

Fiscaeconomia

E-ISSN: 2564-7504

Cumhuriyetin 100. Yılında
Türkiye Ekonomisi Özel Sayısı

2023, 7, Özel Sayı, 310-337

<https://dergipark.org.tr/tr/pub/fsecon>

Submitted/Geliş: 02.02.2023

Accepted/Kabul: 17.08.2023

Doi: 10.25295/fsecon.1246853



Research Article/Araştırma Makalesi

Analysis of Turkish Economy from Macroeconomic and Socio-political Perspective (1923-2023)

Türkiye Ekonomisinin Makroekonomik ve Sosyo-Politik Açından İncelenmesi (1923-2023)

Eşref Uğur ÇELİK¹

Abstract

The evaluation of economies provides an idea about the direction of countries and determines their international reputations. Economic evaluations hold significant importance for this reason. Evaluations often utilize macroeconomic indicators like real growth rate, unemployment rate, and inflation rate. On the other hand, to honestly evaluate economies, a long-term perspective is required, and it is vital to maintain continuity and have a broad scope. During this process, many factors, such as developments in the external world, geography, language, religion, ethnicity, and customary practices, can have an impact, in addition to macroeconomic factors. However, none of these (except for macroeconomic factors) have as much impact on the development of economies as the institutional factors that form the basis of the socio-political structure. As property rights, freedom of expression, press freedom, judicial independence, and equality of opportunities in the economic, social, and political fields expand in a country; experts anticipate that institutional quality will increase and positively impact economic operations. Findings indicate the necessity of conducting macroeconomic and socio-political performance measurements to evaluate the Turkish economy properly. For 1924-2023, a macroeconomic performance index (MPI) has established for measuring macroeconomic performance, and a socio-political performance index (SPI) for measuring socio-political performance.

The findings obtained from the studies reveal that in Türkiye, more than ensuring only macroeconomic stability is necessary to achieve satisfactory and lasting economic success. Compromising fundamental rights, freedoms, and socio-economic justice (e.g., income distribution) has achieved stability, but only with temporary effects. The development structure and macroeconomic gains solidify the economic outlook through socio-political developments.

Jel Codes: E02, O43, N00

Keywords: Macroeconomic Performance, Socio-Political Performance, Institutions

¹ Dr. Öğr. Gör., Atılım Üniversitesi, İşletme Fakültesi, İktisat Bölümü, esref.celik@atilim.edu.tr, ORCID: 0000-0001-9090-9346



Çelik, E. U. (2023). Analysis of Turkish Economy from Macroeconomic and Socio-political Perspective (1923-2023). *Fiscaeconomia*, 7(Özel Sayı), 310-337. Doi: 10.25295/fsecon.1246853

Öz

Ekonomilerin değerlendirilmesi ülkelerin gidişatları hakkında fikir vermesinin yanında uluslararası saygınlıklarının belirlenmesinde de etkili olmaktadır. Bu sebeplerden, ekonomik değerlendirmelere özel önem atfedilmektedir. Bu tür incelemeler sıklıkla büyüme oranı, işsizlik oranı ve enflasyon oranı gibi makroekonomik göstergelerden yararlanılarak gerçekleştirilmiştir. Diğer taraftan ekonomilerin gerçek anlamda değerlendirilebilmesi için uzun dönemli bir bakış açısı gerektiğinden sürekliliği sağlamak ve kapsamı geniş tutabilmek büyük öneme sahiptir. Bu süreçte; makroekonomik faktörlerin yanında, dış dünyadaki gelişmeler, coğrafya, dil, din, etnik ve örf adetler gibi pek çok faktör etkili olabilmektedir. Ancak bunlardan hiçbirisi (makroekonomik faktörler hariç) sosyo-politik yapının temelini oluşturan kurumsal faktörler kadar ekonomilerin gelişimleri üzerinde etkili değildir. Bir ülkede mülkiyet hakları, ifade özgürlüğü, basın özgürlüğü, yargı bağımsızlığı ve ekonomik-sosyal-politik alandaki fırsat eşitlikleri genişlediği ölçüde kurumsal kalitenin arttığı ve bunun da ekonomik işleyişe olumlu yansıtılabileceği öngörülmektedir. Yapılan saptamalar, Türkiye ekonomisinin doğru şekilde değerlendirilebilmesi için, makroekonomik ve sosyo-politik performans ölçümlerinin yapılmasının gerekliliğini göstermektedir. 1924-2023 dönemi için makroekonomik performansın ölçülmesi noktasında makroekonomik performans endeksi (MPE), sosyo-politik performansın ölçülmesinde ise sosyo-politik performans endeksi (SPE) oluşturulmuştur.

İncelemeler sonucunda elde edilen bulgular, Türkiye’de tatmin edici ve kalıcı bir ekonomik başarıya ulaşmak için sadece makroekonomik istikrarı sağlamanın yeterli olmadığını ortaya koymaktadır. Çoğu zaman "istikrar" temel hak ve özgürlükleri ve sosyo-ekonomik adaleti (örneğin gelir dağılımını) zayıflatarak gerçekleştiğinden etkisi genellikle geçici olmuştur. Ters durumda ise gelişim içerisindeki sosyo-politik yapıdaki gelişmelerle beraber edinilen makroekonomik kazanımların ekonomik görünümü sağlamlaştırdığı gözlemlenmektedir.

Jel Kodları: E02, O43, N00

Anahtar Kelimeler: Makroekonomik Performans, Sosyo-Politik Performans, Kurumlar



Çelik, E. U. (2023). Analysis of Turkish Economy from Macroeconomic and Socio-political Perspective (1923-2023). *Fiscaeconomia*, 7(Özel Sayı), 310-337. Doi: 10.25295/fsecon.1246853

1. Introduction

Evaluation of economies not only gives insight into the state of the countries but also determines their international prestige. These reasons highlight the significance of giving particular importance to economic evaluations. Such assessments often use macroeconomic indicators such as growth, unemployment, and inflation (See Okun, 1970; Barro, 1996).

Evaluating economies indeed requires a long-term perspective, and it is crucial to maintain continuity and broad coverage. In this process, many factors can be influential, including macroeconomic factors, developments in the outside world, geography, language, religion, and ethnic customs. However, none of these (excluding macroeconomic factors) are as influential as institutional factors in forming the foundation of the socio-political structure. Expanding property rights, freedom of expression, press freedom, judicial independence, and equal opportunities in economic, social, and political fields will increase institutional quality and positively impact economic operations (See Acemoglu, 2003; Rodrik, 2009 and Rodrik & Subramanian, 2003). In other words, to evaluate economies more validly and comprehensively, socio-political structures, reflected as institutional quality, must be considered in addition to macroeconomic structures. One of the reasons underlying this is that changes in the socio-political structure can impact the investment environment in the country, and thus the economy's operation, by signaling assurance to both local and foreign investors (mainly in terms of property rights). On the other hand, the socio-political structure, covering factors such as education and health, can also impact the level of human capital in the country, which in turn can affect the quality and productivity of production and thus influence the course of the economy.

In addition to the findings, countries can achieve macroeconomic stability by making concessions through other channels. These concessions often result from the deterioration of factors such as freedom, law, and income distribution, considered indicators of socio-political characteristics. They can thus pose an obstacle to high-quality economic improvement. Pursuing macroeconomic developments while preserving socio-political aspects is essential for lasting economic success.

The abovementioned observations highlight the need to measure macroeconomic and socio-political performance to evaluate the Turkish economy properly. We created two indices for 1924-2023: the macroeconomic performance index (MPI) and the socio-political performance index (SPI). MPI measures macroeconomic performance, and SPI measures socio-political performance. We also developed an economic trend index (ETI) to observe the joint movement of MPI and SPI.

The findings from the evaluations show that achieving excellent and lasting economic success in Türkiye cannot be achieved merely by ensuring macroeconomic stability. Often, stability has weakened fundamental rights and freedoms and socio-economic justice (for example, income distribution), so its impact has generally been temporary. On the other hand, macroeconomic gains and developments in the socio-political structure strengthen the economic outlook. In addition, in our country, single-party rule periods often equated with political stability have not led to lasting economic success after a short-term (usually first 3-4 years) economic success. In other words, Economic management will only be successful if we

reduce tensions in the distribution front and strengthen factors supporting socio-political development.

Furthermore, especially during populist processes and crises in multiparty periods, Türkiye has undergone necessary structural transformations and has mainly exhibited a reactive state characteristic. Rather than broad social agreement, economic and political changes in the world have determined the fundamental structural transformations experienced by Türkiye. That situation shows that the country may be susceptible to developments in the outside world. To overcome such vulnerabilities, signal domestic and foreign market actors correctly. Steps taken to ensure rule-based policies, transparency, property rights, freedom of expression, and equality of opportunities can help provide the right signals. This way, the way for vital functioning of the economy can be opened along with socio-political and macroeconomic gains.

This study consists of four sections. The second section provides information about the components and calculation methods of the MPI, SPI, and ETI indexes, which primarily aim to measure macroeconomic and socio-political performance levels. Then, we presented the results obtained by applying these indexes to 1924-2023. The third section uses the relevant indexes to examine the structural phases of the single-party and multiparty periods. The last section contains the results and some recommendations.

2. Macroeconomic Performance, Socio-Political Performance, and Economic Trends

We decided to create indices that will provide a more comprehensive analysis in addition to considering indicators one by one in terms of measuring macroeconomic and socio-political performance. In this direction, we created indices measuring macroeconomic and socio-political performance for 1924-2023 (index calculations, it is necessary to know the values of the previous year in order to calculate the value of a year. Values for 1923 could not be calculated since the values for 1922 were not available. For this reason, the indices started from 1924.). Furthermore, the economic trend index was also developed by taking the averages of these indices.

2.1. Macroeconomic Performance Index (MPI)

Macroeconomic performance is the top of the essential elements used in evaluating economies. For this reason, we decided to create the macroeconomic performance index (MPI) first. As the first variable to be used in the MPI, the growth rate, one of the most basic indicators of macroeconomic functioning, was selected. One of the variables frequently considered in interpreting macroeconomic performance is the inflation rate.

Everyone from the lowest income level in society to the highest is interested in inflation. One of the main reasons for this situation is that inflation affects purchasing power. On the other hand, the reflection of this effect created by inflation is also seen in income distribution (Çolak & Aktaş, 2010: 27-30). In addition, the inflation rate is also seen as a sign of the ability of governments to manage the economy on their own (Fischer, 1993: 487) (quoted by İsmihan, 2003: 129). Due to all these reasons, it was deemed appropriate to choose the inflation rate as the second variable in the MPI.

