

Turkey will be happy to make it to Christmas

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Turkey is in trouble.

Its banks cannot pay their foreign currency debts.

People have borrowed in cheap foreign currencies and now cannot afford to repay.

Inflation is out of control.

The economy is overheated.

Erdogan is President and not showing willing to appreciate the problem.

But very few have noted what a core element in the problem is. That is Turkey's shadow economy. This has averaged 31% over the last two decades ([See page 54 here](#)).

Every rule of sound management of a currency has been broken. It has not been used to collect tax. Parallel currencies of consequent greater value have been allowed to circulate in its place. And the government has lost control of its economy as a result.

People think tax gaps are just measures of tax authority efficiency. They are that. But they are very much more. They show whether a government is in charge of its economy and currency. And they are, then, able predictors of crises.

Tax gap measurement is, I think, a key macroeconomic tool. We should get used to it.