The Saving Gap Problem: Turkey Example (1980-2014)

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Abstract

It was the period to get rid of the recession effects of the First and Second World Wars after the years of 1950. After the globalisation started in 1960s and the demand of the developed countries for evaluating their over savings and giving loans with high interest rates to the developing countries, the financial circulation started. The demand of the developed countries for a real income with high interest rates was for the first time, a flotation ring for the developing countries which were in current account deficit. Our country that entered the industrialisation period experienced a similar process at the beginning of 1980s. Experiencing the saving problem, as its national income was very low, Turkey tried to finance its investments via on one side increasing its exportation incomes and on the other side via the financial liberalistaion. The saving inadequacy was the biggest problem for financing the investments. Financing the investments by leveraging from the foreign resources is both expensive and transient. For that reason, the current account deficit, financing the effective investments with the oversavings as a result of the increase in the national income is the first condition for the economies to reach a healthy structure. As Turkey could not solve its savings problems, it had to get into debt and could not protect itself from economic instability process.

Keywords: Saving Gap, Household Savings, Private Savings, Public Savings, Turkey.

JEL Codes: E20, E21.

1. Introduction

The term saving is among the terms that are commonly used in the economic literature. It is because, the expenses and the savings of the firms and persons are directly associated with each other in both macro and micro economies. As the persons demand for higher incomes, the countries also want their Gross National Product to be higher. Because, the increase in the income will provide the increase in the savings at first and then the investment level in terms of both individuals and the countries. This process will cause the individual richness and a stable and sustainable growth rate as long as they do not get into saving paradox. The low savings are importantly emphasized as they compose the result for the national income and also the reason for low investment rates. The economies that could manage over savings and transmit them on the production of high technology products and service, will be effected at a low rate from both national and global crisis after they come up with structural problems and experience permanent instability.

2. Saving as a concept

Saving, which is described as the nonexpendable, saved part of the total income (Bocutoğlu, 2014: 29) or the non-consumed part of the expendable income (Dinler, 2015:179), is used with such meanings in public as economizing the money, increasing, postponing a current expense, keeping some financial values as a precaution for the future needs. While saving is mentioned by some communities with a positive approach as a virtuous behaviour, some communities mention it as stinginess (Çetin, 2004:4-5). Despite everything, it is an important factor that will increase the real economic level if it will be oriented into investments. At this point, the politics have important roles to establish social and economic trust.

2.1. Types of Savings

It is changeable according to the viewpoint and the types of savings are listed as below (İnan, 2007:11-14).

2.1.1. Domestic and Foreign Savings

The total amount of household, institutions and public savings compose the domestic savings, the economic values of non-residents, the foreign debts and the World Bank, the financial aids under the scope European Union compose the foreign savings (İnan, 2007:11), and the sum of the two compose the total amount of savings.

2.1.2. Private Sector Savings and Public Sector Savings

The household and company savings compose the private sector savings and the savings accounted as surplus value among the revenue items of a government compose the public sector savings. While the willingness is an important factor for the household savings, in addition to willingness, the retaining earning rates of the firms and their development policies for how to use them are effective in private sector savings. In order to reach the expendable income of the public, after subtracting the transfer expenditures from the public expenditures, the markup between the expendable public income and the current expenditure compose the public sector savings (Gill, 1998). The fields in which the mentioned savings will be transferred will map out a route for the growth rate and stability of the countries.

2.1.3. Voluntary Savings and Obligatory Savings

The voluntary savings, described generally as keeping some parts of the current account incomes for the future use, and collecting the savings by keeping them financially or as substantial assets (Muhasebe Türk, 2016) are the signs for the stability of the economies of the countries and the trust to them. The orientation of the fund surplus of the individuals and the firms into financial instruments and direct investments show that there is not any kind of a problem in short and mid-terms except for the possible shocks in the economical developing process. The financial values of the governments, collected generally in the form of taxes as an obligation to meet the investments and foreign deficits by using its sovereignty is called as obligatory savings (Minibaş, 1993:31). At the first glance, the taxes can be qualified as a source of income acquired by the presumably democratically elected governments easily, as a result of their power of the legal entity of the state. However, this source is not endless; it is limited with the Laffer Curve conditions.

