal demand, public bans within the framework of

implemented macro policy's compatibility with financing policies, effectiveness of a policy in connection with financing markets and economic crisis process, have declared the unavoidable in follow mentioned process [30].

Because of wrong fiscal policies, governments implement, investor does not invest any more, instead, prefers to submit his money in hand to treasury as a ban, and the understanding that it will return back with highly interest rates. In a situation where risk is not prevailing among, employer wouldn't just as soon, deal with trade unions, employee problems, insurance, banking credits, reserves, but instead prefers to invest Money in state getting into debt means that is the best way to gain Money without endeavouring. Tendency of consumption without production, is the cause of society's laziness and inability to predict the future events a like. Therefore, lack of balance between supply and demand in economy and economic fluctuations have occurred [31].

5.1.2. Socio-Politic Causes

The most important one of reasons for economic crisis in Turkey, having been experienced since 1980, is socio-politic factors. Especially in a period where production can not be risen, it is observed that overpopulation migrate to metropolises in search of labor and effort, and moreover, public expenses increase to a certain degree, on account of city's development. Parallely, public incomes either can not fall down or do rise in a considerable degree. And this will cause budget deficit, it will have inflation accelerated, and all these will result in economic crisis, much more efficient than ever. As development and industrialization in Turkey follow a policy based on government

pressure, the government can't help developing and intervening in trade. As a result of politic activities, the changing rules take the best advantage of privatization so as to provide privilege for their own supporters. Usage of privatization reserves in paying for bans has gradually come to a critical position, that can not be evaded. And this has contributed to formulations of economic fluctuations in Turkey. Crisis in Turkey, stemmed from economic system, has resulted in accelerating the inflation process and inability to meet the expectations. Prevailing economic structure in Turkey, on its own, cause crisis. So as to do away with negative process, from a socio-politic viewpoint, it can not be struggled to survive with these temporary economic policies. Instead, in an effort to settle economic problems, long-termed economic policies should be determined, that's to say, instead of tactic searches, long-termed politic strategies that will satisfy real imbalance and ambiguousness and meet the expectations must be formulated [32].

In other words, the most important cause of inability to do away with economic crisis in Turkey, is the popular policies, having been implemented in politic and social process. For this reason, without implementing these popular policies at once, the essential structural reforms must be fulfilled to eradicate economic crisis and take a deep breath.

5.1.3. Agricultural Causes

In contemporary world, machine capital's position in every economic activity, gain importance and even has the most significant position. So, it's out of question to

consider agricultural activity as a different, independent importance-Agricultural sector's importance in economy, is arisen from functions, that are expected to be carried out by this sector [33].

It is recognised that approximately sixty percent of population in active subsist on agricultural sources in 1980's. For this reason, alterations in agriculture part's income is considered as highly important in determining changes in connection with society's indignant group.

In Turkish agriculture, when agriculture's structure was taken into consideration, vegetal production regarding production value, work force rate employed, usage of land and capital access, has a serious position [34].

Just as does increases agricultural production trend by means of economic development, so does agriculture in national one falls down. For all rising agriculture sector can not keep its position in national income, is that other sectors in economy develop more promptly and their national and foreign trade outputs make progress continually as appealed to agriculture [35].

In the wake of implementing 24 January 1980 decisions, as a result of strategy of implementing liberal market conditions, abolishing of government's authority to intervene in economy and policies, implemented towards economy's inclining to foreign investments, the problems prevailing among agriculture sector, reach to unbearable points. Keeping the minimum price as lowly as possible has led to decreases in subsidies, implemented to agricultural products and supporting purchase. Thus, inflation couldn't be curbed and national trade outputs has developed as proposed to agriculture sector [36].

With 5 April 1994 economic stability

decisions, certain precautions have been taken to provide agricultural supporting purchases to be implemented more sensible. These precautions range from having financing requirement decreased, having stock increases curbed, providing credit privileges to producers, reducing the agricultural supporting purchases, made on behalf of government, to restricting the production areas of the products, having an excess of demand [37].

