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STRUCTURAL ADJUSTMENT: TURKEY (1980-1990)

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STRUCTURAL ADJUSTMENT: TURKEY (1980-1990)

The purpose of this note is to briefly survey the Turkish experience in structural adjustment and liberalization between 1980-1990. It should be stressed beforehand that the paper does not claim that the Turkish experience is a success story. However, it is argued that there is much to learn from the Turkey's experience, positive and otherwise.

I. INTRODUCTION

Turkey faced a deep balance of payments problem in the second half of the 1970s. The inability of the existing system to deal with such a crisis induced the search for a better resource allocation mechanism. This search led Turkey to adopt a rather radical approach to deal with the, at first sight, insurmountable problems.

In the beginning, even up to 1986, Turkey's structural adjustment program was considered exceptionally successful. The program proved to be effective in relieving shortages and hoarding in a short time, and in inducing an export led growth, which enabled the country to restore her creditworthiness in a short time. These result aroused the interest of the international organizations (such as the World Bank) as well as of countries experiencing similar problems. Although Turkey's performance after 1986 has not been as impressive as before, the legend survived *particularly in international arena*.

In order to make a correct assessment of the Turkish structural adjustment program, one should take into account two time and country specific factors that favored Turkey in the first half of the decade. First of all, partly due to the political developments in the region, Turkey was able to obtain a considerable amount of foreign assistance from bilateral creditors (mainly the OECD countries) and from multilateral organizations (IMF and the World Bank) after adopting the liberalization program in 1980. (1) As discussed in RODRIK (1991, pp. 329-331), these generous inflows eased the foreign exchange constraint and gave the country some, much needed, breathing space. However, it should be stressed that credit also lies with the policies that were quite successful in drawing the savings of the Turkish guest workers abroad. (van

(1) For a detailed discussion of the foreign assistance to Turkey, see WOLFF(1987, pp.63-97) and KIRKPATRICK-ÖNİŞ(1991).

WIJNBERGEN 1991, p. 354). Secondly, between 1980 and 1983 Turkey was under the military rule, which helped the reformers to go ahead with their reform programs unchallenged. In particular, in contrast to the following years, the reformers were able to restrain domestic demand.

II. TRADE LIBERALIZATION

One of the primary targets of the Turkish structural adjustment program was to transform the economy from an inward oriented outlook to an outward oriented one. The acute foreign exchange scarcity experienced all through the memorable history of the country, which had intensified to frightening dimensions during the balance of payments crisis in the late 1970s, led policy makers to follow, almost single-mindedly, policies to slacken the foreign exchange constraint. Although the frequent changes in the policies in this direction introduced uncertainty to business decision making, in contrast to the domestic policies, the commitment of the authorities to principles of trade liberalization and export led growth was never disputed. In other words, foreign trade policies were considerably more immune to the threat of policy reversals, which should be taken into account in explaining Turkey's relative success in external adjustment.

II.1. Export Promotion

From the very beginning, a comprehensive set of policy instruments was employed to promote exports. The authorities' emphasis on the various instruments varied over time. This stemmed not only from the inefficiency of the instruments that used in the narrow sense, but also in some cases they became infeasible as a part of the liberalization program in general. The latter aspect manifested itself when Turkey signed the GATT Subsidy and Compensation Tax Code, which prohibits direct government export subsidies on goods exported to signatory countries. In this context, the subsequent modifications in the policies referred to above can be considered merely as changes in the weight attached to these measures. The instruments that were used to promote exports are examined below under five headings:

a) The Exchange Rate Policy

One of the first decisions of the reformers was to devaluate the exchange rate by 48.6 % in January 1980, which was followed by a series of devaluations throughout the year.

After May 1981, the nominal exchange rate was adjusted daily. This actively managed floating aimed at attaining a targetted real depreciation of the Turkish lira. This policy was discontinued after August 1988 in favor of adopting a market setting of exchange rate system through the establishment of a foreign exchange market under the auspicies of the Central Bank.

