



**TÜRKİYE CUMHURİYET  
MERKEZ BANKASI**

## **FORUM ISTANBUL 2012**

**Erdem Başçı  
Governor**

**April 27, 2012**

# Sustainable Growth

1. Price Stability
2. Financial Stability
3. Global Reform

# PRICE STABILITY

# The Cost of Inflation

## A Praise for Price Stability

- An inflation which is higher on average by 10 percentage points above levels consistent with price stability leads to a reduction in real GDP growth rate by 0.2 to 0.3 percentage points.<sup>1</sup>
- Average inflation in Turkey between 1970 and 2005: %50
- Hence, real GDP growth rate was reduced by high inflation to the extent of 1 to 1.5 percent per year during the 35-year period.
- Accordingly, without high inflation, real GDP of Turkey could have been between \$1 trillion and \$1.3 trillion instead of the current level of \$772 billion by the end of 2011.

<sup>1</sup>Barro, Robert J. (1995). "Inflation and Economic Growth." NBER Working Paper Series, w5326.

# FINANCIAL STABILITY

# The Cost of Financial Instability

## A Praise for Fiscal Discipline

- If  $\frac{\text{public debt}}{\text{GDP}} > \%90$ , median growth rates fall by 1 percent<sup>2</sup>.
- If public debt were not brought down from levels above %90 since 2002, real GDP in Turkey would have been %9.2 lower than the current level, i.e. \$701 billion dollars instead of the current level of \$772 billion dollars.

<sup>2</sup>Reinhart, Carmen M., and Kenneth S. Rogoff. (2010). "Growth in a Time of Debt." *American Economic Review*, 100(2): 573–78.

