

Turkish currency, living standards in free fall as pandemic rages

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The depreciation of the Turkish lira and the sharp increase in the prices of basic necessities affecting tens of millions of people are creating a deep economic and political crisis, as the raging pandemic infects tens of thousands and killing hundreds every day.

The Turkish lira has lost half of its value against the US dollar, from 7 TL to the US dollar in February to 13.70 TL today.

The depreciation of the Turkish lira was previously accelerated by Ankara's conflicts with its imperialist allies, particularly over NATO's regime change war in Syria.

The Turkish government has opposed the US decision to make the Kurdish militias the main proxy force in Syria, fearing that a Kurdish proto-state in Syria would strengthen separatist tendencies within its borders. Growing tensions in the relations led to a NATO-backed military coup against President Recep Tayyip Erdo?an in 2016. After the failed coup attempt, Ankara has further increased its geopolitical, economic and military ties with Russia.

While this situation has created an unstable political environment, it also caused Western finance capital to stay away from the Turkish markets.

In addition to this and increasing turmoil in the global capitalist economy amid the COVID-19 pandemic, Erdo?an's financial policies have accelerated the massive depreciation of the Turkish lira in 2021. Just in the last month, the US dollar has risen from 10 to 13.7 TL.

Erdo?an has been pressing the Turkish Central Bank for a while to cut interest rates to support economic growth based on exports and the construction sector. The Central Bank's 4 percent interest rate cut in the last three months has triggered the purchase of US dollars by companies having foreign currency debt and

deposit account holders.

The interest rate of 15 percent is below the official inflation rate of 21 percent, which means a 6 percent negative interest for the TL. Economist Mustafa Sönmez stated: "In all developed and developing countries facing the problem of inflation, central banks have been hiking their policy rates to cool their respective economies. In sharp contrast, Turkey's Central Bank has cut its policy rate by 400 basis points to 15 percent since September at Erdo?an's behest despite a nearly 20 percent inflation, which is well above the mean of emerging markets."

This policy contradicts the rising inflation and interest rate increase expectations of the international financial oligarchy and accelerates the flight from TL into the dollar. It is stated that the rate of foreign currency deposits in banks of Turkish citizens exceeds 60 percent.

The rise in inflation is not unique to Turkey, but it is a global tendency. As the *World Socialist Web Site* recently explained: "The US consumer price index (CPI) had risen by 6.2 percent in October compared to a year ago—the fastest annual rise since 1990. ... The global character of the inflation surge is reflected in rising CPI figures elsewhere. The Eurozone inflation rate was 3.4 percent in September, the highest level since before the global financial crisis, and well beyond the European Central Bank's target of 2 percent. In the UK the inflation rate is expected to reach 5 percent in the first months of next year."

This surge in inflation adds pressure on central banks to start tightening their monetary policy to continue providing positive real returns on capital to investors.

Erdo?an's financial policy is however based on the claim that inflation in Turkey is a result of interest rates in the country, regardless of economic trends in the

world. For this reason, there has been a growing government pressure on the Central Bank to cut interest rates and close the current account deficit, rather than price stability. The Turkish Central Bank's chairman has been changed three times in the last three years. After the latest developments, moreover, Finance Minister Lütfi Elvan recently resigned.

Elvan reportedly did not adopt Erdo?an's policies. Shortly before his resignation, Elvan made the following statement, tacitly criticizing Erdo?an: "The central bank's main responsibility is to ensure price stability. ... Narrowing the current account deficit is a responsibility of the government. The tools to be used in monetary policy are obvious, and it is the central bank that is supposed to apply them."

Moreover, social unrest in the working class has reached the boiling point in the face of an unprecedented increase in cost of living as hundreds of people have lost their lives from a preventable pandemic. The Erdo?an government hopes that encouraging an export-based economic growth by lowering interest rates will alleviate this unrest.

Terrified of the impending social explosion among working people, the government is preparing to make a significant increase in the minimum wage at the beginning of 2022. It is stated that the monthly minimum wage, which is 2,825 TL, will be increased to the range of 3,500-4,000 TL.

However, this increase will neither eliminate growing social anger nor substantially increase the purchasing power of the working class. The minimum wage, which was nearly US\$383 at the beginning of the year, is now just US\$206, and Turkey now has the lowest minimum wage among all European countries. Even with the alleged increase, the 2022 minimum wage will be as much as US\$100 lower than in January 2021.

According to the Turkish Statistical Institute (TUIK), annual consumer inflation reached 21.31 percent with an increase of 3.51 percent in November. The producer price index increased by 9.99 percent to 54.62 percent in November.

Official data, especially the consumer price index (CPI), are far from truthful. Independent Inflation Research Group (ENAgroup) announced that the CPI increased by 9.91 percent in November. According to the group, the 12-month price increase thus became 58.65 percent. It means the minimum wage hike will

not cover these losses, and inflation will continue to rise throughout 2022.

This has already led to a surge in the class struggle as part of the global tendency among workers. After several wildcat strikes and factory occupations in recent months, teachers, health care workers and all other sections of the working class are increasingly unsatisfied with their wages and living standards, demanding serious improvements with protests. Over 150,000 metal workers and autoworkers also expect a revision and a sharp increase in their proposed contracts by pro-company trade unions.

Forced to work in extremely dangerous conditions during the pandemic, workers are outraged that they and their families are being put at great risk every day. The policies followed in this process are based on sacrificing the lives of the working class in exchange for the protection of the profits of the ruling class and covering the entire cost of the pandemic process with an attack on the social conditions of the workers.

While a handful of corporate and financial elite have made massive profits from this criminal policy, the impoverishment of broad sections of workers has brought the Erdo?an government's support in the polls down to its lowest level since 2002, when it first came to power.



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