The Analysis of November 2000- February 2001Financial Crisis in Turkey

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Abstract

Economies do not grow continually, get smaller or can not stay stable at a certain grow rate. The changes in Real Gross Domestic Product, which show the increase, decrease or stability of the amount of production in reality, are the barometers of the countries. It is impossible for the countries to escape from the business cycles that arise as a result of the changes in the total demands in the amounts of production. The important thing for the countries here is; not to experience the business cycles as soon as possible and/or to enable the minimal economic demage when experienced. The globalisation and the offered financial instruments from the market, the acceleration in the globalization of the financial freedom after the legal decision no. 32 applied in 1989, stimulated the financial crysis in many economies as in Turkish economy and our country experienced of November 2000 and February 2001 crisis one after another as a result of liquidity squeeze and inour country the imbalance in the currency market, and political chaos also deepened the problem. It is inevitable for the countries whose economic infrastructures are unstable, to experience financial crisis frequently and to be affected seriously. One of the key features for the countries especially as Turkey that faced up with such crisis as November and February, is the growth in the dimension of the financial economy disproportionately from the real economy.

Keywords: Financial Crisis, Turkey, Central Bank, Political Conflicts.

JEL Classifications:G01, G32, E52, E58, E62

Introduction

Today, the countries have power in accordance with their economic powers. The first condition to be powerful economically is that production economy should have more proportion in the economy and the value of financial instruments should not be more over the value of real economy. In the countries that fulfilled these conditions, the probability of occurrence of the financial and real crisis are quite low as a result of the political,social, and common chaos. Despite this general truth, it can not be thought that the rate of growth of any of the economies will increase, decrease or stay stable continually. It is more unlikely to experience real and financial crisis for the developed countries who has a dominated production economy, is a practitioner of incentive policies for the high technology producer firms and sectors and can commercialise these products in the global arena. In addition, these countries are affected from the possible crisis both less and short term.

Our country entered the 2000s with political chaos, with temporary solutions for the problems, with a production economy depending on an underdeveloped medium level and high level technology and under these circumstances, the banking sector lost function. The growth of the economic and political problems at a level that contain all the society resulted in the most severe consequences of November 2000 and February 2001 crisis to be experienced by our country and ultimately, this resulted in single-party government.

2.The Description of Financial Crisis

Although a general unity could not be provided for the description of the economic crisis, which can be stated as business cycles decelerate the economic activities, the existance of inflation, stagnation and recession (Eğilmez, 2014, 49) is accepted as a general problem.

The financial crisis, as in the form of dissociation between the economic actors who have fund surplus and fund gap and the inability to establish connection between them in several ways(Özdemir, 2013, 179), paralyse the oparation of the system seriously by occuring suddenly and as a shock in the economic systems or in their sub-components. The general indicator for the economic crisis is that the economic process becomes unsteady because of the economic datas become apparent at an unexpected time. In today's time, it is a normal development that the globalisation increases its effects and frequency by widening its scope in the countries that could not solve especially their structural problems from the beginning of the 1970s. Thus, many types of economic models and theories are produced. Among those, the Mishkin crisis is diveded into four; first, the disruption in the financial sector balances, second, the increase in the interest rates, third, the increase in the uncertainties, and finally, the disruption in the financial balances of nonfinancial companies as a result of the changes in the prices(Delice, 2003, 2). In the process, the financial problems in the balances caused a reduction in the loan returns because of the maldistribution of the resource allocation by the financial sector institutions caused a productivity slowdown in the loans and thus the investments can not be funded and finally all these situations deepens the uncertainties and stimulates the speed of the increase in the interest rates. The increase in the interest rates causes the increase in the cost of funds, and this shakes the economic structure to its foundations by widening the adverse balance. Experiencing such kind of a crisis frequently is a normal situation for the developing countries that try to increase the propotion of the financial sector instead of developing its real economy adequately.

3. Types of Financial Crisis

It is possible to divide and examine the financial crisis into three basic groups. As;

3.1. Foreign Currency and Money Crisis

Money crisis described as foreign currency crisis, is stated also as the sudden and high increase rates within the indicators in the exchange rates. Eespecially in the countries who applies fixed exchange rate policy, extreme demand for the foreign currency causes a rise in the exchange rates and the crisis comes in the intervention process to decrease the exchange rates. Besides, another factor that cause the money crisis is that monetary depreciation of a country after a speculative attack by an economic actor or serious increases in the interest rates as a result of the intervention of the central bank to preserve the money or decrease in the of large amounts of reserves(Turgut, 2007, 37). The reasons that cause the foreign currency crisis can be listed as; weak macro-economic indicators and wrong economy policies, deficient financial substructure, moral corruption and asymmetric information, the misevaluation of the market and the economy by the international and national financial institutions and political assassinations and crisis and such unexpected events as terrorism (Kibritçioğlu, 2001, 2). Though their effects on the crisis are different from each other, all the mentioned factors cause serious defects on the economic systems.

