

## A Critical View About the Historical Change Line of the Development Path of the Turkish Economy: From Statist Development to State Capitalist Development

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<b>Türkiye Ekonomisinin Kalkınma Patikasının Tarihsel Değişim Çizgisine Eleştirel Bir Bakış: Devletçi Kalkınmadan Devlet Kapitalizmi Kalkınmaya</b>	<b>A Critical View about the Historical Change Line of the Development Path of the Turkish Economy: From Statist Development to State Capitalist Development</b>
<b>Öz</b> Çalışmada Türkiye Cumhuriyeti'nin kuruluş yıllarına uzanan süreçten günümüze kalkınma ideolojisi ve siyaseti bağlamında ortaya çıkan dönüşüm unsurları ele alınmıştır. Türkiye'deki kalkınma söylemlerinin ve politikalarının hangi özgün tarihsel-toplumsal-ekonomik-siyasal-kültürel-kurumsal-ideolojik olgular sonucunda ortaya çıktığı konusunda birtakım teorik araçlar sunulması hedeflenmiştir. Türkiye'nin kalkınma hikâyesinin yarattığı farklı dönemler ve onların inşa ettiği farklı kalkınma söylemleri ve dinamiklerinin portreleri konunun bir bütünlük içinde anlaşılmasına katkıda bulunmuştur. Tüm bu bağlamlarda, Türkiye ekonomisinin kuruluşundan bu yana izlediği kalkınma politikalarındaki dönüşümün, devletçi kalkınmadan devlet kapitalizmi kalkınmaya doğru evrilen bir anlayışı yansıttığı düşünülmektedir.	<b>Abstract</b> In the study, the transformation elements are disputed that emerged in the context of the development of ideology and politics from the period of the establishment of the Republic of Turkey to the present. It is aimed to present some theoretical devices on which development discourses and policies in Turkey came into view as a result of the original historical-social-economic-political-cultural-institutional-ideological features. The different periods of Turkey's development story, the development discourses they built, and the portraits of their dynamics contributed to grasping the subject matter. In all these contexts, it is thought that the transformation in the Turkish economy's development policies has followed since its foundation divulges a condition that has evolved from statist development to state capitalist development.
<b>Anahtar Kelimeler:</b> Devletçi Kalkınma, İthal İkameci Sanayileşme, Planlı Ekonomi, Serbest Piyasa Ekonomisi, Devlet Kapitalizmi Kalkınma	<b>Keywords:</b> Statist Development, Import Substitute Industrialization, Planned Economy, Free Market Economy, State Capitalist Development
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<b>Araştırma ve Yayın Etiği Beyanı</b>	Bu çalışma bilimsel araştırma ve yayın etiği kurallarına uygun olarak hazırlanmıştır.
<b>Yazarların Makaleye Olan Katkıları</b>	Tamamı yazar tarafından hazırlanmıştır.
<b>Çıkar Beyanı</b>	Yazarlar açısından ya da üçüncü taraflar açısından çalışmadan kaynaklı çıkar çatışması bulunmamaktadır.

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## 1. Introduction

The 1920s embody the reflections of a period in which a new state regime was attempted to be founded among the ruins of the economic, social, political, and cultural heritage inherited from the Ottoman Empire for the Turkish economy. In this period, there was a development understanding based on industrialization to a large extent. As a result, the Turkish economy focused on building a new economic system, especially between 1923 and 1929.

By the Great Depression that broke out in 1929 and engulfed all world economies, a development approach based on a planned economy was chosen to take up in the 1930s, and dramatic breakthroughs were put into practice regarding industrialization. The ideological atmosphere comprised by Kadro Magazine around the Kemalist Ideology and the idea of planning has witnessed some radical alterations in the idea of development. The first steps of industrial infrastructure were taken in modern Turkey through Industrialization Plans.

The outbreak of the Second World War in 1939 marked the beginning of the end of the development project. The industrialization process regressed with the onset of the Second World War, and the war economy was introduced. Immediately after the transition to the multi-party system in 1946, a process occurred in which the military-civilian bureaucracy liquidated the first-period state structure of the Republic within the framework of the anti-communism paradigm. In the world order formed after the Second World War, an international division of labor was generated under American leadership. In this division of labor, the Turkish economy's task is to prioritize agriculture in the context of sectoral development, elimination of statism, and promotion of foreign capital.

After the Democrat Party came to power, led by Adnan Menderes, a development approach focused on agricultural development, a liberal trade regime based on foreign aid emerged in Turkey. In this period, the tendencies to ignorance of state interventionism and fiscal discipline have brought dramatic results. The First Stabilization Agreement that Turkey signed with the International Monetary Fund (IMF) in 1958 amid a financial crisis and May 27, 1960, Military Coup can be considered extraordinary progress that prepared Turkey's transition to the planned economy. The State Planning Organization was established in 1960, and an industrialization strategy based on import substitution and development plans was followed.

Following the 1973 oil crisis, it was understood that import substitution development policies could no longer be sustained. The effects of the transformation process of the capitalist world economy on Turkey became evident in the late 1970s. Import-substitution industrialization and planning-based development strategy, which left their mark on the Turkish economy in the 1960-80 period, started to be abandoned with the decision of January 24, 1980, after reaching its natural limits.

After January 24, 1980, decisions, liberal economic policies based on the contraction of the public sector, the strengthening of the market mechanism, and the privatization of state-owned enterprises became valid. The model, also described as the neoliberal model, paved the way for Turkey's development strategy to shift from the industrialization perspective gradually. As a result, the concept of development has almost been shelved, and the concept has begun to be subrogated by phenomena such as structural adjustment, macroeconomic stability, globalization, and deregulation.

After 1989, the Turkish economy became compatible with financial globalization with the liberalization of financial markets and financial capital movements. Therefore, the 1990s can be contemplated as a lost decade in terms of economic development for the Turkish economy. It can be argued that uncontrolled financial liberalization has an essential role in the background of this situation. The 1990s covers a period in which development discussions in the Turkish economy continued around financial issues such as foreign exchange, interest, inflation, and the stock market. The neglect of policy priorities such as socioeconomic development, structural transformation, employment, sustainable development, and fairness in income distribution brought the structural imbalances of the Turkish economy to the agenda again and again in that term.

In the 2000s, the concept of development stayed in the background of the Turkish economy. The high inflation, high-interest rates, budget deficits, high domestic and foreign debt ratios, external deficits, fluctuating unstable, and low growth rates continued to constitute the general problems of the economy. Meanwhile, the 2001 crisis set off. This crisis was regarded as a reverberation of the collapse in politics and one of the biggest crises in the history of the Republic. For the development debates in Turkey after the crisis, a period came into view in which the debates take part about the structure of the state and its role in the economy.

In light of all the facts mentioned above, the backbone of the development strategies implemented by the Republic of Turkey since its foundation and the evolution of the strategies in the historical process will be investigated in this study. In other words, the historical manifestations of the development concept and its semantic shifts will be incorporated.

In the first part of the study, the process extending to the Republic's foundation years-covering the years 1923 and 1929-is discussed. The transformation and continuity dynamics that occurred in the development thought were scrutinized in this process.