This change was partly a response to the formidable differences in the official exchange rate and parallel market rate. On the other hand, the costs of continuous real depreciations, particularly those felt in public sector finance and in inflation, were effective in abolishing the real depreciation strategy.(2)

b) The Export Tax Rebate System

The Export Tax Rebate System, which was designed to refund the indirect taxes paid during the process of production in the early 1960s was strengthened by increasing the tax rebate rates and also by loosening the connection between the indirect taxes actually paid. In ERSEL-TEMEL(1984), it is claimed that tax advantages were the most influential instrument in promoting exports in the early years of the liberalization period. However, due to the emergence of "fictitious exports" (3) and the burden of this scheme on government budget, these tax rebate rates were gradually reduced starting in April 1984 and were abolished altogether in 1988.

c) Cash Premiums

A third incentive measure was cash premiums which were introduced or re-activated to compensate the reduction in tax rebates. These were financed through extra-budgetary funds. The cash premiums were paid, first from the short lived Resource Utilization Support Fund, between 1984-1986 and from the Support and Price Stability Fund. In the latter system, payments were made to selective industries and were made on the basis of a comparison between domestic costs and foreign prices.(4)

(2) See RODRIK (1990; pp.188-191) and RODRIK (1991; pp.344-345)

(3) The "fictitious exports" refer to overinvoicing and/or declaring exports that had not taken place as stated to obtain the generous export incentives offered, particulary in the first half of the 1980s. The importance of fictitious exports is discussed in MILANOVIC (1986, p.12), RODRIK (1988) and in CELESUN-RODRIK (1989, pp. 725-730)

(4) For a detailed discussion of the mechanisms employed to allocate cash premiums to exports, see (UYGUR) (1991, pp.41-48)

d) Export Credits

Subsidized export credits were first instituted in 1968. This scheme, which initially relied heavily on Central Bank rediscount credits, was then gradually shifted to commercial banks, and the subsidy element was reduced. The scheme was terminated in January 1985. However, it was reintroduced in November 1986. In 1987 the Turkish Eximbank was established and put in charge of export credits. As discussed in UYGUR(1991, pp. 49-52), there are important differences in the implementation of the export credit schemes between the first and second halves of the 1980s. In the first half, the subsidy element was much higher and maturities were longer. On the other hand, the export credits were better monitored in the second half of the decade.

e) Other Export Promotion Schemes

Other measures such as foreign exchange allocations, duty free importations and tax exemptions were also used to promote exports. In UYGUR(1991, pp.53-56), the share in total subsidies significantly increased in the second half of the decade.

As can be seen from the figures in TABLE A.1 exports increased considerably, from 6.5 % of GNP in 1980 to 20% in 1985. In the second half of the decade, export growth rate declined partly due to the reduction in total subsidies offered to exporters, UYGUR(1991, p.56) and partly due to rise in domestic demand. However, except for 1986, the export/GNP ratio remained over 20%. ARSLAN - van WIJNBERGEN(1990) and UYGUR(1991) identify the exchange rate policy, i.e. the real depreciation strategy followed during most of the period, as the main explanatory factor behind the impressive export growth performance.

II.2 Import Liberalization

The shift to an export oriented growth strategy and the aim of integrating Turkey to world economy, required a major restructuring in the production pattern. In a market oriented system, such a transformation requires drastic changes in the relative prices. Therefore, the reformers, from the beginning, aimed at the liberalization of imports as a means to "correct" prices. However, initially a much more gradual approach than that followed in export promotion was adpoted in implementing the import liberalization strategy in order not to exacerbate the balance of payments and employment problems.

In Turkey, until 1981 all imports were regulated. For some commodities there were quotas, some were itemized under a free imports list, some were in a restricted list, etc. The importation of goods that were not enumerated in one of these lists was prohibited. The imports were also subjected to tariffs and charges. In 1981 the quota list was partly phased out, some commodities were transferred from the restricted list to the free list, and the stamp duty was lowered from 25% to 1%.

A major change in the import regime was introduced at the end of 1983. The "negative list" system, which removed quantitative restrictions from a large number of commodities, was introduced. The new system liberalized almost 60% of Turkish imports; simultaneously, tariffs were lowered. This process continued in 1985, when quantitative restrictions were removed on practically all commodities.