3.2. Banking Crisis

The inability of the commercial banks of fulfilling their obligations or postponement of a demand for an actual or potential deposit or fulfilling their obligations only after a serious government assistance or going bankrupt as a result of the failure to perform their payments because of the liquidity squeeze. Banking crisis, occur as a result of such reasons as general macro-economic disorders, micro-economic malfunctions and public dominated sector, is experiencing a crisis of the sector by the demand of the depositors to withdraw their investments as a result of loss of trust in the system under the effect of the mob mentality or selling the shares by the bank partners(Delice, 2003, 61). This situation causes the results that can throw the whole economy into crisis by hindering at first the other financial investment instruments and also the function of the real economy.

3.3. Foreign Debt Crisis

Foreign debt crisis comes into existance as a result of the inability in paying of a country's public or private sectors foreign debts. This occurs especially after a country experiences some problems to exchange the forign debts and to find new foreign loans and as a result debt renegotiations or postponing the responsibilities(Delice, 2003, 61). Although it seems to be similar to the liquidity crisis, the foreign debt crisis has many different features from the liquidity crisis. While foreign debt crisis means that a country does not have the power of repaying its foreign debt or fullfilling the liabilities in the amount or terms whole and complete, being evaluated in terms generates its another feature(Turgut, 2007, 38).

4. Financial Crisis Models

In the world, a significant increase in the financial crisis can be observed in paralel with the increase in the operations in financial instruments as a result of the increase in the comprisal rates of the whole world economies of the globalisation from the beginnings of the 1970s. For that reason, in the literature of economics, there are several productions of models and theories (Erdoğan, 2006, 29).

4.1. First Generation Crisis Model

The reason for the first generation crisis model to show up is that the negative datas in the macro-variables causes the central bank to lose power of controlling the exchange rates. So, the devaluation or floatation can be observed. (Özdemir, 2013; 187). Infact, the first studies of this model are made by Salant ve Henderson on product market which is put forward by famous economist Paul Krugman in 1979. The primary aim of Salant's study is to show what kind results will be experienced when it is aimed to maintain the price of a production price. According to Salant, the speculators keep a product only when they expect it to be more profitable than other products. If they think opposite, they prefer disposing them immediately and these products are bought by the authorities. If the speculators start to think that the price of a product will increase, they buy it. After over-purchasing, the authority sees that their production stock declines and do not need to keep the prices stable. In sum, the theoric explanation for the first generation crisis model is like this. The operation type of the Canonical Money Crisis Model, which was revealed first by Krugman in 1979 and then by Flood and Garber in 1984, is similar to the operation in the production market (Erdoğan, 2006, 37). This emphasizes that the speculators can decline the foreign exchange reserves of the Central Banks against the satble foreign exchange policy. According to Krugman, the operation of the crisis mechanism can start with expansionary fiscal and money policies(Şimşek, 2008, 184).

4.2. Second Generation Crisis Model

This is a kind of crisis that occurs as a result of the pessimism of the market when there is not a deterioration in the macro-variables of the economy and paradoxes in the economy policies. In this type of the crisis the effects of the expectations and the consistency of the expectations come into prominence, in other words the market plays an active role rather than the government policies. While the first and second generation crisis models can explain the reasons and the effects of many of the crisis in 1990s, they are deficient for explaining the Asian crisis as it is a new kind of financial crisis and is different from the prvious ones(Özdemir, 2013, 188). It can be provided by the third generation crisis models to understand the reasons and the results of the crisis occured after 2000s.

4.3. Third Generation Crisis Model

The third generation crisis model rely on the theories "Government's Moral Risks approach" by Krugman in 1988 and in the same year "Financial Attack Approach" by Sachs. Although nevertheless the third generation crisis model started to try to explain the crisis of Latin America and South Asia in 1997, their fundamental philosophy is to predict that there is a vicious circle in which the banking crisis effect the money crisis and moreover a crisis in a sector effect another sector(Durmuş, 2010, 38). The primary factor of this crisis is that for the first time micro-economic variables can reveal currency crisis in accordance with the other currency crisis(Özdemir, 2013, 188). The crisis changed dimension by almost evolving as because most of the countries are interconnected to each other with both real and financial sectors and these commercial activities are done with such convertable foreign currencies as dollars and euro.

