

# Etatism in Turkey

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## **Abstract**

In Turkey etatism in economy has been implemented since the Republican period in accordance with the following criteria: supporting private sector and performing of some tasks by the state which are not accomplished by private sector and controlling of private sector by the state when required.

Necessary arrangements related to shift from mixed economy to market economy were given importance during both 1950-1960 and 1983 period. However stated goals were not achieved. Currently the state's share in economy is higher than that of private sector.

The state must only carry out certain tasks and all others must be transferred to private sector in the nation-state model which is being implemented throughout the world.

**Key Words:** Etatism, restructuring of state, limitations of state, modernisation, globalisation, privatization, SEE (State Economic Enterprises), liberalization.

## **Özet**

Cumhuriyet döneminden itibaren gerek tek partili gerek çok partili dönemde, gerek 1960'dan sonraki planlı kalkınma dönemlerinde devletçilik ilkesi şu esasa dayalı olarak uygulanmıştır: Özel teşebbüsün esas alınıp desteklenmesi ve özel teşebbüsün boş bıraktığı alanları devletin doldurması, ülkenin menfaatleri açısından gerekli durumlarda özel teşebbüsün kontrolü.

Gerek Demokrat Parti döneminde (1950-1960), gerek 1983'den itibaren Özal iktidarı döneminde devlet müdahalesi ağırlıklı karma ekonomiden piyasa ekonomisine geçmek için düzenlemeler yapılmıştır. Fakat çizilen hedeflere ulaşılamamıştır. Günümüzde devletin ekonomideki payı yine özel sektörün payından yüksektir.

Modernleşmenin ve onun sonucu olarak küreselleşmenin yaygınlık kazandığı dünya-

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da ulus-devlet modeli çerçevesinde devlet sadece kendi üzerine düşen fonksiyonlar konusunda etkinlik kazanmalı, diğer bütün işler özel sektöre devredilmelidir.

**Anahtar Kelimeler:** Devletçilik, devletin yeniden yapılandırılması, devletin sınırlılığı, modernleşme, küreselleşme (globalleşme), Özelleştirme, Kamu İktisadi Teşekkülleri(KİT'ler), liberalleşme.

### **1. Introduction**

Roles, power and limitations of the state have been discussed in social life, particularly in political and economic domains for centuries. Since seventeenth century roles of individuals, private sector and non governmental organisations together with state have become significant as a result of industrialisation, modernization and democratisation processes. Such issues as 'restructuring', 'limitations of state' and 'privatization' have been placed in the agenda of the world as a result of the late capitalism since 1970's.

'Etatism' in Turkey must be discussed in two contexts. In political arena, etatism refers to the fact that state attempts to determine, the societal structure and social life. In economic domain, it means that state has right to interfere economy and economic activities are made and directed by state. In Turkey, etatism has been observed in both domains since the beginning of the Republic of Turkey. In fact, high levels of share of state in economy must be regarded as a reflection of high level of etatism in politics.

In this paper, after dealing with the related theoretical issues, history of etatism in Turkey will be discussed and then restructuring and privatization activities in paralel to the developments in the world will be examined and finally a brief conclusion and suggestions will be presented.

### **2. Theoretical Base**

As a result of the Industrial Revolution and the Enlightenment processes in the west, the accumulation of information and capital in the society took place and the technological development advanced rapidly. In general the capitalist production style at the economical level and the modernity at the social level become widespread. And, a transformation from feudal society to modern/ capitalist society is achieved through the spread of modernity.

Changes in the social, political, economical, intellectual areas take place and new institutional structures which are appropriate to the characteristics of the modern society develops together with the modernity. In this process, the capitalist production style is reflected in both the social life and various social organizations. And also liberalism in economy gains an important status.

