

As inflation soars

Real income losses for Turkish workers

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On August 4, the Turkish Statistics Institute (TUIK) announced that in July Turkey's inflation rate rose to 12.1 percent from 10.6 percent in June. The annual rise in inflation was only 6.9 percent over the same period last year.

The rise in the prices of energy and food has increased the average inflation rate across the globe. Turkish capitalism, however, is one of the worst performers, with inflation nearly doubling in the space of a year.

On a monthly basis, the consumer price index increased by 0.58 percent in July—a much higher rate than expected.

On the other hand, the producer price index increased even faster, rising by 1.25 percent. Annually adjusted, this amounts to an increase of 18.4 percent. TUIK data shows that the price hikes in the manufacturing sector are also close to this figure. This increase will inevitably spread from producer prices to consumer prices as economic growth continues at the relatively low level of the first half of the year.

At the same time, the increase in the rate of inflation has taken place against a background of an increase in the value of the Turkish lira compared to foreign currencies.

High interest rates in Turkey, shaped under the auspices of the IMF, have been the main adjustment mechanism in the post-2001 crisis period. By transferring the resources of the country to the owners of speculative capital, Turkish capitalism attracted foreign capital. Based on the country's relative abundance of foreign exchange the banks were able to keep the Turkish lira overvalued and the inflation rate under control.

During the last three months the Central Bank was forced to lift its benchmark interest rate by a half point

each month. At the moment the rate is 16.75—the highest in the world. John Authers, investment editor of the *Financial Times*, wrote on August 6, “Turkey's lira, which unlike the real [Brazilian currency] is not fortified by commodity exports, has gained 45.5 percent against the dollar. To maintain parity, the dollar should have risen 53.7 percent.” In the case of a “correction” of the value of Turkish lira, the inflation rate would simply explode, and the magnitude of this explosion would be essentially determined by the magnitude and the pace of the “correction.”

Even if a “correction” does not happen, the situation is becoming unsustainable on all fronts. For example, according to a news report published in the Turkish economic daily *Referans*, the representatives of the textile industry met with Industry Minister Zafer Caglayan in Ankara and gave him an open ultimatum, saying, “We are ready to hand in the keys of the factories to the government if the lira remains at a level of 1.15 to the dollar.”

In summary, the latest trends show that the year-end inflation rate will be in the double digits and even the Central Bank recently increased its forecast for year-end inflation to 10.6 percent.

Economist Mustafa Sonmez told the press that according to his calculations—based on giving priority to price increases on those goods that affect most of Turkey's population, such as food, rent and other home utilities (heating, electricity, etc.)—“real inflation” as it affects the majority of population will total no less than 25 percent this year.

These statistics graphically demonstrate the impotence of the trade unions in defending workers' interests. Both last year and this year the trade union bureaucracies, irrespective of trade union confederation, signed a series of contracts involving

substantial real wage cuts for workers, who have already suffered steadily declining wages for more than a decade.

During recent months, a number of “left” organisations such as the Turkish Stalinist TKP and EMEP have praised some of the contract agreements that had attracted certain media attention, particularly the industrial disputes at Turk Telekom and Turkish Airlines. Such organisations invariably describe these agreements as successful achievements for workers. Objectively their dishonest depiction of these deals amounts to nothing less than a left cover for totally corrupt trade union bureaucracies who have lost all credibility in the eyes of the majority of workers. These organisations are voluntary accomplices in this betrayal.

While serving to “talk up” the deals made by the trade union bureaucrats, such organisations also keep silent about the corruption scandals erupting within the unions, which they continue to describe as “workers’ organisations.” For the same reason they say little about the way in which the bureaucracies react antagonistically to any demand from the rank-and-file for democracy and accountability.



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