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The Effects of the Global Financial Crisis on Monetary Policy in Turkey

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ABSTRACT

In 2007, the U.S. housing market began to collapse in financial markets led to a great instability and then converted to the liquidity crisis in the global crisis spread in waves all over the world have formed the floor. Global economy is showing strains on a large scale with the impact of the current financial crisis that firstly broke out in developed economies. Measures to repair the system and restore confidence are taken all over the world notably in developed countries. In terms of monetary policy, rapid policy interest cut has been inadequate for rapid response and central banks have been criticized for only “single measure (short-term policy interest rate) and single target (price stability)” policy. Price stability is the primary goal of central bank. After 2011, Central Bank has two goals, including price stability and financial stability. One policy tool was not sufficient to meet these objectives. The central bank has wanted to keep inflation under control with a single policy instrument. Central Bank, price stability objective of anchoring, might adversely affect financial stability. Therefore, TCMB has undergone experimental application. On the other hand, complementary fiscal measures have entered into practice. A significant impact on the emerging economies such as Turkey, the global crisis is a process of change experienced in view of the global economic and political actors. This paper analyses the impact of global financial crisis on the economy with macroeconomic indicators and policy to give response to global contracts.

KEYWORDS Global Economy; Monetary Policy; Turkish Banking System

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