# Financial Instability

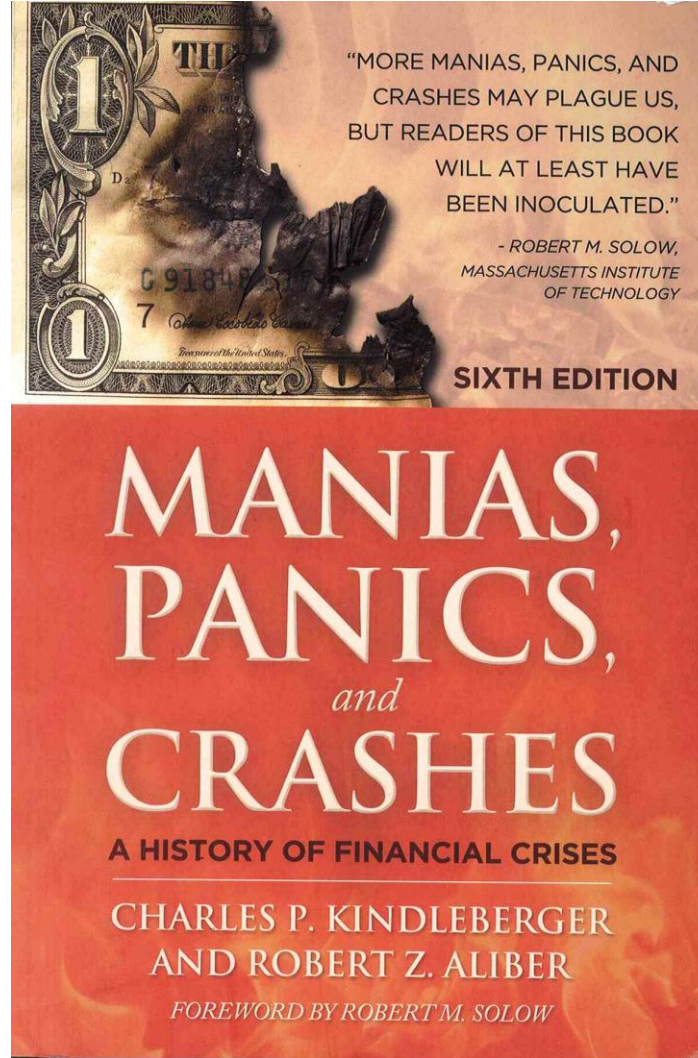
**ROBERT IRWIN**

How To  
**BUY A HOME**  
When You  
**CAN'T AFFORD IT**



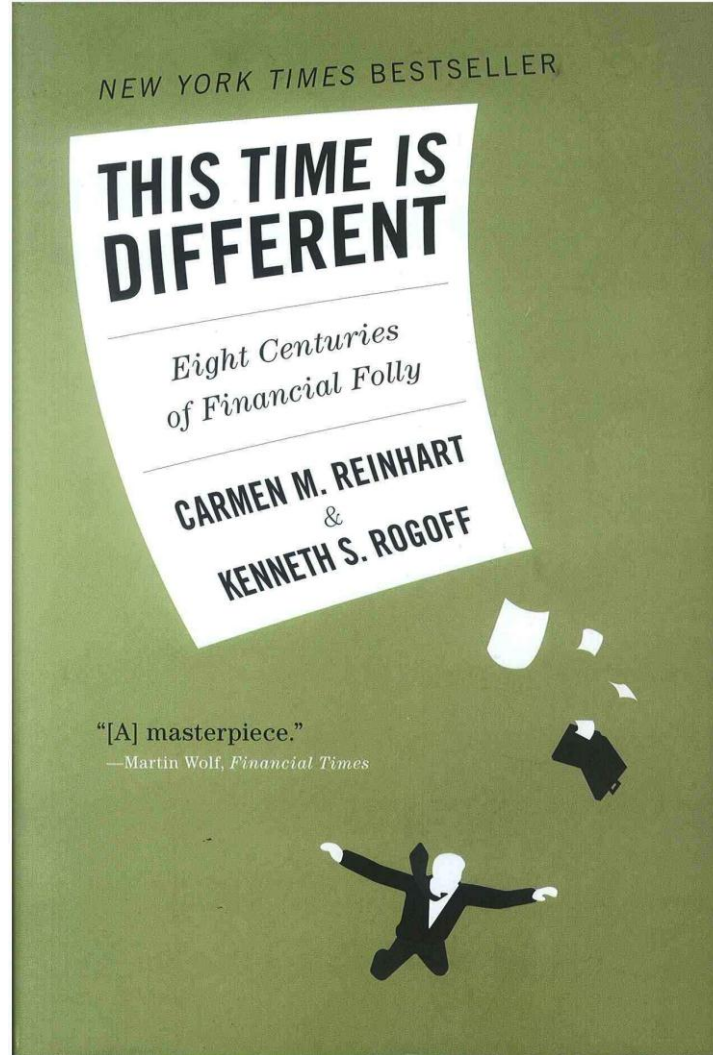
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# Financial Instability