However, it is not possible to pursue the same consistent pattern with respect to tariffs and levies on imports. In 1986 and 1987 these were increased in response to the worsening trade balance and were then lowered considerably in 1989 and 1990. The latter move was more to fight against soaring inflation than a continuation of the import liberalization policies.

OLGUN-TOGAN(1989; 1991) analyzed the effects of the structure of protection in Turkey and calculated the nominal and effective protection rates. OLGUN-TOGAN(1991, pp. 167-169) demonstrated that

i) The 1988 and 1989 revisions in tariffs lowered both the level and dispersion of the protection, although the protection level was still much higher than the Western countries,

ii) The protection rates escalate from lower to higher stages of production, i.e. from primary activities to manufacturing,

iii) Within the manufacturing protection rates, the highest is for consumer goods, followed by investment goods, and the lowest for intermediate goods,

iv) Finally, the export industries were much more heavily protected than the import-competing and non-import-competing industries.

As one can easily expect, the liberalization in the trade regime increased the share of imports from 13.9 % of the GNP in 1980 to 26.8 % in 1990. However, as noticed by various researchers, notably by OLGUN-TOGAN(1991), the pattern of import liberalization, by sustaining relatively high levels of protection for the export industries was, also conducive in promoting exports.

III. FINANCIAL LIBERALIZATION

The second important reform area was the financial system. The need for reforms in the Turkish financial system, which was underdeveloped even when compared with other countries at the same industrialization level, was evident at the beginning of the 1980s.

In order to understand the course of the developments in the Turkish financial system during the 1980-1990 period, three phases of the reforms should be distinguished.

In the first "infancy" phase (1980-1982), reformers concentrated their emphasis on deregulating the financial system. It was naively thought that deregulation was sufficient to create a competitive environment in the financial markets, which in turn was sufficient to enhance the efficiency in the allocation of financial resources. Therefore, in July 1980 legal restrictions on loan and deposit rates were removed, and banks were allowed to issue negotiable certificates of deposits. However, these hopes were short lived due to emergence of financial crisis in 1982, which is examined in detail in ATIYAS(1990).

In the second phase (1983-1987), the reforms were more evenly distributed between deregulation and laying institutional foundations for the smooth functioning of the financial system. The regulatory power of the monetary authorities was streghtened. This was also accompanied by a close scrutiny of the activities of the banking sector. The Banking Act of 1985 introduced provisions regarding the capital structure of banks, the protection of deposits, the treatment of non-performing loans, uniform accounting standards and made the external auditing of banks obligatory starting in 1987.

In 1984 the foreign exchange regime was liberalized, and banks were allowed to engage in foreign exchange operations within certain limits in proportion to their foreign

exchange liabilities. They were also allowed to accept foreign exchange deposits, including those of resident Turkish citizens.

The amendments of the Central Bank Act gave mandate to the Central Bank to engage in open market operations, and strenghtened its regulatory authority over the banking system. During this period, the Central Bank simplified the liquidity and reserve requirements systems, opened an interbank money market under its auspicies in 1986, and started open market operations in 1987.

In the second phase of the liberalization movement, there were important developments in the securities markets. In 1983, the Capital Market Board, the regulatory authority responsible for supervising and promoting capital markets, became operational. The Capital Market Board was authorized to evaluate the initial offerings on merit grounds. In 1985 the Capital Market Board initiated the establishment of the Stock Exchange, which became operational in 1986. In 1987 mutual funds became active.

The reform effort seem to be weakened in the last phase of the liberalization episode between 1988-1990. In this "reform fatigue" phase, there were no major legal changes that affected the working of the financial system. However, the implementation of some previous authorizations, such as the establishment of the foreign exchange market in 1988 and the gold market in 1989 by the Central Bank, took place in this period. Furthermore, as a continuation of the liberalization of foreign exchange activities, the capital account of the balance of payments was liberalized in 1989 which led to a sharp revaluation of the Turkish lira due to inflow of short-term capital to benefit from considerably high differences in interest rates. Finally, in 1990 the Central Bank announced its monetary program which was warmly welcome by the banking community as a necessary step to reduce uncertainty stemming from the lack of credibility of econonomic policies.