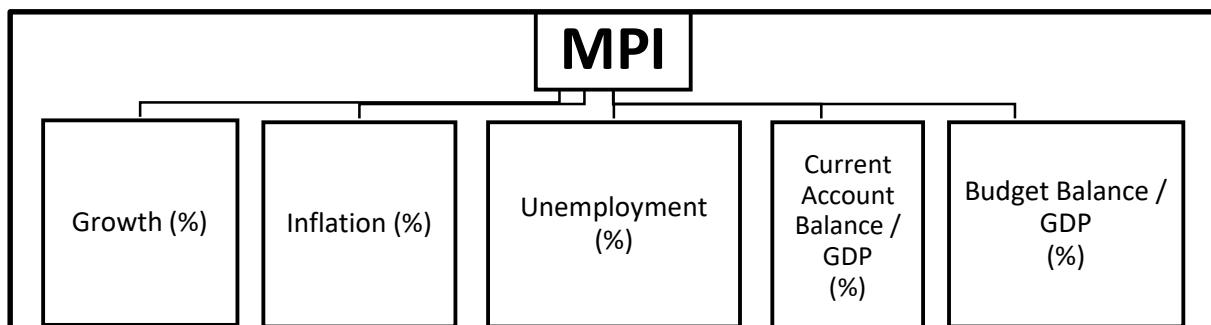
In Okun's and Barro's poverty indices, it has been frequently emphasized that deterioration in the unemployment rate, in addition to the inflation rate, negatively affects macroeconomic performance and output level (See. Okun (1970) and Barro (1996)). Furthermore, unemployment highlights that resources are wasted as it causes people (labor force) who can contribute to production to not participate in the production process (Mankiw, 2010: 208). For these reasons and because unemployment is at the top of the social problems many countries face, the use of the unemployment rate as the third variable in the MPI was decided.

The stability of the financing sources of the current account deficit indicates that this deficit can be sustainable without causing problems. On the other hand, the current account deficit may become problematic if the situation is otherwise. In such cases, countries often resort to raising interest rates to ensure the sustainability of the current account deficit. However, certain costs are involved (countries are still vulnerable to internal and external shocks) (Çolak & Aktaş, 2010: 98).

Developing countries such as Türkiye often face such costs. Therefore, it can be said that the Turkish economy is susceptible to changes in the balance of current transactions. Given the importance of the findings, the ratio of the current account balance to GDP has been selected as the fourth variable in the MPI. The ratio of the public budget balance to GDP was considered the final variable. The main reason behind this choice is that the effects of fiscal policy on private investments and output levels also affect the macroeconomic workings. Changes in the budget affect capital accumulation processes and therefore have a high impact on economic activity (especially chronic budget deficits negatively affect long-term growth). Like the inflation rate, it is crucial for evaluating the government's economic management (Fischer, 1993: 489) (cited by İsmihan, 2003: 129).

As a result, a five-variable macroeconomic performance index (MPI) was created by using not only the three leading indicators of macroeconomic performance, namely the growth rate, inflation rate, and unemployment rate, but also the ratios of the current account balance and the budget balance to GDP (for the variables used in the MPI, see Figure 1). MPI (macroeconomic performance index) was obtained from the Turkish Statistical Institute and The Central Bank of the Republic of Türkiye (The data for 2022 and 2023 are taken from the Presidency of The Republic of Türkiye Presidency of Strategy and Budget). The index is calculated considering the equal weight. The results of the macroeconomic performance index calculated for Türkiye for 1924-2023 are shown in Figure 3.

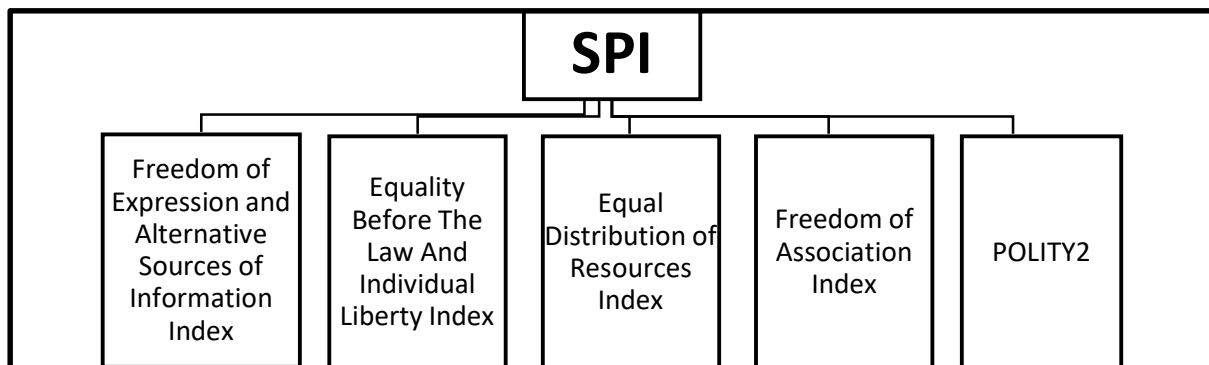
Figure 1: Macroeconomic Performance Index (MPI) Variables



2.2. Socio-Political Performance Index (SPI)

In evaluating countries' economies, it is necessary to use more comprehensive variables in addition to macroeconomic indicators. The main reason for adopting such an approach is to consider economic evaluation comprehensively. In examining economies, institutional, social, and political factors also play a role, in addition to macroeconomic factors. In order to achieve sustainable development of economies, it is also necessary to improve the quality of institutional infrastructure and institutions (Rodrik & Subramanian, 2003). In other words, it is necessary to consider macroeconomic trends and socio-political structures in evaluating economies. Therefore, more than favorable macroeconomic performance results alone are needed to speak of overall success. Due to these concerns, there is a need for an index that can measure socio-political performance in addition to MPI. The main objective of the socio-political performance index (SPI) created in this regard is to ensure the comprehensive monitoring of institutional, social, and political changes. The primary constraint in selecting the variables for SPI is due to the duration of the period covered (1924-2023). Due to this fundamental constraint, the study cannot include some data sets that could be considered for use in the index (such as data sets developed by Freedom House and Vanhanen). The difficulty created by this situation has brought up the selection of comprehensive indices that could indirectly cover missing aspects. In this regard, the variables were selected by using indices created within the scope of the Varieties of Democracy (V-Dem) Institution and the POLITY project, and the index is calculated taking into account equal weight. (See Figure 2 for the selected variables in SPI).

Figure 2: Socio-Political Performance Index (SPI) Variables



The first variable that forms the socio-political performance index is the Freedom of Expression and Alternative Sources of Information Index, derived by the V-Dem Institute. This index measures the degree to which governments respect press-media freedom, individuals' freedom to discuss political issues and academic-cultural freedom of expression (Coppedge et al., 2016: 52). The second variable is the equality before the law and individual liberty index, derived by the V-Dem Institute. The index aims to measure the transparency and impartiality of the laws applied in the country, as well as access to justice, the reliability of property rights, the level of work, freedom of movement, and freedom of belief (Coppedge et al., 2016: 55). The third variable is the equal distribution of resources index, created by the V-Dem Institute. The index looks at how resources in the country are distributed concerning equality, particularly in education and health (Coppedge et al., 2016: 60). The fourth variable is the freedom of association index, created by the V-Dem Institute. The index measures the degree

to which political parties (including the opposition) are allowed to carry out their activities and participate in elections and the freedom of civil society organizations to carry out their activities (Coppedge et al., 2016: 51). The last variable is the Polity2 variable created within the Polity project. The project determines the form of governance in countries. The results of the socio-political performance index calculated for Türkiye are shown in Figure 4.

2.3. Economic Trend Index (ETI)

The economic trend index (ETI) was created to show the joint movements of macroeconomic and socio-political performance indices. The arithmetic average of MPI and SPI values is used to calculate ETI. In this context, increases in ETI generally indicate that improvements in socio-political structures support favorable economic conditions in the macroeconomic environment. Such a situation suggests that in addition to MPI, SPI is also rising. In other words, positive economic trends mean that in addition to macroeconomic gains, income distribution, property rights, and freedoms, which are the main determinants of SPI, are also considered during the same period. Conversely, a decline in economic trends indicates that economic conditions have worsened. The economic trend index (ETI) calculated for Türkiye for 1924-2023 is shown in Figure 5.

3. Evaluation of the Turkish Economy

3.1. Single-Party Period

The sub-periods within the single-party period have been created inspired by the classifications in the studies of Boratav (2007) and Kayra (2015). Figure 6 and Figure 7 present the details of MPI and SPI displayed during the single-party period.

3.1.1. Rebuilding in Open Economy Conditions (1923-1929)

The Turkish Republic was established through struggles against challenging conditions. During the struggle, attempts were made to eliminate political and economic dependencies inherited from the Ottoman Empire. In this direction, the Turkish delegation at the Lausanne Conference fought hard to remove capitulations and the Duyun-u Umumiye Administration, which accelerated the economic collapse of the Ottoman Empire and the demand for political independence. At the conference, the removal of the capitulations was accepted with the condition that the existing customs tariffs would be preserved until 1929, and the supervision of the Duyun-u Umumiye Administration was ended. With these gains, an attempt was made to end the financial control exercised arbitrarily by foreigners in the country. The most valuable gain from Lausanne is that the Turkish state has recognized itself as a fully independent entity on the international platform. The İzmir Economic Congress was held to determine Türkiye's economic policies. The necessity of following a national and independent economic policy and the need for development to proceed through private enterprise were emphasized at the İzmir Economic Congress. On the other hand, one foot of development is rapid economic growth, while the other is the enlightenment process of a society where the majority have not received education (Yaşa, 1980: 77).

During the years when the shape of the "New World" order was beginning to take form, it was emphasized at the Lausanne Conference and the İzmir Economic Congress that a new capital accumulation model was planned to be implemented based on industry (Şahinkaya, 2009: 29). Despite this, due to the majority of the population is engaged in agriculture in the structure that the Republic inherited, the successful growth rates obtained in the first few years (See Figure 6) were obtained from agriculture. However, due to the lack of any accumulation when Türkiye started with almost nothing and the inability to transfer accumulations from the agricultural regime to the industrial regime due to the absence of the bourgeoisie (Doğruel & Doğruel, 2003: 419; Şahinkaya, 2015: 16; Ercan et al., 2008: 227), the operation of the industrial-based accumulation model was negatively affected. Also, the decisions taken on customs tariffs at Lausanne limited the shaping of industrial policies at that time. Despite these situations, the first sharp decline in growth was due to drought in 1927 (See Figure 6), and the Industrial Encouragement Law was implemented to support the industrial sector.

