

Brief Notes on Central Indicative Planning in Turkey, 1960-2011: Its Rise, Fall and Dissolution¹

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Abstract

The initiation and the rise of central indicative planning (CIP) in Turkey in the 1960s and the 1970s signified a late orientation of Turkish government to international Keynesianism dominating post - II. World War economic vision and the ideas put forward by emerging development economics. When the world capitalist economy started to exhibit signs of a structural crisis in the late 1960s and the implicit post-war social contract between capital and labour became unsustainable, the class compromises in Turkey which were conducive to a "planned" model of accumulation also weakened; and CIP gradually became ineffective not formally but *de facto* after 1980. In the 1980s and the 1990s, the State Planning Organization (SPO) which formerly had been entrusted with administering CIP was directed towards other tasks such as "structural adjustment" under a neoliberal economic regime. Eventually, a dysfunctional SPO was dissolved into a newly established Ministry of Development in 2011. However, the world economy has been passing from a period of restructuring after the global financial crisis of 2007-09; and the Turkish government may explore new and specific domains of planning under these circumstances.

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1. Introduction

In this paper, we shall briefly review the Turkish central indicative planning (CIP) experience of about half-a-century from 1960 to 2011. When we qualify a somewhat ambiguous term "planning" by adjectives "central" and "indicative", this implies that (i) we shall be interested in planning at national level, not at regional / corporate / individual levels; (ii) Turkish national planning (in contrast with the socialist one) had never been imperative, even for the public sector. Since students of the Turkish economy may benefit from good and extensive accounts of national planning in Turkey (e.g. Sezen 1999, Kansu 2004, Akçay 2007, Türkcan 2010), observations and remarks in our review will focus on a few critical issues.

The paper is composed of five sections. Following the first and introductory section, we examine the initiation and the rise of CIP in Turkey in the 1960s and the 1970s (Section 2). We then continue to Section 3, describing the gradual descent of CIP in the 1980s and the 1990s, when its protagonist, i.e. the State Planning Organization (SPO), was entrusted with other tasks irrelevant to its original mission. Section 4 is about the dissolution of a dysfunctional SPO within the Ministry of Development established in 2011. However, the demise of SPO does not mean that the neoliberal vision which dominated economic policy in Turkey since 1980 and its probable successors in the third decade of the 2000s will be devoid of

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specific planning domains of their own. Section 5 which concludes the paper explores these prospects

2. The Rise

2.1 The 1960s

Although Turkey had taken its place in the institutions of the post-II. World War international order after 1946 and benefited from the global economic boom starting in the early 1950s, its governments in the 1946-60 period had been reluctant to fully subscribe either to the visions of international Keynesianism, or the ideas put forward by the emerging development economics at that time. The establishment of the SPO by Law Nr. 91 (1960) signified a rather late orientation to these perspectives.² Their intellectual premises which (i) underline the importance of market failure; (ii) redefine the rules of the public sector in demand management, capital accumulation and equitable distribution of income; and (iii) advocate some kind of CIP in developing countries (DCs) helped Turkish governments in the early 1960s to formulate a new model of accumulation.

This model which is sometimes called “inward-looking” by some writers (*inter alia*, Akçay 2007: Section 3.2) was based on import-substituting industrialization (ISI). It was built on a consensus between large-scale commercial & industrial capital and newly organized & unionized labour. However, it also envisaged some protection for rural population *via* internal terms of trade manipulation and agricultural support schemes (Keyder 1987: Parts VII & VIII).³ Turkish historical statistics confirm that until its breakdown in the late 1970s, this model of accumulation was successful in putting the Turkish economy onto a faster and more stable growth path and in providing a remarkable increase in the share of industry as a proportion to GDP (Akçay and Türel, forthcoming).⁴

For the implementation of that model, some definite steps were taken towards the organization and conduct of CIP in Turkey in the 1960-66 period. These were the following:

(1) In 1960-62, planners of SPO were highly sensitive on two issues: (i) reorganization of the state economic enterprise (SEE) system and increasing SPO’s surveillance over its management; (ii) a tax reform, which also envisaged taxation of agricultural incomes (Akçay and Türel, forthcoming). Their policy proposals on these issues did not obtain sufficient political support from the governments of that period and were side-stepped. However, political supporters of planning succeeded in (i) making the state responsible for the preparation and realization of development plans and naming SPO as the agent to prepare them (Arts. 41 and 134, respectively, of the Constitution of 1961); (ii) setting-up

definite bureaucratic / legal procedures by Laws Nr. 91 (1960) and Nr. 77 (1961), through which development plans and programmes would be ratified and put into effect.

(2) In the 1963-65 period (which coincided with the first two years of the First Five Year Development Plan (1963-67)), it became clear what kind of CIP was *politically feasible* in Turkey; and the organizational units of SPO as envisaged in Law Nr. 91 became fully staffed and operational. Thus the functional position of SPO *vis-a-vis* the central bureaucracy was settled.

(3) The Justice Party (AP in Turkish acronym) which came to power in October 1965 initially had an anti-planning posture, but its leader(ship) gradually perceived that SPO might be a very effective agent in the design and execution of economic policies (provided that it could be placed under the AP government’s control, which was accomplished in 1966). The Second Five Year Plan (1968-72), bearing the imprint of AP’s developmental aspirations was the product of this perception. These steps brought SPO to the focal point of two concentric policy-making fields. The SPO, the Treasury and the Central Bank were placed in the inner field and they assumed responsibilities for short-term macroeconomic management. The outer field contained the SPO, ministries related to various productive activities, SEEs and Union of Chambers of Trade and Industry (TOBB in Turkish acronym); and these institutions formulated long-term development policies in collaboration with each other so as to realize the targeted resource allocation and trade patterns.⁵ The platform where their “technical” blueprints were transformed into political decisions was the High Planning Council (HPC) composed of an inner cabinet of Council of Ministers plus top-level SPO executives (for a graphical description, see Türel 1996).

Under such an institutional format, Turkey became one of the few DCs which successfully carried out CIP in the 1960s and the 1970s, by embedding CIP into their political decision-making processes. One may cite Korea and India among other successful cases (Türel 2017: II. 3. 6). In many DCs (especially those in Latin America and Africa), the so-called “national” plans were nothing but technical exercises devised for the purpose of attracting capital from abroad (Agarwala 1983).

However, the institutionalization of CIP in Turkey in the 1960-80 period did not prove to be stable and consistent so far as public interventions at micro-level were concerned.⁶ This defect was clearly observed during the implementation of Law Nr. 933 (1967) on encouragement of investments and exports. While AP governments (majority or coalition) made the SPO responsible for the operations related to Law Nr. 933, other governments in the 1967-80 period tended to delegate them to Ministries of Industry and Trade.

² For the country-specific reasons of this delay, see Kepenek (forthcoming).

³ “Populist” features of this model is well expounded by Boratav (1983).

⁴ In our opinion, a fair and in-depth assessment of accomplishments and failures of Turkish ISI in the period 1960-80 is still missing.

⁵ To this set-up, we may add special commissions of experts, which were assigned temporary tasks by the SPO.

⁶ Public interventions in the micro sphere is justified under Tinbergen-style planning in stages; since macro/sectoral/project planning are intimately related and they fed into each other.

In a developing capitalist economy where rapid industrialization is a prominent objective, some activities which were not performed earlier have to be undertaken partly by a rising new generation of entrepreneurs, and partly by an existing but rather risk-averse business class. These are led to new activities preferably by pecuniary incentives or by coercion of public authorities. Undoubtedly, micro-level interventions of above kind are prone to corruption or abuse of power, as the past Turkish experience demonstrates; even a relatively more accountable Korean public agents of a “developmental state” were criticized because of their toleration to crony capitalism in the 1960s and after. It must be admitted that problems of technological and coordination externalities in new industrial ventures defy easy and ready-made solutions (see, *inter alia*, Rodrik 2004).

