

# Journal of Economy Culture and Society

ISSN: 2602-2656 / E-ISSN: 2645-8772

Research Article / Araştırma Makalesi

## 2008 Financial Crisis: A Comparative Analysis of Turkey and Brazil in Terms of Economic Policies

### 2008 Finansal Krizi: Türkiye ve Brezilya Ekonomi Politikaları Özelinde Karşılaştırmalı Bir Analiz

Şeyda GÜDEK-GÖLÇEK<sup>1</sup> , Ali Gökhan GÖLÇEK<sup>2</sup> 

<sup>1</sup>Niğde Ömer Halisdemir University, Faculty of Economics and Administrative Sciences, Department of Political Science and International Relations, Niğde, Turkey

<sup>2</sup>Niğde Ömer Halisdemir University, Faculty of Economics and Administrative Sciences, Department of Public Finance, Niğde, Turkey

**ORCID:** Ş.G.G. 0000-0001-8753-2998;  
A.G.G. 0000-0002-7948-7688;

**Corresponding author:**

Ali Gökhan GÖLÇEK,  
Niğde Ömer Halisdemir University, Faculty of Economics and Administrative Sciences,  
Department of Public Finance, Niğde, Turkey  
**E-mail:** aligokhangolcek@gmail.com,  
aligokhangolcek@ohu.edu.tr

**Submitted:** 17.05.2019

**Revision Requested:** 20.05.2020

**Last Revision Received:** 26.03.2020

**Accepted:** 30.06.2020

**Published Online:** 20.10.2020

**Citation:** Gudek-Golcek S. & Golcek, A.G. (2020). 2008 financial crisis: A comparative analysis of Turkey and Brazil in terms of economic policies. *Journal of Economy Culture and Society*, 62, 185-207.  
<https://doi.org/10.26650/JECS2020-0046>

#### ABSTRACT

The Financial Crisis, which broke out in the US due to the mortgage bubble, had spread through financial channels to core countries. The periphery countries that weren't fully integrated into the financial markets had been influenced via economic ways, indirectly. However the crisis -spreading on a global scale- had had negative impacts on all countries and had led to changes in the economic policies of states. One of the possibilities of the crisis was for it to turn into a cyclical crisis because of its reach throughout the whole world and the failure of economic policies -applied to one after another- in the preventing of the spread and impact of the crisis in a short time, resulting in economic and neoliberal policies being questioned. The periphery economies, being economically affected by the crisis, had to assume many economic costs due to mortgage loans in the US, which had nothing to do with them. In the study, through the examples of Brazil and Turkey within the framework of these discussions, the implication of economic policy has been examined for periphery countries. In the study, the way in which both countries were affected by the crisis has been evaluated through net capital flows, foreign direct investments, foreign trade data, and main economic indicators. Although neoliberal policies, which pushed both countries towards this process, had added them to the global economic system, they had to apply Keynesian policies because neoliberalism had become inadequate in exiting the crisis. In the conclusion of the study, policy proposals have been made for getting out of the crisis by discussing the ineffectiveness of the economic policies that had been implemented.

**Keywords:** 2008 financial crisis, capital movements, foreign direct investments, Turkey, Brazil, economic policies



## 1. Introduction

From the 1970s onwards, the increase in productivity had been stagnant while global economic changes, such as the disintegration and shifting of the production process as well as the change in working conditions, had occurred. In this context, the profitability ratios of the main countries of the capitalist system had begun to diminish to lower levels. In such recession conditions in the real economy, capital had begun to flow into financial sectors as a result of the pursuit of faster and higher returns. While real accumulation had exhibited a modest and unreliable increase, it had provided enormous artificial profits and capital gains without any real relationship with the finance and commodity economy and hence more effortlessly than the real sector. According to capital, financial transactions and organizations, which had seemed to be more attractive than real activities, had started to increase.

Following the liberalization of capital mobility, significant levels of capital inflows had begun to be experienced in the form of direct and indirect foreign capital towards developing countries. Nonetheless, financialization had brought about not only capital mobility in those countries, but also the deregulation of the financial sector, the spread of new and risky financial instruments, and the increase of instability in foreign exchange markets (Minsky, 2008). At the end of this process, which ultimately led to unpredictability and instability combined with the specific internal dynamics of the countries, financial crises (Mexico, Thailand, Malaysia, and Indonesia in 1995, East Asia in 1997-98, Russia in 1999, Brazil in 1999 and Turkey in 2001) had begun to emerge in developing countries.

The world economy had been characterized by financial crises in the periphery countries from East Asia to Latin America throughout 1998-2001. The years of those crises, which had not been felt in the core countries, had constituted the stagnation phase of the 1998-2007 cycle. The period of 2002-2007, during which the periphery economies had begun to eliminate the impacts of the crisis, had started the process of revival of the same cycle. However, the financial crises that broke out in the core countries during the period 2008-2009 were the beginning of a new cycle. The Mortgage Crisis, which erupted in the United States in 2008, was the first (global finance) crisis to emerge after the globalization of capitalism, spreading first to Europe and then to the periphery economies (Eğilmez & Kumcu, 2014, p. 273). While the crisis spread to the core countries through financial channels, it indirectly influenced the periphery economies which were not fully integrated into the financial system.

Due to the significant impact capacity of the crisis, the world economy shrank in general, and therefore, the periphery economies became more prone to external shocks. Eventually, this process caused changes in the economic policies of these countries, which involved higher risks for the emerging economies known as “*fragile quintet*”, including India, Indonesia, South Africa, Brazil, and Turkey. Turkey and Brazil resemble each other in the way they were integrated into the capitalist financial system and in terms of instability and uncertainty into which they had both been plunged due to the crises of 1998 and 2001. In this context, especially during the aftermath of financial crises, both countries had implemented similar plans prepared by the IMF. These two economies, which were similar in terms of their fundamental economic indicators and problems, are examined by the comparative analysis of them policies and the useful practices are tried to be detected. Thus, this paper aims to make economic policy propositions for periphery countries in the post-crisis period, during which discussions about the global economics system are made by analyzing these two samples.

Turkey and Brazil, the samples in this paper, are members of the developing countries group of the IMF and UN and coexist in the World Bank’s classification of high middle-income econo-

mies. Furthermore, Turkey had had most of the pre-1980 economic problems that Latin American countries had experienced (high inflation, unemployment, foreign trade deficit and foreign debt). By the time of the 2008 financial crisis, they had been affected by many external shocks, and the presence of internal pressures that hinder the development of financial markets shows that both countries had gone through similar processes at the time.

The phenomenon of the 2008 crisis allows the comparative analysis of the two countries because they experienced the crisis in similar ways. For this reason, the results of the crisis in the two countries have been measured by comparative analysis based on Foreign Direct Investments, GDP Growth, Current Account Balance, Foreign Debt Stock, Unemployment Rates, Gini Coefficient, and Absolute Poverty Ratio, which are the main factors in measuring the results of the crisis. At this stage, the results have been evaluated with the analytical method.

This study aims to understand the effects of the economic policies imposed by the global economic system, regardless of the specificities of the countries, on these two samples in the 2008 financial crisis. This study attempts to determine how these countries' policies during the crisis had consequences and whether or not they were more successful in overcoming the results of the crisis by using hermeneutic and synthesist methods. Thus, this study intends to propose economic policies to other environmental economies from the sample.

Although there are many studies in the literature on the effects of the 2008 financial crisis, this study more specifically examines its effects in Brazil and Turkey and is intended to contribute to a better knowledge of these particular examples. The in-depth analysis of the experience of the crisis and its consequences at the micro-level in Turkey and Brazil will now be added to literature.

## 2. Conceptual Framework

Strong economies; the market mechanism works smoothly, and economic agents can turn their funds into efficient investment opportunities within the financial system (Mishkin, 1991, p. 1). When this robust and healthy structure is exposed to several infectious diseases, known as the economic crisis in the literature, it threatens not only the area it affects but the entire economic environment (Eichengreen & Portes, 1987, p. 1). In this sense, economic crises are severe fluctuations in unpredictable price and/or quantity changes in any commodity/service factor or money markets (Kibritçioğlu, 2004). Therefore, an economic crisis has two different dimensions and spheres of influence. One of these is real crises due to the phenomenon known as inflation in the literature, which is caused by continuous price increases in the goods and services markets, while the other is financial crises caused by sudden price fluctuations in more money and especially in financial markets. At this point, crises that occur in markets such as foreign exchange, stocks, and banking are called financial crises.

There are many different definitions of a financial crisis and, therefore, many different reasons. Kindleberger (1978) and Minsky (1972) define a financial crisis as a sudden drop in asset prices, an increase in the failure of real and financial actors, the presence of inflation or deflation, and the failure of foreign exchange markets. This broad and comprehensive definition has been criticized many times over the years. Schwartz (1987) criticizes this broad definition in her study, and Mishkin (1994), who put forward a different definition, deals with the financial crisis within the framework of the asymmetric information approach. Mishkin describes the situation as a disruption of the flow of information in financial markets and the inability of instruments in current markets.

There are basically two different views of the causes of financial crises. These are known as financial liberalization and the fixed exchange rate system. However, as the cause of financial

crises, as in the case of the 2008 crisis, the issue of financial liberalization predominantly has stood out in the recent literature on the crisis. The process that paved the way for financial liberalization started in the 1970s. While the financial policies applied until the 1970s had involved a controlled system including low-interest rates and limited credit within the framework of the Keynesian approach (Auerbach & Siddiki, 2004), McKinnon (1973) and Shaw (1973) describe this system as financial pressure.