Agricultural production rise in Turkey, has been unable to meet the expectations recently. Value added tax of agriculture sector has made a three per thousand decrease in 1994, and while it is rising two percent in first nine months period of 1997. These recessions stem from wrong policies, having been implemented after occurrences of economic fluctuations in Turkey [38].

For various reasons, such as decreases in supporting purchase, decreases in buying prices, eradicating the state supporting to fertilizer and especially highly credit interest, agricultural production is confronted by immense predicaments [39].

6. EFFECTS OF FINANCIAL CRISIS

As a matter of fact, each of international financial crisis has not only basic functional, peculiar to themselves, but some certain qualifications, as well. Major one of these is globalization and as such is occurred as a result of liberalization of financing markets and abolishing the restrictions on foreign capital [40].

Currently, the area in which globalization affects the most efficiently, and deeply is financing markets. By means of globalization and as such liberalization of financing markets, international capital has

gained an outstanding acceleration. The capital's this qualification, abounds in both facilities and risks, especially on the part of developing countries, such as Turkey [41].

Economic programs in the course of 24 January, 5 April 1999 and 2001, having been put into effect to save Turkey economy from this predicament, have only made minor recoveries in economy and on the other hand showed that these financial and structural problems can not be settled with short-termed policies. It has been obvious that the implemented policies as of 1980, fall short of reaching the determined and desired targets Major one of these targets consists of decreasing the financing deficits, a cause of financial crisis and providing a more just income distribution Such inevitable, effective factors as globalised financing markets, new financing means and products, added to system, rate fluctuations and legal regulations have proved to need for determining the reel extends of the risk Generally, developing economies, working within the framework of insufficient income, undeveloped technology and ineffectual market, aim at industrialization on the basis of changing their socio-economic structures.

One of the strategies, developing countries, having a target of an abrupt economic development put into practice so as to fulfill ambition, is having financing markets experience on stable structure, in the end [42].

In as much as keeping out of financial crisis, an important part of specialists, pursuing and analysing financial system's accounts should certainly be formed. Industrialized countries do not hesitate to make use of this kind of facilities in most of their financing industrial areas. Economic and fiscal policies must be consistent and on crucial role in curbing inflation [43]. It is

necessary to get into implications of financial crisis, judging from below points.

6.1. Effects on Market Interest Rates

Balances in globalized economies need to be formed not only in national manner, but internationally, as well. Independent variables prevail among prices of markets. The economy branch, considers the most important variable in occurrence of this balance in globalised economies, as interest parity [44].

Seeing that Exchange rate in Turkey, accompanied by globalization process comes to a more sensitive position to speculative Money movement, national foreign Exchange reserves is determined on the basis of Money movements, rather than commodity ones. In globalization process, extensive limit of interest has been basic diagnostic of speculative Money movements, also [45].

In connection with globalization process, rising interest rates can't even stimulate the current accounts sufficiently, falls down the inflation rates much less. Instead, it increases the inflation rates, by causing cost rises. Rising inflation rates, as a consequence of fiscal liberalization, turn out to be a factor, leading to instability, on this account.

The higher is the inflation rate, expected in any economy, the higher is nominal interest. Dealing with high inflation in periods when searching for stability is prevailing, has a bad effect on economic program. The manner of conduct in which falling down the inflation rate abruptly is targetted as unique aim, is reconciled to its more serious negative effects.

Efforts to deal with inflation, have been observed in Turkey, when exposed to higher interest rates, and in other countries, also. In

this case, in economies, inclining towards curbing the budget deficits, interest rates being in positions in which national loan stock can be rival to market interest rate, increase the treasury's financing costs. Indirectly, in this dilemma, inflation again rises.

Costs of interest rates intensify the effects of crisis. Interest rates that keep rising at beginning phase of crisis, increase financing costs of institutions, reduce of change of credit facilities and profitability. In addition to price rise in consumption goods, demand for them decrease and while institutions begin to experience predicaments, some workers are laid off and consequently unemployment stays a big problem in economy, as usual.