Development of capitalism leads to reorganization of social life and social organization depending on a new basis. Capitalism which leads to development at the national level within the borders of nation-state earlier requires a new form of nation-state which

is more responsive to its new functions because capitalism goes beyond the borders of nation- state and it breaks down pre-capitalist mode of production, then finally it makes these modes dependent upon itself. Late-capitalism objects the intervention of state to economy and requires the focus on non-governmental units as the subjects of globalization.

Modernity is global in nature. Giddens states that “globalisation can thus be defined as the intensification of worldwide social relations which link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice versa” (Giddens 1990: 64).

According to Giddens one aspect of globalisation is “capitalist world economy” . In the world economy, the capitalist states have the central power in which the basic production form is the capitalist enterprise; in their national and international economic policies, economic activities are organized in many ways. However, in their institutional organisations their economies are independent from their politics.

“This allows wide scope for the global activities of business corporations, which always have a home base within a particular state but may develop many other regional involvements elsewhere.

Business firms, especially the transnational corporations, may yield immense economic power, and have the capacity to influence political policies in their home bases and elsewhere” (Giddens 1990: 70).

For Giddens, the other aspect of it is “nation-state system” . All nation states in the developed regions of the world depend on the industrial production. Impact of any state on the global political system is closely related to its national income (and also to the connection between national income and military power).However ,states develop their powers from their patterns of independence by acting as agents which defend their countries, have concerns about developing their national cultures and have strategic geopolitical relations with other states (Giddens 1990: 72).

In line with Giddens, nation-states can be regarded as main actors in the global political system and international economic institutions as major agents in the world economy.

Democratisation attempts have not been ignored during the modernisation and globalisation processes; importance has been attached to the individual empowerment as well as the support of state; smaller but much more effective and strong state approach has appeared.

Peter Drucker in his ‘The Age of Discontinuity’(1969) claims that states recognising their limitations offer a new term, ‘privatisation’, referring to sell out public companies

and industries (Drucker 1990: 61). Furthermore, points out that eight years after the introduction of the term, privatisation activities became commonly used in England, France and even in China and in New Zealand where labor party was in power.

According to Drucker the main reason of this dramatic change was the failure of the programs implemented by the states after World War II, (not including Japan). Another reason was the realization of the limited capacity of states to generate sufficient income (Drucker 1990: 62).

Drucker suggests that conditions must be appropriate for states to make desirable activities. A state can realize its activities only if there is a monopoly. On the other hand, if there are other ways to do it, or if competition exists, these activities can not be accomplished.

Turkey has been experiencing modernisation since Tanzimat and also has been trying to take its place within a global world especially since 1980s. Therefore restructuring of public administration, limitations of the state, privatisation issues have been in the agenda of Turkey.

### **3. Etatist Understanding In Turkey**

'Etatist' approach in the Turkish society has a long tradition. Gökalp and then Atatürk pointed out this fact saying that, 'Turks are etatists in their nature'. This etatist tradition can be described by the social, cultural, political and economic patterns of the Turkish society.

Ittihat Terakki which was in power in 1908 implemented political etatism in its attempts to change social life, type of social organization, social norms, social understanding in a Western manner. 'National economy' view was accepted within a social structure where local crafts had been unfunctional because of the Western competition, and where background had been very insufficient. In I and II Young Turk Congresses held in 1902 and 1908 respectively, as a representative of liberal-wing, Prince Sabahaddin supported the individual enterprises and decentralisation. Gökalp taking into consideration the conditions above, advocated etatist-corporatist views. And his etatist-corporatist views were commonly accepted during both the Ottoman Period and the Republic Period.

Intervention of the state to the economic domain was the consequence of certain requirements during the Republican period. In the society there were neither necessary capital nor technologies required. It was not likely to create a capitalist class without the support of the state (Keser 1993: 85).

Etatism was implemented depending upon the following principles during the Republican period, including both single political party period and plural-party political system period, and during the planned development periods after 1960: Rapid indus-

trialisation of the country; promotion of private sector; control of private sector by state when needed.