Financial pressure, especially prevents the banking sector from taking risks, causing loans to concentrate on low-return projects. Otherwise, in the absence of financial pressure, in other words, with financial liberalization, since the interest rates are not suppressed, the level of savings and related investments increase; thus, it prevents the shift of loans to low-return projects (McKinnon, 1973; Shaw, 1973). Both authors say that high-interest rates, which are not under pressure, have a positive impact on savings and that attention in financial instruments increases (Balassa, 1989, p. 21).

Kaminsky and Schmukler (2003) describe financial liberalization as the liberalization of stock markets, the liberalization of domestic financial markets outside the stock market, and the liberalization of capital movements, while Williamson and Mahar (1998) explained it as the regulation of the free distribution of savings worldwide and the equality of interest rates between countries.

In addition, with globalization and liberalization, the disappearance of economic and commercial borders between countries facilitate capital transfers. International capital movements can be classified as foreign direct investments, foreign portfolio investments, and other investments. While Salvatore (2007) defines international capital movements as foreign capital investments and foreign portfolio investments, the IMF (2002) prefers to group international investments under five items. According to the IMF, international investments consist of direct investments, portfolio investments, financial assets, reserve assets, and other investments (IMF, 2002). Specifically, short-term portfolio investments and foreign direct investments are valuable investment items for countries that have low national saving levels. Portfolio investments consist of investments made by foreigners in securities such as stocks and bonds. Portfolio investments, known as “*hot money*”<sup>1</sup> in the literature, are used to express official and private capital flows with maturities of up to 1 year. As can be seen from here, portfolio investments include short-term capital movements and do not turn into permanent capital. Foreign direct investments, on the other hand, mean that a settled enterprise in one country generally invests in another country to establish a long-term relationship (IMF, 1993). In this context, developing countries generally try to make their capital flows permanent by attracting foreign direct investments.

Since the 1990s, while the financial field has intensified, financialization has transformed into a global process by expanding towards environmental economies by courtesy of financial liberalization. According to the Washington Consensus framework, the dissemination of liberalization policies leads to economic progress (Harvey, 2007). Within the scope of the consensus, policies such as financial liberalization, free interest rates, competitive exchange rates, liberalization of foreign direct investment inflows, property rights, and privatization have been served to Latin America and then to the world via the IMF and the World Bank.

---

1 Although the concept of hot money does not have a complete definition in the economic literature, it is known that it has qualities such as “*speculative*”, “*short-term*”, and “*fluid*”. According to Boratav (2001), hot Money flows defines as i) stock portfolio investment, ii) portfolio investments directed to short-term debt securities, iii) short-terms loans to banks, iv) other private loans, v) changes in bank deposits, vi) changes in other non-bank assets.

### 3. 2008 Financial Crisis and the Periphery Economies' Encounter with the Crisis

#### 3.1. Development of 2008 Financial Crisis

Due to the recession of real accumulation in the 1970s, capital accumulation has become financialized<sup>2</sup>, and it has been the main power of economic growth (Sweezy, 1997, p. 3). As a result of the rapid capital flow to financial markets, financial capital has begun to rise, and the share of financial profits in total profits has increased rapidly along with speculative financial practices (Arrighi, 1994). As of 1990, the sum of the financial assets of only 33 countries had exceeded their total GDP, whereas that number had almost doubled by 2006 reaching 72 countries. In 2006, the total value of financial assets around the world reached 167 trillion USD while financial debts increased at a similar rate. In a global sense, the total financial debts exceeded the total GDP. For instance, the ratio of financial debts to the total nominal GDP was 109% in 1980; it had increased to 346% as of 2006 (Farell et al., 2008, p. 10). However, the financialization of capital in such a manner has led to the formation of ever-growing economic bubbles which tend to burst more frequently with more destructive impacts on the economy. It is possible to consider the 2008 financial crisis as a result of such a process.

In the US, following the booming technology bubble in 2000, the FED (*Federal Reserve*) began to implement a flexible monetary policy by lowering interest rates in order to increase the liquidity in the market. Capital, which was backed by low-interest rates and changes in banks' reserve provisions, began to flow into the housing sector. The increasing demand in the housing sector had led commercial banks to provide more mortgage loans by utilizing the FED's low-interest rates. Nonetheless, due to the increasing demand for mortgage loans, commercial banks that had begun to come up with inadequate reserves tended to securitize their mortgage loans as a reserve source in order to ensure the sustainability of the debt. Following the securitization of mortgage loans, collateralized debt obligations (CDO) had been introduced to the market as a new investment instrument that attracted the attention of investment banks (Foster, 2008).

At the next stage, these mortgage loans, which had been securitized, were repackaged as collateralized mortgage liabilities (CMO). Within this package, CMOs were divided into three segments depending on income flow. The principal repayment of the debt proceeded from the highest tranches towards the lowest ones. The highest portion of these tranches were rated AAA (equivalent to the US credit rating of the US debt) by the credit rating agencies. Thus, large profits were obtained in the short-run through the housing market, which created more mortgage housing demand.

Over the period of 2001 to 2009, the housing needs of high-income households were met by mortgages loans. However, the ongoing demand in the financial field had gained momentum on more risky and unsecured subprime mortgage loans. Specifically between the years 2004 - 2006, working class members of the US (who are not able to obtain housing loans under standard conditions) and the poorest Americans (mainly of African-American and/or Latino origin) were indebted by increasing subprime loans with adjustable interest rates following the first two years of low-interest rates. As of 2006, the subprime loans had comprised 79% of the total loans, and 63% of the amount of subprime loans being securitized reached 1.4 trillion dollars (Lapavitsas, 2012). Thus, the housing bubble penetrated the poorest parts of the working class in the United States by financializing personal income. On the other hand, the issuance of low-interest housing loans to low-income groups with high-risk inflated the mortgage bubble.

2 In the classical capitalist capital accumulation process, finance is an instrument of investment (Insel, 2005). With financial liberalization, the priorities of capital accumulation have shifted away from real economic activities and have begun to concentrate on "short-term but risky and high-return financial assets". (Independent Social Scientists, 2009, p. 40).

However, due to the employment and income problems brought forth by financialization, housing demand decreased, and due to the increased interest rate of the sub-prime mortgage loans after the first two years, payment difficulties began to be experienced. Therefore, housing prices decreased in general terms, and some loan borrowers whose properties' value fell below the loan stopped making loan payments. Although the banks wished to liquidize the unpaid mortgaged houses, the housing demand was insufficient to meet the supply, and the fuse of the crisis was ignited. In such circumstances, financial institutions and banks were struck by a difficult situation.

The first collapse began with the bankruptcy of two hedge funds of Bear Stearns due to \$10 billion worth of mortgage-related securities, but the crisis expanded in 2008 with the collapse of Lehman Brothers (Foster, 2008). Although the government tended not to intervene in the beginning, the bankruptcy of many banks or bankruptcy signals following the Lehman Brothers' collapse caused the government to deploy the following rescue packages. The FED failed to prevent the crisis despite its interest rate cuts and liquidity transfers, and the crisis deepened and began to spread to developed countries and then to the periphery economies.

However, the crisis did not penetrate all regions and countries of the globe by an integral process. On the contrary, it ranged according to time and the local economic conditions of the country in which it penetrated. Nevertheless, it is possible to claim that it primarily influenced the core economies through financial means and then the periphery economies through economic means. However, either way, it caused serious damage to the real economy.

The first step of the geographic expansion of the crisis was taken to Europe due to a large number of investment banks holding mortgage-backed securities. After the eruption of the debt crisis, several European banks, mainly located in the UK, were at risk with mortgage loans which was also known as "*toxic paper*". The decrease in the value of mortgage loans and the insecurity of these banks made it difficult to borrow. The risk aversion resulted in a capital contraction in the financial field, and European banks began to go into bankruptcy due to the deterioration in the financial system. As in the United States, the governments were forced to intervene and to support the banks by nationalization and aid programs.

The 2008 crisis is important to demonstrate the devastating impact of banking crises on the real economy. It facilitates to see the effects of the crisis, especially in developing countries, because a financial crisis can affect many areas in real markets (Furceri & Zdzienicka, 2012). In recent studies, a financial crisis causes major losses in production (Cecchetti, Kohler, & Upper, 2009; Cerra & Saxena, 2008), increases unemployment and negatively affects labor participation (Bernal Verdugo, Furceri, & Guillaume, 2012; Duval, Eris, & Furceri, 2011), and has a profound and devastating impact on foreign direct investments and trade (Bogach & Noy, 2012; Ma & Cheng, 2003).

The spread of the crisis to the periphery countries was not realized by financial channels as opposed to the core countries but by economic means in the longer period. The penetration of the crisis into these regions was directly associated with the pre-crisis economic policies and the weak financial assets in the financial markets. Therefore, it is necessary to browse the past in order to comprehend the encounter of periphery economies with the crisis and the next process.

### 3.2. *Periphery Economies<sup>3</sup> and the Crisis*

The meeting of periphery countries with financial crises, although were not in the magnitude of the 2008 crisis, had been based on an earlier date than the core countries. Over the period of 1998 to 2007, periphery countries implemented reflexive economic policies against the crises following the uptrend during the 2002-2007 period (Boratav, 2011a, p. 193). Considering these policies, basically, three forms of adaptation with a rough classification are noticed.

