TODAY'S ZAMAN

Top economist Steve Hanke says Turkish economy can do without IMF loan

Turkey does not need a new deal with the International Monetary Fund (IMF), according to a leading economist specialized in the global economy and monetary policy issues.

In an exclusive interview, Steve H. Hanke, senior fellow at the Cato Institute in Washington, D.C., and a professor of economics at Johns Hopkins University, told Today's Zaman that "if the government signs yet another IMF agreement, it will give the impression that the government doesn't have the capability or the willpower to continue economic reforms and modernization on its own." Dismissing a barrage of calls from commentators and economists who want the Turkish government to sign another stand-by deal with the IMF, Hanke said, "Signing an agreement would throw into doubt the government's credibility in the economic sphere."

Hanke, who also writes for Forbes magazine, predicted late last year that the global economy would start recovering during the summer of 2009.

Who is Steve Hanke?

"Now that summer has arrived, economic conditions are starting to show positive signs," he said. "Indeed, in China, where the authorities have taken a very free-market approach to the financial panic of 2008, the economy has snapped back. China's 2009 growth rate will be very close to Beijing's 8 percent target," Hanke added.

Professor Hanke emphasized that this positive international economic backdrop will lift the Turkish economy. "In addition, during the summer months, Turkey's current account -- boosted by traditional tourism receipts -- should register large surpluses," he noted. "In short, both the improving international climate and Turkey's own current account don't signal a ‘need' for an IMF deal,” Hanke said.

Turkey has not signed a new stand-by agreement with the IMF since the last one expired in May 2008, and protracted negotiations since then have encountered several roadblocks. The disagreement centers especially on government stimulus plans to revive the domestic economy, a risk that the IMF fears might throw the country's fiscal discipline into chaos. The government, however, insists it will maintain its fiscal discipline but vows to increase spending, albeit temporarily, to jump-start the non-financial economy just as developed nations have done.

Steve H. Hanke is a professor of applied economics and co-director of the Institute for Applied Economics and the Study of Business Enterprise at Johns Hopkins. University in Baltimore. He is also a senior fellow at the Cato Institute in Washington, D.C. Hanke was named one of the 25 most influential people in the world in 1998 by World Trade magazine. He is a columnist at Forbes magazine and a contributing editor at the GlobeAsia, Elegans and Central Banking magazines. He served as a senior economist on US President Ronald Reagan's Council of Economic Advisers in 1981-82 and also served as a senior adviser to the US Congress Joint Economic Committee.

He has advised many countries, including Albania, Kazakhstan, Indonesia, Venezuela and Yugoslavia. He also played an important role in the design and implementation of currency reforms in Argentina, Estonia, Lithuania, Bulgaria, Bosnia and Herzegovina, Montenegro and Ecuador. He is a well-known currency and commodity trader and currency reformer.

Hanke believes Prime Minister Recep Tayyip Erdoğan is playing his cards very well when it comes to negotiating with the IMF. “On the one hand, he wants to retain cordial relations with the IMF. Why not? It doesn't cost anything. On the other hand, he doesn't want to sign an agreement with the IMF,” he said, adding that such an agreement would signal that Erdoğan's government was weak and incapable of moving the economic ball down the field without the assistance of the IMF.

Hanke further argued that signing an IMF agreement would throw into question whether it was the IMF or the Turkish government that stabilized the economy after the 2002 and 2005 IMF agreements. “In fact, stabilization was a joint product,” he noted.

Hanke cautioned that from a political point of view, the last thing the government needs is an IMF agreement. “If I were Erdoğan, I would use the fact that the government wasn't ‘forced' to sign an IMF agreement to push forward much-needed free-market reforms. The government's credibility would be enhanced and so would be the chances for a strong economic recovery,” he said. “An early economic recovery will, in any case, render IMF funding unnecessary,” Hanke underlined.

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