2.2 The 1970s

After the global boom of 1951-68 ended and the world capitalist economy started to exhibit signs of a structural crisis, the appeal of international Keynesianism gradually waned (Armstrong *et al.* 1991; Glyn *et al.* 1991). Governments in advanced countries (ACs) came closer to the views that (i) the implicit post-war social contract between capital and labour was not sustainable; (ii) economic recovery had to be based upon greater reliance on market forces; (iii) profit rates falling in the long-run had to be restored to higher levels (Strecek 2014: Chs. 1-2).

In the 1970s, public opinion in the most of the ACs were very far from responding to aspirations of DCs for a just and equitable world order. Capital at the “centre” no longer advised CIP to “peripheral” countries; instead, it advocated reducing government interventions in the economy. Besides, the negotiating capabilities of DC governments in international platforms were eroding, basically because of (i) growing differentiation across these countries; (ii) increasing political power of peripheral capitalists who favoured a stronger articulation with the capital at the centre; and (iii) their failure to properly navigate through the external shocks of the 1970s.

In the Turkish case, it must also be noted that the class compromises which were conducive to the establishment of a “planned” model of accumulation weakened in the 1970s; political instabilities intensified and the Third Five Year Plan (1973-77) which was produced under an “interim” regime of 1971-73 did not enjoy sufficient political backing later. Towards the end of 1977, the Turkish economy faced three major problems, i.e. (i) restructuring foreign debt under

conditions of near-insolvency; (ii) stabilization; and (iii) reviewing industrialization strategy.

On this last issue, three “pure” strategies were conceivable: (i) export-led industrialization (ELI); (ii) deepening ISI towards more sophisticated intermediate and capital goods industries; and (iii) “reconstructing populism”, by putting greater emphasis on the production of wage goods and basic necessities (Türel 2010: 412-415). Although the Fourth Five Year Plan (1979-83) which was announced in 1978 emphasized the second of these strategies, it also incorporated some elements of the other two.⁷ This plan was not formally, but *de facto* suspended by the January 24 Decisions (1980) which marked the end of former model of accumulation and the CIP apparatus administering it became virtually defunct.

3. The Fall

3.1 The 1980-94 Period

In the 1980s, the technical expertise of the SPO staff (which rapidly increased in numbers basically due to political motives) was used to design and oversee “structural adjustment” policies, i.e. export promotion and liberalization of trade and finance as stipulated by IMF and World Bank’s conditionalities.⁸ Apart from changes of secondary importance summarized in Akçay (2007: 5.1.1), the SPO’s former organizational set-up was preserved till 1994.

However, there were signs that over these years SPO started to lose its privileged position in the central bureaucracy. In the Constitution of 1982, Art. 166 concerning the preparation of national plans was placed not into “Basic Rights and Duties” section, but carried into “Economic and Social Rules”, and an explicit reference to SPO was omitted. On the other hand, the Motherland Party (ANAP) governments of the 1980s extended the authorities of some institutions in the central bureaucracy affiliated directly to Prime Ministry (e.g. Undersecretariats of Treasury and Foreign Trade, the Central Bank, Mass Housing Organization (TOKİ) and Ministries of State to which many SEEs were affiliated), hence reducing SPO’s area of responsibilities. The two undersecretariats mentioned above and the central bank turned into new and stronger foci of economic policy-making.

Notwithstanding SPO’s institutional commitment to greater reliance on market forces and lesser government intervention, its planners were still inclined to emphasize sectoral development priorities in the Fifth (1985-89) and Sixth (1990-94) Five Year Plans.

⁷ Specifically, the export target of the Fourth Plan for the year 1983 (\$ 5.4 billion) does not differ much from the actual export revenue of the same year (\$ 5.7 billion) which was realized under an entirely different economic policy orientation. The same is also true for the revenue share of manufactured exports in total (approximately 61% in the plan, against the actual outturn of 64%) for the year 1983.