5. November 2000- February 2001 Financial Crisis

The term between 1987 and 2001 is a term in which political and economic uncertainties were extremely experienced by Turkey. The struggles after 1980 strike deepened the political chaos and caused opinion polarisation so, our country was under the influence of vicious, populist and short-term policies of frequently changing coalition governments till 2002. Everchanging governments worked only for preventing the increase in the present problems instead of preparing our economy to the conditions of globalisation. However, as it was failed to prevent the problems get bigger (Pamuk, 2014, 276), our country had to face up with November 2000-February 2001 crisis. In an economy, if any kind of reforms do not be attemted and the politic concerns are prioritised, permanent solutions can not be achieved. This is the basic reason for the financial crisis in our country.

5.1. Turkey Before November 2000- February 2001 Financial Crisis

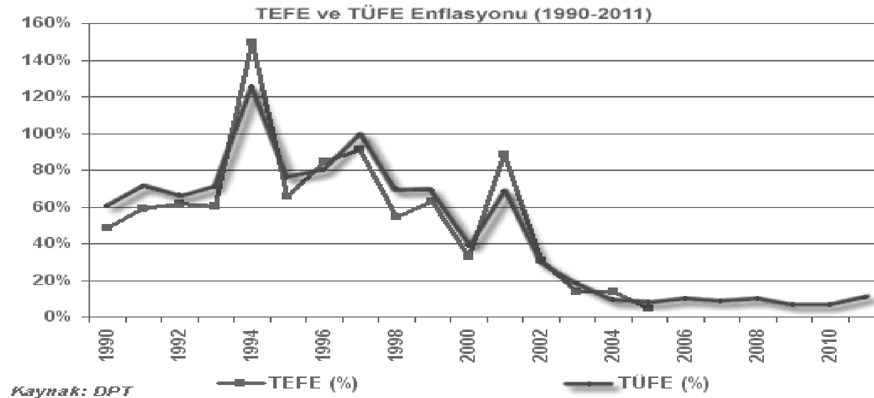
Economy in our country started to grow after 1999, demands increased, inflation tended to decrease and budgetary surplus started to come into existance and in sum, the economy started to strengthen powerfully. Towards the end of 2000, current account balance started to have a deficit and , the demand for foreign currency is increased because of the increase in the foreign debts and the interest rates as a result of price increase of energy. In addition, acting solw in privatization and structural reforms caused to slow down the capital inflow by affecting the market negatively and this caused liquidity problem and increased the interest rates for a short term. The deficiency in foreign currency surplus in our banking system stimulated the crisis atmosphere with such reasons as capital outflow surplus. The banks that experienced liquidity problems sold their treasury securities in order to meet their budgetary deficits and this worsened their financial status. The news about Banks' being distrained on by Saving Deposit Insurance Fund(SDIF), decreased the credit exchange among the banks and this situation urged the banks to find resourses with high interest rates. As there were not any kind of recovery signs in all these negative conditions, our country had to sign the 17th Stand-by Treaty(Çoban, 2015, 167). Being distrained on an economy by IMF means that there are serious problems in that economy.

5.2. The Reasons of November 2000 Crisis of Turkey

The ruin of environment of trust started with liquidity squeeze process converted the problems into both financial and social problems by amplifying the footfalls of crisis in also politics. These mentioned problems resulted in a single party government on November 3, 2002 elections and started the terms which laid the bases of more structural reforms.

5.3 Formation Process of November 2000 Crisis

1990s and the end of 1990s took place in history as the struggle years with economic problems that are far from stability. While Turkey was moving on without a permanent solution for Turkey's fundamental problems, it became quite difficult to find foreign financial support with political instability and the situation recovery policies of the coalition governments after Asian Crisis in 1997 and Russian Crisis in 1998. Save the day policy came into prominence with public sector deficit and high chronic inflation.