The first form of adaptation involves the decrease in investment rates as a protection mechanism against crises and the sustained or high rate of national saving rates. As a result of these policies implemented by a large part of the East Asian and the Latin American economies, current account deficits first went down to lower levels and then turned into external surpluses. The second form of adaptation involves the economies that combine the improvement of the current account balances with the rising growth rates in the sense of the formation of the external surplus which constitutes a more affirmative way. These economies achieved better growth rates than the first form of adaptation. The Middle East economies, which increased the amount of savings and investments courtesy of petroleum exports, can be considered as examples for such countries. The other sub-component of this group involves economies such as China, India, the Philippines, and Argentina after 2003, which have increased the savings and investments of the US, converting the US surplus into foreign surpluses by leaning on export increases and the relatively protected domestic market. The last form of adaptation involves the economies that make “*market-friendly*” (or anti-labor) structural reforms and institutional arrangements that connect the economy with the revival of capital movements and implement monetary policy policies via inflation targeting. In such economies that attributed the growth of the domestic market to foreign capital inflows, the current account deficits overgrew due to the decline in real exchange rates. The growth rate of the group that consisted of Turkey, South Africa, and Central and Eastern Europe was realized simultaneously with current account deficits and external borrowings (Independent Social Scientists, 2009, pp. 84-86).

Despite the differences in the forms of adaptation, all of the periphery economies are combined in terms of reserve accumulation, net capital flows, and external borrowing. External resources have made a significant contribution to the growth of these economies after 2001. Thus, astronomical increases had been recorded in the net capital flows until 2007. As indicated in Table I, net private capital inflow had been \$161.4 million in 1996 and had increased 5.7 times as much by 2007, reaching \$928.6 million. There were also significant increases in the amount of external borrowings and reserves simultaneously with the capital inflow. Especially the sharp increase in reserve accumulation had reached a remarkable level.

Despite the fragility and instability created by capital movements, the periphery countries continued to benefit from these movements to support their capital accumulation. However, in response to the previously encountered crises, they began to accumulate foreign exchange reserves (in US Dollars as the semi-global currency) in case of the risk of sudden outflows (Ergüneş, 2012). The ratio of those reserves, which acted as a type of insurance for the international capital inflow towards the country, had increased within a short time. The reserve value, which had been \$311.8 million as of 1996, increased ten times as much in 2007.

**Table 1: Foreign Capital Flows to Emerging Market Economies<sup>4</sup>, 1996-2009 (million USD)**

<sup>4</sup> The sample of emerging countries selected by the Institute of International Finance includes the following:

	1996	2003	2007	2008	2009
Net Private Capital Flows	161.4	236.7	928.6	465.8	623
Total Foreign Debt	-	2,230.2	3,662.5	3,884.0	3,989.2
Total International Reserves (except gold)	311.8	1,250.9	3,705.3	4,094.6	4,446.6

Source: Institute of International Finance, Capital Flows to Emerging Market Economies, January 2009; September 2011.

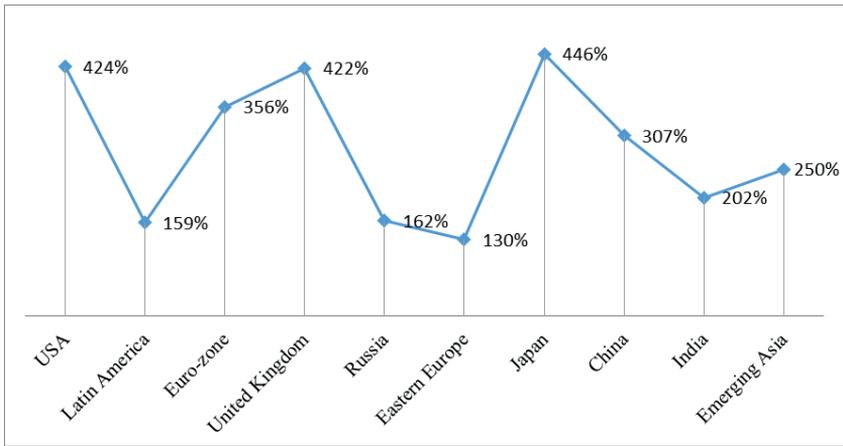
Periphery economies' tendency to accumulate reserves assumed some costs to their economies. Dani Rodrik claimed that the share of accumulation of foreign exchange reserves in the GDP was estimated as approximately 1% (Rodrik, 2006a, p. 253). Along with the exchange rate's permanent tendency to gain appreciation, the domestic capital outflow was commenced by borrowing from international financial markets. The current trend, which intensified after 2003, was accompanied by an intensive external borrowing burden. The ratio of public sector internal borrowing of those countries to that of developed countries increased from 8.8% (in 1995) to 34.5% (in 2005) (Painceire, 2012). In this respect, it can be said that the foreign capital inflow towards the country is allocated between reserve accumulation and domestic capital outflow. Therefore, the tendency to accumulate reserves caused both internal and external borrowing of the states and the domestic capital outflow and at the same time accelerated the inclusion of these states in financial markets. However, the countries became more vulnerable to risks and crises, as they integrated into the financial markets even though they attained flexibility and liquidity in money markets.

This process revealed an exciting situation that enabled capital flows from the periphery economies towards the US. By courtesy of the US Dollar's international reserve money role, net resources were transferred from the periphery towards the US (Boratav, 2011b, p. 20). Thus, the periphery economies had been effective instruments in financing the enormous current account deficit of the United States.

Increasing assets of the periphery economies in financial markets accelerated during such uptrend periods. The total value of financial assets in emerging economies had amounted to \$3.9 trillion in 1995, whereas it had gone up to \$ 23.6 trillion as of 2006. Their ratio in the total financial assets had increased from 6% (in 1995) to 14% (in 2006) (Farrell et al. 2008, pp. 10-11). Upon considering the ratio of financial assets to total GDP according to regions, a similar result is found. As seen in Graph 1, the US financial assets corresponded to a very large portion of the GDP (424%), followed by Japan and the United Kingdom with huge ratios. Nonetheless, no state among the periphery economies has reached such a large share. This stems from the fact that financial markets were not fully developed in those countries, and derivative products, as well as financial inventions, had not been realized. This situation prevented the 2008 crisis from being experienced as a severe financial crisis in countries with developed financial markets such as the USA and the United Kingdom. Accordingly, those countries experienced a crisis in a bit more indirect and delayed manner. However, it is still not possible to say that they had only slightly suffered from the crisis.

---

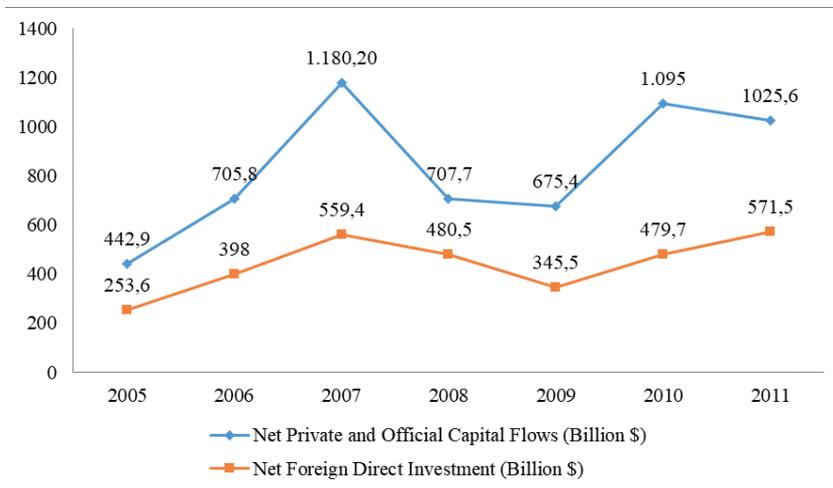
Argentina, Brazil, Bulgaria, Chile, China, Colombia, Czech Republic, Ecuador, Egypt, Hungary, India, Indonesia, South Korea, Lebanon, Malaysia, Mexico, Morocco, Nigeria, Peru, Philippines, Poland, Romania, Russia, Saudi Arabia, South Africa, Thailand, Turkey, United Arab Emirates, and Venezuela.



**Graph 1: The Share of Financial Debts in Total GDP According to Regions, 2006**

Source: Farrell et al. (2008), *Mapping Global Capital Markets: Fourth Annual Report*, McK-insey Global Institute.

The periphery economies which did not severely experience the economic dimension of the crisis felt the detrimental impacts through economic channels in the form of decreasing capital flows as of 2009 and the shrinkage in their imports (Abreu et al., 2009, p. 3). As stated in Graph 2, the ratio of net capital inflows and foreign direct investment (FDI) towards developing countries decreased considerably. Along with the decline in exports of these countries, both export revenues and production capacity decreased in these exporting industries. Accordingly, both unemployment and growth rates declined.



**Graph 2: Net Capital Flows towards Developing Countries, 2005-2011**

Source: World Bank, International Debt Statistics, 2013.

The economic policies implemented by states as a solution to the crisis consist of a wide range of variations, from the reduction of interest rates to the implementation of rescue packages, from resorting to the IMF to liquidity injection, and from expropriation to aids for SMEs (Ataman Erdönmez, 2009, p. 89). In this diversity, it is not possible to generalize since the local economic conditions of the countries are determining factors. Therefore, instead of generalizing on behalf of all periphery economies, the two selected examples will be explained in the context of the economic policies they developed against the crisis among their fundamental economic indicators.

#### **4. Turkish and Brazilian Economies' Interaction with the Crisis**

In this section, the macroeconomic structures of Turkey and Brazil are compared in terms of the extent to which they were affected by the crisis in 2008 and the policies they implemented against the crisis. These assessments are evaluated in accordance with the position of both countries in the world economy.