⁸ According to the Fourth Plan, combined net capital inflow for the years 1979-83 was estimated to be \$ 1.430 billion, which was supposed to finance current account deficits (CADs) summing up to \$ 1.350 billion *plus* a modest

increase in reserves (\$ 80 million). Taking net errors and omissions as incorrectly recorded capital transactions, actual figures were as follows: Net capital inflows of \$ 10.535 billion (which partly includes repatriation of capital illegally taken out earlier), combined CADs of \$ 9.632 billion and increase in foreign exchange reserves by \$ 0.903 billion (Ministry of Development 2012: 88). In short, Turkey’s creditors chose an option which seems more costly for themselves; because they were categorically against the strategy of the Fourth Plan based on deepening ISI coupled with trade and foreign exchange controls.

3.2 The 1994-2000 Period

A major overhaul in SPO's structure and its planning practices took place after the economic crisis in May 1994. In line with the dominant vision of neoliberalism, one could expect that the SPO would then be transformed into a small and highly influential core, focusing upon "strategic" issues (see Dr. Ege's comments in Uygur (1991: 306-310)).⁹ Just the opposite occurred: Statutory Decree Nr. 540 (dated June 1994) established a far larger SPO made up of eight general directorates (in comparison to four in the earlier set-up), inclined to intervene into all major economic and social problem areas in Turkey (see Türel 1996). Such a contradiction may be explained by (i) the tendency of bureaucracies to reproduce themselves and assume new responsibilities; (ii) the government's decision to assign new tasks to SPO, the competence of which had been tested in the past. One of these tasks was probably the "indoctrination" of a large public sector bureaucracy in accordance with neoliberal tenets. Major international institutions would continue to get along with the enlarged SPO as their interlocutor; since SPO had been keeping its tradition of focusing on macroeconomic essentials rather than on factional details (Türel 2014: 173-176).

The Seventh Five Year Plan (1996-2000) which was put into effect after the transition programme of 1995 also represented a major breaking point and a precursor of what would the Turkish CIP be in the 2000s. Rather than describing the socioeconomic development perspectives in their entirety, it referred to various projects on diverse issues like international competition, disembodied technological change, flexibilization of labour markets and a regulatory state. It did not underline either sectoral development priorities or macroeconomic targets.

The restructuring and reorientation of SPO in mid-1990s did not stimulate much interest in CIP among academic economists in Turkey.¹⁰ As we shall note below, the scholars who started to reconsider Turkish CIP in the late 1990s and the early 2000s were mostly those working in the field of public administration.

4. The Dissolution

The intellectual tradition which defines planning as "determination of instruments which can be used for the attainment of desired objectives" suggest that if objectives and/or policy instruments change, or the social conditions under which policy instruments will be applied change, planning is still needed (Sezen 1996: 290). Thus, the neoliberal age may have a specific planning domain of its own. In Turkey, such a domain was found in the 2000s, after many years of search around the concept of "strategic planning". However, the term "strategic" here has a different

connotation from its earlier use: Strategic planning in the 2000s is transmitted to micro/corporate/regional levels and the planning process at the macro level is expected to work *via* information flows from the bottom to the top (Övgün 2010; 2011, Ekiz and Somel 2007). As the four national development plans prepared in the 2000s would suggest, the integration of lower level planning activities at the national level may be carried out by *ad hoc* methods, or may be partly left to the operation of market mechanism and/or budgetary practices.

Obviously, for such a national planning vision, a CIP apparatus envisaged by Statutory Decree Nr. 540 was irrelevant, and hence had to be discarded. The major steps in this direction were the following: (i) establishment of the Coordination Committee for the Amelioration of Investment Climate (YOİKK, 2001); (ii) Law Nr. 4815 on Foreign Direct Investment (2003); (iii) establishment of regional development agencies (Law Nr. 5449, 2006) and (iv) establishment of the Ministry of Development (Statutory Decree Nr. 641, 2011) into which departments of SPO were dissolved, as the umbrella of regional development agencies.

