

## **Siyasi İstikrarsızlık ve Parasal Aktarım Mekanizması Etkileşimi: Türkiye Ekonomisi Özelinde Faiz Kanalı**

### **Political Instability and the Monetary Transmission Mechanism: The Interest Rate Channel in the Turkish Economy**

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#### **Abstract**

In order for a country's economy to run and grow in a healthy way, the monetary transmission mechanism, which is defined as the mechanism of the impact of changes in the monetary sector on the real sector, must function effectively. One of the most important channels of the monetary transmission mechanism is the interest rate channel. In the process of functioning of the interest rate channel, the central bank sets short-term interest rates and aims to change various aggregates in the real economy by influencing medium and long-term interest rates. For this process to work in a healthy way, the existence of political stability in the country in question is very important. In Turkey, which has experienced frequent periods of political instability from past to present, the impact of political instability on the interest rate channel is quite significant. One of the main reasons for this is that the monetary transmission mechanism in Turkey, which is a developing economy with not very deep and developed capital markets, operates mainly through the interest rate channel. Therefore, this study analyses the interaction between political instability processes and the functioning of the interest rate channel in the Turkish economy using econometric methods and tests and finds that the interest rate channel works in the Turkish economy and political instability processes affect the interest rate channel.