Then, after the Great Depression in 1929, the implementation of the statism strategy was comprehensively discussed with its theoretical and practical reflections on development. Finally, the conditions were touched on under which the bases of industrial infrastructure were laid in Turkey through industrialization plans.

Afterward, Turkey's liberalization process after the Second World War was discussed in detail. The Democrat Party Period, which relied on the comprehension of liberal development, has been discussed in essential respects. Subsequently, the repercussions of the development approach hinged on the import substitution industrialization strategy are encompassed, which continued to be effective between 1960 and 1980.

The January 24 Decisions have been evaluated with an analytical perspective at different stages, which ended national developmentalism in the Turkish economy and symbolized the transition to a liberal market and state-capitalist economy. Following the removal of the restrictions on international capital movements in the 1990s, a period was initiated in which financialization was carried to a more advanced level. As a natural consequence, the development concept has been ultimately shelved. In addition, the reverberations of the conjuncture, in which the structural problems of the Turkish economy were disclosed.

Then, the vision of development and macroeconomic management is fundamentally assessed, which has been embraced by the Turkish economy in the last two decades.

Eventually, this engaging structural transformation experience was interrogated and mirrored a development approach that relied on the Post-Washington Consensus's policy recommendations.

The study proceeded from the problem of how the development discourses and policies in the Turkish economy were distilled by different internal-external dynamics, institutions, and social actors under what conditions. Also, the study was based on the semantic shifts the concept of development has undergone. As a result, it has been deduced that the transformation in the understanding of the development of the Turkish economy in the historical process has switched from statist development to state capitalist development.

## **2. Reconstruction of the New Economic Regime Through the Statism**

The new republican regime, founded in 1923 on the ruins of the Ottoman Empire, witnessed radical social, economic, political, and cultural changes in Turkey. The economic status of the newly established country was as substantial as its political status. The primary development policy of this period was carved out by the idea that political independence could not be accomplished without economic independence. This issue was vigorously defended in the Lausanne Conference (1922-1923). This message was given to the whole world in an obvious way at the Izmir Economy Congress held between February 17 and March 4, 1923, and the door was opened for commercial cooperation (Atağenç, 2017; Koç, 2000). Mustafa Kemal Atatürk contended that the capitalist order is predicated on some unrealistic ideas, such as the individual isolated from society, and the socialist order, such as the state isolated from the individuals. He claimed that both orders contradicted human nature (Gencer, 2015: 276). Mahmut Esat Bozkurt, one of the economics deputies of the period, also made intelligible the economic development philosophy of the founding staff of the Republic in his speech at the Izmir Economics Congress:

"The new Turkish economy cannot be the same as any existing economic systems and policies. Pursuing a unique economic policy is necessary for our country's economic needs and the spirit of our economic history. We are not affiliated with any of the schools in economic history. We are neither from the laissez-faire nor socialist, communist, statist, and patronage schools. The new Turkey has a new school of economics, which was specified according to the new understanding of the economy. I call it the New Turkish School of Economics. Although we are not connected to any of the above-mentioned economic systems, we will not neglect to benefit from them in the direction of the needs of our country" (Cited in Bülbül, 2020: 18-19).

The determination to strengthen domestic industrialists and entrepreneurs via advantageous loans and financing opportunities from public resources, various infrastructure services, and technical support was brought forward. Turkey Industry and Mines Bank was established in 1925. Thus, economic development objectives and industrial and commercial life were used as the base. Law on the repeal of "aşar" was abolished in 1925 to relieve agricultural producers (Eroğlu, 2007: 66). İşbank was constituted in 1924 to provide investment capital to private entrepreneurs. Thus, necessary steps were taken regarding the rapid growth of the banking sector in the economy and the entry of new banks into the sector (Altıparmak, 1998: 69). The Encouragement of the Industry Law (Teşvik-i Sanayi) was enacted in 1927, which paved the way for the domestic entrepreneurial class (Erdoğan, 2022: 36). The Law granted essential privileges to entrepreneurs working in the field of industry and mining and more importantly, it offered tax exemption.

There is a widespread belief that between 1923 and 1929, the Turkish economy primarily pursued liberal development policies (See Saricoban, 2020; Şener, 2005). However, giving specific opportunities to private enterprises and not being hostile to foreign capital is not enough to qualify this period as liberal. When the policies traced in this period are checked out, it is discerned that the duties undertaken by the state are not only restricted to the production of public goods and services and to intervention in areas where the private sector is deficient but also point to the construction of an economy. Ha-Joon Chang, one of the world's leading development economists, has a similar opinion on the subject in question. In his splendid study titled *Kicking Away the Ladder: Development Strategy in Historical Perspective*, the author stated that "I learned that Mustafa Kemal Atatürk was the first world leader in implementing the state-directed development strategy" (2003: 7-8) and disclosed that a development strategy relied on statism was traced in the founding years of the Turkish economy.

In short, for the Turkish economy, the period between 1923 and 1929 can be considered the period in which a development strategy was pursued that rested upon statism. However, the Great Depression, which broke out in 1929 and gripped almost all world economies, formed the basis of the transition of Turkey's development strategy from statism to strong statism.

### **3. Alteration of the Level of Statism in Development: From Moderate Statism to the Strong Statism**

The Turkish economy was still in its infancy when it faced the Great Depression, one of the biggest crises of capitalism. However, as a result of the end of the capitulations given to the Westerners by the Lausanne Treaty in 1929 and the ascendancy of Keynesian economics-which was looking for ways out for the maintenance of the capitalist operation worldwide after the economic Depression that broke out-statist policies began to be interiorized almost all over the world. In this way, the state took a more negotious part in economic and social life.

In this respect, Turkey passed the foreign exchange control by implementing the Law Regarding the Protection of the Value of Turkish Currency in 1930. Furthermore, the Central Bank, established to regulate the money market, operated in 1931. Thus, the Republic of Turkey has reached a position to turn the wheels of the economy without foreign borrowing. The period covering 1930 and 1938 is considered one of the most dynamic processes of the Turkish economy, with an annual growth rate of 7.9% without external resources (Boratav, 2004: 42). Meanwhile, the industrialization move in the economy became acceleratingly apparent. Sümerbank (1933), Halkbank (1933), and Etibank (1935) set up as industrial facilities which have a term of references (for example, Sümerbank in the textile sector and Etibank in the mining and metallurgy field) by combining the capital provided by the state with the deposit resources collected from the public. In Atatürk's words emphasizing the importance given to industrialization in the economy:

"Industrializing is among our greatest national causes. We will establish and operate all kinds of large and small industries so they can work and go on. This is necessary to evaluate our products, especially for homeland defense, and to reach the most advanced and prosperous Turkey by the shortest route" (Cited in Kalaycı, 2009: 171).

