



PERSPECTIVES

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Will Erdoğan's God Stop the Turkish Lira's Slide?

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BESA Center Perspectives Paper No. 1,701, August 20, 2020

EXECUTIVE SUMMARY: The Turkish lira's unprecedented slide, on top of soaring interest and inflation rates, record unemployment, and recession, is contributing to a looming economic collapse. In the face of such gloom, President Erdoğan is offering his conservative supporters a new deal: I'll give you more conservatism if you ignore the economic picture.

The plunge of the Turkish lira is forcefully reminding Turkish citizens that there is something seriously wrong with the economic management of Recep Tayyip Erdoğan, their Islamist-populist president. Erdoğan, who came to power in 2002, consolidated his political power mainly on the back of solid economic growth and relative wealth. It may well prove to be the economy that unseats him after 18 years of uninterrupted rule.

This is, after all, the man who once famously [declared](#), in the face of another Turkish lira slide in 2018, "If they have their dollars we have our God!"

In 2016, a Turkish wage earner's minimum salary was \$[456](#). Today, it is \$[313](#). In August 2016 the US dollar [was trading at](#) 2.95 liras. On August 13 of this year, the trading day [closed](#) at \$1 against 7.33 liras. The lira has fallen by 19% against the US currency this year, making Turkey one of the worst performers in the emerging markets.

Embarrassingly, Erdoğan's political rivals don't hesitate to remind him of his 2018 [advice](#) to businesspeople: "Don't buy dollars or you'll crash into a wall."

When, in May 2016, Erdoğan sacked his own chosen PM, Ahmet Davutoğlu, the dollar/lira rate was at 2.85. "Someone should explain the lira's 155% loss since then," [said](#) Davutoğlu.

“I think what we have seen is an admission that the hard defense of the lira around the 6.85 level—which I think aimed at sending a message of stability so as to stem dollarization—failed,” Bluebay Asset Management’s Timothy Ash [told Reuters](#). “They [the Turkish government] blew \$65 billion in defense of the lira and for little benefit as they are now accepting they have to let the lira go weaker to balance out the external financing requirement.”

“Like in most emerging economies, the currency (strength or slide) has typically been an important criterion to gauge government’s overall performance in Turkey, primarily influencing voters’ attitudes,” said Yusuf Kanlı, a prominent Turkish columnist. “Erdoğan came to power [in 2002] due, among other things, to his predecessors’ economic mismanagement. Ironically, he may have to go himself for the same reason.”

Turkey’s next presidential and parliamentary elections are scheduled for 2023, but there is much speculation that Erdoğan might have to call for early elections next year. Most opposition parties say they are prepared for snap polls at any time.

Turkey’s economy performed well under Erdoğan for his first three terms, with per capita income rising from \$3,660 in 2002 to \$12,500 in 2013. But it has since fallen to \$9,042 today. Erdoğan insists that this is a success story, but it doesn’t look like it when compared to [others in the race](#). Between 2002 and 2019, per capita income rose from \$5,197 to \$15,995 in Poland; from \$2,593 to \$10,000 in Argentina; from \$2,120 to \$12,920 in Romania; from \$2,093 to \$9,738 in Bulgaria; and from \$4,125 to \$17,836 in Latvia.

In a recent [speech](#), Erdoğan defended his economic management by pointing out how sharply sales of domestic appliances rose in Turkey after his party came to power: annual sales of washing machines went from 824,000 to 2 million; sales of dishwashers from 282,000 to 1,332,000; and sales of ovens from 339,000 to 817,000. That speech caused much amusement on social media. “It is only too sad that the man whose government once tripled per capita income in Turkey is now telling his success story with the number of appliances sold in the country,” [wrote](#) Elif Çakır, a columnist for *Karar*.

Global indexes on “better life,” which offer comparative statistics in areas broader than just per capita income, do not look any brighter for Turkey. On OECD’s [Better Life Index](#), Turkey ranks 37th out of 40 countries, scoring better than only Colombia, Mexico, and South Africa. The Better Life Index is made up of data on housing, jobs, education, civic engagement, life satisfaction, work-life balance, income, community, environment, health, and safety.

None of that is good news for Erdoğan, who is testing the waters for snap polls by offering his conservative/nationalist supporters a dose of identity politics. In July he [converted](#) the 6th century Orthodox cathedral Hagia Sophia into a mosque, winning the hearts, if not the minds, of devout Muslims. He has also [ordered](#) a review of the Istanbul Contract, an international charter designed to stop violence against women and gays. His religious supporters have long campaigned for a withdrawal from the treaty because they believe anything promoting gay rights might destroy the traditional Muslim family.

In a way, Erdoğan is offering his supporters a new contract: I'll give you more conservatism if you ignore the looming economic collapse. The pro-Erdoğan masses might appear interested in this offer, but whether they intend to accept it may be another matter.

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