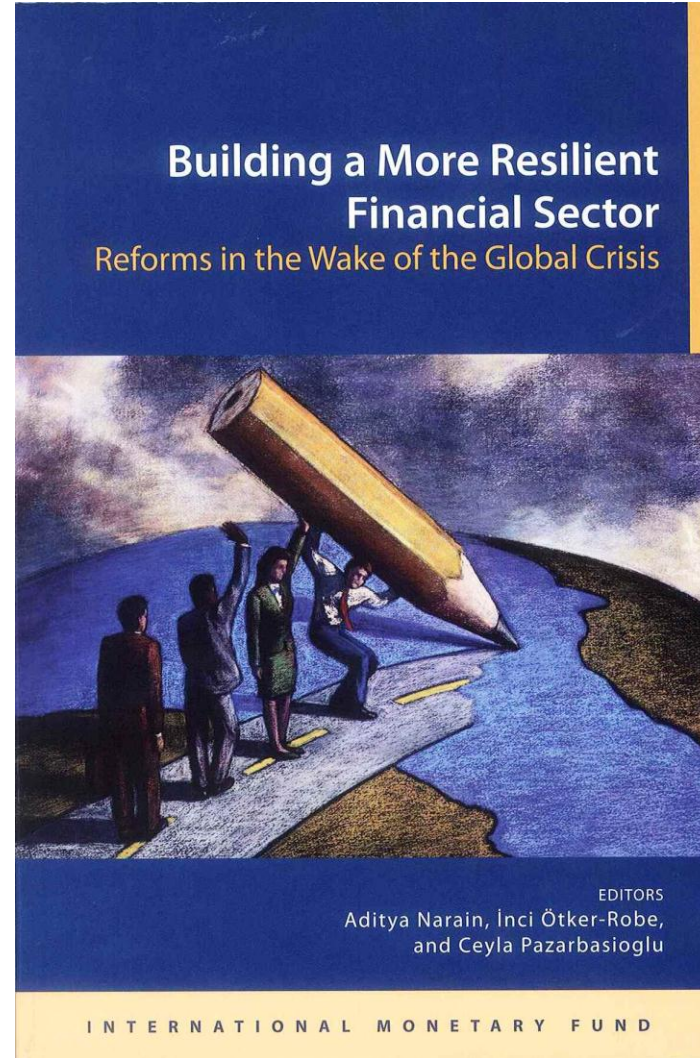


# Financial Instability

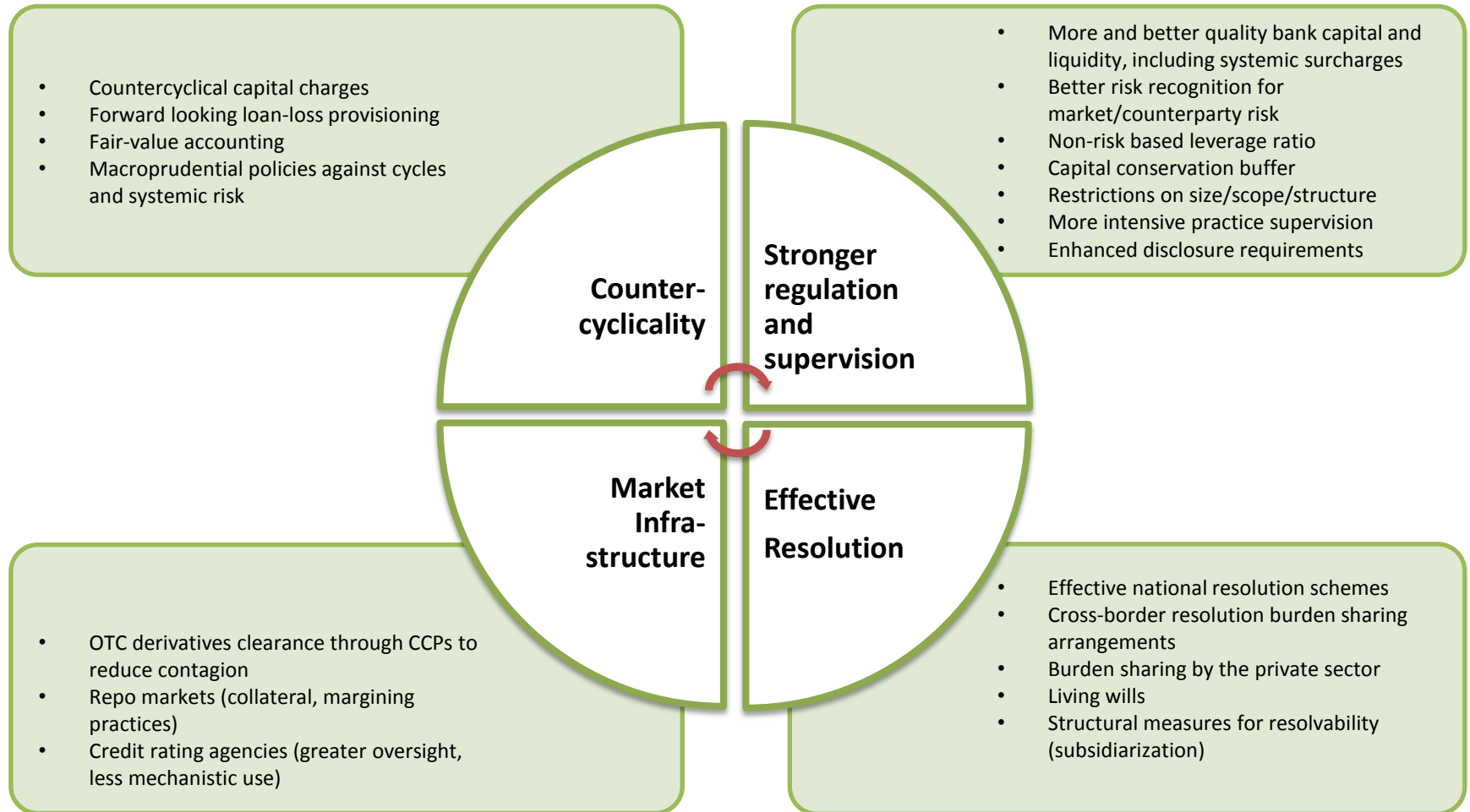


# GLOBAL REFORM

# Global Reform

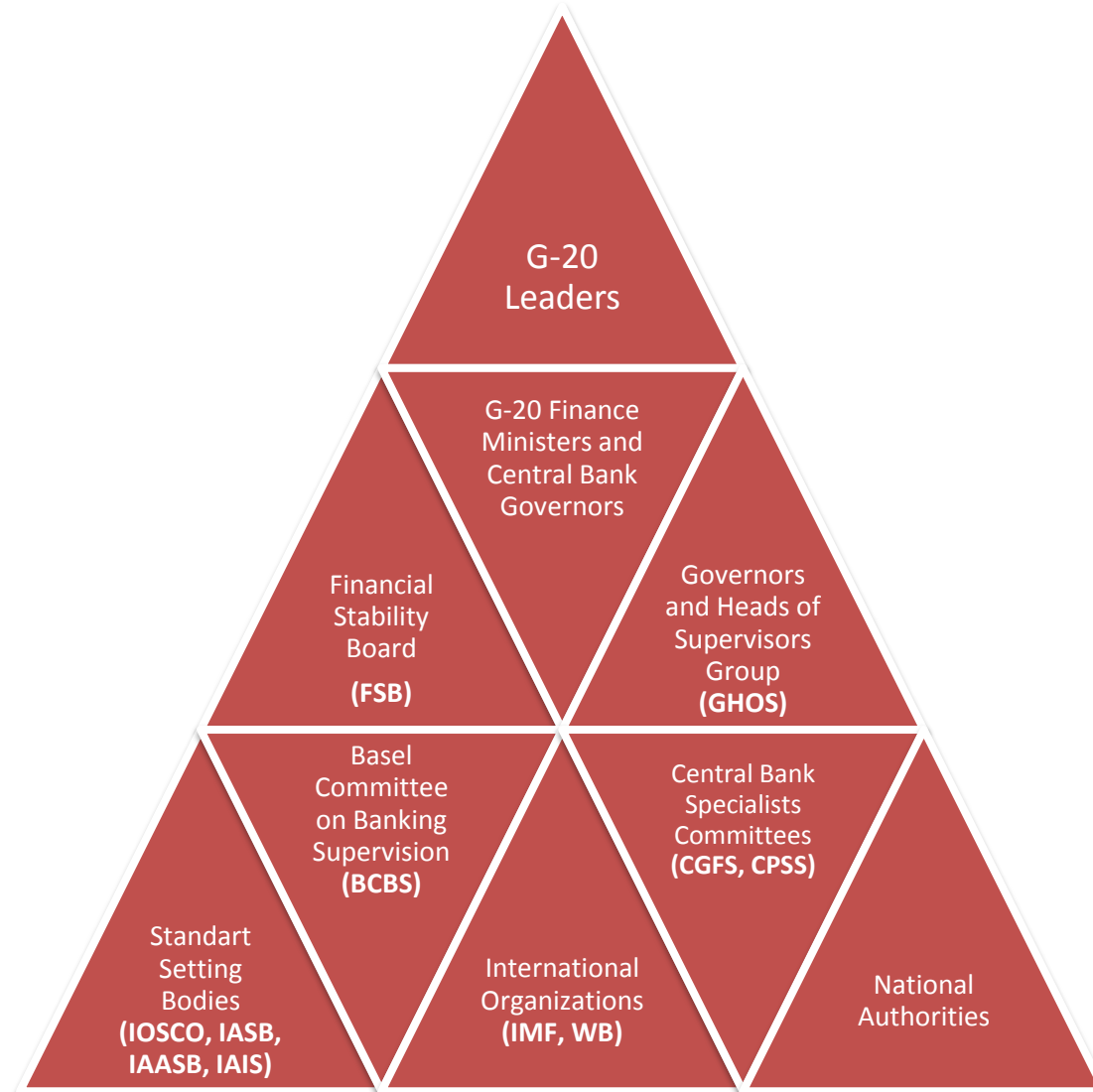


# Financial Sector Reform



Source: Ötker-Robe, İnci. (2012). "From Crisis to a New Financial Architecture: Taking Stock and Looking Forward" in *Building a More Resilient Financial Sector* edited by Aditya Narain, İnci Ötker-Robe and Ceyla Pazarbaşıoğlu, IMF.

# Financial Sector Reform



# Financial Stability Board (FSB)

## Acting Date

1999 (Financial Stability Forum) – 2009 (Financial Stability Board)

## Institutional Settlement

Chair: Mark Carney (Canada)

- Plenary
- Steering Committee
- Standing Committee on Supervisory and Regulatory Cooperation (SRC)
- Standing Committee on Standards Implementation (SCSI)
- Standing Committee on Assessment of Vulnerabilities (SCAV)
- Regional Consultative Groups

## Member Countries

Argentina, Australia, Brazil, Canada, China, England, France, Germany, Hong Kong, India, Indonesia, Italy, Japan, Korea, Mexico, Netherlands, Russia, Saudi Arabia, Singapore, South Africa, Spain, Switzerland, Turkey, USA.  
(52 Authorities from 24 Countries and 17 International Organizations)

## Membership of Turkey

2009

## Representative Institution

Central Bank of the Republic of Turkey



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