

I complain about the directors of the Turkish Central Bank

By Mehmet Gün / 13 January 2022, Thursday / Published In Economy



I complain about the directors of the CBRT. In the photo, CBRT Governor Şahap Kavcıoğlu with Banking Association Chair and Ziraat Bank General Director Alparslan Çakar (to the right) (Photo: Twitter/Kavcıoğlu)

I complain about the directors of the Central Bank of the Republic of Turkey (CBRT) because the Governor of the CBRT and the members of the Monetary Policy Committee flagrantly violated their duty to adhere that the “primary objective of the Bank shall be to achieve and maintain price stability.” imposed by Central Bank Law No. 1211, in Article 4.

The Law requires in Article 4 that “The Bank shall determine on its own discretion the monetary policy that it shall implement [...] in order to achieve and maintain price stability.”

The CBRT violated the Bank’s core duty in order to support the government’s growth policies and the president’s rhetoric against interests based on religious grounds despite the Law prohibits such attitude. The Law states that

“The Bank will support the growth and employment policies of the government provided that it does not contradict with the objective of achieving and maintaining price stability, ” in the Article 4.

As a result of the CBRT’s acts and decisions, the Turkish Lira has lost almost half of its value from US Dollars in 2021. One US Dollars was 7,40 TL in the beginning of the 2021, it is around 13,80 TL in January 2022 having reached up to 18 TL in December.

Inflation soared, price stability lost

As economist Mahfi Eğılmez demonstrated, as of September 2021, they did not set interest rates to protect the value of the Turkish Lira and to compensate for the increase in prices. Mahfi Eğılmez states in his article, if the CBRT had not lowered the interest rate, the USD/TL rate would probably have completed the year around 9TL, inflation would have been around 16-18 percent, and interest rates for bank loans would have remained lower.

Esteemed economy journalist Şeref Oğuz of Dünya Newspaper explain in detail that inflation rose as the CBRT cut interest rates, and the price sustainability eroded. Inflation was at 19,25% in August. In September the CBRT began reducing interest rates. Inflation rose to 19,58%. As the interest rate cuts continued in October, inflation rose to 19,89%. It rose to 21,31% in November and to 36% in December. The policy interest rate was reduced to 14% in December. **All of these happened very quickly.** As a result of mind-blowing transformation, inflation gained momentum, prices skyrocketed, and in the market, a concern was established that prices would continue to soar more.

As the CBRT cut interest rates, Turkish Lira lost value. High inflation pushed the costs of the manufacturers and ordinary people. The fact that the producer’s inflation rate has risen to 79,89% indicates that the consumer inflation will rise to new highs.

Not despite the government, because of the government

Mahfi Eğılmez has deducted from the CBRT’s own balance sheet, and economist Timothy Ash predicted in his tweets, directors of the CBRT depleted the CBRT’s forex reserves by about 18 billion US dollars. While they did not prevent the TRL/US\$ exchange rate from reaching TRL18 to the US dollars, **they appear to have spent a considerable sum of forex reserves through back door methods**, creating a false perception that the government’s decision, which lacks a scientific basis, was a success. This was first spotted and explained by the economist Uğur Gürses a former CBRT employee.

Economist Uğur Gürses states that the government spectated the crisis it had caused through interest rate cuts and acted only when the Turkish Lira’s loss of value reached panic levels. In other words, the directors of the CBRT took action following the government wishes and not despite the government.

Rising concern in business circles

“Adopting methods inexplicable by the economic science in determining economic policies fuels uncertainty,” says the joint statement from Türkonfed Turkish Enterprise and Business World Confederation and the 26 regional federations representing thousands of SMEs and business world NGOs.

They express a “common anxiety of their members about the general trajectory of the economy.”

In an interview with Cumhuriyet daily, Mr. Orhan Turan, president of Türkonfed, states as follows: “lack of sustainability in the forex rates prevents the markets from determining prices. This has brought production and internal trade to an almost halt. Transactions in the financial sector are suspended. Developments in forex pose a risk to further deteriorate imports, energy prices, competitiveness in exports, investments, employment and distribution of wealth.”

These statements show the extend of the colossal damages that the directors of the CBRT’s violation and or neglect of their duties has caused and how each and all members of the nation has been suffering.

Abuse of Duty

“Causing to the detriment of the public or individual by either “acting against the requirements of duty” and “neglecting or delaying the requirements of duty” by public professionals is described as an offence and is generally known as “Abuse of Duty” by Turkish Penal Code in Article 257. These acts are punishable by imprisonment of 6 months to 2 years or 3 months to 1 year, respectively.

It is not me, it is the Business world representatives and the economy experts I mention above state that the Directors of the CBRT violated and neglected their principal duties in favor of the government despite the Law explicitly sets out the contrary.

As an ordinary citizen, I complain about the conditions that I am live in, about the further deterioration of unjust distribution of wealth in my country, the decline in the wealth of people and the GDP per capita.

As a jurist, I complain about the directors of the CBRT omitting to adhere to the rules of the Law that their office is subject to and the rules and requirements of the economic science. They failed to perform the requirements of their duty, they failed to protect the value of our currency and price sustainability and have caused to soaring inflation.

Wrongdoing Public Officers should not enjoy impunity

I do complain about the fact that the public officials, who violate and neglect their public duties can be kept out of the reach of justice as they do not come before the court and are granted de facto impunity if their superiors i.e., the politicians do not permit prosecution; whereas they continue to enjoy the benefits and privileges of the duty despite they do not fulfill.

I complain that public officials whose neglect contributed to and failed to prevent catastrophic events such as the 2004 Pamukova Train Accident and the Soma Coal Mine Disaster, where many lives were lost, and national wealth was destroyed, have not been brought to justice. I also complain that only in 2021, some 17 years after the disaster occurred in 2004 the Constitutional Court decided that the victims’ right to a fair trial has also been violated.

I wish that my complaints, and the complaints of those who cannot formulate it as I can do, to be heard and considered.

I desire that the pre-condition of administrative permission for the prosecution of public officials that prevent the judiciary from freely and ex-officio performing its function to be annulled, and that the judiciary to se freed so that

it can perform its functions; the rule of law to be established and prevailed over everybody, the justice to be realized; public officials to be equalized with any ordinary member of the public and tried unconditionally before the courts and sentenced as they deserve to be.

I submit to the highest of the authorities for the requisite...