##### ***4.1. Fragile Structures of the Turkish and Brazilian Economies***

Brazilian and Turkish economies were both distinguished in many aspects depending on the variation in their internal dynamics (level of development, a different understanding of politics and trends, being comparatively more conservative/innovative despite having a common history of industrialization based on import substitution). Nevertheless, their integration into the global economy rendered them both fragile economies. Following the years of recession caused by excessive borrowing and political instability, Brazil had to accept the regulations that the US required in terms of financial order. Thus, the Washington Consensus was introduced in the 1980s, and the process of integration into the global economy began within this framework. Brazil, which began to implement the necessary policies of the Consensus such as facilitating financial and trade liberalization, removal of import barriers and price controls, and privatizing state enterprises, realized most of these policies in the early 1990s. Upon implementing the liberalization policies, the foreign capital flows to the country began to increase (Weeks, 2006, p. 130).

As in all periphery economies, the integration of the Brazilian economy into the global economic system and its dependence on foreign capital flows made it more prone to global economic changes and crises. Thus, it was adversely affected by the Asian crisis of 1997, and it was dragged into a crisis in 1999 due to the capital circles that withdrew funds from the periphery countries after Russia declared a moratorium during the crisis of 1998. The country, in which political uncertainties also affected the economy frequently, entered into a recovery process with credit support and policies by the IMF in 2001 (Gruben & Welch, 2001, pp. 14-16). In this process, the main objectives of the Brazilian policy were inflation control, foreign trade balance, and economic development.

Turkey's liberalization policies began to be implemented almost in the same year. Following the January 24, 1980 Decisions, liberal policies such as the development/liberalization of foreign trade, the liberalization of foreign exchange markets/capital movements, and the privatization of the SEEs began to be implemented (Pamuk, 2014, pp. 265-266). In fact, the periphery economies which had inflation and payment issues as well as Brazil and Turkey also implemented policies based on the Washington Consensus in general terms. The fact that institutions such as the IMF and the World Bank tied their loans to these policies accelerated the dissemination of the Washington Consensus in the periphery economies.

Consequently, Turkey also experienced a similar process that Brazil had already done. The 2001 financial crisis was experienced due to the decline in capital inflows caused by the Asian

and the Russian crises, the liquidity crisis experienced by the banks, the fragility caused by the excessive appreciation of the Turkish Lira, and the growth in the foreign trade deficit. In essence, crises experienced by Turkey took place deeper than most of the crises in emerging markets. While there are various reasons for this, instability in economic key indicators (such as inflation, current account deficit, unemployment, etc.) narrowed the scope of action for policymakers (Akyüz & Boratav, 2003). After the crisis, structural reforms and inflation targeting in the context of the Transition to Strong Economy Program along with the support of the IMF tried to dissipate the impacts of the crisis (Sönmez, 2009, pp. 57-60). Besides these external factors, internal factors such as corruption, state malpractices, fictitious export, and tender corruption triggered the crisis. In addition to the above mentioned institutional arrangements, institutions such as BRSA (Banking Regulation and Supervision Agency) and SDIF (Saving Deposit Insurance Fund) became operational, and auditing increased.

After the liberalization movements in both countries, the foreign capital flows<sup>5</sup> began to increase, and both economies became increasingly connected to these flows. Since the aim of these capital circles is to make a large amount of profit in a short period by taking advantage of high-interest rates, they quickly retreated or halted in the case of risky situations. This situation risked the economy of the country due to indirect foreign capital inflows. However, borrowing increased simultaneously due to the use of foreign capital, which inflows as “hot money”, in the balance of payments financing, and the currencies of both countries tended to lose value rapidly during the crisis (Yeldan; 2009, p. 141; Eğilmez, 2018, pp. 63- 65). They were also affected by the financial crisis that started in the USA as of 2008 and spread all over the globe.

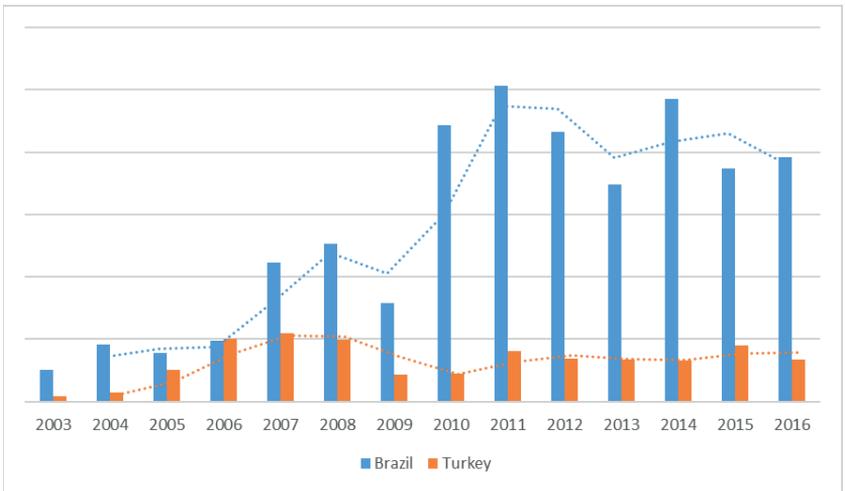
#### **4.2. The Impacts of the 2008 Crisis on Turkey and Brazil and Applied Policies**

The 2008 crisis could not directly affect Brazil and Turkey, as well as all other periphery economies, since their financial markets were not fully developed, and they did not invest in “toxic papers”. This impact was inflicted in two indirect ways: First, it stemmed from FDI decrease in Brazil (where capital inflows were realized mostly from the United States, China, and Argentina) and in Turkey that suffered debt crisis (where capital inflows were realized particularly from European countries such as Germany, the UK, and the Netherlands). Brazil was directly affected by the outbreak of the crisis in the US, whereas Turkey was affected by the financial crisis following the European Union’s debt crisis. The second mode of influence stemmed from the decline in import figures due to the impacts of the crisis on the regions/countries that involved strong foreign trade relations among countries. The foreign trade partners of both countries were in a parallel relationship with FDI. In Brazil, China and the United States were also prioritized in terms of trade followed by Europe and other regions. Turkey’s trade relations were carried out with a large portion of Europe, followed by other regions and the USA. Thus, the impacts of the crisis were likely to affect Brazil and Turkey through the US and Europe, respectively.

As mentioned in Graph 3, both countries experienced a rapid decline in FDI as of 2009 due to the impact of the crisis. The improvement regarding FDI was observed in Brazil and Turkey as of

5 It should be noted that in the capital flows divided into two as direct and indirect foreign investments, and the periphery economies attract more indirect foreign investments. In particular, the periphery economies wish to attract foreign direct investments due to their employment, technology development and production, and therefore more extended periods of time by establishing facilities such as factories. Nevertheless, because the political, social and economic conditions are not efficient compared to the core countries, these countries mostly welcome short-term indirect foreign investments with more mobility which are also known as “the hot money” (Reisen & Soto, 2001).

2010 and 2011, respectively. Nevertheless, it is also understood that Brazil achieved higher levels of success in attracting FDI afterward. The main reason for the faster recovery of Brazil involves the economic policies which had been implemented before and during this process. Brazil, in addition to its policies for development, introduced the Growth Acceleration Program (*Programa de Aceleração do Crescimento*, PAC) in 2007. In addition to tax and labor reforms, this program included infrastructure improvements that supported investments (Filho, 2011). With the decline in FDI rates following the end of 2008, Brazil introduced some additional measures for preventing the outflow of investments. In 2009, with the aim of controlling capital movements and ensuring financial stability, the Tobin tax was imposed at a rate of 2%, and it reduced the policy interest rate (de Barros, 2010, p. 7). Furthermore Brazil also implemented tax cuts to eliminate capital outflow and to support long-term investments. Accordingly, the tax on financial transactions decreased from 3% to 1.5%. Thus, an attempt to compensate the diminishing values of FDI was tried, whereas an attempt to prevent the short-term capital inflows and outflows was also tried.



**Graph 3: Foreign Direct Investments towards Brazil and Turkey, 2003-2016 (Net Inflows)**  
 Source: World Bank (2020a), World Development Indicator.

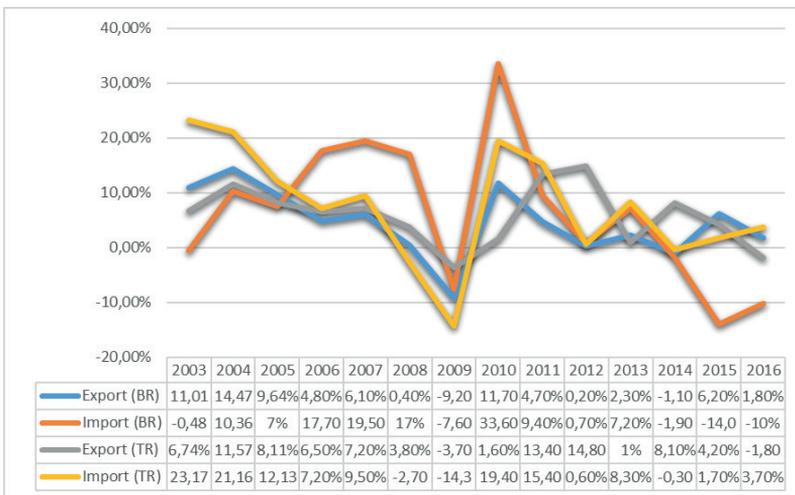
Turkey’s concern about the decline of FDI exhibited similarities with Brazil. Turkey sought to meet the declining FDI inflows but also tried to control capital inflows since short-term capital would impair the financial stability. In 2010, the Central Bank tried to deter short-term investments by decreasing policy interest rates. Turkey tried to fill the revenue gap created by FDI with the “*Tax Exemption*” and the registry amnesty. With this law, Turkey envisaged that mobile goods such as foreign currencies, gold, and domestic goods, which are transferred abroad, would be enacted with 2% and 5% taxes, respectively (Kazgan, 2013, p. 292). Thus, both foreign exchange inflow and additional tax revenue were aimed to be provided.