The Kadro Movement in Turkey engendered an intellectual ambiance in the 1930s by synthesizing the planning approach bearing traces of socialism on the axis of a Kemalist founding ideology. Thanks to the influence of this ambiance, Turkey prepared industrial plans in this period and started to put them into effect. As a result, the First Five-Year Industrial Plan (1934-1938) was made applicable in 1934. In the letter of presentation of the plan to the Prime Minister, it was highlighted that the domestic industry and the domestic sector dependent on the state would play an extremely crucial role in the generation of industrial entrepreneurship:

"Such a state industry would offer private industrialists and entrepreneurs the opportunity to establish and develop a profitable industry. An iron products industry established under the state's leadership would provide semi-finished products to private industrialists and entrepreneurs. In their factories, they could transform this into nuts, screws, cast iron, needles, and machine tools. Our new weaving industry would provide an opportunity for the development of our still-running private enterprises. On the other hand, it would offer new opportunities for developing cotton and yarn industries. A certain amount of capital would be accumulated through the implementation of our industrial program and, consequently, the expansion in the volume of business that would participate in the economic life of our country. This capital accumulation would necessarily search for new investment areas in the industry. Undoubtedly, this derivative industry, which we have tried to describe above, would advance very rapidly" (Cited in Günçe, 1981: 119).

The plan has been prepared to improve Turkey's position in the global economic division of labor, which appears to be a peripheral country dependent on exporting raw materials and agricultural products. In this framework, the plan fastened on establishing strategically important and high-cost institutions by the state and, in this way, the advancement and acceleration of industrial production. Within this framework, industrial facilities were founded in five sectors (weaving, mineral processing, paper, chemical, and soil industries) (Özyurt, 1981). In addition, the state constituted around twenty industrial facilities until the 1940s (Yücel, 2015).

Under the influence of the success reaped from implementing the First Five-Year Industrial Plan, preparations for the Second Five-Year Industrial Plan (1938-1942) were started to get ready. A share of the state budget was allocated to fund the plan. In addition, loans were obtained from Sümerbank, İş Bankası, and Ziraat Bankası, and technical and financial assistance was received from the Soviet Union (Özder, 2017: 143). The plan's primary objective is first to enlarge the production of products such as sugar, flour, and textile; and afterward to promote the iron-steel and paper industries. However, implementing this plan promulgated just before the Second World War outbreak was not possible due to the extraordinary conditions of the period.

Although Turkey did not enter the war, it experienced almost all the negativities of the war. Moreover, owing to the size of the young male population enlisted in arms, the adverse effects such as loss of production in agriculture, heavy taxes, high cost of living, and food shortages put the people in very rough conditions. In order to overcome these difficulties, Turkey had to enact and implement two laws that are still debated today: the Wealth Tax Law and the National Protection Law (Öztürk, 2013). These can be contemplated as two critical legal initiatives that shook the basic parameters of state-private sector relations in the

wartime political economy and left lasting marks in the collective memories of Turkish entrepreneurs (Boratav, 1974: 326-330, 1982: 247; Coşar, 2003: 7).

Regarding the issues discussed, it is necessary to incorporate the Law for Providing Land to Farmers. The Law enacted in 1945 covered a radical attempt to expropriate large-scale private land holdings and distribute them to landless farmers. The Law encountered strong opposition from large landowners, industrialists, and economically empowered Anatolian merchants in the Grand National Assembly of Turkey. This draft law, which undermines the security of private property, could not be implemented after the rising reactions and dropped from the political agenda. However, the mentioned affair constituted one of the fundamental milestones to the foundation of the Democrat Party (Kayıran and Metintaş, 2018: 647; Tezel, 2000: 264). The one-party regime led by the Republican People's Party and the development strategy based on intense state intervention entered an existential crisis of legitimacy. In pursuit of the end of the Second World War, in 1946, Turkey got inside the multi-party system.

In the bipolar world order of the U.S. and the Soviet Union after the Second World War, Turkey chose the side of the U.S., in other words, the Western bloc (Erol, 2009: 345-358). These years are characterized by when Turkey's integration into liberal economic policies and the capitalist system under the guidance of American capital took place. Following the Truman Doctrine accepted in 1947, Marshall Aid to Turkey was initiated. Through the Marshall Aid, Turkey's foreign trade policy underwent a change that embraced free trade and open economy conditions (Göktepe and Seydi, 2015: 203-206). As a result, the Turkish economy gradually abandoned the economic system founded upon the basis of statist development and switched to policies based on agricultural mechanization rested against foreign resources in national development (Boratav, 2004: 94). The number of foreign loans and aid received in the period between 1947-50, amounting to approximately 391 million dollars, surpassed the total foreign aid and loans received in the first quarter century of the Republic (Tezel, 1982: 205). This dramatic increase also indicates a radical departure from goals such as policy autonomy and economic sovereignty, which were given significance in the development understanding of the early Republican period (1923-1929).

The Democrat Party was founded in 1946 when Turkey became a multi-party system. The party landslide in the 1950 General Elections. The transition to a multi-party system and the Democrat Party's coming to power for ten years (1950 to 1960) also marked a breaking point for the dominant development discourse in Turkey.

#### **4. From Interwar Statism to Integration within the World Economy Through the Agriculture**

After the Democrat Party came to power in the 1950 elections, the single-party period that had been going on since the proclamation of the Republic concluded. The authoritarian Kemalist prescriptions, which were rated as obsolete for the Democrat Party administration, are no longer regarded as legitimate in the free world that has stepped into the orbit of development. The proposed development model is leaned on a perceptive that is shaped within the framework of the ideology of the American and comprador bourgeoisie but takes its quality from the Modernization Theory (Boran, 2021: 114-115).

In this period, anti-communist ideology was around and began constructing its internal and external apparatuses through the ideology of the Cold War. After the IMF and World

Bank, Turkey was affiliated with the North Atlantic Treaty Organization (NATO) in 1952 and clarified its position in the Western bloc. The Turkish economy benefited from technological developments in agriculture with the aid and grants of the U.S. It has been an endeavor to integrate within the new international division of labor organized around the hegemonic power of the U.S. through the agricultural sector (Keyder, 2008: 12). There has been a switch from a state-led development discourse relied on industrialization to a new development discourse that underscores liberalism and incorporation into world markets through the export of agricultural products.

The impressive advancement in this strategy's presentation is the 1951 report of James Barker sent to Turkey by the World Bank. The Barker Report pointed out that Turkey's comparative advantage in the global economic system lies in the modernization of agricultural production and the development of agriculture-related industrial sectors (Emiroğlu et al., 2012: 81-82). Notably, the largest share of the investments proposed in the report is allocated to transportation, public works, and agriculture, and the lowest share is allocated to education and health (Yılmaz, 2014: 131-132). In the light of the neoclassical school of economics, the belief that developing countries should focus on modernization and productivity increases in agriculture and criticisms of Turkey's weakness in this area reverberates in the following statements of the Barker Report:

"This report has consistently emphasized the importance of agriculture in development initiatives and that Turkish authorities have traditionally ruled out this. However, since modernization in agriculture constitutes one of the main prerequisites for industrial development and the main channel through which productivity increases can be achieved, most of the public investment resources in Turkey should be allocated to agriculture in the coming period" (IBRD, 1951: 2).

However, the downfalls in the prices of raw materials and agricultural products in global markets after 1954 extenuated Turkey's agricultural export revenues. This situation triggered high inflation and a period of instability. Rapid growth was tried to be sustained, accompanied by short-term policy interventions and public finance, which broke off from fiscal discipline (Takim, 2012: 175-176). The period's primary macroeconomic indicators also exhibit this diagnosis's accuracy. At the end of the agricultural economic recovery period in 1954, the annual growth rate decreased from 13 percent to 4 percent, while the foreign trade deficit increased to eight times the 1950 level. At the end of 1960, Turkey's foreign debt rose to 1.5 billion dollars, corresponding to one-quarter of the national income (Zürcher, 2000: 332).