2.1.4. Institutional Savings and Individual Savings

Institutional savings are composed of the total savings of the firms and the public institutions (Yatırım Tasarruf İlişkisi, 2016). The distribution of the total profit at the end of a term and the way to be followed determine the volume of the institutional savings. The function of (Mucuk, 2015: 47) nonexpendable part of the income and at the same time the expendable income (Y^d) and the saving function (keeping/saving money, hoarding) formulated as Y^d= C+S, S=Y^d-C (Dinler, 2012: 364), show the reflections of both the positive and the negative expectations of the firms as also the individuals.

3. Saving According to the Economic Ecoles

Despite the important similarities of the description of the saving among the ecoles, they put forward different point of views about the variables affecting the savings. These points of views are shortly examined below.

3.1. Saving According to the Classical Analysis

According to the classicists the interest that equals the savings to the investments, is the response for the savings or the dispensation of the consumption. The interest is a prize for postponing, disposing today's consumption. If the interest rates increase, the savings increase and the investment demands will decrease, vice versa. Saving curve shows that the saving amount changes in direct proportion to the interest rates while the level of income is stable, the investment curve shows that the investment amount changes inversely proportional to the interest rates while the marginal efficiency of the investment is stable. The interest rate is determined at the point on which the investment curve and the saving curve meet (Classical Macro Economy Model and the Balance; 2016-Klasik Makro Ekonomi Modeli ve Denge; 2016). In other words, the saving is admitted as an increasing function of the interest rates by the classicists. When the interest rates increase, the savings also increase, and when the interest rates decrease, the savings also decrease (Bilgili, 2011:51). Similarly, the interest rates have an inversely proportional relation with the investments and the investments are the decreasing function of the interests.

3.2. Saving According to the Keynesian Analysis

According to the Keynesian point of view, the savings (S) in the economy should be equal to the investments (I) for the balance of the product market. The saving function is written as S=f(Y) and it is an increasing function of the saving, S'(Y) > 0. Investments on the other hand is a decreasing function of the interest rates, I=f(i), I(i)< 0.
If I=S, the balance of product market is composed and this equality is provided as I(i) = S(y) (Product market balance). This balance condition shows that there is only one income level (Y) in which the investments and the savings are equal, in all the data interest rates. Keynes described the savings, as non-consuming as the classicists, evaluating some of the income as the non-use of it in purchasing the consumption product **(**General Balance in the Keynesian Theory, 2016**-**Keynesyen Kuramda Genel Denge, 2016). The criticism of Keynes for the classical analysis about the inequality of the savings to the investments is because the classical analyses do not take care about the changes in the investment demands and as a result, the changes in the incomes and the savings. As a result, according to Keynes, the economy will be on the point of balance when the expected savings are equal to the expected investments (Çetin, 2004: 45-46).

3.3. Saving According to the Monetarists

The permanent hypothesis of Milton Friedman (1957), comes from the optimization principle. As the permanent income is the main determiner of the saving, the age structure of the public has an effective role on national consumption and saving level. Besides, the human capital and the wealth of the individual determine the permanent income level and its development in time and the decisions for saving. As it is presumed that there is not a relation between the individual's permanent consumption and the temporary income, it is concluded that the individual makes a consumption leveling and so, there is a proportion between the permanent saving and the permanent income. The first inference of the permanent income hypothesis about national income is that the high grow rate will decrease the savings. The second inference of it is; the total consumption and saving behavior's decreasing quality of depth of the conjuncture fluctuation. According to this hypothesis, the combination of the distribution of income and the age structure of the public effects the individual consumption behaviour by changing the permanent income and this plays an important role in determining the national saving level (Çolak ve Öztürkler, 2016).

