REMOVING ZEROS FROM TL AND LAUNCHING “NEW LIRA”

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Removing zeros from currencies has been used in many countries implementing economic stability programmes aimed at reducing high inflation. Discussions on removing zeros from TL have taken place in Turkey experiencing high inflation rates around % 70 for many years. In this paper, developments on, timing and effects of removing zeros from currency units, specifically in Turkey, are analysed. The paper concluded that removing zeros from TL is a complementary component of stabilization policy and that it will have positive phsycologic effects on restoring the credibility of TL and on reducing inflationary expectations as well as enhancing easiness of transaction and calculation. On the issue of timing, which is very important for the success of this implementation, the study suggests the “New Lira” to be launched in the beginning of 2002, because (1) the necessary technical and economic preparations will take time, (2) the inflation rate will be less in 2001 than in 2000, and (3) the exchange rate will be determined in the market with “band application” in the second half of 2001.