While all these negativities paved the way for the end of the Democratic Party's power through a military coup in 1960, a white page was opened towards a statist development strategy based on protectionism and the domestic market, including the institutionalization process of the post-1960 planning regime.

##### **5. Institutionalization Process of the Planning Regime: Transition to the Statist Development Strategy**

The new development framework emphasized a planned economy, which was put forward after the military coup that ended the Democrat Party's rule. While this new perspective makes the state the most important representative of economic and social transformation, the Keynesian Revolution was also highlighted, profoundly affecting the U.S. and Western Europe in the 1950s and 1960s. In this context, the State Planning Organization



was established to assist and advise the government in determining economic, social, and cultural policies and targets in coordinating activities related to economic policies. Furthermore, by attaching the statute "Preparing development plans is the fundamental duty of the state" to the 1961 Constitution, a constitutional basis was added to the planning phenomenon (Cited in Öztürk, 1966: 3148).

The State Planning Organization has fulfilled the conditions for the formulation phase of the reform initiative, which has a reputation as a school of elite bureaucrats firmly committed to developmental ideals (Boratav, 2008: 128). In this direction, four successive development plans were designed between 1963 and 1983, which left a radical intellectual impact on Turkish development planning. Therefore, the first five-year development plan, covering the period between 1963 and 1967, can be interpreted primarily as a representation of a break with this chaotic, unplanned, and unscheduled development approach of the 1950s:

"Today, Turkish society has a great desire for development. The painful consequences of unexpected behaviors have led to adopting planning as an indispensable way of development. There have been great developments in economic and social planning techniques worldwide. Important steps have been taken in the experience of planned development within the democratic order. In Turkey's new move, great importance is attached to evaluating the experience gained in the world" (DPT, 1963: 1).

The plan prioritized education and health services, basic infrastructure, and raising social living standards within the framework of the social state principle. Keeping with the spirit of the 1961 Constitution, a Keynesian emphasis on social justice (DPT, 1963: 3, 33, 38) has become prominent in all plans since the First Five-Year Plan. The Second Development Plan (1967-1972) took over the objectives set by the first plan and underlined the import substitution policies. In the plan, the industrial sector is characterized as the engine of economic growth:

"An average annual growth rate of 7 percent is considered an obligatory and attainable target for the Turkish economy. This level of speed is a minimum target for the Turkish nation to close the gap with the Western community of which it is a member, even in the long term. On the other hand, developments in the Turkish economy, especially in the planned period, have revealed that an average speed of 7 percent is attainable. In the plan period, it will be ensured that the industry is the driving sector of the economy. Therefore, industrialization is essential to prompt the rapid development in this period and maintain this speed by increasing it" (DPT, 1967: 628, 636).

In the first decade of import substitution industrialization, very high growth figures and significant increases in industrial production were realized. For example, industrial production increased at an average rate of 9 percent per year between 1963 and 1971 (DPT, 1973) is the most evident proof that the priority of rapid industrialization by the state was finally put into practice. However, towards the end of the decade, it became clear that import substitution industrialization was not sustainable for a long time in practice.

The 1970s encompassed a critical time when political, economic, social, and technological ruptures emerged, which prepared radical transformations for Turkey and the world. The expansion of capitalism ended with a decrease in profit rates in developed countries, the increase in investments due to industrialization in underdeveloped countries, the expansion in borrowing to finance these investments, and the oil crisis included in these negative affairs

(Gürsoy, 1989: 241). Accordingly, opinions have emerged highlighting that new economic policies and targets should be implemented to ensure the system's continuity. In addition to the oil crisis, the U.S. economy's loss of competitive advantage over emerging economic actors such as Germany and Japan, the military expenses triggered by the Vietnam War, and the weakening of the U.S. dollar, which is the reserve currency, are the essential causal factors triggering this systemic transformation (Altıok, 2005). The oil crisis and the internal problems of Turkey's industrialization policy leaned on import substitution. At the same time, external debts increased on the one hand, and inflation started to rise on the other. A conjuncture has emerged in which the idea that the escape from the mentioned crisis in world economies can only be found through a comprehensive transformation of state-society and state-market relations (Şenses, 2004: 2-8). In this sense, an understanding of economic policy has been carried into effect, figured as neoliberal. Subsequently, the late 1970s corresponded to the period when neoliberalism was rising incredibly as the ruling development discourse.

Turkey's Third Five-Year Development Plan (1973-1977) signaled the unsustainability of the import substitution industrialization strategy in economic development and the transition to neoliberal economic policies. Two basic suggestions came to the fore in the plan to realize the process: Orientation to intermediate and investment goods in production and increasing foreign exchange activities in the economy (Eralp, 1981: 628). The Fourth Five-Year Development Plan (1979-1983) was prepared during the most severe period of the crisis of the import substitution model. The question marks about the future of the country and the efforts to search for a new development model in the plan:

"Turkey entered the Fourth Five-Year Development Plan Period under the pressure of major internal and external problems, as well as a real effort to achieve and sustain the development breakthroughs carried out since the Republic's first years. As a result, society is faced with the necessity of tidying up and solving problems that reach undelayable proportions" (DPT, 1979: 3).

Supporters of neoliberalism advocate that the economic system would not cause any trouble through the Washington Consensus-which is the embodiment of the policies that represent the ideology of pure free market capitalism-in the case that policies such as economic and financial liberalization, privatization, deregulation, free trade, reducing public expenditures, reduction of the weight of the public sector in the economy are implemented in economies (Naim, 2000). Neoliberalism took a more technocratic form in the distinctive Washington Consensus of the 1990s. Neoliberalism provided a kind of operation framework or ideological software support for the state restructuring and rescaling in international and local contexts (Peck and Tickell, 2002: 380). The coming to power of Margaret Thatcher in England in 1979 and Ronald Reagan in the U.S. in 1980 was accepted as a milestone for neoliberalism to strike root worldwide (Best, 2020: 594-595). Neoliberalism, which does not have social concerns while constructing its policies, has declared itself without alternatives by operating with the understanding of a social structure consisting of individuals, not society (Boratav, 2003: 156). This situation is concretized in Thatcher's discourses, such as "There is no Alternative" and "There is No Such Thing As Society." The full acquaintance of the Turkish economy with the development project with a neoliberal axis was realized with the announcement of the economic liberalization package under Turgut Özal on January 24, 1980

(Mumyakmaz, 2019: 1899). This development is the first step of Turkey's switch from the statist development strategy to the state capitalist development strategy.

#### **6. First Steps of Paradigmatic Transition From Statist to State Capitalist Development: January 24 Decisions**

January 24 Decisions started a new era in the Turkish economy. The decisions took the first steps of the transition from the import-substituting state-centered industrialization approach to the export-oriented development approach as the basis. In addition, decisions were built on the targets of solving the problem of price stability and balance of payments in the short term and assuring Turkey's integration within the world through trade and financial liberalization in the long term.