Democratic Party afforded many opportunities for private sector at the beginning of its establishment. And it implemented a liberal economic policy. However, after 1954 investments of private sector decreased because of inflationist pressures and unstable prices; and then the economic system became a "mixed economy" again in which interventions of the state were increased (Sağlam 1994: 273).

During 1950-1960 period, investments of private sector were larger than those of public sector as a result of the incentives provided by the state. The average level of investments of the private sector was not less than 50 per cent during this period. The highest level achieved was 60 % between 1950 and 1952 (Sağlam 1994: 276).

Etatist activities continued between 1960 and 1980.

#### **4. Restructuring Of State And Privatisation**

'In recent years, nearly in all countries, size, role and accountability of state and the appropriateness of public spending had to be reassessed as a result of such pressures as extreme increase in debt of states, fiscal inequalities, extreme public interventions, and controls, need of additional spending on migration and unemployment, protection of environment' (Tutum 1994: 8).

There are some tasks which belong to state, and no institution other than state can be allowed to perform these tasks, as they can be accomplished only by state. Various politicians and others who advocate the reduction of the size of state and a more effective state claim that defence, security and legal activities are the primary tasks of a state (Drucker 1990: 66-67; Tutum 1994: 29).

For Drucker, "There is a far more complicated and far more controversial government function: to maintain what we today call a 'level playing field'. Government can set ground rules that are equally binding on everybody. The Securities and Exchange Commission in the United States is effective precisely because it is in everybody's interest to have clear rules which enable the honest, whether buyers or sellers of securities, to do their business, and which keep out the crooks (or at least make it a little harder for them)' (Drucker 1990:67-68).

Again, for him, in a pluralist society, the most important future task for a state is the identification of standarts. This kind of task was accomplished by Franklin D. Roosevelt in 1930s on the American business world and by Margaret Thatcher in 1980s on the British Labour Unions and in the old universities (Drucker 1990: 98).

In Turkey, the economic policies were changed to become liberal since the early 1980s and thus privatisation priority was given to the decrease of the role of the state in economy (KİT Raporu 1996: 32). This trend has been reflected in the development plans as a major goal and strategy since 1985.

According to data collected from Privatisation Administration Directorate, privatisation activities began in 1984 through transfer of public institutions to private sector.

The Directorate has realized its functions in 121 institutions since 1986 and 102 of them have been sold since then and public shares have been completely transferred to private sector. In the remaining 19 institutions state has still shares.

The total value of such activities since 1985 is about TL 117 trillion ( \$3.4 billion). Recently 48 institutions and some other real estates are in the process of privatisation. Of them in 32 institution the state share is more than 50 percent (Privatisation in Turkey 1997: 3).

The share of public spending in the national income has decreased since 1981. This ratio was 27.6 per cent in 1981, however, it was 27.3 per cent in 1983; 22.4 per cent in 1985; 23.3 per cent in 1987; 20.7 per cent in 1989 and 22.5 per cent in 1991 (Önder and Türel 1993; 23-24). The trend is supported also by data of State Statistical Institution (See, Gross National Product 1994 and 1997). However the economic size of the state since 1994 is indicated by Güneri Akalın as follows;

Public Budget Spending/ GNP	37	%
KİT Production/ GNP	10	%
Funds	4	%
Spending of the Social Security Institutions/ GNP	3,3	%
Spending of Local Administrations/ GNP	2,2	%
Spending of Revolving Funds/ GNP	0,1	%
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	56,3	%

Akalın taking into consideration other items not included in total claims that the share of state in the registered economy is 60 % whereas the share of market is 40 % (Akalın 1996: 85).

Therefore, in spite of the attempts of both Democratic Party in 1950s and of Özal's government in 1983, transformation of mixed economy in which state has priority, into a liberal economy-opening to the outside world, privatisation of public institutions, convertibility, decrease in planning- could not be achieved.