The main outcomes of the liberalization of the financial system can be summarized as follows:

i) The scope of the financial markets as well as their depth increased.

ii) The dominance of banks in the financial system continued, and in some senses was consolidated. The existing banks, operating under a universal banking system, diversified their activities to exploit the opportunities offered by the new markets. The financial reform strategy in Turkey was not supportive of the idea of creating partially overlapping financial institutions to establish an inherently competitive system. Instead, the focus was on creating competition among banks, i.e. among homogenous financial institutions.

iii) The expansion of the financial system, measured both by the share of broad monetary aggregates and bank assets to GNP ratios, expanded rapidly until 1987. However, this trend was reversed afterwards, although the profitability of the banking system continued to increase. This reversal can be interpreted as a weakening in financial intermediation, which had adverse implications on corporate finance [See ERSEL-ÖZTÜRK(1990)] and on the efficacy of the monetary policy. One of the main reasons behind this reversal was that the relatively better supervised banking system of the post 1985 era enforced banks to acquire much larger and finer set of information which they used to base their decisions on. However, due to various reasons, partly institutional partly technical, banks were not able collect the required information and therefore were left uncertain about the prospects of the projects submitted. This informational problem led the banks to exercise credit rationing, in STIGLITZ-WEISS sense, to a large extend. The high budget deficits, which created a continuous demand for bank sources enabled the banks to sustain their behavior.

iv) Contrary to the intentions of the liberalization program, the share of the public sector in the securities markets rapidly increased. Hence, the financing pattern of the private sector was hardly affected,(5) i.e. they continued to rely on bank loans and inter-firm trade credits.

v) The increasing portion of the financial savings were allocated to foreign exchange denominated assets. The rapid increase in the foreign exchange deposits in total deposits until 1988 was indicative of the strengthening of the currency substitution phenomena. The introduction of foreign exchange deposits to draw foreign exchange

(5) For an early analysis of the financing behavior in Turkish corporations, see ERSEL-SAK (1986). In ATIYAS-ERSEL (1991), this point as well as other features of Turkish Liberalization program are examined in more detail.

holdings from the public in cash form to the banking system, did not trigger this process, but made it easier for the public in general.

IV. PUBLIC SECTOR REFORM AND PRIVATIZATION

In Turkey, three main objectives of the public sector reform can be distinguished: the first objective was to broaden the tax base, which shrank due to a steep rise in inflation and the weaknesses in the tax administration. The major changes in taxation were, i) the rearrangement of the income tax brackets and the introduction of tax rebates to reduce the excess burden of income taxes on fixed income earners, ii) the unification of the corporate tax rates, abandonment of the preferential rates for the State Economic Enterprises and the introduction of the advance payments system in 1986 to reduce collection lags, and iii) the introduction of the value added tax to replace the previous duties and production taxes.

The second objective of the public sector reform was the rationalization of public investment through the decentralization of decisions, strenghtening the fiscal autonomy of the local governments by creating a number of extra budgetary funds, which were financed by indirect taxes, and having more flexible operational procedures.

The third objective was to improve the functioning of the State Economic Enterprises systematically and eventually to privatize them. In 1983, a new law was enacted which delineated the set of the State Economic Enterprises to be operated under profitability criteria. The privatization efforts started in 1986.

The public sector reform was the most disappointing aspect of the Turkish structural adjustment program. First of all, especially after the 1983 elections which formally ended the military rule, it became evident that it was quite difficult to abandon the traditional and accustomed economic functions of the state. Secondly, Turkey's debt servicing burden, which was on the public sector, rose sharply after the termination of the debt relief in 1984. These two factors when combined with the difficulties in the rising tax revenues, increased the public sector's deficits. The policy of financing deficits from the financial markets, which gained momentum after the introduction of an auction system for the government debt instruments in 1986, put extra pressure on the already shallow markets and led to high real interest rates. The existence of a debt

overhang limited the scope of government spending, and increasingly greater portions of the budget revenues were allocated to the interest payments of high cost domestic borrowing. This phenomena, on the other hand, was also the main reason behind the crowding out of the private sector from the financial markets.

The extra budgetary funds, which were introduced as institutional innovations to enhance the efficiency of the public expenditures, became the major source of the financial disarray in the public sector.