6.2. Effects on Payment Balance

One of the implications of financial crisis on payment balance, is increases in current deficits. Increase in capital lets current deficit rises much more [39].

The most important one of the problems of developing countries, such as Turkey, is insufficiency of increasing public expenses financing and budget problem, arisen from systematic distortion of "payment balance deficit" conception, has been more significant recently, in view of economic conditions [46].

Abrupt inflation process and economy's payments balance crisis in 1980's stem from fiscal development and financing insufficiency, due to highly increasing public deficits [47].

Real interest rates in economy, real wage level, occurrence and processing of foreign exchange rate are along the potential points, having been affected badly by payments balance deficit [48].

Perhaps, the most important reason for impairment in balance of payments, is that high income part of society is transferred sources in a large extent, because of high interest policy, public instigates [49].

As the macro economic and foreign exchanges fluctuate continually and value of national money falls down gradually, or as a result of impairments in payment balances, there's no way to abstain from financial markets recession [50].

It is known that public deficits in economies increase in periods of economic recession and on the other hand, decrease in the period of economic development. In economy's animation period, decrease in public deficits is more abrupt in proportion to following phases which economy develops [51].

Currently, it is recognised that increasing public deficits have on higher impressive effect on market interest rates with crowding-out implication. On this account, national getting into debt, accompanied by interest rate, exceeding the limits of market interest rates, have been fulfilled in Turkey, occasionally.

6.3. Effect on Consumption Expenses

As developing countries such as Turkey experience financial globalization abruptly without having a development process and providing the macro economic balances. It is inevitable for them to face with crisis. It is necessary to cut down on investment and consumption expenses, prior to financial globalization, privatise the public formations, do away with subventions and, provide the foreign trade balance.

The most distinctive one of the implications in crisis period is recessions in consumption. In periods of economic

development and low interest rates, while consumption expenses rise especially in durable consumer goods in view of cheap goods demands, with credits, rising interest rates in crisis period, firstly decrease because of expensive goods demands with credit, and then loans got long time ago can not be paid back, and finally price rises, unemployment and decreasing demands in economic recession, reduce the consumption. Institutions that are unable to sell their productions, can recede and even cease the consumption as the high importing costs have already risen due to rate differences and with the effects of getting into debt costs, dismissals, free of charge leaves, reducing in available capacity and like these results can come into being.

Taxes, as a means in economy, are put into effect with the aim of reducing the purchase capacity. Yet, some certain taxes are imposed on services and selling goods in market. This causes the price rises [52].

6.4. Effects on Stock-Exchange

Currently, stock-exchanges are named after abstract markets. Seller can sell a good that he doesn't have, to a purchaser that doesn't pay for it. Selling agreement has been made with only words seller and purchaser can not penetrate into securities Exchange. Accounts are being fulfilled by making use of a professional service [53].

International capital movement are sensitive to macro economic policies, banking system and unexpected political and economic situations. National Money, gaining value by mean of capital access, has been facing with financial crisis and depreciation because international capital does not keep on supporting based on this sensitivity. In other words, there is a close

relation between portfolio investments, foreign exchange rates and securities prices. After all, instable these two policies are attached to each other with portfolio investments, and this situation not only leads to financial crisis as a result of reciprocal interaction, but results in payments balance crisis based on foreign Exchange reserves, as well.

Crisis, caused by extensive fluctuations of portfolio investments that rise based on financial liberalization in Turkey, could produce positive settlement offers towards the necessity of capital control, so as to compensate for income distribution impairment, stemmed from speculative investments superiority over productive investments.

Short-termed capital sources rise as financial globalization. Thus speculative motives have tendency towards productive investments as real acquisitions are unable to keep their gravity and also crisis occur in capital markets due to restrictions in capital control. These crisis, having an international function gradually, make it difficult to control international macro economic policies [54].