The privatisation process has taken a long time and related activities have been delayed because of such reasons as lack of a legal background to meet the necessary

needs, limitations on authority related to both decision making and implementation, continuity of traditional, public opinion about the protective role of the state, etc. And thus, goals could not be achieved. However the privatisation activities are still continuing.

In the Seventh Five-Year Development Plan-Program of 1997- the following aims are stated:

“The main purpose of the privatisation program is to increase the productivity and improve financial structure of economy at the higher levels pertinent to the integration with the world’s market and the European Union and to provide free market conditions. Therefore it will be possible to spread out capital and to provide technological development and also to decrease public deficit, reduce the public pressure on the financial markets and to diminish public debt stocks. Furthermore since the state will not be accountable for running certain domains, private sector will be enlarged and thus freedom of enterprise, of participation in economic life and the improvement of democracy will be realized (1997 Yılı Programı : 117)”.

The regulatory and directing functions of the state will be preserved and its opportunity to use power and resources better on health, education, culture, security and the investments about infrastructure will be increased through privatisation (Sadıklar 1995: 68).

The program of 55th Government which was submitted to the Turkish National Assembly by the Prime Minister Mesut Yılmaz in July 1, 1997 points out these important changes and the restructuring in Europe. In this program, the continuity of the attempts to integrate with the European institutions, and of the attempts to become a member of the European Union and the restructuring of the public administration in Turkey were heavily emphasized. The aims are to provide a structure in which state provides certain services to its citizens, and it trusts them and also its citizens trust it and primary importance is attached to individuals and state-nation unity (Hükümet Programı 1997: 5-6).

Tansu Çiller who is the leader of one of the opposition political parties today developed a reform package about the restructuring of state when her party was in power. This package was introduced to people with such slogans as “effective, fast, small, strong state”, “the smaller the state, the more the justice”, “first the individual and then the state”. The main rules of the package are “the achievement of limited and accountable state; the primary functions of the state are limited to justice, security and peace services; state will become open and transparent; the individual always comes before the

state'' (Şimşek 1998: 12).

Turkey applied for the European Community in 1959 and has been a member of the Customs Union since January 1, 1996. It is the first country which was accepted to the Union before being a member of the European Community. And yet, it can be regarded as a step for Turkey to become a full member of EC.

### **5. Conclusion and Suggestions**

Today in a world where scientific and technological developments, have accelerated opportunities for interaction and transportation are increased and various societies are closer to one another; the limitation of state and transfer of some of its tasks to private sector has become important not only for democratisation and modernisation but also for social development.

Although Private enterprise has been advocated by scientists, politicians, educators since the 1900s in Turkey, interventions of state to economy and its high level share in economy continued until 1980s. The issues on reduction of state's role in economy and its desired focus on certain tasks which were discussed and accomplished long ago in the Western societies, have been given importance since 1980s in Turkey. In this context, such terms as "restructuring of state", "privatisation" have taken place in the agenda of Turkey. Certainly some specific changes must occur in socio-cultural area to achieve these goals.

First all, the traditional attitude which refers to expect everything in the society from the state and to depend on the state must be changed. In other words a mental transformation against the traditional attitude must be achieved.

Improving the educational level of society qualitatively and quantitatively will lead to changes in the development of world outlook and also to reduce the resistance against privatization.

In this process, non-governmental organizations must assume important roles in establishing and developing a pluralist and democratic structure in the society.

Furthermore, it can be suggested that Small and Medium Enterprises (SME) must be supported to provide economical development and to improve privatization practices at the economic level; to provide a democratic system at the political level; and to create a social consensus and peace at the social level.

Establishing a more democratic system in which voters have opportunity to control politicians will diminish the use of state resources in an unreasonable way. State must become smaller but have more power; thus it could accomplish core duties such as defence, security, and justice. Private companies must contribute to Turkey in its attempts to take place in the global world system as a developed society.

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