A program with IMF started to be applied in order to stop the rot in economy before 2000 crisis. According to this program,the public sector budget deficits are aimed to be met with increasing taxes and foreing financial supports. Internal borrowing was tried to be decreased partially because of the high interest rates. The Central Bank composed the base of the money policy of the program by offering Turkish Liras to the market as liquidity and as a result of only inflow of foreign currency by focusing on the performance of net domestic assets.This policy was not adopted by some of the economists as the monetary base of Central Bank would be decided according to the net foreign assets because the net domestic assets were fixed. The unhealthy Banking sector would become indebted to foreign countries but there would not be sterilisation. This system that did not have monetary interest mechanism did not allow the monetary interest adjustment in any case of a malfunction in fund inflow and outflow(Uygur, 2001, 10). A banking system whose financial sector can not react according to the economical developments, will increase the problems instead of decreasing them. The banking system in 2000-2001 was unfortunately in such a situation.

As because the demand of fund of Treasury would decrease as a result of substitution of the external borrowing by internal borrowing, the liquidity squeeze would be prevented by providing fund to the market. While the annual interest of internal borrowing was %106, it reduced to %36 in January 2000 as a consequence of positive atmosphere. However, the return of the interests were increasing the inflation rates while decreasing the debt stock of the Treasury(Eğilmez, 2001, 76). The rapid return of the interests rates was decelerating the decline of inflation that is the main target of the central bank and this situation was leading the program to rely mostly on exchange rate anchor. The indivual credit rates of the banks increased and consumption loans became attractive after the rapid return of the interests rates. The mobility in demands stimulated the price increase. Moreover, the increase in the domestic demand was especially on durable household goods and this caused increase in the importation(2001, Uygur, 10). As usual, the banks efforts of short covering increased the need for liquidity and this also increased the interests at the end of October. If it is necessary to say that the foreign currency policy(previously determined fixed rate) ease the banks to take more short covering risks.

Despite the mobility in demand, inflation regressed from %69 to %40 and the economy grew up %6.5 by the end of October. The banks were acting quickly for short covering in paralell to some of the arrangements in banking sector in November. This situation caused the banks to need more liquidity to get more foreign currency and the interest rates soared. The banks who had treasury securities and used them in repurchase agreements got into a scrape. There became major losses with the banks who experienced both liquidity squeeze and tried to fund to the treasury securities. Some rumors about some of the banks being taken by SDIF (Saving Deposit Insurance Fund) caused panic in banking sector and this urged the banks to use funds with high interest rates by decreasing the banks' credit demands. Another factor that increased the demand for foreign currency was the withdrawal of the funds by the foreign investors who realised the negative atmosphere in the markets.

All of the interest rates increased after the treasury securities were also funded by the domestic banks because, the foreign partners(banks) with whom they constituted funds together started to withdraw from funds by getting their money back and this caused also the banks to start to distribute their overseas funds as a result of the increase in the interest rates (Eğilmez, 2001, 77). The Central Bank offered additional liquidity to the market by overcoming the limidity based on the net domestic assets but it was very late. A big bank that had high rate treasury securities was devolved on SDIF after it experienced difficulty. IMF gave Turkey an additional 7,5 billion dollars reserve and the Central Bank stopped giving liquidity to the market. Turkey could overcome the speculative foreign currency demand in November 2000 via the high interest rates, a considerable drain of foreign currency reserves of the Central Bank and 7,5 billion dollars credit given by IMF. (Uygur, 2001, 22). As it is clear, the most important factor caused the November 2000 crisis is the unpredictable considerable increase in the cash and liquidity demand of the markets which appeared in the market originated from banking sector. When the deterioration in such basic factors as inflation, unemployment, development, exportation and current deficit combined with the obligation of structural reforms, the problems became unbearable.

5.4. Formation Process of February 2001 Crisis

November 2000 crisis started with the banking sector and turned into foreingn currency crisis in February 2001. The failure of the central bank, who tried to prevent liquidity demand after the excessive daily demands in foreign currency of the banks, caused it to lose control over monetary policy and liquidity management(Çoban, 2014, 171). While the effects of the November cirisis were still perceivable, the foreign currency crisis broke out as a result of a speculative attack after a political discussion between the President of the Republic and the Prime Minister about throwal of the constitutional booklet. The overnight interest among the banks increased to %6200 on February 21. The foreign currency reserves of the Central bank decreased 5,6 billion dollars after its intervention to the markets by selling foreign currency between the dates of 16 February and 23 February. While the foreign currency demand was carried out by the foreigners in November cirisis, sinking banks and the public who realised the seriousness of the situation, also fell on the foreign currency. After the reserves were inadequate, the central bank declared the rate fluctuation on 21 February night.