5. Conclusions: Prospects for the Future

It is clear that the world economy has been passing through a period of restructuring after the global financial crisis of 2007-09, and the governments of DCs with considerable experience in industrialization have been striving for more advantageous positions in the emerging world order. These efforts will necessitate a well-designed economic policy repertoire which has to include two basic components:

(1) At the macro level, policy planning will be of paramount importance, in view of probable trends in international trade and capital movements. It would not be inappropriate to name this task as some sort of indicative central planning under new circumstances.

(2) At the micro level, a country-specific industrial policy must be formulated, taking clues from but not imitating successful East Asian cases.

As Bürken *et al.* (2021) point out, these two tasks are interrelated, each one having positive feedbacks on the other. Although the Tenth Development Plan (2014-18) expressed many aspirations to move Turkey into a more effective position in the emerging world economy, it was essentially built on the perspective of an articulation with the prevailing world order, assuming it more beneficial for the country. In our opinion, the intensification of the economic crisis in 2018-21 has been leading the AKP government to a reconsideration of this perspective: In July 2018, departments of the Ministry of Development at the central level and the Directorate of Budget and Financial Control of the Ministry of Finance were brought under a newly established Strategy and Budget Office of the Presidency (SBB in Turkish acronym); and regional

⁹ We shall note below that the term "strategic" was used in an entirely different context in the 2000s.

¹⁰ This corresponds to the reduced international academic interest in CIP (see Türel 1997).

development agencies were affiliated to Ministry of Industry & Technology by the Presidential Decree Nr.13. Later in October 2020, an Executive Committee of Industrialization (SAİK in Turkish acronym) was formed under the presidency, including the President, one of the vice-presidents, three ministers (i.e. Ministers of Industry & Technology, Treasury & Finance and Trade), and the head of SBB by the Presidential Decree Nr. 68, which was granted extensive executive powers.¹¹

It remains to be seen whether SBB and SAİK will properly assume the two major tasks noted above, i.e. policy planning and the conduct of industrial policy.

According to the Eleventh Development Plan (2019-23) prepared by the SBB and published in July 2019, the objective is defined as a "productivity-focused, export-led and stable economic growth, assigning a dominant role to industry" (SBB 2019:27,29).¹² The policy instruments proposed for such an objective are essentially "horizontal" (i.e. improving the quality of basic inputs like human capital and physical infrastructure, provision of pre-competitive R&D support, etc.), while "selective" interventions were not clearly specified across industries. Two months after the announcement of the Eleventh Plan, the Ministry of Industry & Technology produced a document titled *Industry and Technology Strategy 2023*, following a similar approach.

Unfortunately, the internal consistency between these two policy documents and those prepared by the government for providing information to domestic and foreign actors (e.g. medium-term programmes (OVPs) and a series of announcements made by the Ministry of Treasury & Finance from April 2019 to October 2019) are rather weak. Further, from its establishment in October 2020 to the present, SAİK's interventions in industrial sectors have not been much effective.

These observations suggest that preparation of sound policy proposals are necessary, but not sufficient. Proper working relationships between institutions entrusted with policy planning & implementation and other bodies in the central administration must be established and this task may take a longer time than expected in crisis years, when the government's attention is focused on overcoming short-term difficulties.

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¹¹ These administrative reshuffles were, in part, due to the establishment of a "presidential government system" in Turkey, a review of which is outside the scope of this paper.

¹² The Eleventh Plan also emphasizes competitiveness, integration with the world economy and protection of domestic producers "within the framework of (our) international commitments" (SBB 2019:36), reiterating the major themes in the Tenth Plan.

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N.B.: References marked with an asterisk (*) are in Turkish.