The state has withdrawn from social domains such as education and health to minimize its intervention in the functioning of the free market, consistent with the understanding of the capitalist state. It significantly reduced the support given to agriculture and developed privatization policies. In the summary of Türel (2021), "The development model of the Turkish economy adopted after 1980, perceiving globalization as the main driving force, adopting competition as the application environment of this power, neutralizing the self-organization of labor, pulling the state out of the market, turning education and health into commercial commodities, commercializing social security".

Stand-By Agreements with the IMF and the World Bank covering the years 1980-84 formed the critical stages of the integration of the Turkish economy with world capitalism (Ercan, 2004: 21). There is a general belief that the state was minimized in Özal's administration however this is not the case. The period embodies an understanding of development in which state capitalism is prioritized alongside free market capitalism. The state is assumed to be an effective mechanism in constructing neoliberalism as an economic and political power (Munck, 2014: 111). In the words of Ayşe Buğra:

"The state did not shrink under the power of the Motherland Party led by Turgut Özal. On the contrary, infrastructure investments, which gained momentum, significantly increased government expenditures. As a result, the budget deficit ratio to Gross National Product rose from 1.8 percent in 1981 to 5 percent in 1989. At the end of the 1980s, 90 percent of the trading volume in the Istanbul Stock Exchange consisted of government papers. The share of public banks in total deposits also increased". (Buğra, 2013: 208).

It is difficult to make a comprehensive definition of state capitalism. When state capitalism is analyzed in the historical process in the context of its meanings, it is seen that the concept is used by both Marxist and leftist theorists and liberal theorists to emphasize the state's interventions in economic life. The conceptual ambiguity of state capitalism was mainly because state intervention changed depending on the needs of the capital accumulation process in that period. State capitalism practices have changed depending on the bottlenecks and crises experienced by capitalist production relations in the historical process. They have been applied differently in different countries according to the development status of capitalism. State capitalism implemented in Turkey has made itself felt intensely through neoliberal policies after the 1980s as a response to the crisis in the world economy in the mid-1970s. State capitalism refers to a system in which the state operates as the leading economic actor and uses markets for political gain (Bremmer, 2009: 41). In the understanding of state capitalism, the idea of pursuing the political, economic, and social goals determined by the

political power, and affecting the economy by the state in order to achieve these goals, is dominant. However, the primary purpose here is that this intervention is not for the public interest but for political benefit and gain. In Özal's period, it was frequently observed that a significant part of public officials did not act to realize the "public interest" principle, which constitutes the purpose of public service. They acted in corruption, bribery, embezzlement, and nepotism by prioritizing their interests (Koçak and Yüksel, 2010: 73- 74). From this point of view, it can be argued that state capitalism emphasizes a political economy in which the state controls or directs fundamental productive forces. However, market forces also work at full speed (McNally, 2013: 3). Markets are vital for achieving this goal. From this, it can be interpreted that state capitalism is the portrait of capitalism under state coordination. It is clear that state capitalism, which came to the fore in Turkey after 1980, does not have a free market mechanism or practices contrary to neoliberal economic thought. In Turkey, the decisions taken during the Özal governments after 1980 were taken by bureaucrats or economic units supported by governments, and the political needs of the bureaucratic state were prioritized. January 24, 1980, Decisions were taken with the support of bureaucrats and governments, keeping the political needs of the state in the foreground.

Turkey's integration into the world economy has evolved to a different point, with the financial liberalization process set in motion through the Decree No. 32 On Protection of The Value of Turkish Lira and Bans on Using Foreign Currencies In Contracts in Turkey issued in 1989 (Ercan, 2004: 12). This advancement enabled the Turkish Lira to gain the convertibility feature and free capital movements. In addition, it made it possible to conduct domestic transactions in foreign currency. The first step was integrating the Turkish economy into the financial globalization process.

The events in question are also felt from the discourses in the development plans prepared in the period. In both Fifth (1985-1989) and Sixth Year Development Plan (1990-1994), there are very enlightening examples of the dynamics of the period. Both plans are blessed principles such as free market, financialization, unlimited competition, growth, entrepreneurship, and the minimal state as absolute and universally shared requirements and realities (DPT, 1985: 188-200; DPT, 1989: 343-344).

The logic of the market and neoliberal rationality have penetrated all the pores of society, and the state has begun to function as a market actor that builds it, far from withdrawing from the economic sphere (Dardot and Laval, 2012). All of these incidents can be construed as an indication that a development strategy that adopts state capitalism has begun to flourish in the Turkish economy. This position is reflected in Özal's "I like the rich" discourse (Cited in Yıldız, 2018: 46), which has transformed the economy into a monopolistic structure in which the interests of those with financial capital are prioritized.

## **7. Manifestations of the State Capitalist Development Predicated on Financial Speculation**

The 1990s represented a period in which the Turkish economy was broadly and radically integrated into global financial capital. In line with the interests of state capitalism, the state budget seems to have turned into a mechanism for rearranging income distribution in financial markets, not economic development. Early deindustrialization was one of the dramatic results of this condition (Taymaz and Voyvoda, 2012). Financial liberalization and high-interest rate policies prevented investments from directing to the manufacturing industry (Uygur, 1993). According to a study on the manufacturing industry, fixed capital

investments decreased by nearly 15 percent between 1980 and 1989 (Şenesen and Erol, 1995: 254). Macroeconomic instability and weakness of financial supervision caused the economy to remain open to speculation and short-term capital flows, inviting the 1994 Financial Crisis (Öniş and Riedel, 1993).

The 1994 crisis is Turkey's first financial crisis experience. At the end of the crisis, significant increases materialized in real interest rates and foreign exchange prices. In addition, irrepressible expansions in debt burden and public sector borrowing began. The government replied to the economic crisis by starting an IMF-backed economic stabilization program on April 5, 1994. The objectives of the intervention can be summarized as reducing inflation, lowering foreign trade deficits by increasing exports, dropping budget deficits, and maintaining balance in the real and financial sectors. However, the economic stabilization measures implemented have often been unsuccessful. In this case, the political instability in the country had a significant share (Karagöl, 2010: 26).

The Asian Crisis that started in 1997, and the crises experienced by Brazil and Russia later on, significantly impacted Turkey's development performance. By the end of 1997, the structural problems of the Turkish economy began to come into sight again. Economic growth declined as confidence in emerging economies was shaken by the crises, and as a result, capital flows slowed globally (Marois, 2012: 118). Following the crisis, capital flows to Turkey dropped sharply, and the share of capital flows in national income decreased from 5.8% in 1997 to 1.8% in 1998 (Akyüz and Boratav, 2003: 1552). In addition, although inflation rates recovered from triple digits following the 1994 crisis, they could not be brought under control and hovered around 85%.

These severe financial crises in the world economy in the second half of the 1990s have prompted economists to act. While the crises carried with questioning neoliberal development policies, whether there would be a new paradigm change in development thinking has been at the center of the discussions. With the intensification of the results and criticisms that arose in practice, a trend emerged from authoritarian neoliberalism towards a new synthesis, the Post-Washington Consensus. Discourses such as state capacity, state power, state-society synergy, governance, and coordinated market economies have come forward in the development discussions.

