

**MACROECONOMIC INSTABILITY AND CORPORATE GOVERNANCE
QUALITY IN TURKEY: SCOPE FOR OPTIMISM?**

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Abstract

In the 1990s, macroeconomic instability went hand in hand with low corporate governance quality in Turkey. There is an extensive literature on the relationship between the legal/institutional environment as the independent variable and corporate governance quality as dependent variable. However, the relationship between macroeconomic instability and low corporate governance quality remained unexplored. This paper examines the evolution of Turkey's corporate governance regime over the last two decades and demonstrates that macroeconomic instability in itself is also a significant determinant of corporate governance quality. The paper also demonstrates that macroeconomic stability since the end of the 1990s has been conducive to improvements in corporate governance quality. During this later period, external anchors such as the European Union and the IMF have played a significant role in lending credibility to the stabilisation effort that, in turn, encouraged the emergence of better corporate governance standards. To substantiate these arguments, we examine the pre- and post-2002 aspects of the Turkish corporate governance regime with respect to: (i) corporate ownership and control structure; (ii) disclosure, transparency and shareholder protection; and (iii) the legal and enforcement framework. To conclude, we highlight the main findings and assess their implications for the future development of the Turkish corporate governance regime.

Key words: anchors, corporate governance, institutional quality, macroeconomic stability, Turkey