RESEARCH STATEMENT

My research interests lie in the intersection of Monetary Economics, Macroeconomics, International Economics and Finance. I focus both on theoretical and empirical aspects of these subjects since my motto and principle rule of research is “empirical-research-guided-by-relevant-economic-theory”. I present a detailed account of my latest publications, completed funded projects, and ongoing working papers below.

Generalized Fisher hypothesis, when applied to assets or common stocks, suggests that there is a positive relationship between nominal stock returns and expected inflation. My forthcoming (September 2016) publication at International Review of Economics and Finance assess Fisher hypothesis during periods of structural change. In that paper, I compile a panel of firm level data covering a broad range of industries and aggregate Turkish common stock market index from 1986 to 2013 to assess the relation between inflationary expectations and stock returns during a period of structural changes where I take into account the fact that inflationary expectations may behave differently in different economic environments. I show no matter the data is aggregate or disaggregate ex-ante inflationary expectations and stock returns are positively correlated and holding stocks of manufacturing industry firms provide for about 15% better hedge against inflation in comparison to that of service industry firms.

I have recently completed a project funded by TUBITAK (Scientific and Technological Research Council of Turkey). This research studies Reserve Options Mechanism (ROM), a recent macroprudential policy by the Turkish Central Bank allowing commercial banks to keep a certain percentage of their domestic currency required reserves in FX. In this project, we (me and my co-author) built a tractable analytical monetary model incorporating Reserve Options Mechanism. We empirically show exchange market pressure is significantly reduced under Reserve Options Mechanism. To our knowledge, this is the first study that builds a structural macro model evaluating the effects of Reserve Options Mechanism on exchange market pressure.

In another working paper derived from doctoral dissertation, I provide a detailed quantitative account of a transition to inflation targeting with a focus on the role of expectations. I investigate the impact of the Turkish Central Bank's inflation reduction programs on inflation in Turkey from 1996 to 2005, a period where there is a transition from non-targeting to semi-formal targeting, and then, finally, to full-fledged inflation targeting. In order to analyze the effectiveness of Turkish monetary policy quantitatively, I build an estimate a structural model of the Turkish economy that allows for structural breaks under the alternative assumptions of rational expectations and adaptive learning. Using model estimates, I conduct counterfactual experiments to obtain ex ante and ex post inflation pressure measures which characterize, respectively, the pre-policy and post-policy inflationary environment. To evaluate the impact of the Turkish Central Bank's disinflation program on its credibility, I introduce an index of monetary policy credibility that is new to the literature. Estimates of the inflation pressure indices indicate that there was no significant difference between the inflationary environments in the 2002-2005 period as compared to the 1996-2001 period. However, the monetary policy effectiveness index shows that the semi-formal inflation targeting program that was implemented from 2002-2005 was considerably more successful in reducing inflation than the policies in the previous period had been. Surprisingly, the index of monetary policy credibility suggests that the improvement in inflation control was not accompanied by a significant improvement in the Turkish Central Bank's credibility.

My other research paper entitled “Money multiplier under Reserve Options Mechanism” in at revise and re-submit stage at Emerging Markets Finance and Trade journal. In this paper, we (me and two other colleagues) introduce a generalized deposit multiplier to the literature for a monetary system
with Reserve Option Mechanism. We then explore various features of the proposed multiplier using monthly Turkish data during the decade 2005 to 2015. We report a step increase in the magnitude and a slight upward adjustment in the long-run trend of the multiplier with the adoption of Reserve Options Mechanism. We provide evidence for substantial change in the seasonal pattern of the multiplier, cash ratio, required and excess reserves under Reserve Options Mechanism. We show that deposit multiplier is less volatile in a monetary system with Reserve Options Mechanism and discuss the subsequent stabilizing influence of more predictable deposit multiplier on the foreign exchange market.

**PUBLICATIONS AND WORKING PAPERS**

You can access some of my recent publications and working papers online using the information below. Other working papers are available upon request.