While the market selling rate of the dollar was 686.500 on 19 February, it was 960.000 on 28 February, in other words it increased in value %40 (Uygur, 2001, 23). Although yet the February 2001 Crisis was afinancial crisis, both the financial sector and the real sector were efffected deeply by the crisis. Micro and small-sized enterprises were effected more and earlier than the big businesses. Many firms were at the point of losing their stockholder's equity. Without any doubts, all the sectors were effected from the cirisis but it is clear that the automotive, consumer goods, food and drinks, electronic and Telecom, Media and retail dealing sectors most.

After the crisis, the firms changed their exported production goods to reduce the costs, reduce the number of their labourers and the personnel fees. Firms abstentioned from their investment plans at a large scale and fixed investment decreased %30 in 2001. As the value of the stock market also hit the bottom, stockholder's equity was also effected negatively (Ataman, 2003, 39). When the predictions about the chaos' getting bigger after the political instability started in 2001 caused to exchange the funds from Turkish Liras(TL) to foreign currency, the Central Bank offered foreign currency to the market and in return wanted to draw TL back. Thus, the Central Bank devaluated TL by increasing domestic and overnight interest rates rapidly (Şıklar, 2004, 145).

6. The Analysis of November 2000- February 2001 Financial Crisis On Overall Risk Indicators

None of the economic indicators can point out whether a crisis will be experienced, on its own not but what, if proper indicators are examined early warning systems which at least refer to the general risk conditions can be developed.

International Reserves; The interest rates in the country are increasing especially when the internal borrowing become difficult and as this forms the currency arbitrage, the short term speculative capital inflow is increasing. With this capital inflow, on the one hand the budgetary deficit is financed and on the other hand the national reserves of the country are growing. However, this money makes the economy more fragile as it has a high mobility.

Real Exchange Rate; In a country, if the local currency gains %10 value, this means the economy is getting hot for the speculators. If the local currency of a country gais excessive value, this drains the competitive advantage of its exportation and reduces the exportation equally. Moreover, in those countries in which the local currency is very valuable, the importation is increasing with the exportation advantages of foreign countries. The increase in the importation and the decrease in the exportation cause the increase of current account deficit. None of the economic indicators can point out whether a crisis will be experienced, on its own not but what, if proper indicators are examined early warning systems which at least refer to the general risk conditions can be developed (Turgut, 2007, 43).

As it is shown in the table, there are many indicators of a financial crisis. In this study, four generally acceptable topics about the subject are emphasized.

6.1. International Reserves

The interest rates in the country are increasing especially when the internal borrowing become difficult and as this forms the currency arbitrage, the short term speculative capital inflow is increasing. With this capital inflow, on the one hand the budgetary deficit is financed and on the other hand the national reserves of the country are growing. However, this money makes the economy more fragile as it has a high mobility. It stimulates the financial crisis and deepens the problem by leaving the economy quickly on the condition of a probable macro economic inconsistancy. In the countries where the foreign debt/ GNP rates and current accounts/GNP rates are high, low foreign exchange reserve has an important place on the point of being a leading indicator in the crisis. The increase of the short term investment shares in the foreign exchange reserves at the time of a crisis make the situation dangerous. In 2000, both the rate of the foreign exchange reserves to GNP decreased and the short term investment share funds in those foreign exchange reserves increased. In the mids of december, after the November crisis, the amount of hot money going out of the country became 7 billion dollars(Erdoğan, 2006, 12). Hot money left our country quickly and this played the important role in the imbalance of the economies.

6.2. Real Foreign Exchange Rate

According to many of the economists' studies as; Kaminsky(1998), Berg and Patillo(1999), Kamin(2001) and Edison(2003), over-valued exchange rate presumably causes the crisis(Erdoğan, 2006, 11-12). The increase in the value of the local money in a country at %10 means that the economy is already extremely heated.

If the local money of a country has extremely gained value, it consumes its competitive advantage in exportation and decreases its exportation at the same rate. Moreover, in those countries where the local money is extremely valuable, the importation increases because of the exportation advantage of foreign countries. The current account deficit is also increasing because of the decrease in the exportaition and the increase in the importation(Turgut, 2007, 43). In addition, an extremely valued rate causes the financial institutions and real sector bussinesses to be in open position in the foreign currency.