During the establishment period, it aimed to increase people's consciousness and involve them in the production process for sustainable growth. For this reason, educational-based policies and laws (such as the Tevhid-i Tedrisat Law) were implemented. In other words, the goal was to create a structure that considers full employment conditions (Aysan, 2004: 32). In this regard, after the establishment of the Republic, a decrease in the unemployment rate was observed (See Figure 6). On the other hand, Atatürk pointed out the need to achieve growth by balancing the public budget, controlling inflation, and ensuring the balance of external payments (Aysan, 2004: 32-43). As a reflection of these sensitivities, over the years, generally successful performances were shown in terms of the inflation rate, current account balance, and budget balance to GDP (See Figure 6). In the early years of the Republic (1924-1929), the impact on the macroeconomic performance of the economic goals was generally positive (excluding the drought in 1927, which negatively affected economic operations and caused a decrease in GDP) (See Figure 6).

Dissolving cultural ties from society's past is more complicated than solving economic problems. Although the people suffered injustices during the Ottoman period, they resisted change. Because there was no time to lose, Atatürk's Reforms were quickly implemented. The construction of a new state sometimes required settling accounts with the destructive ties of the past, which could result in unwanted events. Türkiye experienced this from its foundation years. It is known that even the armed friends of Atatürk took strong positions against the transformation he wanted to achieve. This situation sheds light on why the reforms and revolutions applied in the early years of the Turkish Republic were sometimes implemented rigorously. For these reasons, the socio-political performance index (SPI) in the Republic's early years was low. The closure of the Progressive Republican Party, established in November 1924, six months after its foundation, shows that contradictory processes took place regarding freedoms (See Figure 7) (in the following periods, the closure of parties that did not represent the mainstream continued.).

From 1924 through 1929, a steady and successful trajectory was observed in macroeconomic performance because the economic model was implemented with solid theses (See Figure 6). It is also seen that free trade agreements directed the economic operation in the relevant period (Pamuk, 1984: 50). However, the failure to take freedoms into account in implementing

revolutions that will form the infrastructure of social progress has led to the inability to develop SPI. As a result, moderate success was achieved in terms of economic course, despite the failure of the socio-political structure to keep up with the macroeconomic performance achieved during this period (1924-1929) (See Figure 5).

3.1.2. Protective-State-Led Industrialization (1930-1938)

After the Great Depression in 1929, countries closed themselves off, leading to a sharp drop in imports worldwide. In response, the accumulation model attempted in Türkiye was re-evaluated. This condition allowed for the transformation of production towards domestically produced imports and allowed Türkiye to carry out its import substitution industrial movement (Sönmez, 2005: 79). Another factor triggering import substitution was the deadlock in the capital accumulation process based on agriculture (Pamuk, 1984: 40). On the other hand, during the industrialization process in developed countries, the industrial movement led by the state appeared as a reasonable option (Pamuk, 1984: 41). Thus, during the interwar period, Türkiye continued its capital accumulation process mainly under the state guidance, making its first industrial investments in this direction (Doğruel & Doğruel, 2003: 419). Additionally, the trade surplus obtained through protective policies implemented alongside the import substitution industrialization shaped by the state after the Great Depression partially prevented an increase in external debt and reduced the stock of external debt, contributing to industry development (Sönmez, 2005: 82-85).

The period after 1929 is not only considered in the context of an economic crisis in Türkiye. One of the provisions of the Lausanne Treaty was that customs tariffs would remain fixed for a certain period. The expiration of this specified period in 1929 made the period after 1929 significant beyond the Great Depression. Following the expiry of this period, customs tariffs in Türkiye began to be raised, which led to the materialization of the industrialization drive aimed at local production since the foundation of the country (Kepenek & Yentürk, 2000: 61).

In response to the economic depression, measures were taken at the beginning of the 1930s to balance the budget and limit imports, which brought positive results in the budget balance and current account balance to GDP, especially after 1933 (See Figure 6). Also, these measures led to "state capitalism" implementation to ensure continuity and economic revival (for detailed information on state capitalism, see Kepenek & Yentürk, 2000: 67; Boratav, 2006).

On the other hand, although specific macroeconomic indicators showed a positive trend in the 1930s, the overall macroeconomic situation was negative due to the impact of the 1929 Crisis (See Figure 6). The general negativity brought about by the economic crisis that affected the world led to apparent poverty in the country. The reflection of poverty in society and dissatisfaction has also intensified feelings of hopelessness. This situation has revealed alternative solution searches. Western integration is one of these searches. In this context, the Free Republic Party was established in 1930 with Atatürk's initiatives. The objectives of the Free Republic Party were summarized in two points. The first is pluralistic democracy, and the second is the liberal economic model. The reflection of this step on society did not meet expectations. Regime opponents gathered in this party and claimed that salvation was a regime change. The second attempt at a democratic transition threatened the regime instead of having the expected effect, so the party was closed a few months after its establishment.

Along with societal dissatisfaction, the party closure in 1930 showed that little progress in SPI could not be sustained (See Figure 7). The general negative trend created by the Great Depression on macroeconomic performance was attempted to be overcome by establishing a new party to develop the sociopolitical structure. With no positive outcome from this attempt, the decline in the economic trend became apparent at the beginning of the 1930s (See Figure 5).

The First Development Plan was implemented to reverse the adverse developments in the economic situation. Although the plan did not achieve complete success due to the hostile environment created by the Great Depression, it made valuable contributions to the creation of a national economy in which the private sector was involved. The goal was to improve the socio-political structure through the progress created by granting women the right to vote and be elected in 1934. The point reached by MPI in 1936 can establish the thesis that the state-centeredness and the development plan were successful. The preparation of the Second Five-Year Industrial Plan in 1936 confirms that this trend was supported. However, it should be emphasized that this plan was not implemented due to insufficient resources (Kongar, 2012: 353). After the effects of the crisis began to be overcome, the economic situation was seen to have a wave-like but upward trend (driven by macroeconomic performance) until 1938 (See Figures 5 and 6).

3.1.3. Years of War: Before and After World War II (1939-1950)

Despite the harmful effects of the Great Depression, it can be said that partial positive results were obtained with the state-centric understanding of the 1930s. This situation was interrupted due to Atatürk's death and the outbreak of World War II. To fill the political vacuum created by Atatürk's absence, Prime Minister Celal Bayar played an essential role in selecting İnönü as the President, despite their different ideas, with the importance of the continuity of the state. On the other hand, with İnönü's assumption of office, declaring Atatürk as the "Eternal Leader" and himself as the "National Leader" brought concerns (Ahmad, 2007: 88). İnönü's step raised debates in the context of Atatürk's departure from the search for democracy, while the outbreak of World War II overshadowed the debates. Türkiye paid a heavy price for its participation in World War I. For this reason, it took careful steps to avoid participating in World War II. However, Türkiye's non-participation in the war did not prevent it from keeping its army ready. 500,000 army was kept prepared during the war (Cem, 2008: 258). Such an expenditure structure made it necessary to make certain decisions. Türkiye abandoned the sound monetary policy it had taken at the İzmir Economic Congress and tried to cover costs by printing money. Such an endeavor was inevitably inflationary (See Figure 6 for the World War II period). In addition to the adverse effects of price pressure, allocating most of the country's production to the army's expenses had a destructive impact on society. That era is remembered as a time of bread rationing, the black market, and lines (Ortaylı, 2015: 91).

The start of the war caused a rapid decline in the MPI due to a contraction in the economy and rapid inflation (see Figure 6). To meet the financial obligations created by the war, measures were taken beyond printing money. One of these steps was aimed at comprehensively directing the production process of the public through the National



Çelik, E. U. (2023). Analysis of Turkish Economy from Macroeconomic and Socio-political Perspective (1923-2023). *Fiscaeconomia*, 7(Özel Sayı), 310-337. Doi: 10.25295/fsecon.1246853

Protection Law. To support this step, restrictions on imports were imposed. Additionally, the most controversial decision of the period was the Property Tax Law implemented in 1942 (for detailed information see. Aktar (2013)). Along with the arbitrariness in implementing the Property Tax, targeting minorities with harsh sanctions has caused this law to go down in history as a dark mark (Cem, 2008: 258-259).

The negative impacts of World War II primarily showed their destructive face on the economy. The decline in social life due to this negative trend that started in the economy, mainly due to implementations like Wealth Tax, led to a decrease in equality and individual freedoms index (See Figure 7). The sharp decline in macroeconomic performance during the war period can be referred to as a rapid economic deterioration following the tensions experienced in the institutional and socio-political structure (See Figure 5). On the other hand, the continuity of the accumulation process based on import substitution was ensured by the war's positive impact on raw material prices (Sönmez, 2005: 79). As a result, it can be seen that the trade sector has emerged in the forefront of the capital accumulation process. Additionally, the accumulated capital in the production process was used in production financing (Doğruel & Doğruel, 2003: 419-420).

In the Cold War environment that emerged after World War II, countries were left to choose between the "Western Bloc" led by US hegemony or the "Eastern Bloc" of the Soviet Union. Türkiye decided to align with the West, which represented the capitalist structure. The foundations of the operating mechanism of the side chosen by Türkiye were laid with the Bretton Woods system. In the system's functioning at that time, emphasis was placed on industrialization based on import substitution and the need for the state to have a say in economic operations, with the influences of Keynes (Erder, 2010: 229-230). It is seen that internal reasons alone did not affect Türkiye's import-substituting industrialization process and that external factors were also decisive.

Türkiye made an important decision for its nation by not participating in World War II. However, the fact that the war was taking place near Türkiye forced the country to live in war-like conditions. The continued Soviet threat after the war led to the continuation of mobilization conditions. The public, faced with scarcity conditions and the inflationist pressures exacerbated by the policies being followed, saw the sole responsibility for these war-like conditions lying with the single-party government, the Republic People's Party (CHP). As the power of the private sector began to emerge, they wanted to break their ties with the state and bureaucrats who had supported them from the beginning and thought this was possible through a new political party (Kongar, 2012: 144-149). The fall of fascism and the rise of democracy in the world after the defeat of Germany and America's declaration of absolute dominance in World War II were reflected in increasing relations with the US in Türkiye (Boratav, 2007: 350-353). The support given by İnönü, who took office amid uncertainty following Atatürk's death, for measures to eliminate the need for democracy and opposition, despite the doubts surrounding him, was influential in the transition to a multiparty system (Ahmad, 2007: 125-126). Despite a single party in the parliament, different voices became apparent due to all these factors. Heated debates over the Land Reform Bill followed the discontent with implementing the Wealth Tax. The process started with rejecting the Four-Article Statement, leading to the establishment of the Democratic Party (DP) in 1946 and the

beginning of the challenging process of bringing it to power (Lewis, 2004: 303-305). Following World War II, the reflection of democratic and liberalization steps in Türkiye, which began to take shape (such as the devaluation in 1946, approval of the UNESCO Convention, admission to the International Monetary Fund (IMF) in 1947, membership to the OECD in 1948 and signing of the Universal Declaration of Human Rights), mainly led to upward trends in MPI and SPI (especially the positive effect created by the expanded freedom of expression in the first multiparty general election in 1946 and the POLITY2 index) and had a positive impact on the economic course (see Figures 5, 6 and 7).