4. Saving Deficit (Conceptional)

Savings, one of the important concepts of Macro Economy as Gross Domesic (National) Product, directly affect the rates of production, employment, development (progress) of the countries on the condition of being dependent upon the investments. As all the countries maintain their economic functions under open economy conditions, the inability of total incomes to meet the total expenditures means that the current account gives deficit. Such kind of a result brings the questioning of especially the nationl income and saving deficit, oversaving or balance of saving with it.

4.1. What is saving Deficit?

Let's examine the concept of saving deficit theoretically. The balance of investment-saving, which is used for determining the level of National income, comes to fruition at a production level in which the planned savings and the planned investments are equal. As some part of the income is nonexpendable and saved, it is due to the production amount is higher than the consumption amount. The necessity of transmitting the savings into production economy as credit via the financial instruments is a normal situation. In order to manage the balance of saving-investment in the Y = C + I (S) + G (T) + (X – M) equation, the equality of I=S should be maintained (Ertek, 2008; 25). The general balance of economy consists of total domestic savings, public, and private sector savings in an economy. As a presumption, the private sector investment expenditures are equal to the savings, public sector expenditures are equal to the incomes and so the national income is like this Y = C + I (S) + G (T) + (X – M) (Yılmaz ve Yaraşır, 2009: 99).

In the equality of Y = C + I (S) + G (T) + (X – M), C means the private sector expenditures, I means the private investment expenditures, S means the total private sector savings, G means the public expenditures, T means taxes, X means the exportation and M means the importation. Moreover, (S-I) brings about the private sector savings and (T-G) brings about the public savings. Likewise, the total domestic savings can be written as the total sum of private and public savings according to the Y = C + I (S) + G (T) + (X – M) equation.

If we call the total savings as SY, private sector savings as SP and public savings as SG, the total domestic savings can be written as SY = SP + SG (Uygur, 2012: 2). Based on these two equations, CP means the private sector consumption expenditures, CG means public sector consumption expenditures, IP means private sector investment expenditures, and IG means public sector investment expenditures. Thus, SY = SP + SG equation shows the balance of saving- investment, (SP – IP) ═> equation shows the balance of Private Sector Saving-Investment and (SG – IG) ═> equation shows thebalance of Public Sector Saving-Investment. The total savings are acquired when the private sector and public sector expenditures are subtracted from the National income. In sum, based upon the SY = SP + SG equation, the balance of saving-investment comes out as Y = C + SP + SG + (X – M) ═> (Y – CP – CG) = I + (X – M), SY = I + (X – M) and <u>(SP –IP) + (SG –IG) = (X – M).</u>

According to the triplet open hypothesis, the increase in the public expenditures in the general balance of the economy or the budgetary deficit as the result of tax reduction will cause the decrease in the public savings. At this point, the total domestic savings, as they are composed of private sector and public sector savings, decrease the total savings by decreasing the public savings without effecting the balance of private sector saving and investment. Afterwards, the interest rates and foreign capital inflow increase one by one and after the decrease in the foreign currency, the foreign trade and current account deficit increase (Alkswani, 2000: 5, Vyshnyak, 2000: 7, Ümit, 2007: 65, Karanfil, 2014: 28-32, 2016).

In short, the saving deficit in the country increases the current account deficit and budgetary deficit by causing the need for foreign resourses. In addition, if the private sector saving balance is also negative, both of deficits are balanced with the foreign trade deficit in other words the foreign savings according to the <u>(SP –IP) + (SG –IG) = (X – M)</u> equation (McTeer, 2008: 2, Karanfil, 2014, 2016). Inadequate savings trigger the budgetary, foreign trade and current account deficits by hindering the developments of the economies seriously. For that reason, the investment levels decrease and the increase rate of national income slows down with the budgetary deficits by staying backward of the potential growth rate of the country (Zengin, 2000: 37- 38, 2016) and finally in the medium term, the country faces up the result of falling behind the other courtiers in the growth and development competition.

