Between Divergence and Convergence: Understanding Turkish Central Bank Independency in the Globalized Era

Derya Gultekin-Karakas
Istanbul Technical University, Istanbul
dkaraka@itu.edu.tr

Fuat Ercan
Marmara University, Istanbul
ercanfu@marmara.edu.tr

Abstract:

Turkey's Head of the State has recently stated "if the Central Bank is independent, so am I". This statement and the resultant public debates in the pre-election period has made the discussion of the Central Bank independence more important. The demand of the government for an interest rate cut from the Central Bank to get political support of a large part of the corporate sector and the government's keeping this demand on the agenda as a threat has opened up the discussion of the relationship between the local actors and world market again. At a time when money capital and commodity flows have increasingly intensified at the global scale, the Central Bank plays a guardian role in the determination of the interest rates (price of money) and exchange rates (price of national currency in terms of foreign currencies). Therefore, we witness rising conflicts of interest between local and international actors at least in the case of Turkey.

By drawing from the Turkish case, this paper discusses whether the Central Bank, as an institution mediating between the local and global, contributes to convergence or divergence. Besides the convergence/divergence function of the Central Bank, the study explores the institutional linkage of the Central Bank with changing market conditions through time in the emerging economies by shedding light on the Turkish case. These factual variables are analyzed within the conceptual framework offered by the theory of institutional economics.