Finally, the fact that both countries had been accumulating reserves since the 2000s, due to their experiences from the previous crises, led them to overcome this process relatively more comfortably. Also, the regulations they had made in the banking sector rendered them much stronger against the 2008 crisis compared to the previous financial crises.

Another crucial impact of the crisis is the shrinkage in the foreign trade of both countries. The import-export growth rates of both countries had entered a downtrend after 2007 and had reached the peak negative values as of 2009. The decline/increase in the import growth rate of both countries was more dramatic than the growth rate of exports. The liquidity problem experienced by the countries due to the crisis was likely to have an impact. In comparison to imports, export growth rates decreased but had a more balanced profile.

As seen in Graph 4, Turkey's export growth rate constituted a more optimistic view in comparison to Brazil. In such a relatively better-off case, Turkey's policy of expanding export markets towards other regions than Western Europe, due to the risks on industry and employment, had been effective. From 2003-2006, Turkey's top five exporting countries were Germany, the USA, the UK, Italy, and France. By 2007, the Russian Federation had replaced the USA. When the crisis erupted in 2008, the export partners of Turkey changed again and the United Arab Emirates had replaced the Russian Federation. After the effects of the crisis began to appear in Europe in 2009, Turkey, which started to turn to Middle Eastern countries (such as Iraq, Iran, the United Arab Emirates), did not follow a balanced trade policy.

However, it is observed that Brazil recovered more rapidly and had achieved a growth rate of 11.70% as of 2010, and it rapidly recovered from the impact of the crisis on exports. Brazil's foreign trade partners were effective in this recovery. In 2003-2006, Brazil's top five exporting partners were the USA, Argentina, China, the Netherlands, and Germany. In 2009, China ranked first among the countries to which Brazil exports, with a 14% share. Since China was not affected by the crisis, this trend continued increasingly, and China accounted for approximately 20% of Brazil's exports in 2016 (World Bank, 2020b). As can be seen, Brazil has followed a more stable course in its export policies, and its trade relationship with China has had a positive economic effect. Indeed, it is essential to note that Brazil is an oil exporting country. Although this process was somewhat longer for Turkey, the recovery began in 2011, and the impact on Turkey had appeared to be circumvented as of 2012.



**Graph 4: Annual Export-Import Growth Rates of Brazil and Turkey, 2003-2016**

Source: World Bank (2020a), World Development Indicator.

Due to the indirect impacts of the financial crisis, the major economic indicators of both countries experienced serious recession. Table II indicates that both countries experienced negative economic growth in 2009, during which the crisis was deeply felt. Accordingly, Brazil's growth rate decreased by 5.21% relative to the previous year and became -0.12%. The current account balance deficit of -28.1 billion USD in the previous year has become chronic ever since. The percentage share of external debt in GDP, on the other hand, did not go through such a dramatic change. The ratio of external debts in GDP increased by approximately 1% compared to 2008, but this ratio was not of an unprecedented size before the crisis. As of 2010, there had been a slight decrease in the ratio of external debts in GDP.

Such an economic recession was influenced by the stagnation in the major industries due to the impacts of the crisis (Domingues, Magalhaes, Junior, Carvalho, & Santiago, 2008, pp. 58-59). However, in order to combat the crisis, the Brazilian Central Bank lowered the borrowing rates, and the economy was supported by fiscal policies including tax exemptions and subsidies (de Freitas, 2009, pp. 133-139). Nonetheless, in order to prevent the formation of credit bubbles, deposit guarantee was increased, and also reserve requirements were utilized to provide liquidity control (Robitaille, 2011, p. 2). Also, with the aim of stimulating the consumption that had been on the verge of a halt, policies aimed at increasing the liquidity in the market were imposed by income tax reduction and low-interest borrowing loans.

**Table 2: Basic Economic Indicators, 2003-2016**

Years	Brazil					Turkey				
	GDP Growth (compared to previous year)	Current Account Balance (billion \$)	External Debt Stock/GDP	Government Primary Balance (% of GDP)	Inflation (CPI) (Total, annual growth rate)	GDP Growth (compared to previous year)	Current Account Balance (billion \$)	External Debt Stock/GDP	Government Primary Balance (% of GDP)	Inflation (CPI) (Total, annual growth rate)
2003	1.14%	4.1	42%	3.27%	14.71%	5.60%	-7.55	45.7%	5.19%	21.60%
2004	5.76%	11.7	32.9%	3.72%	6.60%	9.64%	-14.2	39.9%	6.4%	8.60%
2005	3.20%	13.9	21%	3.79%	6.87%	9.01%	-20.9	34%	6.91%	8.18%
2006	3.96%	13.6	18.3%	3.23%	4.18%	7.11%	-31.1	37.7%	6.19%	9.60%
2007	6.07%	1.5	17.6%	3.36%	3.64%	5.03%	-36.9	36.6%	4.28%	8.76%
2008	5.09%	-28.1	15.9%	4.01%	5.68%	0.84%	-39.4	36.3%	3.08%	10.44%
2009	-0.12%	-24.3	17%	2.12%	4.89%	-4.70%	-11.3	41.3%	0.14%	6.25%
2010	7.52%	-75.7	16.4%	2.44%	5.04%	8.48%	-44.6	37.6%	1.65%	8.57%
2011	3.97%	-76.9	15.8%	3.09%	6.64%	11.11%	-74.4	36.6%	2.35%	6.47%
2012	1.92%	-74	18.4%	-	5.40%	4.79%	-47.9	39%	-	8.89%
2013	3.00%	-74.8	19.7%	-	6.20%	8.49%	-63.6	41.3%	-	7.49%
2014	0.50%	-104.1	22.8%	-	6.33%	5.16%	-43.6	43.3%	-	8.85%
2015	-3.76%	-59.4	30%	-	9.03%	6.08%	-32.1	46.5%	-	7.67%
2016	-3.59%	-23.5	30.5%	-	8.74%	3.18%	-33.1	47.3%	-	7.78%

Source: World Bank (2020a), World Development Indicators; World Bank (2017), Global Economic Prospects.

Turkey developed an approach similar to Brazil regarding the GDP and current account balance. However, as seen in Table 2, the decline in Turkey's growth rate accelerated in 2008 and led to a severe contraction by reaching -4.70% in 2009.

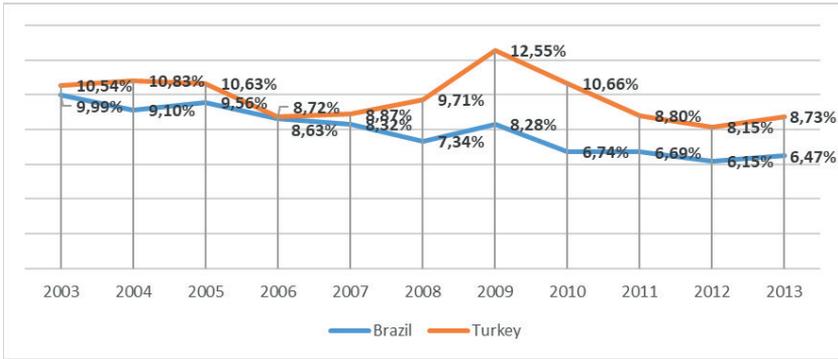
Turkey's current account deficit, which had been present even before the crisis, recovered slightly in 2009. However, after 2010, the deficit continued to increase and decrease with a surge. The share of external borrowing in the GDP also experienced a slight increase in Turkey in 2009. Nonetheless, this 5% increase rate declined again in the following year.

The stagnation experienced in all subsectors of industry, such as manufacturing, construction, trade, and transport, loomed large in the contraction of Turkey's economy. SMEs and companies scame to the brink of bankruptcy, and the Central Bank lowered borrowing interest rates for support (Kazgan, 2013, p. 296). Also, the required reserve ratios for liquidity injection in 2008-2009 were reduced, but this ratio was increased again in 2010. Taxation was provided to the real sector, a "*mini-measure package*" was prepared for companies, as well as for their employees and retirees, and the duration of sectoral-regional incentives was extended. Within the scope of this package, the duration of the short-time working allowance applied through the Unemployment Fund was extended, the amount of payment was increased by half, and the requisition of pensions were prohibited (Ataman Erdönmez, 2009, p. 97). Moreover, along with the increase of public expenditures, consumption and employment were increased.

Like all other countries that tried to overcome the effects of the crisis, monetary policies, and then fiscal policies were implemented. Governments tried to produce policies by using income and expenditure instruments and to erase the effects of the crisis. The overall objective of fiscal policies was to increase capacity utilization rates and reduce unemployment rates (Çolak, 2009). Although the unemployment rate increased in 2009 when the effects of the crisis increased compared to the previous year, it decreased in 2010 due to the effect of fiscal policies. In addition, some expenditure taxes were regulated, and incentive packages were created. The most important of these were the discounts and regulations applied in Value Added Tax (VAT) and Special Consumption Tax (SCT). In this way, Turkey aimed to increase expenditures and to see an expansionary effect in the shrinking economy with the direct effect of fiscal policies.

The most apparent impact of the crisis on Turkey's economy was seen in the labor market. As a result of the crisis, labor demand in labor markets decreased, and this situation led to a decrease in purchasing power. In order to erase the effect of this negative situation, by making some adjustments in the Unemployment Insurance practice, Turkey intended to provide financial support and employment opportunities (Karakurt, 2010, p. 190).

The impact of the crisis on real markets also adversely affected society in connection with the economic structure. Such a social dimension of the economy manifests itself in the areas of employment, income distribution, and poverty.