4.2. The Importance of the Savings

The developing coutries are the ones that completed the development process but could not pass the growth treshold and generally having foreign trade and current account deficits. The mentioned countries who’s saving and investment levels are low as a result of their low national incomes and for that reason, who goes back to the beginning and could not increase their national incomes, have to meet their capital deficits. As a result of the saving deficit, they should not stay behind the economic war resulted from the harsh competition because of the globalisation and the obligatory investments as substructure, education and health, they have to produce relatively high-tech products and sell them in the foreign markets. At this point, the developing countries’ work seems very hard. For that reason, the first thing they should do is to find ways to increase their national incomes. After the increase in the national income, the savings and also the investment levels increase. Only when this system is established, as the development and growth rates of the countries will increase, their welfare level will also increase.

There could be a factor that can create distress for the operation process listed above. This is; the individuals’ prefences about keeping the nonexpendable part of their incomes hoarded, instead of transmitting them into finance sector to obtain interest. The individuals demand for saving more while their incomes are increasing, cause the decrease in the autonomous consumption and as much as the multiplier coefficient rate and GNP as a result of the decrease in the autonomous consumption and total planned expenditures. This situation, described as the paradox of saving (Ünsal, 2016: 695), is generally experienced in the countries who could not cathch up with the stable and sustainable growth trend, experiences the inflation and unemployment, could not attract the fixed foreign investment, and is under the pressure of foreign trade and current account deficit.

Firms use their investments when they want to fund and the individuals use use their investments when they have an economic trouble. In the process, it gains importance to transmit the savings into financial system with the aim of keeping the savings in the case or around them or using them for the investments. The countries, especially the developing countries, who could manage the balance of real and financial sector relatively, apply the reforms that will solve the structural problems in medium and long terms, make the public believe in them for enabling environment of trust in any case, could provide stability without being caught by the saving paradox.

It is understood from all these explanations that there is a correlation between savings and investments. The developments of the countries, whose domestic saving rates are low, are affected directly and their development become dependent only on the external financing. The supply of the external resources is necessary but not enough for the development. The technology and (The Importance of Saving and How the Savings could be Increased ın Turkey?,2016- Tasarrufun Önemi ve Türkiye'de Tasarruflar Nasıl Arttırılabilir?, 2016) the level of employment are important factors showing whether the foreign resources are used for good quality or not.

5. Exchange of Savings and the Countries

The conditions for stable, sustainable and long term growth are; high GNP, having a powerful infrastructure for the savings left behind the expenditures and providing a reliable financial system and transmitting it into investments. After providing this general condition, it becomes clear which of the savings effect the growth more actively.

5.1. Exchange of Savings and the Comparison of the Countries

Let's examine the savings that affect the growth rate of the economies in the long term directly. The proportion of household savings/household usable income is showed in table 1.

Table 1: The Development of Household Savings

Household Savings / Household Usable Income, 2000-2014

Countries / Years	Canada	France	Germany	Japon	USA	S. Korea	England	Euro Region
2000	4,8	11,8	9,2	8,8	3,0	9,3	0,1	8,2
2001	5,3	12,5	9,4	5,1	2,8	5,2	1,4	8,9
2002	3,5	13,7	9,9	5,1	3,7	0,4	-0,2	9,4
2003	2,7	12,5	10,3	3,9	3,8	5,2	-0,5	9,2
2004	3,2	12,4	10,4	3,6	3,4	9,2	-1,5	9,2
2005	2,2	11,4	10,5	3,9	1,5	7,2	-2,3	8,6
2006	3,6	11,4	10,6	3,7	2,5	5,2	-2,2	8,2
2007	2,9	11,9	10,8	2,5	2,1	2,9	-3,7	8,5
2008	3,7	11,6	11,7	2,3	4,2	4,6	-2,7	8,7
2009	4,7	12,5	11,1	2,3	6,2	4,6	-2,3	9,5
2010	4,9	12,1	10,9	2,1	5,9	4,3	-2,9	8,0
2011	-	12,0	10,4	2,3	5,9	3,5	2,2	7,4
2012	-	11,7	10,38	-	5,8	3,8	2,4	7,0