In economy's crisis period and not long ago, an artificial rise in stock-exchanges are observed. In securities exchanges of developing economies where expectations surpass over fulfillments, ambiguity is more obvious than other ones. In crisis periods, the most important factor in securities exchanges, is variable market interest rate. Because, expectations between variable interest rates and cash accesses in future change continually.

There have been a great number of decreases in demands for company share certificate that is not certain how much it was affected by high interest rates and how it will

resist to this crisis economy. In this period, as profit expectation of companies in the future is after all uncertain, variability of share certificates prices are high in spite of the fact that interest rates are not too high in 3-6 months period, following the crisis.

6.5. Effects on Savings

Savings is something that any person does not spend a little part of his income on consumption, but makes use of it with a different aim [55]. Financial crisis weakens the people's savings demand. Because, just as the save of money keeps decreasing, and so reel save of savings does, from day to day. For this reason, durable consumer goods, gold, builing, foreign exchange are preferred to savings [56].

In any country national savings are made up of volunteer or mandatory savings. Judying from structure of financial crisis, it seems essential. When the prices rose people could purchase goods less, with the same income. So, it can be concluded that static incomes could not purchase as they did in old days [57].

There is a close relation between any country's economic development in a period and total investments, made in this country. Financial source of these investments are capital, having been provided abroad and savings having been formed in country [58]. The most distinctive advantage of financial globalization is that it has effective distribution sources, affects economic development [59].

7. EVALUATION AND RESULT

Globalization, has a variety of meanings, ranging from, developing international trade,

increasing, foreign investments, creating financial sources transfer, coming from other countries, developing multinationaled institutions and shared initiatives. Globalization has been perceived as fulfilling an intergration in all activities and considering the world as a complete fact. In order that developed countries reliable to keep their activities successfully in globalization process, they must do nothing but initially adopt the standartization as the main point. No matter how globalization is considered, on part of developing country economies, it is necessary to develop their rivalry capability standars. Intensifying and inspecting the rivalry capability in globalization process, is as higly significant for Turkey as other countries.

Turkey's geographical location poses a potential advantage for global rivalry in current conditions. The direction of changing points of economic structure being shapened to wards interaction between social and structural formations peculiar to Turkey, is on the other hand dependent on dynamic of global economic crisis. In other words, economic crisis can only be surpassed if interior factors change to wards the signs, coming from exterior ones.

Intergration of capital markets as a result of globalization in the world, and especially rises in short-termed capital movements and reaching to the highest, intolerable points, lead to crisis occasionally in fiscal markets, and they have an effect on reel markets, as well.

Situations in global crisis must certainly be taken into consideration while Turkey determines its economic policy. All people must be attentive at the necessity of both keeping out of the dangers of cronic inflation's transformation into hyper one and abstaining from the deterioration, that will be

caused by sharp recession in production. Turkey will be affected positively by liberalization and globalization movements, but it is dependent on how much rivalry superiority Turkey will guarantee in the world trade.

Turkey has been unable to produce positive results in providing the economic stability, for last 20 years. This situation sets an obstacle to develop and make use of state economy's sources effectively. Economic development's inability to meet social expectations and lack of rise in income, steadily, result in politic and social instability. Insufficiency of institutionalization, lets instabilities turn into a crisis. As the Turkey economy has a tendency to consume much more than it actually produces. Main problem, Turkey must certainly surpass, is production. The efforts to get advantage out of a situation for different parts in turkey economy and keep them and implementing popular policies, pose the immense obstacle to production.