3.2. The Multiparty Period

The coming to power of the Democrat Party (DP) in Türkiye in 1950 symbolizes the actual transition to the multiparty period. Öniş & Şenses (2009) have been utilized for the classification of the stages of the multiparty period. Figure 8 and Figure 9 provide details of the macroeconomic and socio-political performance displayed during the multiparty period.

3.2.1. Agriculture-Based Integration into the World Economy Initiative (1950-1960)

After the Second World War, reports published by American delegations (such as the Thornburg Report) suggested that Türkiye transition to a more open and liberal economic model (Öniş & Şenses, 2009). Although they followed this suggestion through the DP reports, it is claimed that the economic model they tried to implement was not remarkably different from the previous period (Kongar, 2012: 358). As a result, the active role of the public sector in the production process appeared to be contrary to what was stated in the Democratic Party programs. In this context, steps taken in road construction and the encouragement of using tractors in the agriculture sector followed. With the support of foreign aid, which picked up pace after Türkiye's military support for the Korean War and subsequent membership in NATO, along with other favorable conditions (such as increased demand for agricultural products), high growth figures were reached in the first years of the 1950s (See Figure 8). In these years, in addition to growth figures, other macroeconomic indicators (such as the inflation rate) led to reasonable levels of MPI being achieved (See Figure 8).

Türkiye's transition to a multiparty system, widespread sections of society became more effective in the decision-making process, and the DP that came to power focused frequently on freedom and prosperity rhetoric in its early years, resulting in the progress that started in the SPI after 1946 continuing to accelerate after 1950 (See Figure 9). On the other hand, with the transition to a multiparty system in 1950, the ruling party's focus on maintaining its base brought a lull in the distribution of resources that were developing until the end of 1949 (See Figure 9). Despite this, the successful macroeconomic performance displayed in the early 1950s had a positive impact on the economic trend, generally reflected in the socio-political sphere as well (positive developments in the expanded freedom of expression, equality before the law, and individual freedom, freedom of organization, and the POLITY2 index) (See Figure 5).

In the 1950s, capital accumulation was attempted primarily through agriculture and foreign trade. This was due to the inclusion of new lands in the production process, the positive impact of weather conditions, and the demand for agricultural goods due to the Korean War. With these developments and the importance placed on foreign trade during this period, increases

in export levels were observed. However, despite efforts to revitalize exports, imports remained higher than exports during these years. As a result, the aid and debts provided by the US under the Marshall Plan to Türkiye were mainly used to finance imports. After 1953, with the disappearance of the favorable conditions that had provided this favorable environment, a decline in MPI was observed (See Figure 8), and a foreign exchange deadlock was entered in the accumulation process. For these reasons, starting from 1954, in the face of declining exports, it can be said that an import substitution experience emerged with State Economic Enterprises under private sector control and with a focus on industrialization. Also, during this challenging period, foreign trade imbalances were tried to be financed through direct foreign investments and loans provided through mechanisms directed by actors such as NATO and OECD.

The downturn of the economic trend after 1953 was also reflected in the declines in the SPI (See Figure 9). The DP's attempt to transfer all property of the CHP to the Treasury, the alteration of the structure of the Village Institutes, the closure of the National Party, the pressure on the press, and the events of 6-7 September caused a decrease in almost all sub-indices of the SPI (See Figure 9) (Akşin, 2005: 216-218). After the absolute power brought by the victory of the DP in the 1954 general election, Prime Minister Menderes began to ignore any opposing ideas. In other words, "the approval from the people led to a purification from any doubts about the politics he followed" (Ahmad, 2007: 136). Also, the deteriorated public finances, increasing inflation rates (See Figure 8), and payment balance problems resulting from populist policies, especially in the agriculture sector, led to a severe economic crisis in the late 1950s. In 1958, an IMF recipe for crisis exit was sought. Additionally, the majority of the measures, including the devaluation of the Turkish lira in 1958, remained at an abstract level and negatively affected the economic trend. The adverse events in the macro-economy and the socio-political structure emphasized the deterioration in the economic direction in the second half of the 1950s (See Figure 5).

The macroeconomic and socio-political performance displayed in the second half of the 1950s was less satisfactory compared to the early years. The DP government's continuation of arbitrary and repressive attitudes instead of fixing the deteriorating economic situation resulted in the deepening of problems (Kongar, 2012: 153-154). The military coup in 1960 marked the beginning of a new multiparty democracy and marked the end of the agriculture-based liberal and populist era.

3.2.2. Inward, Planned, and Import Substitute Industrialization (1960-1980)

By the 1960s, the unsuccessful economic experiences of the DP's final periods were attributed to policies implemented without a plan. In this direction, establishing the State Planning Organization (DPT) is one of the steps sought for resolving problems. The preparation of the First Five-Year Development Plan also reflects the era's spirit. The plans prepared had the characteristics of being mandatory for the public sector, guiding the private sector, focusing on industrialization oriented towards the domestic market, and excluding agriculture to a great extent (Pamuk, 2014: 235). The planning axis was combined with the introverted, planned, imitative development strategy. With this new model, the state has primarily

directed the economy through public economic enterprises and other policies, such as financial pressure and restrictions on foreign trade.

Additionally, investments were carried out using domestic rather than external sources (Pamuk, 1984: 62). The planned industrialization attempt, which was tried to be implemented, showed improvement in the MPI starting from the 1960s, considering the progress made and economic balances (e.g., payments balance) (See Figure 8). Alongside these improvements, the new constitution, which came into effect in 1961, and the expansion of social and other rights (such as the scope of the social state, press freedom, strike, and union rights) have allowed for rapid increases in all sub-indices of the SPI, strengthening the rise in SPI (See Figure 9). The positive picture observed in both MPI and SPI has positively reflected itself in the economic course (See Figure 5).

After a short interim period, the first half of the 1960s continued with coalition governments and the second half with single-party rule (Justice Party-AP). Türkiye, which began to be managed under the leadership of Süleyman Demirel in 1965, changed the nature of its planning tool to support the private sector instead of directing it to the private sector (Pamuk, 2014: 236). The complementary role of industrial entrepreneurship, private entrepreneurs, and public economic enterprises has created a harmonious environment. On the other hand, since the mid-1960s, economic downturns have been experienced due to internal and external reasons (for details, see Pamuk, 2014: 241-245). The reflection of this situation in MPI shows significant declines (See Figure 8). In response to economic downturns, the reaction of the strengthened social classes (especially the working class) under the 1961 Constitution has been to resort to strikes and resistance (Atılğan, 2012: 292-295). Workers carried out one of the harshest counteractions on June 15-16, 1970. The Chief of General Staff of the period described the resistance as "social awakening exceeded economic development". The decline in MPI from the mid-1960s to 1970 is contradicted by the fact that SPI achieved its highest values to date (See Figure 8 and Figure 9). The 12 March 1971 Coup, which took place under this structure, caused a pause in democracy and harmed freedom of expression, equality before the law, individual freedom, freedom of organization, and the POLITY2 index, and the reflection of this situation showed a rapid decline in SPI (See Figure 9). Alongside this decline, the continuation of the decrease in MPI has caused economic conditions to be negatively affected (See Figures 8 and 5).

In the second half of this universe, the failure to abandon the reactive state approach has begun to distance the country from its sustainable growth goals and capture the spirit of the time. In this context, the problems that emerged from the model applied in the 1970s disrupted the current account balance, especially after 1973 (see Figure 8). More explicitly, the Turkish lira appreciated due to the comprehensive economic policies (money, interest, and exchange rate) that followed, which was reflected as a current account deficit. The maintenance of the deficit was attempted through capital inflows and foreign borrowing. On the other hand, investment programs led by the public sector were encountered during 1970-1976, referred to as the second stage of import substitution industrialization. What distinguishes this period from others is that the industrial sectors with the potential to compete with the world were protected by quotas and tariffs, and the protection rents that

emerged during this process were transferred to the national industrial bourgeoisie (Yeldan, 2001: 37-38).

In 1977, the structure displayed during the import substitution period, which considered all social strata, began to be unsustainable. The underlying cause of this deadlock was the pressure exerted by the overvalued TL on sectors trying to export and the inability of the industry to generate the foreign currency needed for the operation of its production process. In addition, inflation in the economy, a significant current account deficit, and negative growth performance were observed (See Figure 8). On top of all these reasons, difficulties in accessing foreign debt opportunities made financing imports in the country difficult. This situation caused contractions in sectors relying on imports for production, deepening the slowdown of the economic operation (Yeldan, 2001: 43).

The deterioration of the external environment (oil shocks) and the inability to resolve internal problems and political conflicts resulted in a deep economic crisis (1978-1979) by the end of this decade. Remarkably, the failure of the short-lived coalition and minority governments to take necessary financial and other measures in time from the mid-1970s has led to negative performance in the MPI (See Figure 8). During this period, the Turkish people began to experience high and volatile inflation rates, and the growth rate significantly lost momentum (See Figure 8). More importantly, Türkiye followed a "prolonged import substitution industrialization strategy" like many Latin American countries and failed to transition to an export-based growth strategy without experiencing a crisis like some East Asian countries with proactive policies (Onis & Senses, 2009: 723).

On the other hand, the restrictions on trade union rights after the 12 March Coup could not prevent workers from continuing their struggles individually through unions, nor farmers and small producers (Atılğan, 2012: 297). This is why it can be said that the 1971 Coup could not take back the consciousness that the 1961 Constitution gave to social classes. The rise of the SPI after 1971 (See Figure 9) confirms this situation (excluding the last period in the SPI). Despite the general opposition in the SPI, the dominant decline in the MPI harmed the economic situation (See Figure 5). On another dimension of the event, the measures taken to reduce the effects of the crisis between 1977-1979 and to reduce inflation did not have the expected effect, which paved the way for the process that would completely transform the capital accumulation regime in the 1980s (Doğruel & Doğruel, 2003: 420).