Resource: OECD Factbook 2011-2012, OECD National Accounts at Glance 2014, TASARRUFLAR: Globalde ve Türkiye'de Nereye,

http://www.21yyte.org/tr/arastirma/ekonomik-arastirmalari-merkezi/2015/05/29/8197/tasarruflar-globalde-ve-turkiyede-nereye, 22.07.2016

When we examine the table 1, the proportion of household savings/household usable income in Canada, France, Germany and in Euro Region in general do not change significantly, in the USA and England although it is unstable, there is an increase and in Japon and South Korea there is a decrease approximately at the rate of %75. The personal macroeconomic balances of the countries have important roles on these results.

The basic factors that affect the changes of proportion of household savings/household usable income according to countries can be listed as the payment of the retirement salaries and the health insurances by the government insted for the personal savings, spending what they earn by the retirements and the low rate in those countries where the older population is more (SAVINGS: Where in the Gobe and in Turkey?, 2016- TASARRUFLAR: Globalde ve Türkiye'de Nereye?, 2016)

Table 2: Saving According to Geographical Groups/GNP, %

Regions	1975	1980	1985	1990	1995	2000	2005	2010	2011	2012
Arab World		42,5	22,6	21,0	-	-	39,3	36,5	40,4	-
Avro Region	24,4	23,7	21,8	23,8	22,8	23,2	22,9	21,5	22,1	22,2
EU	23,9	23,2	21,6	22,8	21,9	22,3	22,0	20,4	21,0	20,7
North America	21,4	23,4	22,0	20,3	20,2	20,5	18,6	16,2	16,2	17,0
OECD	22,5	24,3	23,4	23,7	22,7	22,7	21,7	19,8	19,9	20,1
Southeast Asia	17,3	17,2	21,6	22,5	25,1	24,5	32,4	32,6	31,0	29,5
Turkey	14,9	13,1	14,3	21,9	22,1	18,2	15,8	13,3	14,2	14,4
World	22,9	24,4	23,9	24,4	23,7	23,8	24,0	22,6	22,5	22,5

Resource: Dünya Bankası, World Development Indicators,Türkiye'nin Kronik Tasarruf Yetersizliği, 9 Şubat 2015,Türkiye'nin kronik tasarruf yetersizliği, http://www.aljazeera.com.tr/gorus/turkiyenin-kronik-tasarruf-yetersizligi, 18.09.2016.

When the table 2 is examined according to the regions, it is difficult to say that the proportion of Saving/GNP is positive for our country. The low saving rate immediately attracts the attention in Turkey. Turkey could not show any increase in 37 years period and so to speak ran around in circles. According to those years, the proportion of Saving/GNP of our country is approximately %30 lower than all the other regions and world proportions. We should search the reasons for such a result for Turkey in the inability to increase the national income to the desired level, the inability to succeed in institutionalising and deepening the financial system and the inability in establishing the environment of trust in any case.

Tablo 3: Total Savings/GNP, % According to the Countries

Countries	1995	2000	2010	2011	2012	2013	2014
Brasil	15,3	15,4	19,6	19,8	18,0	17,6	16,1
China	40,5	37,0	52,0	50,1	50,3	49,7	49,7
Germany	22,6	22,1	25,2	26,6	26,3	25,7	26,3
Malaysia	34,0	35,9	34,2	34,8	31,7	30,2	29,8
S. Africa	16,0	16,2	18,0	16,7	16,9	14,3	14,9
Spain	22,0	23,0	20,0	19,0	20,0	21,0	19,5
England	19,4	17,4	13,7	14,6	12,6	12,5	12,1
USA	18,6	20,6	14,3	15,6	17,4	18,0	17,8
Turkey	21,1	17,0	13,3	13,8	13,9	12,7	13,3

Resource: The World Bank Data/Data/GrossSawings(% of GDP); IMF/WorldEconomic Outlook, Database, TASARRUFLAR: Globalde ve Türkiye'de Nereye?, 29 Mayıs 2015. 2016 Nisan 2015.http://www.21yyte.org/tr/arastirma/ekonomik-arastirmalari-merkezi/2015/05/29/8197/tasarruflar-globalde-ve-turkiyede-nereye, 13.08.2016.

