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The Causes of the Inflation Problem in Türkiye After the Covid-19 Pandemic and Strategies to Combat Inflation

Betül Gür¹¹Istanbul Ticaret University, Turkey

ABSTRACT

In Türkiye, inflation has been a significant macroeconomic issue at various times throughout history. Although stability in inflation was achieved in the 2000s, recent years have seen a tendency towards destabilization and high inflation. This study aims to compare the causes of price instability in Türkiye before and after the Covid-19 pandemic, evaluate the measures taken to ensure price stability, and assess the success of these measures. The study also aims to compare the reasons for the inflation problem in Türkiye between past and present, and compare the national and international methods for combating inflationary trends emerging after the pandemic. The results of the study show that expansionary monetary and fiscal policies, both globally and in Türkiye, have caused inflation after the Covid-19 pandemic. Therefore, the current inflation problem in the Turkish economy differs from the inflation problems of the past, which were caused by excess demand, inefficiency, or the financing of budget deficits. However, the policies adopted before the pandemic in Türkiye have increased inflationary tendencies even before the pandemic. The adoption of heterodox monetary policies for combating inflation, contrary to the orthodox macroeconomic policies and strategies of other countries, has contributed to the continuing increase of inflation.

KEYWORDS Türkiye; Inflation; Interest Rate; Monetary Policy; Covid-19

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