Especially the banking sector stays in open position in the foreign currency as they use short term rates by taking much more risks in order to meet those deficits at any time of a speculative attack(Erdoğan, 2006, 13).

As we mentioned above, from the beginning of 2000, a stability program for the foreign currency has been carried out with IMF. While stating that the stability program relied on Dornbusch foreign currency rate goes through three phases; the first phase is beneficial as it will provide a general ecconomical benefit because of the stability in the foreign currency rate, it says that the second phase is the increase in the value of the real rate and the third is its realisation. In addition, foreign currency crisis arise as the devaluation of the rate is generally postponed after it gained value because of the political risks and inadequacies. Another question was; whether to use the foreign currency as an anchor or not, according to the besic sense of the IMF's program in 2000. Because many of the economists were in a consensus at that point. Such programs as the foreign currency rate is used as an anchor were not successful enough even if they were supported with a mechanism as currency board. The probability of a crisis is quite high in those countries where the problematic banking sector and government deficit is high.

The foredoom of the program was quite clear in the mids of 2000 because the inflation did not slip down as expected and current account deficit was wide of the predicted mark. Many of the economists working for IMF as Dornbusch underlined that the rate anchor should take a short time and there should be a strategy to leave that anchor. Thus, Turkey also had a strategy to leave the anchor. It was planned to leave the anchor in July, 2001 for Turkey. Over-valued TL and rapid increase in the current account deficit proved that this departure should be earlier than planned in the autumn of 2000. It was necessary that this departure should be at a time when the resource entry was at a tremendous rate without waiting for losing confidence for the program completely(Uygur, 2001, 23-25). In the time of 2000 crisis, IMF demanded from the government of the time to release the rate at a certain extent, in other words, to devaluate it implicitly. However, as it can be understood, it was seen as a political risk and devaluation was not allowed by the government of the time. The program was partially successful in the first few months, moreover, the devaluation rate was much slower than predicted because of the increase in the domestic demand as a result of the rapid decrease the interest rates. The slow decrease of the inflation, the increase in the domestic demand, the price increase of energy and over valuation of TL caused a serious external deficit.

6.3. Reserve Requirements

A powerful and steady central bank foreign currncy reserve offers an absolute necessity for an economy that follows a stable rate policy. The central bank should be able to repel any kind of a possible speculative attack by using its reserves. It will be intimidating for the speculators to realise that "they can not contend against" the central bank(Turgut, 2007, 44). The central bank stayed underwhelm against the 2000-2001 crisis and declared that it could not stand against the pressures and let the rate free-floating. Moreover, the amount of the central bank reserves will reassure to the market at any time of a sudden cash outflow.

6.4. Current Account Deficit

One of the first leading signs of a crisis for especially the developing countries is the proportion of current account deficit to GNP. During the stand-by program applied by Turkey in 2000, Stanley Fischer was vice presidency in IMF and had a big part in the program. According to Fischer, the basic sign for a possible crisis is the current account deficit. If the current account deficit is large and if a country can not give enough current accounts surplus the devaluation becomes inevitable. Fischer must have foreseen the November and February crisis in Turkey. Hence, he stated that the November and February crisis in Turkey in 2000 was the result of banking sector and high current account deficit and added that "necessary precautions were not taken in time but an agreement was gotten together with the government to take some precautions after the crisis" (Turgut, 2007, 24).

Current account deficit is one of the major signs of crisis not but what it is not the only cause of the crisis. Althoug the current account deficit in America reached at a very high level, economists do not predict a crisis because of this deficit in the near future. At this point it is surmised that how to finance the current account deficit is much more important than its size. Consequently, current account deficit is not expected to lead a crisis if it is financed sustainably(Erdoğan, 2006, 19). There is a modelling of the international conformity assessment body Goldman-Sachs that was used for accounting the current account deficit for the developing countries. By the help of this account called as GS-SCAD (sustainable current account deficit), the proportion of the sustainable current account deficit/ GNP can be attained.

The threshold value accounted for Turkey that will cause crisis if exceeded is determined as %2,1. The proportion of the sustainable current account deficit/ GNP in 2000 was %4,9 (Uygur, 2001, 24).