The reforms related to the State Economic Enterprises although enabling them to adjust their prices more freely, and therefore to take advantage of their monopoly positions, were never pursued further to deal with the fundamental problems to increase their efficiency. The reorganization of the State Economic Enterprises and the reduction of excess employment were neglected. As a result of this, one-sided approach to the problems of the State Economic Enterprises, they became one of the major sources of inflation through their erratic and large price adjustments. Since the bulk of their products were intermediary goods, their price adjustments also affected the pricing behavior of the private sector.

One explanation for the sluggishness on part of the reformers in dealing with the problems related to the State Economic Enterprises may have been their over confidence in privatization. However, through the difficulties inherent in the privatization process coupled with the limitations of the emerging domestic capital market, it is evident that even with full political support, (6) the privatization of the State Economic Enterprises is a long-run problem and cannot be a cure for the existing problems of these institutions. Indeed, until the end of 1990 the total volume of the privatization was less than TL 1.5 trillion, which was around 0.5 % of the GNP in 1990.

(6) The Turkish privatization experience and the political aspects of the problem are discussed extensively in KJELLSTRÖM (1990) and ÖNİŞ (1991 a,b). For an evaluation of the privatization efforts in developing countries, including Turkey, in a broader context, see BIENEN-WATERBURRY (1989).

V. CONCLUSIONS

Turkey's ten years of experience in structural adjustment brought out a set of mixed results. These can be summarized as follows:

i) Turkey's exports rose considerably, the commodity composition of the exports shifted towards manufactured goods, and the spectrum of exported commodities expanded.

ii) Total factor productivity in manufacturing considerably increased compared to the debt crisis period. However, the result was not as impressive as seen in some other countries such as Korea, and the increase in total factor productivity was not significantly different from that was achieved under import substitution regime, UYGUR(1991).

iii) On the liberalization front, considerable achievements were made in extending the role of the market mechanism. The agents became more sensitive to price signals and the relative prices converged with world prices.

iv) There were important structural changes in the financial system. Banks became more efficient, and financial markets were broadened and deepened. However, these changes had little effect on the financing pattern of the corporate sector. Instead, the public sector, particularly the Treasury, became by far the largest user of the financial resources intermediated through the newly developing securities markets.

iv) The results were much less satisfactory for the public sector reforms. The high public sector deficits persisted, and there were no visible changes in the economic performance of the State Economic Enterprises.

v) Using the terminology proposed in BACHA(1990), one can claim that the structural adjustment program implemented in Turkey was successful in softening the foreign exchange constraint but not in increasing domestic savings or in reducing the fiscal gap.

vi) The high public sector deficits and their mode of financing exerted permanent pressure on the financial markets, and kept the real interest rates high. This reduced the flexibility of the government budgets, and increasingly more of the public revenues had to be allocated for interest payments. On the other hand, the high interest rates

discouraged the private sector in undertaking investment projects, particularly in manufacturing.

vii) The policy of reducing the size of the public sector reflected itself most abrubtly in a sharp decline in public sector's manufacturing investments. However, this was not compansated by a rise in private manufacturing investments. The poor investment performance of the private sector can be attributed to the adverse effects of the policy uncertainty, and was one of the main reasons behind a low employment creation seen in the 1980-1990 period.

viii) Recent studies indicate that the income distribution is worsened, particularly against wage earneers and agriculture, CELASUN(1991). Even those who challange these recent findings related to income distribution, accept the fact that the present income distribution is not sustainable from political and social point of view.

ix) In the second half of 1980s the inflation rate remained around 55-60% which shortened the horizons of all economic agents and adversely affected the investments in manufacturing.

x) Turkey's experiece also demonstated the need for optimum policy mix, since it is not possible to isolate the effects of individual policies on other objectives.