**Graph 5: The Change in the Unemployment Rates in Brazil and Turkey, 2006-2016**

Source: World Bank (2020a), World Development Indicator.

As a result of the decline in industrial production due to the crisis, unemployment rates were likely to increase. Both Brazil and Turkey experienced an increase, although in different sizes, in the unemployment rate. The unemployment rate in Brazil declined by approximately 1% in 2008, but it rose at almost the same rate in 2009. Therefore, this effect was short-lived again, and the unemployment rate decreased to 6.76% in 2010. The downward trend in unemployment rates in Brazil was due to the impact of the minimum wage policies implemented at that time. With the policy of increasing the minimum wages being introduced in April 2009 (Berg, 2010; Barbosa, 2012), both unemployment was reduced, and efforts were made to prevent the informal economy. The unemployment rate in Turkey has increased by a higher amount. The unemployment rate, which was 8.87% and 9.71% in 2007 and 2008, respectively, increased to 12.55% in 2009, but it began to decline in 2010. As it is understood, the changes in unemployment rates were different for both countries. This situation stemmed from the minimum wage policies implemented in Brazil.

When the ratio of the population living below the absolute poverty line (\$1.90) within the total population and the Gini coefficient, which indicates the income distribution balance, is examined, it is seen that the crisis did not create an adverse change in these issues for both countries. However, it is also seen that the share of the population living below the absolute poverty line out of the total population and income inequality tends to be relatively much higher in Brazil than in Turkey.

Ultimately, both periphery economies that have been economically affected by the crisis had to assume many economic costs due to mortgage loans in the US, which had nothing to do with them. Although neoliberal policies, which pushed both countries towards this process, had added them to the global economic system, both countries had to apply the Keynesian policies since neoliberalism became insignificant at the end of the crisis.

**5. Conclusion: Arguments and Policy Suggestions Regarding The New Order in The Context of Inferences Obtained from Two Samples**

The stagnation in the accumulation of real capital during the 1970s activated the potential for the renewal of capitalism. Capitalism, which has expanded with the development of technology (Mandel, 1999), became widespread all over the world similarly with the development of information technology and the version of financial capitalism and the liberalization of capital movements.

This new financial structure involves a procedure in which a group of people (mostly male and between the ages of 20 to 30) sitting in front of enormous computer screens, pushing buttons, mov-

Table 3: The Impact of the Crisis on Employment, 2006-2016

Years	Brazil				Turkey					
	Unemployment Rate	Gini Coefficient	The Population Living On Less than \$ 1.9 a day	Exchange Rates	Real Interest rate	Unemployment Rate	Gini Coefficient	The Population Living On Less than \$ 1.9 a day	Exchange Rates	Real Interest rate
2006	8.39%	0.55	7.1%	2.175	41.24%	8.72%	0.39	1.8%	1.428	23.33%
2007	8.09%	0.54	6.8%	1.947	35.02%	8.87%	0.38	1.4%	1.303	26.83%
2008	7.90%	0.54	5.5%	1.834	35.36%	9.71%	0.39	0.5%	1.302	25%
2009	8.28%	0.53	5.3%	1.999	34.79%	12.55%	0.39	0.8%	1.550	19.67%
2010	6.74%	-	-	1.759	29.11%	10.66%	0.38	0.8%	1.503	14.92%
2011	6.69%	0.52	4.7%	1.673	32.83%	8.80%	0.40	0.2%	1.675	14.25%
2012	6.15%	0.52	3.7%	1.953	26.58%	8.15%	0.40	0.2%	1.796	16.21%
2013	6.47%	0.52	3.8%	2.156	18.49%	8.73%	0.40	0.3%	1.904	11.23%
2014	6.85%	0.51	2.7%	2.353	22.40%	9.88%	0.41	0.2%	2.189	10.15%
2015	8.44%	0.51	3.3%	3.327	33.83%	10.24%	0.42	0.2%	2.720	9%
2016	11.61%	-	-	3.491	40.70%	10.84%	0.41	-	3.020	8.98%

Source: World Bank (2020a), World Development Indicators.

ing millions of dollars across the globe, and assigning the fate of nations' currencies (Rodrik, 2011). The 2008 financial crisis also revealed this fact. Due to the globalization of financial capitalism, low-income US citizens having subprime mortgage loans would be able to commence the unemployment process of workers in, for example, the automotive sector in Turkey. The 2008 crisis was widespread all over the world with the domino effect, and at this point, the fact that the spread of the capitalist system can initiate a self-feeding process of which no country was left out has begun to be criticized. Moreover, the fact that implemented economic policies one after another at the beginning of the crisis failed to prevent its impacts in a short period caused the questioning of economics along with the dominant neoliberal policies. In this context, the post-Washington Consensus in which the effectiveness of the state was revised by keeping its essence intact is presented as a way out. On the other hand, the need for a new understanding of civilization by considering a broader perspective and the need for radical revision of the science of economics has been stated.

In fact, the criticism of economics, dominated by neoliberal policies and neoliberal theory, had long been recognized by a recession in 2001 (Harvey, 2007), and has finally been widely accepted following such a major crisis. For approximately three hundred years, the weight of liberalism/neoliberalism, which constitutes its theoretical or ideological dimension of the free market economy in economics, is felt (Stiglitz, 2010; Boratav, 2011c, pp. 270-271). The assumptions of neoliberalism, such as the free market, are actively supported, and the extent to which they represent reality is not widely considered (Stiglitz, 2010).

However, the 2008 crisis ensured that the gap between the neoliberal theory and the world economy it tried to examine has drawn up the agenda. As a matter of fact, it proved again the invalidity of the assumptions of the Orthodox theory in many aspects. According to these policies, which are composed of some principles with universal validity, there is only one Anglo-Saxon-centric economy which causes many problems as a result of adapting to the environment (Şenses, 2001, pp. 26-29). However, the economic structures of different regions of the world differ in such a way that they do not abide by the same policies to obtain the same results. For instance, the privatizations highlighted by the Washington Consensus led to high levels of growth due to legal regulations, corporate governance, and development differences in the core countries, whereas they caused the active sale of state enterprises and exploitation of consumers in periphery economies. Thus, adherence to a particular ideology prevents states from making their own decisions and, in turn, results in high failure (Stiglitz, 2003). Therefore, there is a need for a more flexible structure in which economies can implement economic policies by their local characteristics.

In this respect, the Post-Washington Consensus does not actually suggest a different order than the previous ideological gravity. Rather than the minimal state concept of neoliberalism, it is based on the conception of the market-friendly efficient state in eliminating the disruption of the market economy (Stiglitz, 1998, p. 26). Therefore, it is possible to consider the Post-Washington Consensus as a current version while preserving the outlines of neoliberal policies. In this respect, Rodrik's preference of the "*Augmented*" Washington Consensus over the Post-Washington Consensus is quite significant (Rodrik, 2006b, p. 978). As a matter of fact, it is quite natural that the gravity of the state is emphasized in the economy during the crisis. This is because every time the capitalist system has experienced a crisis, Keynesian policies have been imposed, and the state interfered with the economy. However, once the impacts of the crisis were smoothed over, the system evolved back into the Classic model. As a matter of fact, policies such as tax cuts and increase in public expenditure during the Great Depression of 1929 have been utilized, and following the impact of the crisis, the state's economic function has been gradually reduced. However,

the crisis of 2008 reinvented the state in the economic arena (Piketty, 2014, pp. 508-509), and the state made it possible to overcome the crisis through monetary policy, tax cuts, and public spending, as seen in Brazil and Turkey. Therefore, following the impacts of the crisis, where Brazil and Turkey had weathered the crisis as of 2012 and it had almost been circumvented in the US as of 2013, it was likely that the system would evolve to minimize the function of the state again.

However, even if the Post-Washington Consensus maintained the market-friendly function of the state, the system would be tied to an ideology in which the function of the state supports the market. Within this operation, the generalization of the policies proposed by the core countries would be vague because, as the examples of Brazil and Turkey indicate, conservationists' "bad" policies developed based on local economic characteristics are necessary for periphery economies (Chang, 2002). As long as the core continued to generalize its economic policies, such as the policies of the Post-Washington Consensus framework, which were not utilized through development, the crises of the periphery would become permanent as experienced in the crisis of 2008. For instance, according to the Washington Consensus, liberalization of capital movements would ensure the growth of economies by providing efficiency and allocation efficiency. However, the liberalization of capital movements resulted in external debt due to foreign currency reserve accumulation reflex, the increase of current account deficit, and incurring the cost of the crisis caused by the bursting of the real estate market in the US, in Brazil and Turkey.

In this respect, it is possible that the post-Washington reconciliation would pave the way for the formation of new crises in the coming years, and the liberalization of capital, which caused the globalization of the 2008 crisis, is also continued in this consensus. Nevertheless, the 2008 crisis was the result of excessive mobility, anomy, and unpredictability of financial markets. For this reason, the necessity of "throwing sand in the wheels of international finance" (Eichengreen, Tobin, & Wyplosz, 1995, p. 163) has been proven once again. As Piketty suggested, even if it is utopian to impose a global tax on the capital (Piketty, 2014, p. 560; Stiglitz, 2012), the Tobin tax, which was introduced in Brazil in 2009, is a useful example. All periphery economies, Brazil and Turkey in particular, have been prone to be threatened by the financial markets. However, there is no progress in the post-Washington Consensus.