The World Development Report of the World Bank, *The State in a Changing World* (1997), can be evaluated as one of the expressions of the intellectual stage reached in this sense (World Bank, 1997). Emphasis was placed on changing the internal architecture of states in world economies. Contrary to the radical opposition of the previous period, it was explained that the establishment of economic institutions of capitalism is a prerequisite for economic development, and a new definition of the effective state is required for this (Stiglitz, 1998; Naim, 2000). However, the discourses are based on capitalism and neoliberalism. The basic ideology of the capitalist system and the understanding of development is determined in this direction. Therefore, it can be asserted that an understanding of development that prioritizes state capitalism is tried to be imposed on the world.

While these discussions were going on, the Turkish economy was again faced with a crisis. A severe economic crisis was experienced in November 2000 and then in February 2001. In particular, the 2001 crisis is also specified as the first capitalist crisis in Turkey's history. This is because the crisis occurred in an economy thoroughly integrated into the world economy through the liberalization of foreign trade and capital movements after 1989.

## **8. A New Institutional Thinking Plane in Development Debates: The Post-Washington Consensus**

The crises of December 2000 and February 2001 reflect the neoliberal policies that Turkey has begun to implement since the early 1980s. In this sense, the contradictory nature of capitalist production relations expresses the peak point of political, economic, social, and financial instability (Savran, 2013: 264-271). In 2001, when record capital outflows were experienced from the markets, real national income decreased by 9.4 percent, national income per capita fell by around 25 percent, thousands of small and medium-sized enterprises and more than 20 commercial banks of all sizes went bankrupt (Öniş, 2003: 9). There has also been a social trauma that has spawned millions of skilled unemployed.

The development path that the Turkish economy will follow after the crisis and the macroeconomic governance and control framework are presented through the Transition Program to a Strong Economy, promulgated on April 14, 2001, whose technical parameters were drawn by Kemal Derviş. Thus, while the required steps were taken for the neoliberal state to gain functionality, institutionalism, good governance, and practical state discourses came to the fore via enacted laws. It is aimed at restructuring the state device following neoliberal principles. The program acted with the intent of reconstructing the entire financial sector, in particular banking. It can be asserted that the program was not taken a turn independently of the principles of the Post-Washington Consensus. Policy titles such as good governance, the importance given to institutions, effective state, and transparency against corruption evoked the principles of reconciliation. However, on the other hand, implementing macroeconomic policies compatible with the primary content of structural adjustment and stabilization policies keeps going rapidly. The understanding of development in the years after 2001 is based on institutional neoliberalism (Öniş and Şenses, 2007). Derviş's statements on the topic are noteworthy:

"The state should control, but not fall on the playing field of the economy. The state should not cause a crisis; it should maintain order. But of course, you will score the goals. With your strength and your efforts, Turkey will achieve success. The state should not cause a crisis; it should maintain order. You have to score the goals" (Cited in Ercan, 2017: 643).

Therefore, it would not be wrong to claim that the understanding of development in Turkey in this period was also designated in a state-capitalist direction. As a result of institutional reforms (Özekicioğlu, 2020: 97), which strengthened autonomous institutions such as the Banking Regulation and Supervision Agency, the Capital Markets Board, and the Competition Board, the financial sector gained a robust audit and surveillance infrastructure.

The period's development strategy is also reflected in the development plans. The Eighth Development Plan (2001-2005) focused primarily on the restructuring of the state, short- and long-term growth and stability in the macro economy, and integration into the world economy through the European Union. In addition, intensifying science and technology skills, introducing new technologies, and augmentation of efficiency in infrastructure services have been proposed as preferred policy principles. As directly remarked in the plan:

"The Eighth Plan period will be a period in which the quality of life of the society will increase, the process of uninterrupted and stable growth will be entered, the fundamental transformations in the process of European Union membership will be realized, integration

with the world will be ensured, and our country will gain a stronger, more effective and respected place in the world and the region" (DPT, 2001: 33).

The primary focus of the 9th Development Plan (2007-2013) was developed similarly to the previous plan. The vision is determined as a Turkey that grows in stability, shares its income more equitably, has competitive power on a global scale, transforms into an information society, and has completed the harmonization process for membership to the European Union (E.U.). The state's role has been designated as withdrawing from producing commercial goods and services and strengthening its policy-making, regulatory and supervisory functions (DPT, 2007).

Based on a doctrinal market ideology, the implemented development policies continue to be advocated through concepts such as strong state control, good governance, reregulation, and poverty reduction, that economic growth and development will be triggered through some measures that shrink the state in the social context, the privatization, and deregulation. It is possible to point out that through these policies, the role of the state has been redefined in favor of capital (Cammack, 2003; Craig and Porter, 2006), and an attempt has been made to create a development approach that defends the existence of the capitalist state in various fields. Meanwhile, the financial crisis that emerged in the U.S. in 2008 and felt its effects almost all over the world paved the way for the different development discourses for Turkey.

#### **9. Global Financial Crisis & Crystallization of State Capitalism in Development Debates**

The 2008 financial crisis severely affected the world economy compared to the Great Depression of 1929. The giant real estate and credit bubble in history lie at the root of the global crisis that first burst in the U.S. in September 2008 and then spread to the entire world in waves (Crotty, 2009: 566). Moreover, the crisis's consequences did not remain narrow because of extensively integrated financial markets and production processes. As a result, it has had an impact on the Turkish economy as well as on the economy of many countries.

During the global crisis, many discussions were opened, and many new views and suggestions about the system came to the fore. Many economists claimed that the current economic theory could not explain the crisis and could not show the way out. The crisis process has also brought a theoretical formation to the agenda that justifies the re-regulatory movements in the functioning of the free market (Yeldan, 2009: 15). However, the critical attitudes of Krugman (1995, 2011, 2018) and Stiglitz (2012, 2017) about the economic and social problems created by market fundamentalism could not lead to a fundamental break with the neoliberal belief that admires the beneficial properties of free markets.

After the crisis, governments developed fiscal stimulus programs, monetary policy measures, and policies to solve the financial sector's bottleneck. Priority is given to policies aimed at consolidating the financial system and reducing high public budget deficits in the medium term (IMF, 2011: 19). Accordingly, in the Medium Term Plan of Turkey in 2011, it was stated that the financial structure of banks would be strengthened, and structural reforms in the goods and labor markets and financial sector would continue. Nevertheless, the policy prescriptions developed along a neoliberal line include the reduction of public expenditures and wages, increasing indirect taxes, and liberalization of the markets. The main idea that stands out differently in policies is to crystallize the state and restructure capitalism by focusing on the state's enormous power in shaping markets (Mazzucato, 2021). What is in

question is the strategy of marketization to the crisis of capitalism and a development approach that prioritizes state capitalism.

The new understanding of development, which can be classified as the new developmentalism or state capitalism in the Turkish economy, came to the fore, especially after 2011 (Öniş, 2019). Turkey's tendency towards state capitalism in its understanding of development has also been reflected on the economic and political fronts. Through the rise of non-Western actors, Turkish policymakers have also become more willing to take advantage of changing economic centers of gravity, and existing mega-scale construction and infrastructure projects have taken place as significant investment areas for Russian and Chinese companies (Kutlay, 2020). Since 2011, the Turkish economy has focused on short-term credit expansion policies. After 2014, short-term populist policies came into play. In the context of the historical development of the Turkish economy, it is observed that state intervention in the economy is used continuously as a purely political instrument, and populist spending spirals that disregard fiscal discipline are constantly on the agenda, especially during election periods (Öniş and Riedel, 1993).