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TABLES

TABLE A.1

	GNP GROWTH (%)	EMPLOYMENT GROWTH (%)	FIXED INVESTMENT/GNP (%) PRIVATE	PUBLIC	TOTAL	SAVINGS/ GNP (%)	MANUFACTURING/ GDP(%)	AGRICULTURE/ GDP(%)
1980	-1.1	1.2	9.3	10.4	19.7	16.0	21.1	22.6
1981	4.1	0.8	7.9	11.0	18.9	18.6	21.7	22.0
1982	4.5	-0.5	7.3	11.5	18.8	15.9	22.4	20.8
1983	3.3	0.9	8.3	10.5	18.8	16.2	23.9	19.6
1984	5.9	1.4	8.2	9.7	17.9	16.5	24.2	19.6
1985	5.1	1.6	8.4	11.6	20.0	18.9	25.1	18.8
1986	8.1	1.7	9.8	13.3	23.1	21.9	25.3	18.5
1987	7.5	2.1	11.2	12.8	24.0	24.1	25.7	18.0
1988	3.6	2.4	12.6	11.4	24.0	26.3	26.0	17.5
1989	1.9	2.1	12.3	10.2	22.5	23.6	25.3	16.7
1990	9.2	1.7	11.6	9.7	21.3	21.1	23.5	18.1

SOURCES: Employment growth, share of investments and savings in GNP figures are from UYGUR(1991, TABLE III.3) Others are from SPO: Main Economic Indicators, July 1991.

TABLE A.2

	EXPORTS/GNP (%)	IMPORTS/GNP (%)	CURRENT ACCOUNT/GNP	FOREIGN DEBT/GNP
1980	6.4	13.9	-5.5	28.0
1981	10.2	15.2	-3.3	28.4
1982	14.6	17.6	-1.8	32.5
1983	15.7	19.6	-3.7	35.7
1984	19.5	23.1	-2.9	42.2
1985	20.7	23.5	-1.9	47.5
1986	17.9	20.6	-2.5	54.6
1987	20.7	22.3	-1.2	58.8
1988	24.6	22.1	2.3	57.5
1989	23.5	24.0	0.9	52.0
1990	20.3	26.8	1.8	44.5

SOURCE: First two columns from UYGUR (1991, TABLE III.3). Third column is Calculated from the data given in CBRT Balance of Payments Statistics of Turkey, Ankara, 1991, p.52. Last column refers to sum of public and private foreign debt. The figures for 1980-1983 are from UYGUR (1991, Table III.2), for 1984-1990 are from CBRT, International Department.

TABLE A.3

	INFLATION RATE(%)	PSBR/GNP (%)	PUBLIC DEBT/GNP	MONETARY GROWTH (%) M1	M2X	NOMINAL DEPRECITATION RATE (%)
1980	103.8	10.5	11.9	57.9	66.3	142.0
1981	41.9	4.9	11.6	38.0	85.1	48.3
1982	27.5	4.3	12.3	38.0	56.7	45.6
1983	28.0	6.0	27.5	48.0	29.8	40.2
1984	50.1	6.5	25.2	17.5	66.1	62.1
1985	43.9	4.6	25.2	39.7	61.2	40.9
1986	31.0	4.7	26.7	56.6	49.7	30.5
1987	38.4	7.8	29.4	62.1	56.3	26.7
1988	65.7	6.3	28.3	30.3	59.4	68.2
1989	66.9	7.1	24.6	72.9	67.1	47.4
1990	54.4	9.4	19.3	49.9	54.3	23.4

Source: a) Inflation rate, measured by the change in GNP deflator with the base year 1968, is obtained from UYGUR (1991, TABLE III.1).

b) PSBR: SPO and UTFT figures.

c) PUBLIC DEBT = Outstanding stock of Treasury Bills, Government Bonds, Central Bank Advances and Consolidated Debt; Source UTFT Treasury Monthly Indicators, various Issues.

d) M1 = Currency in Circulation + Sight Deposits
M2X = M1 + Time Deposits + FX Deposits.
Source: CBRT

e) Nominal Depreciation Rate, % change in official exchange rate calculated from average of the month end figures reported in UYGUR (1991, Table III.1).