According to the table 3, while the proportion of saving/GNP is increasing or staying the same in Brasil, China, Germany and USA in twenty years period of time between 1995-2014, it decreases in other countries including Turkey. It is thought-provoking that Turkey comes first among the countries showing decrease with the proportion of %33. Our situation does not seem pleasant when we examine the developing countries in the same group with Turkey as Brasil, China and South Africa. When we look at the lot of savings in GNP by the year 2014, Brasil has the proportion of % 16.1, China has %49.7 and S. Africa has %14.9 and they are in advance of Turkey that has the proportion of %13.3. Among these countries, China attracts attention with the economic enterprises since especially the quarter century- although its growth rate has slowed down for three years. Another remarkable point in the table 3 is that the total saving/GNP proportion of China is two times or three times more than other countries. The reason for this is that people do not have social insurances and the institutions make obligatory savings as they do not pay taxes from their profits (The Importance of Savings and How the Savings in Turkey Could be Increased?, 2016).

It is certain that the countries, enlarging their national income and using a substantial part of it for the production of high-tech products, are less likely to face economic crisis, will become effective on, an arbiter in every kind of global developments and among the countries that are taken serious.

5.2. Turkey and the Change of Savings

In our country, the proportion of saving/GNP is losing acceleration seriously. As it is clear in the table 3, while this proportion was %21,1 in 1995, it dipped to %13,3 in 2014. This decline is a result, the reason is the inability to gain a steady increasing acceleration to the figures of national income. Similarly, in accordance with the decline in the saving proportions, the proportions of investments also declined till 2001 and then, even if they started to rise they have declined again in recent years. In addition, the increase in the saving deficit from the year 2003 proves that Turkey, trying to grow rapidly, ensured this by using foreign resources. The risk for current account deficit problem to become a structural problem after 2003 and the inability to take necessary precautions on time will provide that the current account deficit problem will become permanent.

A dependent economic growth on the foreign resources will decrease the effectivity and the resistance of the economy against the external shocks. After the stoppage of the foreign resources, it is certain that the economy will face up with instability (The Saving Deficit Problem of Turkey, 2016- Türkiye'nin Tasarruf Açığı Sorunu, 2016). It is a normal situation for the countries to give current account deficit whose investments are low as a result of their low savings because of their low national income. Current account deficit is a certain and clear data that gives information about the economy of the country. The country whose current account balance gives negative, is the country that could not meet its total expenses with its total incomes ans so that has to take exernal barrowing. There can be many reasons for a country to have current account deficit, the most important of them is the inability in constructing the national income on the production economy relied on of high-tech products. It is an expected reality to encounter with low income, demand, saving, investment, employment and growth rate problems in the economies that is unable to provide this main condition.

The inability to provide investments from domestic savings urges the countries for foreign borrowing. This situation makes the saving deficit and accordingly the current account deficits a current issue. It means that the national income of a country is transmitted to foreign countries as much as its interest rate who has taken foreign borrowing as the result of globalisation. From this point of view, the correlation between the growth and the current account deficit is high in Turkey and we are (The Chronical Saving Deficiency of Turkey,2016- Türkiye'nin Kronik Tasarruf Yetersizliği, 2016) dependent on foreign debt.