7. The Evaluation of November 2000 and February 2001 Crisis in The Context of Crisis Modelling

When the financial crisis between 2000-2001 in Turkey is evaluated in the context of crisis modelling, it seems similar to the first and second generation crisis models. The first generation crisis models theorized by Krugman, explains the reasons of money/foreign currency crisis that started with a sudden speculative attack, with the sustainability of the fixed exchange rate and inconsistent economic policies. Even if the basic macro economic problems such as high inflation, budgetary deficit, debt stock were observed in also Turkey before the crisis, it was observed that government deficits in this modelling was financed by monetising and the reserves of the Central Bank gradually melted away before the crisis. The Central Bank foreign currency reserves decreased suddenly in November 2000 and February 2001, it was not a matter of gradual decrease. According to the second generation crisis model, the basic macro economic indicators are not powerful enough to meet a speculative attack or prevent it. The macro economic structure after November 2000 crisis in Turkey was in this way. Thus, the national economy could not stand agaist a political disagreement between the president and prime minister. However, a gradual decrease was not experienced in the central bank reserves which wasone of the basic foundations of the second generation modelling. So, we can say that the February crisis has similar and also different features with the second generation crisis model.

According to the third generation crisis modelling, the main reason of the crisis is; if there is not a stable coordinated and controled banking and financing sector after the financial liberalization, the banks cause money/foreign currency crisis by extremely leveraging from the international markets. After the extreme leveraging of the banks, there becomes an intense capital inflow and accordingly consumption expenditures increase and this also causes the increase especially in real estate pricing and so the crisis bursts out. In addition, the crisis are admitted as a result of the banking panics. The third generation crisis modelling is basically similar to November 2000 crisis. As in this modelling, the financial liberalisation was realised and the banking sector was very problematic in Turkey in the recent history before the crisis. However the debt structure of the banking sector shows difference from the debt structure of the banking sector in Turkey.

In addition to the difference between the public banks and the private banks, the debt structure of the private banks showed difference also. The public banks were always problematic because their interest rates were very under the real market value under the name of "non-cash" and they had to take long term GDS (government debt securities). This stuation caused the banks to have budget deficits. Even though there was an extreme risk for the private banks such as foreign currency gap positions and currency and maturity mismatch, the main reason for the banks to do this was the siphoning of the credits by the bank owner holding companies. Moreover, in the November 2000 crisis, one of the most important resons of the crisis was whether the central bank did its duty as "designated last authority to apply" or not (Çakmak, 2007, 84-93). The main point to be emphasized for the third generation crisis modelling emerged after the Asian crisis is that it did not reject the features revealed by the old modellings, and in addition it tried to complete the inadequacies of the old modellings (Özdemir, 2014, 188).

If we sum up the mentioned information above, while the reason for the November crisis was liquidity squeeze, the reson for the February crisis was that the foreign currency market gained demand-side importance. That is to say, our economy experienced interest rate problem after the November crisis and currency risk in addition to the interest rate problem after the February crisis. Therefore, the foreign demand for currency in November 2000 and domestic-foreign all the account owners' demand for currency in February 2001 increased extremely.

8. Economic Recovery Process After The Crisis

After the banking and finace crisis in 2001,the crisis unsettled both the financial real sector because of the reduction of the economy at the rate of %6. Because of the rapid reduction of the Central bank reserves in February crisis 2001 as a result of high capital outflows and market interventions, fixed exchange rate regime and the rate anchor applied with IMF were abandoned. In order to prepare a new program and to build up international trust, Kemal Derviş, a senior executive at the world bank, was invited to Turkey as the state minister in charge of the economy. A changeover was aimed, by balancing the macro macro-equilibrium again in the economy, focusing on division of labour between the government and the market, supervising and interfering the market when necessary instead of leaving the markets alone.

For that reason, a program was needed to be applied that was supported with some structural reforms and newly adopted legislations, regulating the public sector, increasing the independance of the Central bank and especially the banking sector, limiting the loaning to the Treasury(Pamuk, 2014, 285). It was a must to sign the 18. Stand-by treaty for three years wit IMF because of the economic distress of the November and February crisis (Çoban, 2014, 181). According to this latest treaty, it was aimed to reach a stable economic structure under the custody of IMF.

