# THE TURKISH EDITIONS of PAUL KRUGMAN's *THE RETURN OF DEPRESSION ECONOMICS : IS "BUNALIM EKONOMISI" THE RIGHT TRANSLATION FOR "DEPRESSION ECONOMICS"?*

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## Extended Abstract

*The first edition of **The Return of Depression Economics** was published in 1999. Indeed, Turkey experienced a severe economic crisis in November 2000 and again in February 2001, which was predicted by Paul Krugman and discussed in an explicit way in this book. The first edition of the book was translated into Turkish by Neşenur Domaniç in October 2008. Krugman (1999) discussed the reasons of an expected crisis in Turkey by arguing that, as in the case of all crises, the depreciation of Turkish Lira has unique or specific features. The political conflicts that triggered the crisis in Turkey were unprecedented. Moreover, there were so many cracks in the economic policies followed by the Turkish government. Following the discussion of multiple economic crises in the decade of the 1990s, the revised and expanded edition of Krugman's The Return of Depression Economics (1999) was re-published in 2008 and entitled **The Return of Depression Economics and the Crisis of 2008**. In this revised edition, Krugman claimed that depression economics has been ghostly going around the world. It was in South-Asia in 1997s, in Turkey 2001 and everywhere in 2008. This book was again translated into Turkish by Neşenur Domaniç and it has been published as the 6th Turkish edition in February 2010. The Turkish editions of both the original print and the revised issue of Krugman's book were printed by Literatür Yayıncılık in Turkey.*

*Krugman has forecasted the crises in Latin America and other developing economies that led to the recent global financial crisis in 2008 and concluded that hedge funds, the masters of the universe, has been cluttering the emerging economies. In 1999, when the first version of The Return of Depression Economics was published the title was recognized as a provocative one and the main thesis of the book was dismissed by conservative economists. In this original version Krugman pointed out that the world believed that depression economics was over; however, Latin American crisis, Japan's liquidity trap and Asian crisis were warning signals. Krugman claimed that all these turmoils happened for the same basic reason; the banking system exposed itself to much risk. Then, people lost confidence and the panic caused contagion.*

*The revised edition of the book not only updates and adds material to the various turmoils of the 1990s, but also adds arguments to explain how the US evolved into the recent crisis. As a starting point, Krugman firstly investigates Latin American crisis, Japan's liquidity trap, the Asia's crash, the collapse of Long Term Capital Management, the dot.com and housing bubbles, and- the great*

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*financial crisis in 2008. Krugman claims that two threads link all these crises together are; namely, the leverage and the economic fragility it creates, and the limits to monetary policy. One of the crucial outcomes of the book is that it is worth reviewing the financial and economic disruptions around the world over the past two decades because it "turns out to have been a sort of rehearsal for the global crisis now it progress".*

*In this framework, Krugman believes that the depression economics does not necessarily mean that the economy in a depression or inevitably headed toward one. A more accurate definition would be that the countries are witnessing economic problems reminiscent of the Great Depression.*

*This article, firstly, aims to explore the semantic ambiguity in word recognition of "depression" in the disciplines of psychology and economics. For Krugman, depression economics is still not solved and should be further studied. If the chaos or depression is allowed to follow its natural course, the nations will be subjected to the torture of a severe recession. That is why he strongly believes that intervention, either through the Milton Friedman's expansionary monetary policies or John Maynard Keynes's expansionary fiscal policies, is the required course of theraphy. This paper, secondly, investigates Krugman's understanding of depression economy and his proposals to solve the chaos that many countries have been experiencing. Correspondingly, we will question if the translation of "depression economics" expression in Turkish as "bunalım ekonomisi" is the right interpretation.If not, how should we translate "depression economics" into Turkish to be able to provide a better explanation for the similarity between 1930's global economic crisis and the recent economic problems?*

*Krugman does not believe in the famous words by Robert Lucas (2003): "The problem of depression-prevention has been solved, for all practical purposes." For Krugman, Depression Economics is still not solved and should be pursued further studied. Unlike the economists who believe that recessions and even depressions are necessary mechanisms for purging economies that have gotten out of control, Krugman believes that the government can kick-start the economic machine back into motion and that the nations do not have to be subjected to the torture of a severe recession. Hence, the slump should not be allowed to follow its natural course. It is true that classical economics says that we should let market forces do their work; but classical economics also says that severe recessions cannot happen. Based upon this reasoning, Krugman presents five basic proposals and refers to as the 'Keynesian Compact', a consensus achieved in the 1950s among most economists, otherwise referred to as the 'neoclassical consensus.' (Mason, 2008). Krugman's proposals are the following.*

- *Put more capital into the banking system to help unfreeze capital markets;*
- *Create a lending program for the government to lend to the nonfinancial sector;*
- *Engage in a global rescue program for developing countries;*
- *Fiscal stimulus focusing on spending to build infrastructure, etc.;*
- *Reform and regulate the financial system, especially the non-bank areas.*

*This proposal gives the impression that an understanding of the 'Keynesian Compact' is important for policymakers. Krugman believes that the Keynesian Compact is an agreement that an economy can achieve and maintain "more or less free markets" when the government is allowed to follow monetary and fiscal policies that can achieve and maintain "more or less full employment." As Mason (2008) presents it, relatively stable free markets require the presence of active governmental policies that are aimed at achieving low levels of unemployment. In the political sphere, Krugman argues that economic policymakers are looking for three components for their economies: discretion in monetary policy, stable exchange rates, and free international trade. He concludes that, in fact, it is impossible to achieve all three goals at the same time and that the preferred alternative of most economists is a floating exchange rate.*



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