As a further option, a robust alternative system does not come to the forefront in the necessity of a new understanding that would increase the development and welfare (Mason, 2017). Even if such an understanding is necessary, there would not likely be an increase in the number of studies on this issue in the short run, since it does not attract the sympathy of the capital circles (in the neoliberal weight of the economy). Therefore, in this case, the peripheral economies might try to develop their economies with relatively protective policies being inspired by the total development moves of East Asian economies or by utilizing the gaps of the World Trade Organization. Nonetheless, the instability in financial markets requires them to take measures to stabilize their economies directly.

In the study, variables such as GDP, growth, unemployment rate, exchange rate, real interest rate, and inflation rate have been used as macroeconomic indicators. When the variables are examined as holistic, it is seen that the macroeconomic performance of the Brazilian economy as it developed against the crisis was more successful than Turkey's. On the other hand, Turkey's growth rate in real markets was higher compared to Brazil's. This shows that Brazil's economy was more institutional. At this point, although there was an increase in unemployment rates where the effects of the crisis were felt directly, both countries managed to reduce the unemployment rate in the following years. However, when the economies of Brazil and Turkey are examined as

a whole, it is clear that both countries were affected by the global economy and that their policies implemented after the crisis caused similar results.

As indicated by the examples of Brazil and Turkey, the economy becomes fragile in the long-run in terms of growth based on foreign investments and external borrowing, even if good figures are met in a short time. Therefore, these countries need to establish growth plans without being dependent on external economic conditions. For instance, Turkey and Brazil have the physical characteristics for implementing economic policies based on intensive agriculture with high value-added agricultural products. However, in this field, it should not be ignored that Brazil is more competitive than Turkey. Moreover, periphery countries need to make improvements in their institutional structures to keep economic policies operational and obtain optimum benefits from their policies (Rodrik, 2009, p. 158; Acemoglu & Robinson, 2012), but this should not be seen as a development or growth strategy alone. Consequently, along with the mainstream approach, even if governments are not encouraged to create specific models of growth instead of creating a single economic model of development for all periphery economies, they should at least be allowed to implement them.

---

**Peer-review:** Externally peer-reviewed.

**Conflict of Interest:** The authors have no conflict of interest to declare.

**Grant Support:** The authors declared that this study has received no financial support.

**Hakem Değerlendirmesi:** Dış bağımsız.

**Çıkar Çatışması:** Yazarlar çıkar çatışması bildirmemiştir.

**Finansal Destek:** Yazarlar bu çalışma için finansal destek almadığını beyan etmiştir.

---

## References/Kaynakça

- Abreu, M., Agarwal, M., Kadochnikov, S., Mikic, M., Whalley, J., & Yongding, Y. (2009). *The effect of world financial crisis on developing countries: an initial assessment*. The Center for International Governance Innovation. Retrieved from [https://www.cigionline.org/sites/default/files/task\\_force\\_1.pdf](https://www.cigionline.org/sites/default/files/task_force_1.pdf)
- Acemoglu, D., & Robinson, J. A. (2012). *Why nations fail*. New York: Crown Publishers.
- Akyüz, Y., & Boratav, K. (2003). The making of the Turkish financial crisis. *World Development*, 31(9), 1549–1566. [https://doi.org/10.1016/S0305-750X\(03\)00108-6](https://doi.org/10.1016/S0305-750X(03)00108-6)
- Arrighi, G. (1994). *The long twentieth century*. London: Verso.
- Ataman Erdönmez, P. (2009). Küresel kriz ve ülkeler tarafından alınana önlemler tipolojisi. *Bankacılar Dergisi*, 68, 85–101. Retrieved from [https://www.tbb.org.tr/Dosyalar/Arastirma\\_ve\\_Raporlar/kuresel\\_kriz.pdf](https://www.tbb.org.tr/Dosyalar/Arastirma_ve_Raporlar/kuresel_kriz.pdf)
- Auerbach, P., & Siddiki, J. U. (2004). Financial liberalisation and economic development: an assessment. *Journal of Economic Surveys*, 18(3), 231–265. <https://doi.org/10.1111/j.0950-0804.2004.00221.x>
- Balassa, B. (1989). *Financial liberalization in developing countries*. Policy, Planning and Research Department working papers, no. WPS 55. Washington: World Bank Group. Retrieved from <http://documents.worldbank.org/curated/en/407611468739267146/Financial-liberalization-in-developing-countries>
- Barbosa, N. (2012). Brazilian economy policy and the 2008-2009 crisis. In M. Cohen (Eds.), *The global economic crisis in Latin America* (pp. 85–96). London: Routledge.
- Berg, J. (2010). *Brazil: the minimum wage as a response to the crisis*. International Labour Office (ILO) Notes on the Crisis. Geneva: ILO. Retrieved from [https://www.ilo.org/wcmsp5/groups/public/---americas/---ro-lima/documents/article/wcms\\_limd3\\_11\\_en.pdf](https://www.ilo.org/wcmsp5/groups/public/---americas/---ro-lima/documents/article/wcms_limd3_11_en.pdf)
- Bernal Verdugo, L. E., Furceri, D., & Guillaume, D. M. (2012). *Crises, labor market policy, and unemployment*. IMF working papers, WP/12/65. Washington: IMF. Retrieved from <https://www.imf.org/external/pubs/ft/wp/2012/wp1265.pdf>
- Bogach, O., & Noy, I. (2012). *Fire-sale FDI? The impact of financial crisis on foreign direct investment*. University of Hawai'i at Manoa Department of Economics working paper series, no. 12-5. Honolulu: University of Hawai'i. Retrieved from [http://www.economics.hawaii.edu/research/workingpapers/WP\\_12-5.pdf](http://www.economics.hawaii.edu/research/workingpapers/WP_12-5.pdf)
- Boratav, K. (2001). 2000-2001 Krizinde sermaye hareketleri. *İktisat, İşletme ve Finans Dergisi*, 16(186), 7–17. <http://doi.org/10.3848/iif.2001.186.8384>
- Boratav, K. (2011a). *Türkiye iktisat tarihi: 1908-2009*. Ankara: Imge.
- Boratav, K. (2011b). Uluslararası bunalımın arifesinde çevre ekonomiler. In A. Pınar, A. H. Köse, & N. Falay (Eds.), *Kriz ve Maliye Düşüncesinde Değişim* (pp. 17–29). İstanbul: Sosyal Araştırmalar Vakfı.
- Boratav, K. (2011c). *Bir krizin kısa hikayesi*. Ankara: Arkadas.
- Cecchetti, S. G., Kohler, M., & Upper, C. (2009). *Financial crises and economic activity*. NBER working papers, no. 15379. Cambridge: NBER. Retrieved from <https://www.nber.org/papers/w15379.pdf>
- Cerra, V., & Saxena, S. (2008). Growth dynamics: the myth of economic recovery. *American Economic Review*, 98(1), 439–457. <http://doi.org/10.1257/aer.98.1.439>
- Chang, H. (2002). *Kicking away the ladder*. London: Anthem Press.
- Çolak, Ö. F. (2009). Krizi çözmeye maliye politikaları nasıl kullanılmalı?. *İşveren Dergisi*, 47(6).
- de Barros, J. R. (2010). The impact of the international financial crisis on Brazil. *Real Instituto Elcano ARI*, 1–7. Retrieved from [https://www.files.ethz.ch/isn/145589/ARI38-2010\\_MendocadeBarros\\_Impact\\_International\\_Financial\\_Crisis\\_Brazil.pdf](https://www.files.ethz.ch/isn/145589/ARI38-2010_MendocadeBarros_Impact_International_Financial_Crisis_Brazil.pdf)
- de Freitas, M. C. (2009). The effect of the global crisis in Brazil: risk aversion and preference for liquidity in credit market. *Estudos Avançados*, 23(66), 125–145. <https://doi.org/10.1590/S0103-4014200900200011>
- Domingues, E. P., Magalhaes, A. S., Junior, A. A. B., Carvalho, T. S., & Santiago, S. (2008). The world financial crisis in Brazil: industry and regional economic impacts. *Journal of International Business and Economics*, 2(3), 57–94. <http://dx.doi.org/10.15640/jibe.v2n3a4>
- Duval, R., Eris, M., & Furceri, D. (2011). *The effects of downturns on labor force participation: evidence and causes*. OECD Economic Department working paper, no. 875. Paris: OECD. <https://dx.doi.org/10.1787/5kg9q0nmbws8-en>
- Eğilmez, M. (2018). *Değişim sürecinde Türkiye: Osmanlı'dan Cumhuriyet'e sosyo-ekonomik bir değerlendirme*. İstanbul: Remzi.