Following the materialization of the Turkey Wealth Funds in 2016, the institutional foundations of state capitalism were laid again (Konukman and Şimşek, 2017: 1934-1944). Accordingly, the development discourses that aim to increase the state's weight in specific sectors and expand the state's control and coordination following the requirements of neoliberal policies have been heard frequently. However, although public funds will be utilized, the Turkey Wealth Funds have been excluded from the audit of the Court of Accounts (Şahin, 2017: 364). The management level of the Turkey Wealth Funds is not entirely composed of independent private sector managers. A part of the management level comprises representatives of political and bureaucratic origin groups that can be considered capitalist pressure and interest groups. This situation proves that the Turkey Wealth Funds is one of the typical examples of state capitalism.

The 2014-2018 Tenth Five-Year Development Plan (2014-2018) includes policies designed to deliver development to different segments of society under the title "Qualified Individuals, Strong Society." Under the title of "Innovative Production, Stable High Economic Growth," targets and policies are disputed for structural transformation in production and increase in welfare (Kalkınma Bakanlığı, 2014). While the main objectives of the Eleventh Development Plan (2019-2023) are characterized as revealing the development vision of the Turkish economy, its vision is "Producing more value, sharing more equitably, strong and prosperous Turkey" (Kalkınma Bakanlığı, 2019). In the plan, under the title of "Stable and Strong Economy," the basic framework and principles have taken part regarding the economy's monetary, fiscal, income, and foreign trade policies and the macroeconomic targets that will consolidate these policies in the plans, growth phenomenon rather than development at the forefront. It is also open to debate to what extent the strategic infrastructures of targets are prepared, such as being one of the world leaders in new technologies, which is also frequently mentioned in political speeches regarding the Republic of Turkey's centennial will be celebrated in 2023.

Development is a historically, contextually, and discursively constructed concept open to a new meaning. Therefore, consultation with history is fundamental to comprehending how the development policies of the Turkish economy have changed since its foundation. In essence, the development practice implemented nearly a century since the establishment of the



Turkish economy has been subjected to radical changes in terms of its roadmap. The main driving forces of these changes and the periods covering these changes in the context of development discourses and policies are classified in Table 1. In the methodological context, the main actors, institutions, and economic theories have been attempted to specify that they are thought to play a vital role in producing different development discourses in different periods. Further, the internal and external dynamics that shape the actors, institutions, and economic theories in the development discourses they generate have been set down.

Table 1. Understanding the Transition from Statist Development to State-Capitalist Development in the Context of the Main Turning Points in the Development of Turkey's Development Discourse

Stages	Global context and critical external factors	The dominant development discourse	Domestic policy coalitions that directly influence the development discourse	Objective	Systemic Breaking Point	Statist Development? OR State Capitalist Development?
First Stage: Early republican period development (1923-1929)	Determination of the direction of the world economies in the interwar period.	Nation-state building, moderate statism, economic development, and independence.	The segments of traders, farmers, industrialists, and workers determine the economy's direction at the Izmir Economics Congress.	Economic independence for national and political independence.	1929-Great Depression	Moderate Statist Development.
Second Stage: The development of strong statism (1929-1939)	The Great Depression, the global Depression it brought, and the rise of Keynesian economics.	Development within the strong statism principle framework established within the framework of Keynesianism.	The Kadro Movement brought the planning approach to the agenda inspired by socialism and Keynesianism on the axis of Kemalist ideology.	Rural development, planned industrialization, increasing domestic production, and capital accumulation.	The Second World War broke out in 1939.	Strong Statist Development.
Third Stage: The adoption of the principles of western-style development conception began during the Second World War (1939-1945).	The Second World War turned upside down the world's economic and political conjuncture.	Development within the framework of the eroding statism principle.	The state, the Republican People's Party Base Nationalism, and the groups that adopted the ideological rapprochement they accepted with the support of Germany, which dominated Europe in the first years of the war.	Fight to survive economically and politically with practices such as the National Protection Law and Wealth Tax in the years of great poverty.	The end of the Second World War in 1945.	Signals of a break with statist development.

Fourth Stage: Development within the framework of integration with the Western bloc in the transition to the multi-party system (1946-1950).	The rise of U.S. hegemony, the establishment of the IMF and the World Bank, the Cold War, and the burgeoning of development economics.	Adoption of the new regime's social, political, and cultural values oriented towards the Western Bloc in the understanding of development.	Large agricultural landowners, industrialists, and economically empowered Anatolian merchants who formed the base of the Democratic Party and pioneered its establishment.	The development strategy realized through the integration of agriculture with the world within the framework of the Marshall Plan.	The coming to power of the Democratic Party.	Break with statist development.
Fifth Stage: Transition to Integration with the World Economy on the Axis of Agricultural Populism in the Democrat Party Period (1950-1960).	The rapid rise of development economics and modernization theory.	Rapid agricultural development and industrialization on the axis of modernization.	A coalition of big landowners and farmers in favor of an agrarian strategy, the nascent industrial bourgeoisie, and the political party at work representing this new coalition of interests.	The rapid increase of national income through agricultural development.	The military coup of 1960.	State-led liberal development.
Sixth Stage: Planned Development Period (1960-1980).	The socioeconomic backwardness of Third World countries, the rise of dependency theories.	Inward accumulation strategy through import substitution industrialization.	Emerging industrialists, large bureaucratic institutions such as the State Planning Organization responsible for implementing the national development model, and an organized workforce.	Development by industrialization in line with the Five-Year Development Plans and primary objectives.	Decisions of January 24, 1980.	Statist development.

Seventh Stage: 1980-2001 Transition from import substitution policies to free market development policies accompanied by the global rise of neoliberalism.	Global acceptance of policies created in the neoliberal and monetarist context following the structural crisis of capitalism.	A pro-capitalist development based on the Washington Consensus and its fundamental principles.	Export-oriented industrialists, financial interests, and elements of the new neoliberal bureaucracy, including small and medium-sized enterprises, also called Anatolian tigers.	Deregulation, integration within the world capitalist economy and foreign markets, structural adjustment.	2000 and 2001 Crises.	State capitalist development.
Eighth Stage: From the Twin Crises (2000-2001) to the present. Development discourse based on neoliberalism with a regulatory state component and institutional reforms.	The financial crises that took place one after another at the global level in the 1990s and the need for a makeover of neoliberalism.	Within the framework of the Post-Washington Consensus, a development understanding based on the discourses of regulatory state and state market cooperation.	New regulatory bodies, such as the Competition Authority, the Central Bank, and the Banking Regulation and Supervision Agency, occupying prestigious positions in the bureaucratic arm of the state apparatus.	Post-Washington Consensus, State-Private Sector Cooperation.	-	Strong state-capitalist development.

Source: Kutlay, 2020; Öniş, 2003; Senses, 2004; Öniş and Riedel, 1993; Öniş and Şenses, 2007; compiled and created by the author.