TABLE A.4

MONETARY AGGREGATES (%)

	M1/GNP	M2/GNP	M2X/GNP
1982	11.64	22.79	-
1983	12.57	23.90	-
1984	9.55	22.43	23.11
1985	8.87	24.06	25.79
1986	8.97	24.46	27.54
1987	9.61	22.98	27.38
1988	8.21	19.74	25.11
1989	7.78	20.29	25.25
1990	8.14	20.33	25.28

SOURCE: CBRT, SIS

TABLE A.7

YIELDS OF FINANCIAL ASSETS (NET, %)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
SAVING DEPOSITS(1)	26.50	50.00	50.00	42.50	45.00	50.00	51.75	48.08	69.30	65.09	57.36
PRIVATE SECTOR SECURITIES(2)											
BONDS	25.60	36.00	37.38	38.55	47.15	49.93	49.90	48.27	67.10	65.44	55.30
COMMERCIAL PAPER	-	-	-	-	-	-	-	50.00	54.90	64.80	53.35
SHARES	12.03	30.40	79.88	110.15	-5.16	46.80	86.51	295.80	-37.32	511.24	55.60
MUTUAL FUND									68.30	67.80	46.22
PARTICIPATION CERTIFICATES	-	-	-	-	-	-	-	-			
PUBLIC SECTOR SECURITIES(2)											
GOVERNMENT BONDS	20.00	34.00	34.00	31.80	42.98	50.60	51.02	47.04	62.36	52.17	48.18
TREASURY BILLS	28.00	30.60	-	-	51.00	50.70	49.64	45.18	57.88	47.49	43.84
INCOME SHARING CERTIFICATES	-	-	-	-	-	43.00	50.17	59.09	95.58	95.23	61.35
FOREIGN EXCHANGE(3)											
NOMINAL APPRECIATION OF											
US DOLLAR	155.00	43.90	35.60	47.00	53.40	27.10	29.10	32.70	75.40	25.70	25.80
DEUTSCHEMARK	123.29	25.40	30.20	26.20	34.70	36.20	63.10	62.10	57.70	32.20	41.90
FX-DEPOSITS						40.40	41.50	44.50	89.20	51.70	34.70
US DOLLAR	-	-	-	-	-	46.50	73.90	71.30	65.30	50.20	48.30
DEUTSCHEMARK	-	-	-	-	-						
MEMO ITEM:											
INFLATION RATE(4)	110.17	36.56	29.86	31.39	48.39	44.96	34.61	38.86	75.36	69.63	63.6

SOURCE: SIS, CBRT, CMB.

(1) Quarterly average of the highest after tax rate on saving deposits when compounded. AKKURT et.al. (1991, Table 4)

(2) 1980-1985 figures are obtained from ADA (1991, Table 2.5), 1986-1990 figures are from Capital Market Board Annual Report 1990, Table 39.

(3) 1980-1985 are obtained from ADA (1991, Table 2.5), 1986-1990 figures are from Capital Market Board Annual Report 1990, Table 40.

(4) Inflation Rate is measured by consumer price index. (yearly average)

TABLE A.8

SECONDARY MARKET VOLUME (Billion TL)

		1986	1987	1988	1989	1990
(1)	BONDS	104.5	394.9	1032.2	1463.3	3006.0
(2)	COMMERCIAL PAPER	-	51.7	175.7	856.9	670.8
(3)	BANK BILLS	36.4	95.6	170.3	188.3	196.7
(4)	PRIVATE DEBT INSTRUMENTS (1+2+3)	140.9	542.2	1378.2	2508.5	3873.5
(5)	SHARES	8.7	105.4	148.4	1735.9	15313.0
(6)	PRIVATE SECTOR SECURITIES (4+5)	149.6	647.6	1526.6	4244.4	19186.5
(7)	GOVERNMENT BONDS	546.3	1520.1	2630.9	10828.0	61742.9
(8)	TREASURY BILLS	1411.9	3219.8	7320.7	18762.8	32023.3
(9)	INCOME SHARING CERTIFICATES	289.2	359.5	394.6	1098.1	1078.3
(10)	FX-INDEXED BILLS	-	86.4	13.7	1558.4	1631.9
(11)	PUBLIC SECTOR SECURITIES (7+8+9+10)	2247.4	5185.8	10359.9	32247.3	96476.4
(12)	TOTAL SECURITIES (6+11)	2397.0	5833.4	11886.5	36491.7	115662.9
MEMO ITEM: SHARE OF PUBLIC SECTOR SECURITIES TRADED IN THE SECONDARY MARKETS (%)		93.76	88.90	87.16	88.37	83.41

SOURCE: Capital Market Board, Annual Report 1990, Table 46.