- Eğilmez, M. & Kumcu, E. (2014). *Ekonomi politikası: teori ve uygulaması*. İstanbul: Remzi.
- Eichengreen, B. & Portes, R. (1987). *The anatomy of financial crises*. NBER working paper series, no. 2126. Cambridge: NBER. Retrieved from <https://www.nber.org/papers/w3934>
- Eichengreen, B., Tobin, J., & Wyplosz, C. (1995). Two cases for sand in the wheels of international finance. *The Economic Journal*, 105(428), 162–172. <https://doi.org/10.2307/2235326>
- Ergüneş, N. (2012). Global integration of middle-income developing countries in the era of financialisation: the case of Turkey. In C. Lapavitsas (Eds.), *Financialisation in Crisis* (pp. 217–241). Leiden: Brill.
- Farrell, D., Lund, S., Fölster, C., Bick, R., Pierce, M., & Atkins, C. (2008). *Mapping global capital markets: fourth annual report*. McKinsey Global Institute. Retrieved from [https://www.mckinsey.com/~media/McKinsey/Featured%20Insights/Global%20Capital%20Markets/Mapping%20global%20capital%20markets%20fourth%20annual%20report/MGI\\_Mapping\\_capital\\_markets\\_fourth\\_annual\\_full\\_Report.ashx](https://www.mckinsey.com/~media/McKinsey/Featured%20Insights/Global%20Capital%20Markets/Mapping%20global%20capital%20markets%20fourth%20annual%20report/MGI_Mapping_capital_markets_fourth_annual_full_Report.ashx).
- Filho, F. F. (2011). Brazil's response: how did financial regulation and monetary policy influence recovery?. *Brazilian Journal of Political Economy*, 31(5), 880–888. <https://doi.org/10.1590/S0101-31572011000500019>
- Foster, J. B. (2008). The financialization of capital and the crisis. *Monthly Review*, 59(11). [https://doi.org/10.14452/MR-059-11-2008-04\\_1](https://doi.org/10.14452/MR-059-11-2008-04_1)
- Furceri, D., & Zdzienicka, A. (2012). Banking crises and short and medium term output losses in emerging and developing countries: the role of structural and policy variables. *World Development*, 40(12), 2369–2378. <https://doi.org/10.1016/j.worlddev.2012.03.021>
- Gruben, W. C., & Welch, J. H. (2001). Banking and currency crisis recovery: Brazil's turnaround of 1999. *Economic and Financial Policy Review*, 4, 12–23. Retrieved from <https://www.dallasfed.org/~media/documents/research/efr/2001/efr0104b.pdf>
- Harvey, D. (2007). *A brief history of neoliberalism*. Oxford: Oxford University Press.
- IMF. (1993). *Balanced of payments manual*. Washington: International Monetary Fund (IMF).
- IMF. (2002). *International investment position: a guide to data sources*. Washington: International Monetary Fund (IMF) Statistics Department.
- Independent Social Scientists. (2009). *Türkiye'de ve dünyada ekonomik bunalım*. İstanbul: Yordam.
- Insel, A. (2005). *Neo-liberalizm: sermayenin yeni dili*. İstanbul: Birikim.
- Institute of International Finance. (2009). *Capital flows to emerging market economies*. Retrieved from <https://www.bis.org/publ/cgfs33.pdf>
- Institute of International Finance. (2011). *Capital flows to emerging market economies*. Retrieved from [http://www.yazour.com/pdf/cf\\_0911.pdf](http://www.yazour.com/pdf/cf_0911.pdf)
- Kaminsky, G. L., & Schmukler, S. L. (2003). *Short run pain long run gain: the effect of financial liberalization*. IMF working paper, WP/03/34. Washington: IMF. Retrieved from <https://www.imf.org/external/pubs/ft/wp/2003/wp0334.pdf>
- Karakurt, B. (2010). Küresel mali krizi önlemede maliye politikasının rolü ve Türkiye'nin krize maliye politikası cevabı. *Atatürk Üniversitesi İktisadi ve İdari Bilimler Dergisi*, 24(2), 167–195.
- Kazgan, G. (2013). *Türkiye ekonomisinde krizler (1929-2009): ekonomi politik açıdan bir inceleme*. İstanbul: İstanbul Bilgi University.
- Kibritçioğlu, A. (2004). Türkiye'de ekonomik krizler ve hükümetler, 1969-2001. *Macroeconomics*. Retrieved from <https://econwpa.ub.uni-muenchen.de/econ-wp/mac/papers/0401/0401008.pdf>
- Kindleberger, C. P. (1978). *Manias, panics, and crashes: a history of financial crises*. New York: Basic.
- Lapavitsas, C. (2012). Financialised capitalism: crisis and financial expropriation. In C. Lapavitsas (Eds.), *Financialisation in crisis* (pp. 13–50). Leiden: Brill.
- Ma, Z., & Cheng, L. (2003). *The effect of financial crises on trade*. NBER working papers, no. 10172. Cambridge: NBER. Retrieved from <https://www.nber.org/papers/w10172.pdf>
- Mandel, E. (1999). *Late capitalism*. London: Verso.
- Mason, P. (2017). *Postcapitalism: a guide to our future*. New York: Farrar, Straus and Giroux.
- McKinnon, R. (1973). *Money and capital in economic development*. Washington: The Brookings.
- Mishkin, F. S. (1991). *Anatomy of a financial crisis*. NBER working paper series, no. 3934. Cambridge: NBER. Retrieved from <https://www.nber.org/papers/w3934.pdf>

- Mishkin, F. S. (1994). *Preventing financial crises: an international perspective*. NBER working paper series, no. 4636. Cambridge: NBER. Retrieved from <https://www.nber.org/papers/w4636.pdf>
- Minsky, H. P. (1972). *Fundamental reappraisal of the discount mechanism: financial instability revisited: the economics of disaster*. Federal Reserve Bank of St. Louis. Retrieved from [https://fraser.stlouisfed.org/files/docs/historical/federal%20reserve%20history/discountmech/fininst\\_minsky.pdf](https://fraser.stlouisfed.org/files/docs/historical/federal%20reserve%20history/discountmech/fininst_minsky.pdf)
- Minsky, H. P. (2008). *Stabilizing an unstable economy*. New York: McGraw Hill.
- Painceira, J. P. (2012). Developing countries in the era of financialisation: from deficit-accumulation to reserve-accumulation. In C. Lapavistas (Eds.), *Financialisation in crisis* (pp. 185–215). Leiden: Brill.
- Pamuk, Ş. (2014). *Türkiye'nin 200 yıllık iktisadi tarihi*. Istanbul: Türkiye İş Bankası Kültür.
- Piketty, T. (2014). *Capital in the twenty-first century*. Cambridge: Harvard University Press.
- Reisen, H., & Soto, M. (2001). Which types of capital inflows foster developing country growth?. *International Finance*, 4(1), 1–14. <https://doi.org/10.1111/1468-2362.00063>
- Robitaille, P. (2011). *Liquidity and reserve requirements in Brazil*. International Finance discussion papers, no. 1021. Retrieved from <https://www.federalreserve.gov/pubs/ifdp/2011/1021/ifdp1021.pdf>
- Rodrik, D. (2006a). The social cost of foreign exchange reserves. *International Economic Journal*, 20(3), 253–266. <https://doi.org/10.1080/10168730600879331>
- Rodrik, D. (2006b). Goodbye Washington consensus, hello Washington confusion? a review of the World Bank's economic growth in the 1990s: learning from a decade of reform. *Journal of Economic Literature*, 44(4), 973–987. Retrieved from <http://www.jstor.com/stable/30032391>
- Rodrik, D. (2009). *One economics, many recipes: globalization, institutions, and economic growth*. New Jersey: Princeton University Press.
- Rodrik, D. (2011). *The globalization paradox: democracy and the future of the world economy*. New York: W. W. Norton.
- Salvatore, D. (2007). *International economics*. Hoboken: Wiley.
- Schwartz, A. J. (1987). Real and pseudo-financial crises. In A. J. Schwartz (Eds.), *Money in historical perspective* (pp. 271–288). Cambridge: NBER. Retrieved from <https://www.nber.org/chapters/c7506.pdf>
- Shaw, E. (1973). *Financial development in economic development*. New York: Oxford University.
- Sönmez, S. (2009). Türkiye ekonomisinde neoliberal dönüşüm politikaları ve etkileri. In N. Mütevellioğlu, & S. Sönmez (Eds.), *Küreselleşme, kriz ve Türkiye'de neoliberal dönüşüm* (pp. 25–76). Istanbul: Istanbul Bilgi University.
- Stiglitz, J. (1998). *More instruments and broader goals: moving toward the post-Washington Consensus*. WIDER Annual Lectures. Retrieved from <https://www.globalpolicy.org/component/content/article/209/43245.html>
- Stiglitz, J. E. (2003). *Globalization and its discontents*. Londra: Penguin Books.
- Stiglitz, J. E. (2010). *Freefall: America, free markets, and the sinking of the world economy*. New York: W. W. Norton.
- Stiglitz, J. (2012). *The price of inequality: how today's divided society endangers our future*. New York: W. W. Norton.
- Sweezy, P. M. (1997). More (or less) on globalization, *Monthly Review*, 49(4). [https://doi.org/10.14452/MR-049-04-1997-08\\_1](https://doi.org/10.14452/MR-049-04-1997-08_1)
- Şenses, F. (2001). *Kalkınma iktisadi: yükselişi ve gerilemesi*. Istanbul: İletişim.
- Weeks, J. (2006). Latin Amerika'da ihracat, yabancı yatırım ve büyüme: simülasyon yöntemiyle şüpheli bir yaklaşım. In A. H. Köse, & E. Yeldan (Eds.), *İktisadi Kalkınma, Kriz ve İstikrar* (pp. 125–152). Istanbul: İletişim.
- Williamson, J., & Mahar, M. (1998). *A survey of financial liberalization*. New Jersey: Princeton University.
- World Bank. (2013). *International debt statistics*. Retrieved from <https://openknowledge.worldbank.org/bitstream/handle/10986/12226/NonAsciiFileName0.pdf?sequence=1&isAllowed=y>
- World Bank. (2017). *Global economic prospect*. Retrieved from <https://worldbank.org>
- World Bank. (2020a). *World Bank indicators*. Retrieved from <https://data.worldbank.org>
- World Bank. (2020b). *World integrated trade solution*. Retrieved from <https://wits.worldbank.org>
- Yeldan, E. (2009). Finans çağında eklemleme kalıpları: neoliberal küreselleşmenin çevresel bir ekonomisi olarak Türkiye örneği. In N. Mütevellioğlu, & S. Sönmez (Eds.), *Küreselleşme, kriz ve Türkiye'de neoliberal dönüşüm* (pp. 129–156). Istanbul: Istanbul Bilgi University.