3.2.3. The Outward-Oriented Liberal Period (1980-2001)

The 1980s began with significant transformations in the Turkish and world economies. The liberalization movement led by Reagan in the US and Thatcher in the UK was presented as a solution, in the form of the "Export-Oriented Growth" model, to developing countries in debt crisis (Kazgan, 1999: 136). In this context, the monetarist policies applied by the US Federal Reserve Chairman Volcker affected interest rates. This caused peripheral countries to fall into a foreign debt crisis. The IMF and the World Bank brought the debt crises to the agenda, transforming these countries' economic, institutional, and social policies (Boratav, 2010: 90-91). In Türkiye, the 12 September Military Coup and the subsequent Motherland Party (ANAP) actively implemented this recipe in a legally and institutionally regulated manner (Boratav, 2010: 399).

The Turkish economy was liberalized with the 24 January 1980 program, reducing the role of the state and changing its objective (for more information on the 24 January 1980 program, see Kazgan, 1999; Mütevellioğlu & Sönmez, 2009; Boratav, 2007; Celasun & Rodrik, 1989). Adopted under the influence of external actors and the context, this new (neoliberal) model aimed for a private sector-focused and export-based development strategy in line with the world economy (for detailed information on the neoliberal model, see Öniş & Şenses, 2009). Conversely, the 12 September 1980 military coup resulted in another long-term interruption of multiparty democracy. The new constitution in 1982 also resulted in the erosion of social rights, causing a decline in all the sub-indices that make up the SPI, thereby sharpening the SPI's decline (See Figure 9).

Türkiye, as a result of the "stability" policies followed during the military rule period (1980-1983), achieved positive developments in growth, inflation, and public budget balance and achieved rapid rises in the MPI (See Figure 8). However, it must not be forgotten that the main economic tools used during 1980-1988 aimed to promote exports and macroeconomic stability but were also characterized by suppressing wages (Boratav et al., 2000: 113-114). As a result, a medium performance was shown in the economic trend, as the rapid rise in the MPI combined with the decline in the SPI (See Figure 5). Furthermore, it can be seen that the industrial sector, which was expected to generate its accumulation from production with the beginning of Türkiye's opening process, focused on speculative gains along with the banking sector (Doğruel & Doğruel, 2003: 420).

Following the gradual transfer of power from the military regime to its workings (after 1983), the lifting of political bans through a referendum in 1987, and the increase in real wages after being suppressed during the period 1980-1988 (Celasun, 1995: 129), there were improvements in the distribution of resources and increases in the POLITY2 index for expanded freedom of expression and freedom of organization. This solidified the increases in SPI (See Figure 9). On the other hand, the competitive environment created by lifting political bans led to significant increases in public spending by ANAP governments, worsening chronic inflation and budget deficits, negatively impacting MPI after 1987 (See Figure 8). The deviation from the "growth-oriented toward exports" perspective also explains the negative macroeconomic performance displayed in these years (Yeldan, 2001: 39). Additionally, the Decree No. 32 taken in 1989 removed all restrictions on capital movements. However, financial liberalization without creating the necessary conditions (especially financial discipline and effective regulation of the financial system) exposed the economy to short-term hot money inflows and outflows, making it vulnerable (See Figure 8).

On the other hand, with these steps taken, the central bank's control over foreign exchange and interest has also weakened. In the new conditions, maintaining economic balance has been adapted to maintaining high real interest rates. In this way, foreign capital was expected to contribute to financing public deficits through short-term (speculative) investments. However, the potential for increased imports and consumption was not fully considered (Köse & Yeldan, 1998: 55).

The 1990s, however, indicate the end of the capital accumulation process, obtained by suppressing the wages mentioned above and the beginning of forming a new operation. The

state's role in this new structure is to ensure the distribution of social income on the one hand and, on the other hand, to take over the costs mainly belonging to the private sector (Yeldan, 2001: 26). In this new structure, the majority of coalition governments serving in the 1990s either continued to implement populist policies that were sustained by additional borrowing instead of preventing the chronic inflation problem, the increasing budget deficits (See Figure 8), and the increasing debt burden or they generally postponed stability policies. In addition, the failure to properly regulate the financial system rapidly increased the fragility of the macroeconomic environment. As a result of these observations, MPI was observed to be at low levels in the 1990s (See Figure 8). In addition, unlike MPI, increases were observed in SPI, along with the end of the Cold War and the resumption of relations with Europe, which were suspended in 1982 and revived in 1986 (See Figure 9). The economic situation followed a fluctuating course due to the socio-political gains resulting from the macroeconomic instability (See Figure 5).

The process Türkiye underwent after 1989 (especially after the Decree No 32) revealed the inadequacy of the country's financial markets. This inadequacy was influenced by the fact that the markets in the country did not have the accumulation and regulation to withstand international speculative attacks. "Capital flight and the replacement of the national currency (dollarization) directly leads to an increase in real interest rates, while on the other hand, it requires the exchange rate to be kept cheap. This development led to the 1994 crisis due to the insecurity it created in international markets and the inability to sustain the returns of hot money" (Köse & Yeldan, 1998: 56). Additionally, the government's decision to solve the worsening interest rate problem with a faulty approach also contributed to the deepening of the crisis. As the MPI approached its bottom in 1994, the inflation rate reached the highest levels in the country's history (see Figure 8).

The stability package adopted at the point of exit from the crisis is based on tight monetary policies and suppression of wages implemented in the past. At this point, it should be emphasized that the aim of the contractionary and repressive policies implemented by the government is not only to restore the functioning of the economy but also to transfer the accumulated wealth to the "rentier/speculative" sector through interest payments. Instead of solving Türkiye's economic problems by focusing on structural causes, by trying to solve them by focusing on the present and the interests of the dominant class, the functioning of the country's economy has become speculative, seeking speculative gains, away from production and investment. As a result, the economy has followed a path dependent on external conjunctural developments (Köse & Yeldan, 1998: 57-65). In addition, Türkiye experienced a similar process in 1997 as the military memorandum.

The Turkish economy, which has become vulnerable to global operations, was negatively affected by the Asian Crisis in 1997 and the Russian Crises in 1998. Along with the insecurity caused by the crises in the international arena, the loss of functionality of short-term capital movements in the face of interest arbitrage and the increase in political tensions within the country led to a financial-real crisis in 1999 (See Figure 8) (Yeldan, 2001: 54).

The three-party coalition government established in 1999 under the leadership of Bülent Ecevit began implementing a new stability program with the IMF determined to repair the

deteriorated public finance balance and reduce high inflation. However, due to problems within the coalition and other reasons (such as the complex anatomy of the program), this program stumbled in November 2000 and failed in February 2001. As a result of Türkiye's deep crisis in 2001, the MPI hit rock bottom (see Figure 8). On the other hand, Türkiye's acquisition of candidate status for the European Union (EU) (European et al. in Helsinki) and the implementation of reforms proposed by the EU have resulted in a kind of anchor. With the positive atmosphere created by this anchor, the rapid rise in the SPI began (see Figure 9). In addition to the MPI's declines, the SPI's upward trend has caused fluctuations in the economic trend index (see Figure 5) during the same periods.

3.2.4. Regulatory State Institutional Infrastructure and Presidential System (2002-2023)

After the 2001 crisis, a new economic program was prepared and implemented, led by Kemal Derviş, to the expectations of external actors. The program aimed to restore public financial balances and reduce inflation and mainly contained regulations for creating the institutional infrastructure of the regulatory state, such as banking sector reform and central bank independence (For more information, see Acemoglu & Ücer (2015)). After the early election decision of the tripartite coalition, the Justice and Development Party (AK Party) won the November 2002 general election as a single party and adopted this program generally, displaying good performances in the first years of MPI (2003-2006 period), in particular, the growth rate increased with the favorable effects of a relaxed external political and economic environment. Improvements were seen in public finances and inflation (See Figure 8). Also, the positive impact of reforms in expanding relations with the EU helped to enhance the rise in SPI (See Figure 9). Along with socio-political developments, the economic trend was positive in the 2003-2006 period (See Figure 5).

However, during this period, the rising and chronic current account deficit and unemployment rates (see Figure 8) indicate that the positive trend in macroeconomic performance is not sustainable in the long term. Also, the "2002-2006 period is a time when the IMF program handed over from Kemal Derviş to the AK Party is strongly directing the economic policy, with no other major economic policy choice than continuing the standby agreement" (Gürkaynak & Sayek-Böke, 2013: 64). According to Dani Rodrik, during this period, Türkiye's traditional macroeconomic populism based on public spending was revamped and private sector-oriented popular policies led to an increase in spending in this sector (Rodrik, 2015). As a result of continuing the essence of the economic policies implemented without changing, declines were experienced in MPI after 2006. Furthermore, the global crisis that broke out in 2008 and deepened in 2009 also manifested as a crisis in the Turkish economy, sharpening the decline in MPI (See Figure 8).

On the other hand, it is known that the abundance of money in circulation has flowed to emerging countries due to the low-interest environment in developed countries after the 2009 crisis (Yılmaz, 2020: 131). Looking at Figure 8, it can be said that Türkiye recovered from the crisis quite quickly due to this situation. However, the persistent current account deficit and unemployment problems, the increasing debt burden of the private sector, and the slowing growth rate have deepened the economy's vulnerabilities. During this period, the character and quality of growth have been compromised due to the transformation of

economic institutions and political factors (Acemoglu & Ücer, 2015). In particular, following the AK Party's re-election to power with a very high vote rate after the 2007 elections, the press statement made by the National Defense General Staff in April 2007 (e-memorandum) and the indictment against the AK Party in March 2008 can be interpreted as an intervention in democratic functioning. The same period is also indicated by the killing of journalist Hrant Dink and the uncertainties and injustices in the Ergenekon trial, which led to increasing concerns in the justice system. These circumstances can explain the sharp drops in SPI between 2007 and 2010 (See Figure 9).

Since 2009, Türkiye has become one of the world's focal points for circulating money. It has been seen that this source has been used primarily to boost construction and consumption, which has little impact on productivity. This situation has caused increases in the MPI and revealed growth (See Figure 8). In late 2010, the Arab Spring movement broke out, primarily due to economic and socio-political reasons. At the end of 2011, the "Occupy Wall Street" movement appeared to protest the inequalities in USA. The indirect effect of these events on Türkiye was seen in the 2013 Gezi Park protests, which expressed similar demands such as freedom of speech and democracy. The movement ended with the intervention of security forces.

On the other hand, the conflict between the AK Party and the Gülen group (for detailed information on the relations between the AK Party and the Gülen movement, see. Eroler (2019)) became a topic of discussion, first with bribery and corruption investigations and then with the 15 July coup attempt. Emergency measures were taken to address the security gap created by this conflict environment. Although these measures are controversial, they harmed the SPI (See Figure 9). The average and fluctuating performance of the MPI has caused a sharp drop in the SPI, especially after 2015, leading to an apparent deterioration in the economic situation (See Figure 5).