The main reason of the program that was put into practice on 14 April,2001 and introduced under the name of Strong Economy Transition Program was to lay the base of the reconstruction of the economy by abolishing the instability and the confidence crisis resulted from the abandoned exchange rate regime(Akça, 2011, 92). The Strong Economy Transition Program was started to apply led by Kemal Derviş with the 19 billion Dollars suppoort of IMF. The aims of the program can be listed as; "abolishing the instability in the economy, constructing new and modern organizational structures that never enables to turn back to the old habits, realising the structural reforms ensuring the autarchy, using the macro-economic policies effectively in the struggle against the inflation, providing the sustainable growth atmosphere and finally eliminating the income distribution among the regions and the people"(Buluş, 2015, 166). In addition, the preventions for the real sector are; increasing the fund sources of Eximbank, decreasing the value-added-taxes of exportation, concluding bureaucratic procedures in the exportation process rapidly, adopting a resolution on international arbitration opportunity, giving start to the preparatory studies of Action Plan by decreasing the bureaucratic procedures that are obstructing the direct foreign investments (Erdönmez Ataman, 2003, 38). In addition to the precautions to develop the Real sector, reflection of the costs to the interest rates that are used by the public banks for minimizing the loss of agricultural sector and SME, artisan and craftsman is also limited. Moreover, some arrangements were made by reconstituting (Yiğitoğlu, 2005, 118) the debts of the real sector to the banks in the scope of financial configuration. In this way, it is also aimed to boost the economy and to build up the backbone of the production economy by increasing the real economy in the economic structure.

Our country lost time for many years under the effect of such factors as wrong economic policies in the economic development competition, political instabilities, and terrorism. Our economic structure started to follow a new path by changing its shape after the November 2000 and February 2001 crisis. The effects of this new shape and the signs of this differentiation from the economic structure before 2000 can be understood from the macroeconomic datas. In our country, many important developments in providing financial and price stability are achieved and proceeded in growth and development rapidly. The political stability and the consistency of the economic programs and also the reflections of the effects of the abundance of the credits and the expansion of the market(2012, MÜSİAD, 45) increased the positive effects of the results obtained in economy. The effects of the deep destruction in our economic structure because of the November 2000 and February 2001 crisis were decreased with the structural reforms applied by the single party power and in addition, the infrastructure of economic structure that was to be built on solid basis was created prudentially.

The basic things to be done for the economy to reach a solid basis are; enabling the price and financial stability, applying active policies of the central banks according to their economies, increasing the foreign currency incomes, bringing the financial and monetary policies into conformity, applying the economic policies that will increase the efficiency of public expenditures and applying economic policies that will prevent unrecorded economy, expanding the market of the products that require advanced technology by encouraging the production and the exportation of these products, increasing the efficiency of research-development expenditures and developing the technological infrastructure and finally, establishing the education program that will increase the productivity of the labour force (2013, MÜSİAD, 123). It is not expectable for those countries that succeeded in doing all of these to get damaged seriously from the economic crisis.

9. Conclusion

The price fluctuations in the financial markets as financial crisis, foreign currency and equity shares or the serious economic troubles as the result of the exreme increase in the credits that are not paid back to the banks in the banking sector, the real sector crisis is described as contraction in production of goods or employment. While the financial crisis modellings are grouped under two headings as banking crisis and monetary crisis, the monetary crisis are divided into three as first generation crisis modelling, second generation crisis modelling and new generation crisis modelling.

None of the countries can protect themselves from confronting economical problems in time. While the period for facing up with economic crisis is aproximately seventy or eighty years for the developed countries, this period shortens to almost about twenty years for the developing countries. The troubleshoot of the emerging economic and social problems both take a long time according to their sizes and causes much more heavy costs.

Many of the banks were subdued by the SDIF(saving deposit insurance fund) after November 2000 crisis in consequence of such reasons as over-valuation of TL because of the liquidity sequeeze in our country, the inadequacy of foreign currency in the banking sector, the absence of environment of trust in the markets and the inability of the public administration in diagnosing the problem. Most of the funds were replaced with foreign currency because the expectancy for TL to lose value as a result of the inconsistency in economic and political environment after November was dominant in the market. Even if the CBRT (central bank of the republic of Turkey) tried to balance this flow by releasing foreign currency to the market, domestic and overnight interest rates still increased as it did not have enough foreign currency reserve. The other results can be listed as; the decrease in the CBRT reserves, the decrease in ISE100 index value and net capital outflows. In order to relieve the effects of the crisis, the government aimed to reconstruct the economy by applying "The Strong Economy Transition Program". In the elections, at the time of political and economic crisis, a single party came into power and the economy improved on strong bases with radical economic decisions. The most important reason for the real and the financial crisis that is specific to our country, the magnitude of the financial sector is much more weaker than real sector. A production-weighted structure should be dominant in the economy for the economies to be caught up to the crisis less and get over the effects of the crisis easily after the crisis.

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