References

1. Paasche, B., Credit Constraints and International Financial Crises, *Journal of Monetary Economics*, 48 (2001) 624.
2. Dehejia, V.H., N. Rove, The Effect of Business Cycles on Growth, *Economic Inquiry*, 36 (1998) 501-11.
3. Oman, C., Globalization and Regionalization, OECD, 1994, p.27.
4. Kök, R., Cyclical Analysis of Economic Crises and An Attempt Peculiar to Turkey's Starte, *New Turkey Review*, (2001) 119.
5. Waters, M., Globalization, Clays Ltd PLC. London, 1995, pp.45-111.
6. Liemt, G. V., Economic Globalization: Labour Options and Business Strategies in High Labour Cost Countries, *International Labour Review*, 131 (1992) 453.
7. Tülay, B., Erdönmez, P.A., New Approaches to Global Crises, *Banking Review*, 31 (1999) 3-5.
8. Karabiçak, M., Process of Historical Development of Economic Instability in Turkey, Süleyman Demirel University, *The Journal of Economic and Administrative Science*, 2 (2000) 50.
9. Masca, M., Globalization And Global Crisis, Dumlupınar University, *Social Sciences Review*, 4 (2000) 159.
10. Woitek, U., *Business Cycles*, Physica-Verlag Company.Germany, 1998, p.33.
11. Altay, A., The Public Finance's Matters and Solution Suggestions on The Transition Process to The Market Economy, Manas Kyrgyz-Turkish University, *Social Sciences Review*, 2 (2001) 15.
12. Bruno, M., W.Easterly, Inflation Crises And Long-Run Growth, *Journal of Monetary Economics*, 41 (1998) 3-26.
13. Duman, M., Growth and Dependence in Turkey Economy in The Globalization Era, *The Journal of Social Sciences*, (2000) 28.
14. Mincer, J., S. Danninger, Tecnology Unemployment and Inflation, Nber Working Paper Series, No:7817., 2000, pp.1-3
15. Collins, W., *English Dictionary*, (P. Hanks, W.T. Maleod, L.Urdang), 2nd Ed., William Collins And Sons&Co. Ltd., London, 1986, p.369.
16. Dennis W.O., W.C. Hamner, *Organizational Behavior*, Business Pub, U.S.A., 1982, p.474.
17. Hansen, A. H., *Business Cycles And National Income*, Norton Company Inc. New York, 1978, p.213
18. Newbold, P., *Statistics for Business and Economics*, Prentice-Hall International Edition, New Jersey. 1988, p.680.
19. Gündüz, A. Y., Structural Changes in Turkey Economy and Stability Policies Practised After 1980, Erciyes Univesity, *The Journal of Economic and Administrative Science*, 15 (1999) 277.
20. Ongun, M.T., An Evaluantion from Stability Search to Crisis", Gazi University, The