In April 2017, a referendum was held to solve the negativity across the country, and the country switched to the Presidential Government System. In July 2018, the state of emergency was lifted. Such actions slowed down the sharp drops in SPI (See Figure 9). On the other hand, the uncertainties intensified after the coup attempt hurt the macroeconomic environment. In particular, a currency crisis was experienced in the country after the arrest of an American priest in August 2018. This situation negatively affected the macroeconomic performance (See Figure 8). The negativity in both MPI and SPI sharpened the decrease in economic trends at that period (See Figure 5).

In 2018, the negative effects of the currency crisis on macroeconomic indicators gradually manifested themselves sharply in 2020. In addition, the Covid-19 pandemic brought the world's economic functioning to a standstill in 2020. Türkiye, like other countries, has been negatively affected by this situation. All these negative developments manifested themselves in a sharp decline in the MPI. In order to prevent this decline in Türkiye, the "New Economy Model" was announced on November 30, 2021. The basic approach of this model was to increase exports and reduce imports by lowering interest rates. Thus, this approach could lead to high current account surpluses, rapid growth, and high employment. On the one hand, it is natural to expect such gains with exchange rate advantages due to the depreciation of the TL.

On the other hand, taking such initiatives without addressing the structural problems in both the economy and the socio-political structure is likely to have different effects than expected. Indeed, Türkiye has faced higher inflation and current account deficit problems since the model was introduced. This led to another sharp decline in the MPI in 2022 (See Figure 8). In the absence of significant developments on the socio-political front, the ETI also declined (See Figure 5).

The year 2023 almost started with an earthquake disaster for Türkiye. According to official figures, the earthquakes in February took the lives of over 50,000 people in Türkiye. The economic cost of the earthquake is estimated to be over 100 billion dollars. The 2023 elections took place in May, with negative effects of the earthquake on society and negative consequences on the economic environment. The election results showed that the current administration will continue. On the other hand, the current administration decided to change the existing economic policies after the elections. The New Economy Model started to be replaced by orthodox policies. While such policies are expected to have positive impacts on the economy, the fact that the expected costs of the policies have started to be reflected on society raises concerns. In recent years, Türkiye has frequently failed to implement the decisions of the Constitutional Court and the European Court of Human Rights, is one of the countries with the highest number of imprisoned journalists in the world, and non-uniform practices on freedom of expression have caused contradictions in the socio-political structure to become apparent (See Figure 9).

4. Conclusion

Countries need to achieve quality and sustainable economic growth for their development. Reaching long-term economic performance requires positive macroeconomic developments, but they need to be more. It is generally emphasized that sustained long-term income growth can be achieved by supporting macroeconomic developments with socio-political developments. In this context, the macroeconomic performance index (MPI), socio-political performance index (SPI), and economic trend index (ETI) were created for the period 1924-2023 in Türkiye to monitor this process.

Analyses conducted with the help of indices indicate that Türkiye's socio-political structure, which was declining in its founding years, generally entered a rising trend with the attempts to transition to a multiparty system. On the other hand, it has been observed that the selected governments gave significant attention to socio-political developments (especially property rights and freedom of expression) in their early periods through rhetoric and policies. However, it can be said that the governments (especially after increasing their political power) later paid abstract attention to socio-political structures. This situation highlights the intensification of inequalities by pointing to the fact that certain sections are protected while others are excluded. Regarding macroeconomic performance, a performance with ups and downs has generally been followed. Usually, the trend of macroeconomic performance has been affected by developments in the world.

Governments have focused on populist policies rather than rule-based ones to sustain their power. This exacerbates vulnerabilities within the country. To reduce these vulnerabilities,



Çelik, E. U. (2023). Analysis of Turkish Economy from Macroeconomic and Socio-political Perspective (1923-2023). *Fiscaoeconomia*, 7(Özel Sayı), 310-337. Doi: 10.25295/fsecon.1246853

continuously developing the socio-political structure independently of the government is necessary. This can be achieved through improvements in property rights, freedom of expression, impartial justice, education, health, equality of opportunities, and independent and accountable structures. With these solid socio-political foundations, sustainable macroeconomic gains can be made. Economic programs built on a solid infrastructure are expected to resist external shocks and populist approaches. A policy environment with reduced uncertainty will open the way for medium and long-term planning. Increased predictability and security can facilitate investments based on productivity growth rather than short-term gains. This will provide sustainable macroeconomic governance and gains and contribute to human capital development, accelerating socio-political development.

These observations indicate that the economic situation's direction can be determined due to the interactions between macroeconomic and socio-political structures. In particular, the quality of macroeconomic gains obtained after strengthening the socio-political structure will be more sustainable and permanent, positively impacting the economic situation. Otherwise, the achievements may be short-lived, making it difficult to avoid the fluctuating and downward trend of the economic situation.

References

- Acemoğlu, D. & Üçer, M. (2015). The Ups and Downs of Turkish Economic Growth, 2002-2015: Political Dynamics. *The European Union and The Institutional Slide* (No. w.21608.), National Bureau of Economic Research.
- Acemoglu, D. (2003). Root Causes: A Historical Approach to Assessing the Role of Institutions in Economic Development. *Finance and Development*, 40(2), 27-30.
- Ahmad, F. (2007). *Modern Türkiye'nin Oluşumu*. İstanbul: Kaynak Yayınları.
- Akşin, S. (2005). Siyasal Tarih (1950-1960). S. Akşin (Ed.), *Türkiye Tarihi 4/Çağdaş Türkiye 1908-1980*. İstanbul: Cem Yayınevi.
- Aktar, A. (2018). *Varlık Vergisi ve Türkleştirme Politikaları* (Vol. 13). İstanbul: İletişim Yayınları.
- Atılğan, G. (2012). Türkiye'de Toplumsal Sınıflar: 1923-2010. F. Alpkaya & B. Duru (Ed.), *1920'den Günümüze Türkiye'de Toplumsal Yapı ve Değişim*. Ankara: Phoenix Yayınevi.
- Aysan, M. A. (2004). *Atatürk'ün Ekonomik Görüşleri*. İstanbul: Toplumsal Dönüşüm Yayınları
- Barro, R. (1996). Democracy and Growth. *Journal of Economic Growth*, 1(1), 1-27.
- Boratav, K. (2006). *Türkiye'de Devletçilik*. Ankara: İmge Kitapevi
- Boratav, K. (2007). *Türkiye İktisat Tarihi, 1908-2005*. Ankara: İmge Kitabevi.
- Boratav, K. (2010). *Emperyalizm, Sosyalizm ve Türkiye*. İstanbul: Yordam Kitap
- Boratav, K., Yeldan, E. & Köse, A. H. (2000). Globalization, Distribution, and Social Policy: Turkey, 1980-1998. *CEPA and The New School for Social Research*, 20, 113-114.
- Bozdağ, İ. (1975). *Demokrat Parti ve Ötekiler*. İstanbul: Kervan Yayınları.



Çelik, E. U. (2023). Analysis of Turkish Economy from Macroeconomic and Socio-political Perspective (1923-2023). *Fiscoeconomía*, 7(Özel Sayı), 310-337. Doi: 10.25295/fsecon.1246853

- Celasun, M. & Rodrik, D. (1989). Turkish Experience with Debt: Macroeconomic Policy and Performance. J. D. Sachs (Ed.), *Developing Country Debt and The World Economy*. Chicago and London: University of Chicago Press. 193-211.
- Celasun, M. (1995). 1995-2000 Döneminde Türk Ekonomisinin Gündemi. M. Kabasaka (Ed.), *Türkiye Sorunlarına Çözüm Arayışları*. İstanbul: Boyut Kitapları.
- Cem, İ. (2008). *Türkiye’de Geri Kalmışlığın Tarihi*. İstanbul: Türkiye İş Bankası Kültür Yayınları.
- Çolak, Ö. F. & Aktaş, A. (2010). *Makro Ekonomik Göstergelerin Yorumlanması*. Ankara: Efil Yayınevi.
- Coppedge, M., Gerring, J., Lindberg, S. I., Teorell, J., Altman, D., Bernhard, M. & McMann, K. (2016). *Varieties of Democracy: Codebook v6*. Sweden: University of Gothenburg ve V-dem Institute.
- Doğruel, F. & Doğruel, S. (2003). Türkiye’de Büyüme ve Makroekonomik İstikrar. A. H. Köse, F. Şenses & E. Yeldan (Ed.), *İktisat Üzerine Yazılar II İktisadi Kalkınma, Kriz ve İstikrar, Oktar Türel’e Armağan*. İstanbul: İletişim Yayınları.
- Ercan, F. Tanyıldız, K. & Karakaş, D. (2008). Türkiye’de Sermaye Birikimi, Sanayileşme Politikaları ve Sektörel Değişimler. G. Elmas Arslan (Ed.), *Çeşitli Yönleriyle 85. Yılında Türkiye Ekonomisi*. Ankara: Gazi Üniversitesi İletişim Fakültesi Basımevi.
- Erder, N. (2010). Türkiye’nin İlk Planlama Deneyimi. E. Türkcan (Ed.), *Attila Sönmez’e Armağan Türkiye’de Planlamanın Yükselişi ve Çöküşü 1960-1980*. İstanbul: İstanbul Bilgi Üniversitesi Yayınları.
- Eroler, E. G. (2019). *Dindar Nesil Yetiştirmek: Türkiye’nin Eğitim Politikalarında Ulus ve Vatandaş İnşası (2002-2016) (Vol. 2)*. İletişim Yayınları.
- Fischer, S. (1993). The Role of Macroeconomic Factors in Growth. *Journal of Monetary Economics*, 32(3), 485-512.
- Gürkaynak, R. & Sayek-Böke, S. (2013). AKP Döneminde Türkiye Ekonomisi. *Birikim Dergisi*, 296, 64-69.
- İnan, A. (1973). *Türkiye Cumhuriyeti’nin İkinci Sanayi Planı*. Ankara: Türk Tarih Kurumu.
- İsmihan, M. (2003). *The Role of Politics and Instability on Public Spending Dynamics and Macroeconomic Performance: Theory and Evidence from Turkey*. Doktora Tezi, ODTÜ, Ankara.
- Kayra, C. (2015). *Cumhuriyet Ekonomisinin Öyküsü: 1923-1950 Devletçilik Altın Yıllar (I. Cilt)*. İstanbul: Tarihçi Kitapevi.
- Kazgan, G. (1999). *Tanzimat’tan XXI. Yüzyıla Türkiye Ekonomisi*. İstanbul: Altın Kitaplar Yayınevi.
- Kepenek, Y. & Yentürk, N. (2000). *Türkiye Ekonomisi*. İstanbul: Remzi Kitapevi.
- Kongar, E. (2012). *21. Yüzyılda Türkiye*. İstanbul: Remzi Kitapevi.