After the 2001 crisis in our country, the "Transition to the Strong Economy Program(TSEP) was started to be applied in order to decrease the inflation and provide sustainable growth and stable economy. The program was successful in providing financial discipline and the application of the structural reforms and the inflation decreased under %10 and a relatively stable growth trend was achieved. The saving deficit was effective on the increase in the current account deficit that is always a major problem for Turkey. While the public saving deficit was met with the surplus of the privte sector savings till 2000, after the financial discipline policies started to be applied in 2000, the public saving deficits were tried to be decreased. In that period, while the interest rates were decreasing, the increase in the productivity provided the increase in the private sector investments. At the same time, the increase in the household consumption expenditures triggered the decrease in the private sector savings. As the decreases in the private savings were more than the increases in the public savings, the total domestic savings also decreased.

The total proportion of domestic saving/GNP, which declined to its least level (%13,3) in 2009, showed a limited increase trend after 2009. While the lot of current account deficits in the GNP increased to %7,9 in 2013 (The Saving-Investment Dynamics and the Current Account Balance Developments, 2015- Tasarruf-Yatırım Dinamikleri ve Cari İşlemler Dengesi Gelişmeleri, 2015: 18), it decreased to %4,5 in 2015 which was %2 in 2009 as the result of the rapid increase in the investment expenditures despite the increase in the savings.

The estimated current account deficit for 2016 is %4,8 (Market Log,2016: 1 - Piyasa Günlüğü, 2016: 1). It is easily understood from the present deficits that Turkish economy is far from giving positive in the current account balances or even balancing it, and is in serious structural problems although the oil prices decreased from 110 dollars to 28 dollars and on average to 40 dollars. The negative current account balance is a result for our country, the reason for this is the scantling amount of the savings because of the inability to increase the GNP, in other words the inability to overcome the saving deficit problem.

Accordingly, it is an expected result that the rates of investments, production, income, demand and employment are low. In order to overcome this swirl after enabling the environment of trust in any case on the country basis, the real economy based financial system, which will provide transmitting the savings into financial sector in medium and long term rather than into short term instruments that are open to speculative manipulations as gold, foreign currency and real estate property, should be provided.

6. Conclusion

There cannot be any objection to the necessity of the increase of the savings proportion in the GNP. The important thing is to provide the economy environment that will transmit the increasing savings dependent upon the national income into real financial investments, in other words, to provide financial, political, economical, communal and social stability environment. Turkey is a country that is trying to solve its rooted and accumulated political, social, legal, communal, structural, and especially economical problems for decades although the political stability seems to be achieved since the single party regime in 2002. Even if much important advancement were attained in the fifteen years of time, there are many others left.

In addition to the structural economical problems as inflation, unemployment, loan, unstable and sustainable growth and inability to institutionalisation of the financial sector, Turkey could not make its rapidly growing economy long-termed because of the severe war environment that was gained an international dimension after the support of such countries as EU,Russia and Iran(Persia) and primarily the USA to the terror in the Middle-East geography for their own advantages. Our country faced up with the regional financial stagnation in the nearby geography because of the chaos atmosphere as a result of the efforts of those mentioned countries instead of establishing the peace. The decrease in our exportation as a result of the deceleration in the growth rate of global economy and especially of the region countries caused the result of decline (%4- 2015 year) in our national income's potential growth rate at the rate of %5. Per capita income decreased from 10700$ to 9200$ and we regressed from 17. step to 20. step in the magnitude of GNP at the world ranking. Besides these kind of external factors, adequate amount of resources could not be allocated for education, r&d investments, technology-intensive production, upgrade of the quality of human capital that are necessary for the improvement and development of Turkey because of the political struggles. As the level of national income is under the expected level, the savings, and accordingly the investment occurred with low levels.

A redundantly growing financial system in compliance with the production economy poses the major obstacle in providing the stability in the long term by increasing the fragility of the economy. In order to overcome this swirl, Turkey should be far from populism and should prepare, control and apply a growth and development model comprising all the community and build up an economic system that will balance between production and financial economy.

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