- Journal of Economic and Administrative Science, 2 (2001) 12.
21. Ucer, M., C.E. Alper, Some Observations on Turkish Inflation: A Random Walk Down The Past Decade, *Bo?azici Journal: Review of Social, Economic and Administrative Studies*, 12 (1998) 1-5.
22. Kibritçioğlu, A., Economic Crises and Governments in Turkey, 1969-2001, *New Turkey Review* (2001) 1.
23. Sadıklar, C.T., An Evaluation about Economic Crises in The Last 20 Years in Turkey", *New Turkey Review*, 12 (2001) 13.
24. Özbilen, S., Major Reasons of Economic Crisis in Turkey and A Suggestion of Financial System Reform II, *New Turkey Review*, September-October (2001) 4-7.
25. Rosen, H., *Public Finance*, Irwin Illinois, 1988, pp.28-38.
26. Yılmaz, S., Some Observations on The Doctrine of Liberal Economy, Crisis and Turkey, Gazi University , *The Journal of Economic and Administrative Science*, 3 (2001) 32.
27. Karagül, M., Globalization, Global Crisis and Turkey, Afyon Kocatepe University, *The Journal of Economic and Administrative Science*, 3 (2000) 203.
28. Çelebi, E., General Appearance of Turkey Economy in 2001, *Dogru? University Review*, 4 (2001) 37.
29. Akman, V., The Biggest Economic Crisis in The Modern World, Rota Pub., Istanbul, 1998, p.24.
30. Svensson, L. E., Inflation Targeting As A Monetary Policy Rule, *Journal of Monetary Economics*, 43 (1999) 610.
31. Potter, S. M., A Nonlinear Model of The Business Cycle, *Studies in Nonlinear Dynamics and Econometrics*, July (2000) 92.
32. Güvel, A., Short-Termed Analysis of Turkey Economy: An Econometric Survey on Macro Policies and Economic Fluctuations, Çukurova University, *The Journal of Economic and Administrative Science*, 8 (1998) 3.
33. Dinler, Z., *Agricultural Economy*, Ekin Pub. Bursa, 1996, p.173.
34. Karluk, R., *Turkey Economy*, Beta Pub. Istanbul, 1996, p.172.
35. Yumusak, I. G., M. Bilen, An Evaluation on The Relation Between Income Distribution and Human Capital and Turkey , *The Journal of Social Sciences*, 1 (2000) 81.
36. Sahin, H., *Turkey Economy*, , Ezgi Bookshop Pup. Bursa, 2000, p.242
37. Oyan, O., *Turkey Economy from The Past to Nowadays*, Imaj Pub., Istanbul, 1998, p.122.
38. Parasiz, I., *Economy And Stability Policies*, Ezgi Bookshop Pub. Bursa, 1998, p.442.
39. Kepenek, Y., N. Yentürk, *Turkey Economy*, Remzi Pub. Istanbul, 2000, pp.216-354.
40. Rhim, J., K. Schibik, Timothy, Composite Forecasts of Inflation: A Improvement in Forecasting Performance, *Journal of Economics And Finance*, 18 (1994) 276.
41. Steindel C., The Impact of Reduced Inflation Estimates on Real Output And Productivity Growth, *Economics and Finance*, 5 (1999) 2.
42. Little, L., T.Sc?ovsky, M.Scott, *Industy And Trade in Some Developing Coountries: A Comperative Study*, Oxford Univ. Press. London, 1970, p.59.
43. Grossman, R. S., Deposit Insurance and Moral Hazard in The Thrift Industry: Evidence for The 1930s', *American Economic Rev?ew*, 82 (1992) 807.
45. Berksoy, Taner, Forceps of Exchange-Interrest, *GörüS Review*, March (1998) 22.
46. Dornbusch, R., S. Fischer, *Macroeconomics*, Mc. Graw-Hill. New York, 1979, p.451.
46. Ertuna, Ö. Crises That Turkey Experienced and Searches of Solution, *Accounting and Finance Review*, 11 (2001) 7.
47. Ulutürk, S., Public Expenses of Effect on Economic Growth, Akdeniz Universitesi, *The Journal of Economic and Administrative Science*, 1 (2001) 132.
48. Özker, N., *Inflationist Finance Teory and Turkey*, Beta Pub. Istanbul, 2000, p.109.
49. Akkoyunlu, P., Importance of

Consolidated Budget, Economics Review, 385 (1998) 9.

50. Nenovsky, N., K. Hristov, Criteria for Evaluation of The Systemic Risk Under Currency Board, Bank of National Bank, (1998) 8.

51. Bradford, W., Price-Level Restated Accounting and The Measurement of Inflation Gains and Losses, The Accounting Review, April (1974) 298.

52. Savoie, L. M., Price Level Accounting, Pretical Politics and Tax Relief, Managment Accounting, January (1997) 15-18.

53. Hougen, R., Modern Investment Theory, Prentice-Hall International Inc. Second Edition, 1990, p.1-10.

54. Blade, D., Financial Market Analysis, Mc. Graw Hill Book Co. Europa, 1990, pp.12-15.

55. Güçeri, S., Structural Matters of Turkey and A Solution Model, Business World Club Pub. Istanbul, 1993, p.114.

56. Gali, J., M. Gertler, Inflation Dynamics: A Structural Econometric Analysis, Journal of Monetary Economics, 44 (1999) 195-197.

58. Sarikamis, C., Capital Markets, Alfa Pub. Istanbul, 1995, p.13.

57. Ulusoy, A., Finance Policy, Lega Bookshop Pub. Trabzon, 1999, p.132.

59. Fischer S., R. Dornbusch, Economics, Fifth Edition, Alk?m Pub. Istanbul, 1997, p.457.