Çelik, E. U. (2023). Analysis of Turkish Economy from Macroeconomic and Socio-political Perspective (1923-2023). *Fiscaoeconomia*, 7(Özel Sayı), 310-337. Doi: 10.25295/fsecon.1246853

- Köse, A. H. & Yeldan, E. (1998). Turkish Economy in the 1990s: An Assessment of Fiscal Policies, Labor Markets, and Foreign Trade. *New Perspectives on Turkey*, 18, 51-78.
- Kuruç, B. (1987). *Mustafa Kemal Döneminde Ekonomi*. Ankara: Bilgi Yayınevi.
- Lewis, B. (2004). *Modern Türkiye'nin Doğuşu*. Ankara: Türk Tarih Kurumu.
- Mankiw, N. G. (2010). *Makroekonomi*. Ankara: Efil Yayınevi.
- Mütevellioglu, N. & Sönmez, S. (2009). *Küreselleşme, Kriz ve Türkiye'de Neoliberal Dönüşüm*. İstanbul: İstanbul Bilgi Üniversitesi Yayınları.
- Okun, A. M. (1970). *The Political Economy of Prosperity*. New York: Norton.
- Öniş, Z. & Şenses, F. (2009). Küresel Dinamikler, Ülkeçi Koalisyonlar ve Reaktif Devlet: Türkiye'nin Savaş Sonrası Kalkınmasında Önemli Politika Dönüşümleri. F. Şenses (Ed.), *Neoliberal Küreselleşme ve Kalkınma: Seçme Yazılar*. İstanbul: İletişim Yayınları.
- Ortaylı, İ. (2015). *Türkiye'nin Yakın Tarihi*. İstanbul: Timaş Yayınları.
- Özatay, F. (2009). *Finansal Krizler ve Türkiye*. İstanbul: Doğan Kitap.
- Pamuk, Ş. (1984). İthal ikamesi, Döviz Darboğazları ve Türkiye, 1947-1979. K. Boratav, Ç. Keyder & Ş. Pamuk (Ed.), *Krizin Gelişimi ve Türkiye'nin Alternatif Sorunu*. İstanbul: Kaynak Yayınları.
- Pamuk, Ş. (2014). *Türkiye'nin 200 Yıllık İktisadi Tarihi*. İstanbul: Türkiye İş Bankası Kültür Yayınları.
- Rodrik, D. & Subramanian, A. (2003). The Primacy of Institutions. *Finance and Development*, 40(2), 31-34.
- Rodrik, D. (2009). *Tek Ekonomi Çok Reçete: Küreselleşme, Kurumlar ve Ekonomik Büyüme*. Ankara: Eflatun Yayınevi
- Rodrik, D. (2015). *Turkish Economic Myths*. http://rodrik.typepad.com/dani_rodriks_weblog/2015/04/turkish-economicmyths.html (29.08.2022).
- Şahinkaya, S. (2009). *Gazi Mustafa Kemal ve Cumhuriyet Ekonomisinin İnşası*. Ankara: ODTÜ Yayıncılık.
- Şahinkaya, S. (2015). Cumhuriyet Ekonomisi ve Gelecek. *İzmir Atatürk Organize Sanayi Bölgesi Dergisi*, 120, 16-30.
- Sönmez, S. (2005). *Dünya Ekonomisinde Dönüşüm*. Ankara: İmge Kitapevi
- Yaşa, M. (1980). *Cumhuriyet Dönemi Türkiye Ekonomisi, 1923-1978*. İstanbul: Akbank Kültür Yayını.
- Yeldan, E. (2001). *Küreselleşme Sürecinde Türkiye Ekonomisi Bölüşüm Birikim ve Büyüme*. İstanbul: İletişim Yayınları.
- Yılmaz, K. (2020). *Ekonomide Yeni Arayışlar*. İstanbul: Tekin Yayınevi.

Ethical Approval: The author declares that moral rules are followed in all preparation processes of this study. In the case of a contrary situation, Fiscaeconomia has no responsibility, and all responsibility belongs to the study's author.