In the determination of the development discourse of the Turkish economy, the global context, in other words, the economic, political, and social events experienced in the world in the dates mentioned above, and the economic theories that shaped the world economic thought that sprouted depending on these events have been influential. The development discourse of the Turkish economy has inevitably been affected by the conjuncture in the world and the economic theories shaped by the conjuncture, as well as the country's internal dynamics. Domestic policy coalitions that were effective in Turkey in the relevant period also have a share in the specification of the development discourse. When the table is carefully analyzed, it can be noticed that Turkey's development strategy has gradually switched from a statist understanding of development to a state-capitalist understanding of development. The dynamics determining this transformation can be categorized as global context, external factors, and domestic policy coalitions.

## 10. Conclusion

In the study, the evolution of the development discourse since the establishment of the Republic of Turkey has been tried to be placed in a general context. In the 1920s, the Turkish economy was an economy where shortages and inadequacies were experienced even in producing the most basic goods. Within this framework, after the revolution in 1923 and the proclamation of the Republic, Turkey started to create a brand new economy with a new industrialization move from the agricultural-oriented economic structure of the Ottoman Empire. The investment financing needs of the private sector, which has not developed

sufficiently yet, were met under favorable conditions, and the foundations of the appropriate infrastructure for domestic capital accumulation were laid. While the economic conditions were rebuilt between 1923 and 1929, the state provided infrastructure services, eliminated the deficiencies in education and health, and did not ignore social justice while forming the national bourgeoisie.

The 1929 crisis made it necessary to take a series of steps that paved the way for implementing strong statism as a new stage in the early Republican political economy and an autonomous development strategy. In the first half of the 1940s, policies aimed at eliminating the negativities created by the extraordinary conditions carried with the Second World War. In pursuit of the outbreak of the war, it can be put forward that a paradigmatic change occurred in understanding the development, and the principle of statism began to collapse in the war environment. In the years following the war's end, it is convenient to propound that the state-society relationship underwent a severe transformation following the transition to the multi-party system.

The state-led liberalism experience carried out in the 1950s following the objectives of rapid development relied on agriculture and expansion of the domestic market, terminated amid a severe socio-political and macroeconomic crisis, causing the Turkish economy to face the IMF for the first time in 1958. The political and socioeconomic crisis that broke out in the late 1950s not only interrupted the democratic system by laying the groundwork for military intervention but also initiated a new era of interventionism based on import substitution industrialization and development planning in the direction of the prominent global development approaches of the period-Keynesianism.

The import substitution industrialization strategy was systematically implemented under the planning regime coordinated by the State Planning Organization. As a result, despite the severe institutionalization problems in the constitution stage of the planning regime, Turkey achieved a rapid and sustainable growth momentum until the first years of the 1970s.

The structural crisis that manifested itself in the global economic, political, and social context in the mid-1970s was attempted to overcome by implementing neoliberal policies. The neoliberal transformation project was initiated in the political economy of Turkey in the early 1980s under Turgut Özal. January 24, 1980, Decisions inspired by the policies of Reaganomics in the U.S. and Thatcherism in the U.K. Özal started implementing the national transformation programs aiming at the structural transition towards the free market economy.

Özal's period emerged as a period in which state capitalism was at the forefront as much as free market capitalism. The state is articulated with capitalism and international capital due to the integration of the Turkish economy with the world. When necessary, the state entered the market like a capitalist has followed policies to protect the capitalist when appropriate. In the historical process, the permanent and primary duty of the state has been to make and implement the regulations that would assure the functionality of the capitalist system. Private property rights were guaranteed for the functionality of capitalism, and the structural and functional regulations of the state, such as defense, security, and Law, were rearranged to meet these conditions. The understanding of the state that works to neutralize and implement the norms, practices, and social relations of the political economy of capital has emerged as a critical mechanism in determining the development discourses of Turkey after 1980. It is a known fact that states, while structuring the behavior of their citizens and

social classes, also contribute to creating institutions designed to reproduce state power and guarantee the process of capitalist capital accumulation. Let us recall Marx and Engels' theory of the state. Marx and Engels argued that historically, the most crucial reason for the existence of the capitalist state is to protect the capitalist property regime. To summarize his famous sentences in the Communist Manifesto: "The state is nothing but the executive apparatus of the bourgeoisie." When the policies that lacked the development framework implemented in Turkey after 1980 are analyzed in this context, it can be observed that the policies of the state apparatus in this period resulted in the detriment of people who had nothing but their labor to live.

The developmental logic of previous periods has given way to the budget discipline of structural adjustment programs and export fetishism. (Cerny, 1997). Thus, the neoliberal perspective has qualified development in growth, unemployment, the debt amount, foreign trade, and inflation indicators. As a result, development transpires as one of the forgotten fields in the 1980s. As Hoff and Stiglitz (2001: 390-391) point out, "Neoclassical economics, which is the theoretical foundation of neoliberalism, leaves out the heart of development economics by excluding institutions, history, and distributional considerations."

On the other hand, it is observed that the state designs policies in favor of those who own the means of production, especially those with financial capital. Due to the financial liberalization and expansion policies implemented since the end of the 1980s, the reproduction conditions of the state, companies, and households in Turkey have become heavily dependent on financial markets. Consequently, the economy became more sensitive to the developments in foreign markets, particularly hot money inflows and outflows that dragged the economy to significant instability from time to time.

The financial and macroeconomic crises experienced one after the other in 1994, 2000, and 2001 became unavoidable. The development context was removed again, and an economic understanding completely preoccupied with macroeconomic parameters such as inflation, unemployment, hot money, and interest shone out. Post-Washington neoliberalism has focused on institutional reforms that comprise a financial system resistant to external shocks and an intensive supervision and surveillance architecture following the 2001 crisis. The post-Washington Consensus principles and, in this context, the change experienced in the World Bank as an international institution that directly affects the development discourses in the world also rebounded in Turkey's development strategies. Under the state's regulatory role and cooperation between the state and non-governmental organizations, development is reduced to project management. However, it is possible to talk about Turkey's positive macroeconomic governance performance in the post-2002 period, accompanied by rapid economic growth, low inflation, and record export increases. By placing the finance and banking sectors on solid institutional and managerial foundations, the degree of immunity has been augmented against the financial crises that have plagued Turkey in the previous periods. However, an economic understanding that has withdrawn from the development context continues. The neoliberal understanding of development, which primarily pays attention to macroeconomic parameters, did not focus on human realities and the social reflections of economic relations.

After the 2008 crisis, there was a period in which the state took a more dominant role than expected in development discussions. This period can be characterized as the period of the occurrence of state capitalism again. The term was developed to describe the

transformation of the state from welfare and industrial states to post-industrial competitive financial capitalist states in terms of policy priorities. However, an influential economic transformation framework could not be put forward against the chronic crises, and serious problems have been experienced since the 2008 crisis.

The main problems of Turkey's economy in the last ten years are unemployment, high inflation, and the current account deficit. A complex and indirect tax-based financial system, low education level, and human capital deficiency are the other significant problems. Development continues to be identified through macroeconomic parameters. This case can be observed in recent years' last few development plans.

It can be argued that the Turkish economy has not generated a miracle of development despite the absolute progress achieved in its nearly 100-year history. Despite periodic increases in the economic growth rate, it was not possible to establish a systematic welfare state and to reflect the opportunities provided by these increases in relatively too-large social segments. Since an understanding that prioritizes the capitalist state instead of the welfare state in development continues to dominate.

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