Appendix

Figure 3: Macroeconomic Performance (MPI): 1924-2023

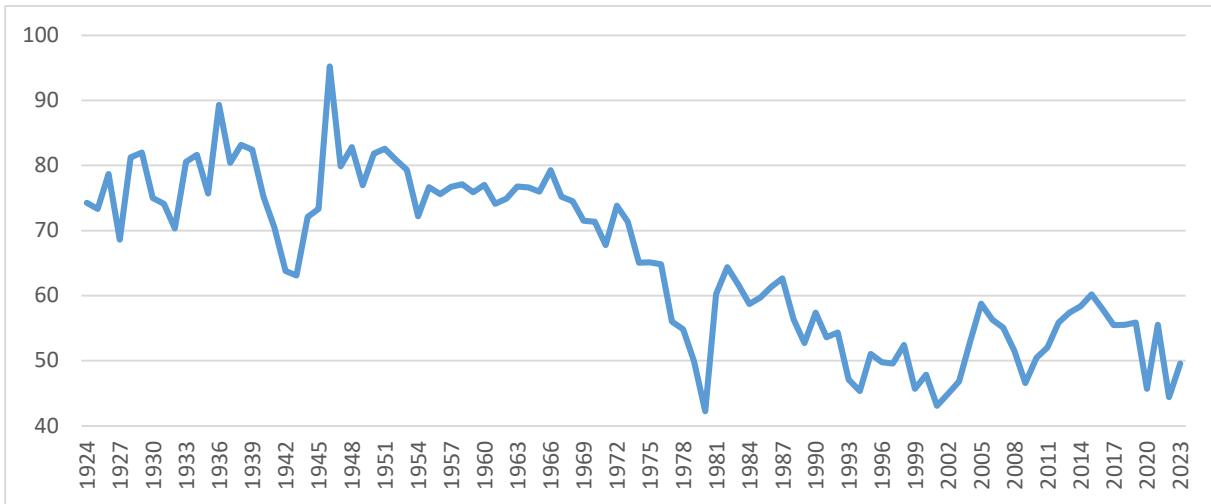


Figure 4: Socio-Political Performance Index (SPI): 1924-2023

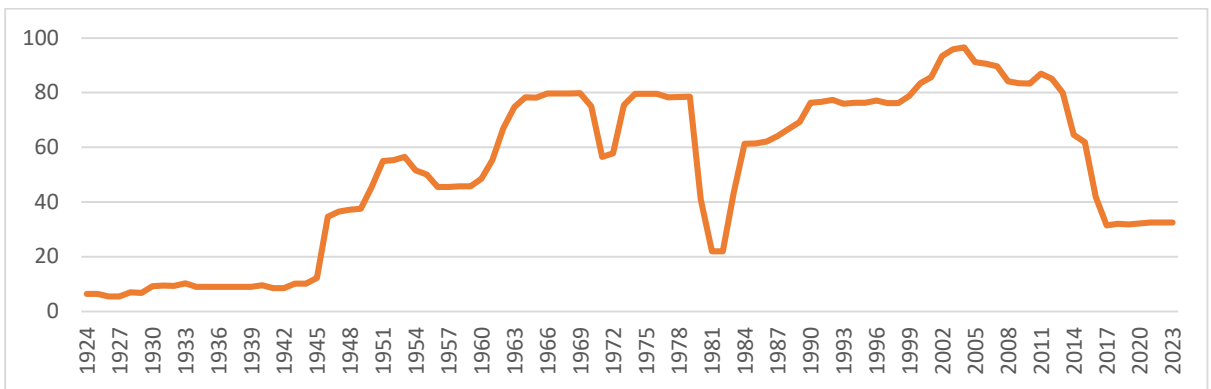


Figure 5: Economic Trend Index (ETI): 1924-2023

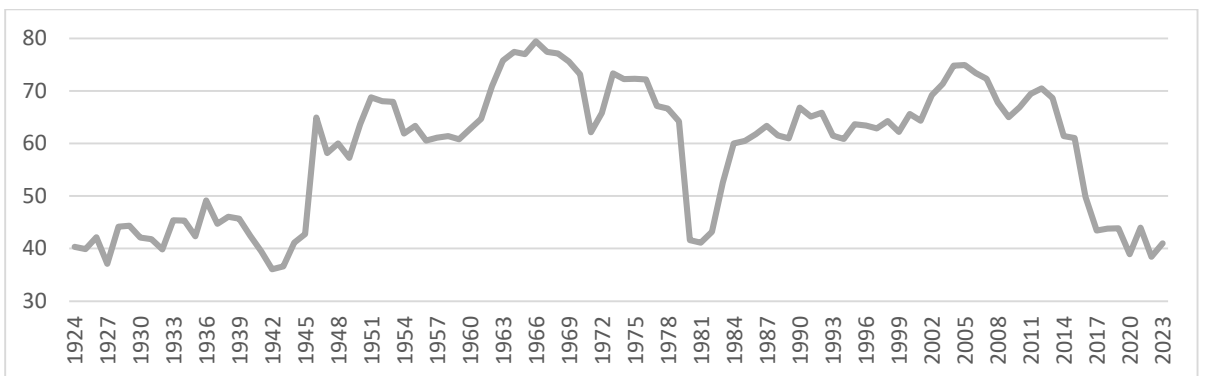


Figure 6: Macroeconomic Performance in the Single-Party Period

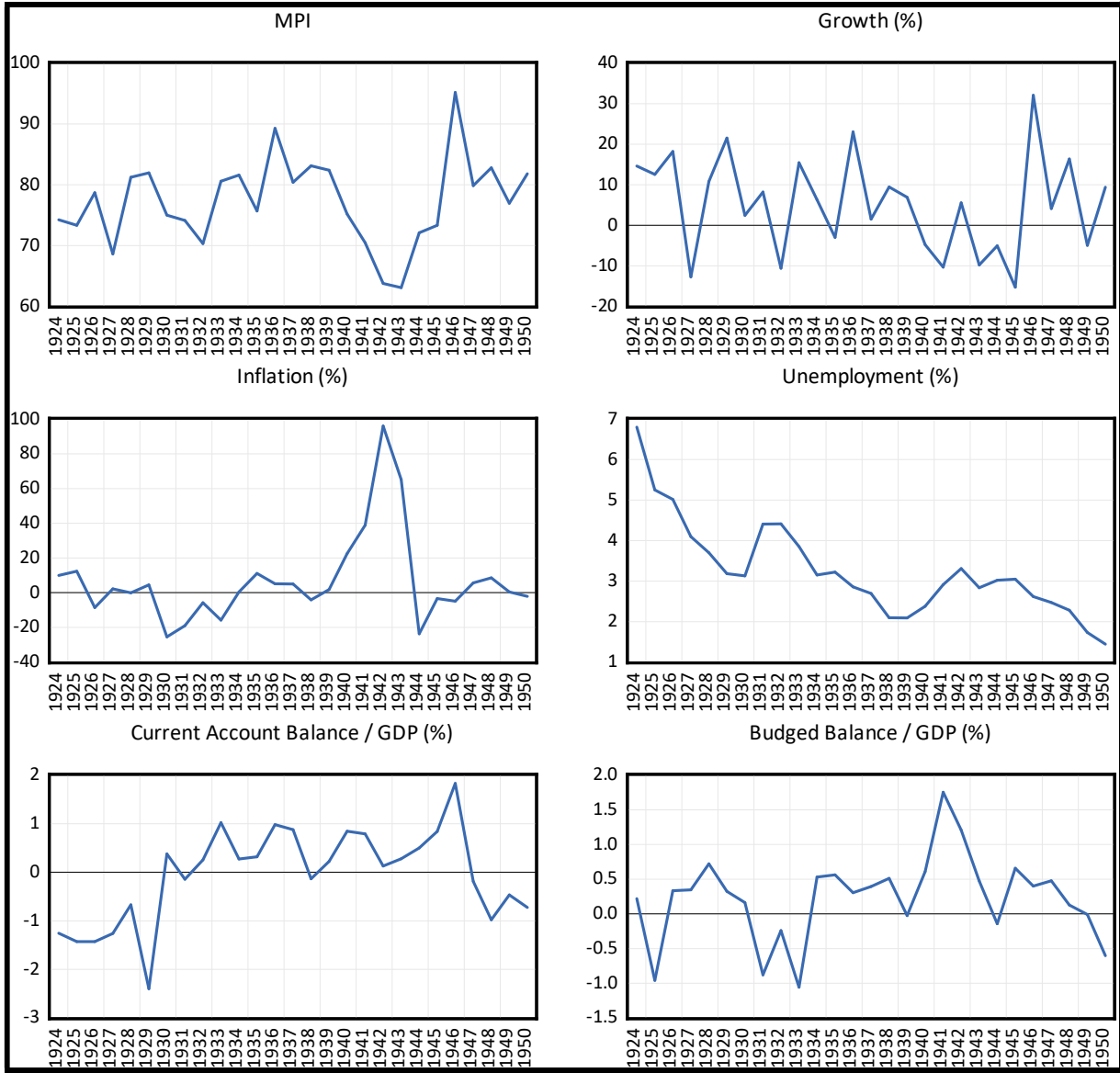


Figure 7: Socio-Political Performance in the Single-Party Era

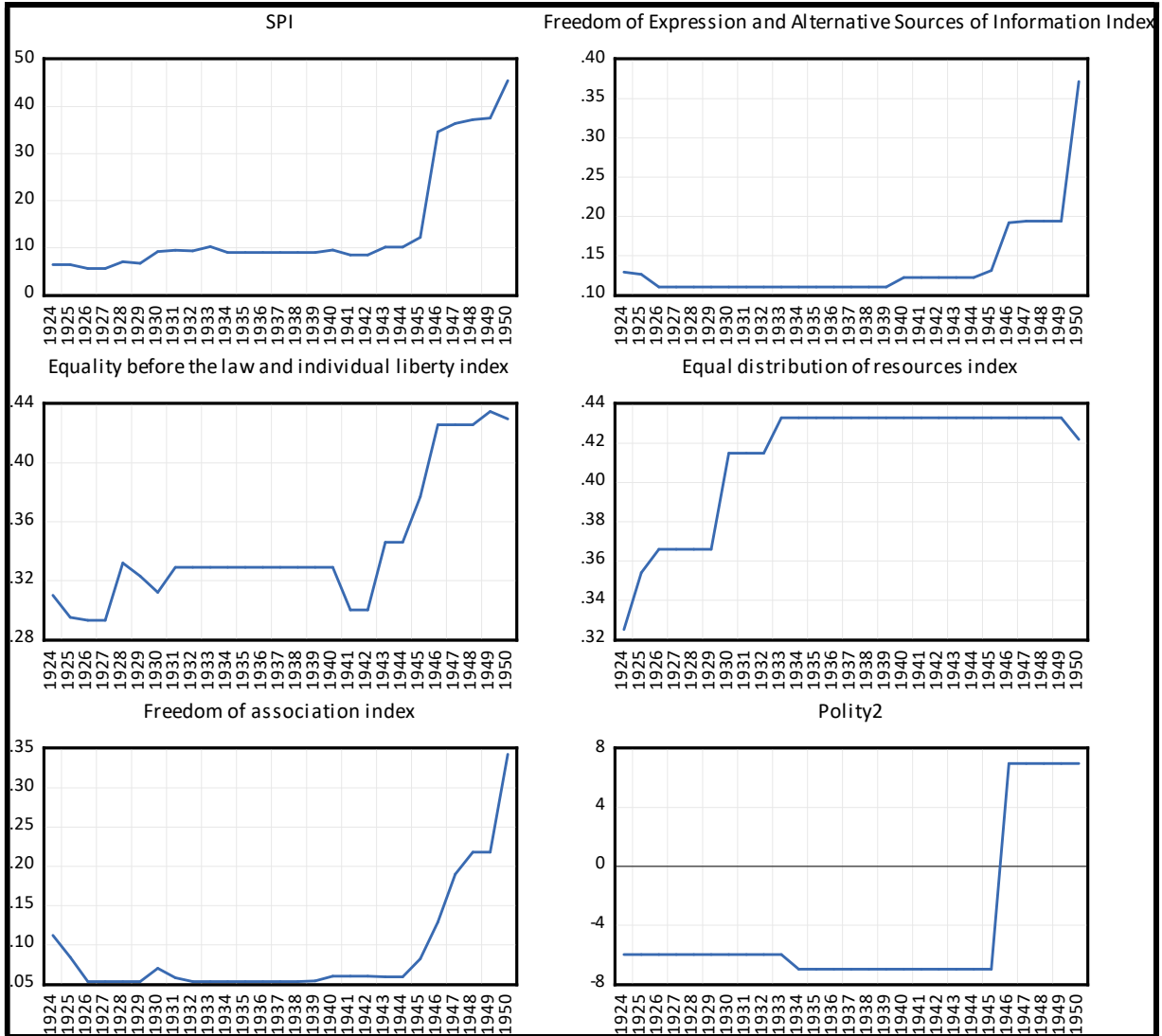


Figure 8: Macroeconomic Performance in the Multiparty Era

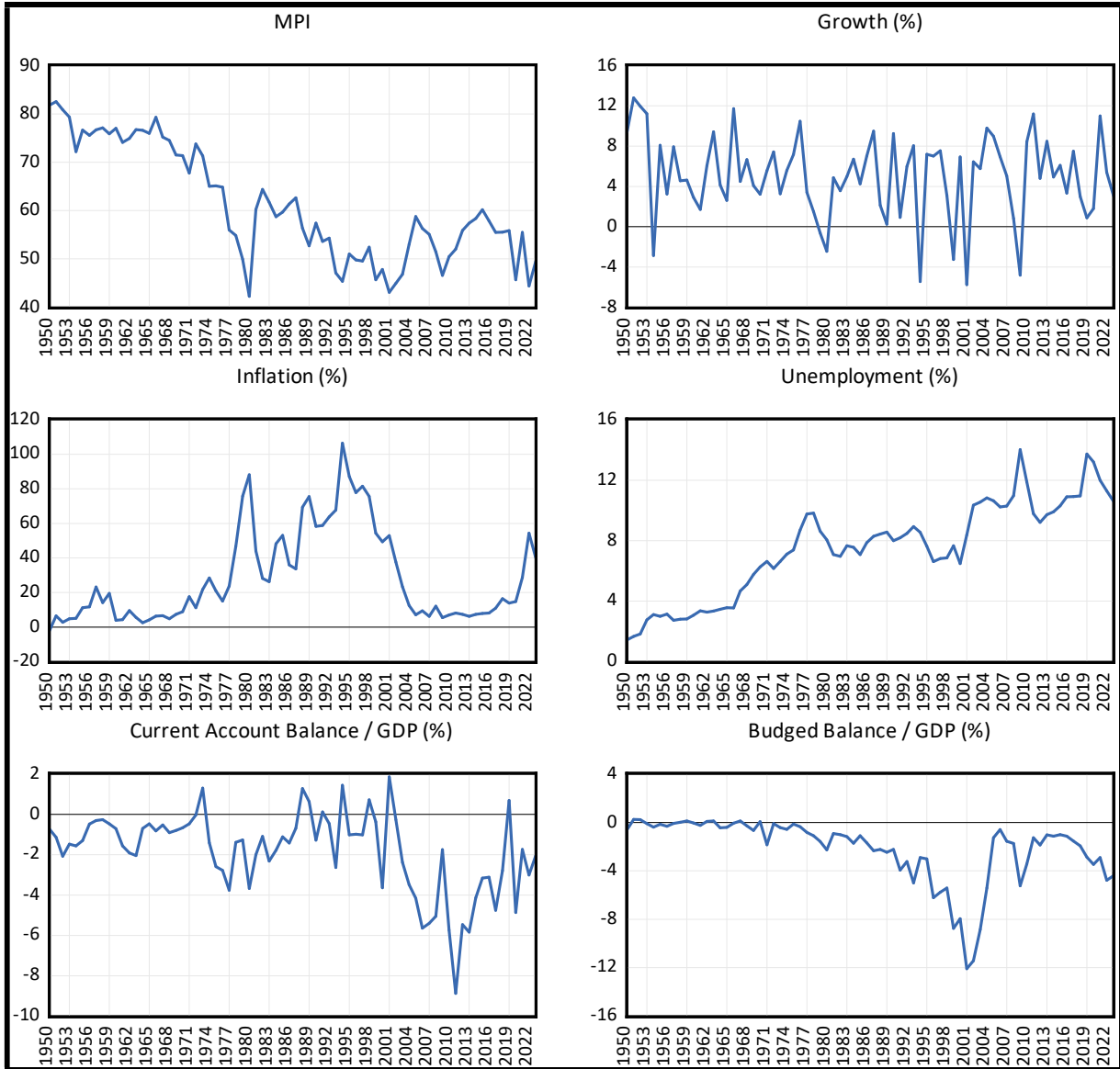


Figure 9: Socio-Political Performance in the Multiparty Era

