

**From Rational Reformism to Neoliberal Centralism : Institutional Politics of
Economic Bureaucracy in Turkey (1960-1984)**

Dissertation submitted to the

Institute of Social Sciences

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in

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by

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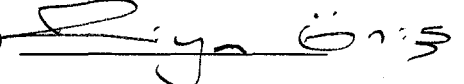
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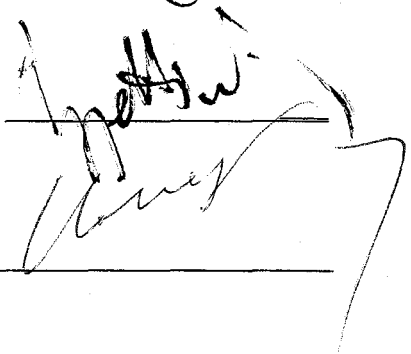
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FOREWORD AND ACKNOWLEDGMENT

The original point of departure of this study has been to trace the institutional genesis of neoliberal policy reforms in Turkey in the second half of 1960s. The importance attributed to the role of “crisis of import substitution in late 1970s” and “international financial institutions” in the transition to an outward-oriented economy dominated the literature on the subject in the last decade. The comparative lessons of economic liberalization have rather “frozen” the historical aspects of the formation of Turkey’s experience and did not address the *demarkating mode* of this transition par excellence. In reality, the original institutional cradle of neoliberal reforms in 1980s had been formed inside State Planning Organization in late sixties by the later political brokers of these reforms. The historical vision and political consciousness of Turgut Özal and his circle for a different concept of economic governance found their genesis in these formative years. In that respect, understanding the “institutional politics of economic bureaucracy” of these years seemed to be of an enriching potential the scope of political economy of economic and institutional change in Turkey. Hence , the period of 1966-1971 has been the most “detected” historical episode in the research time span of this study. In other words, the domestic economic and political context of 1966-1971 period has been the “institutional laboratory” of “neoliberal” reforms for the cadres who were their brokers in 1980s. Their institutional consciousness of state power in Turkey developed in this period and the mode of governance they adopted in the policy liberalization decade of 1980s which I call as “neoliberal centralism” had found its genesis in these critical years. The historical continuities of 1966-1971 and 1980s in terms of

institutional modes of regulation of the two periods have been found in this study as surprisingly close to each other in substance . As the research took shape in time, the “audit” of the institutional history of this period became much more promising in terms of legitimizing my original point of departure.

Although the dissertation seems to concentrate on the case of Turkey with respect to political economy of economic institutions and state power, the underlying themes have been by no means *sui generis*. The changing historical context of state power and economic change across time and space constituted the critical yardstick of the study under hand. For this purpose, over the years prior and during the preparation of this thesis, I have benefited at most from my discussions and exchanges with Prof. Dr. Ziya Öniş. These discussions and exchanges on the broad historical and comparative problems of political economy of state and economic change have shaped my argument to a great extent. In fact, the aforementioned point of departure as the central research problem of this study emerged from his substantially critical analysis of the “unorthodoxy” of the neoliberal experiment in Turkey in the last ten years within the context of a larger matrix of comparative political economy. If the present study deserves any merit, it is only my “detective” activity on the traces of this “unorthodoxy” which he laid the conceptual groundwork originally. The weaknesses of the methodological route, however, in inspecting the origins of this “unorthodoxy” definitely belongs to me. On the other hand, I acknowledge my debt to his meticulous supervision which eased the conceptual “streamlining” of the accumulated historical material along with his invaluable moral support. In

the absence of such support by Prof. Öniş, this study could not have been finalized.

Assoc. Prof. Taha Parla and Prof. İzzettin Önder have followed the research phases of this dissertation during the last years. Their support has no doubt assisted me to complete the study.

The British Council & Cultural Affairs, Istanbul partially supported a “library research” visit to the Institute of Development Studies at the University of Sussex in August 1995. I express my special thanks to this institution for having provided me this opportunity during the preparation stage of this dissertation. Similarly, American Research Institute in Turkey (ARIT) has considered this study as one of the researches to be supported in 1995. I would like to thank to ARIT executives for having considered this study as worth supporting.

Since economic bureaucracy is rather a “closed box”, the interviews with the old members of economic bureaucracy have been the most “living” source of this dissertation. It is through the changing views of buraeucracy over time and institutional space that one learns about the “institutional politics” of economic bureaucracy from its “original” source. I had not thought in the beginning that the gravitational effect of the interviews would weigh so much as in the final draft. It can be said that I have been able to reach the most vital personalities falling under the scope of this study. It is easy to have a glance through the names of the interviewees given in the appendix. The critical figures inside economic bureaucracy in sixties and seventies have been much more receptive to my invitation with enthusiasm. I would like to express my gratitude to all of them for having devoted their precious time. Especially the contributions of Ziya

Müezzinođlu, Naim Talu, Kemal Cantürk, Attila Karaosmanođlu and Gunal Kansu have been invaluable to enrich and check the very historical detection in the study. which I would never have had the chance to “grasp” solely from written resources.

The historical details of institutional and politico-economic developments of 1966-1971 period have been of primary importance for the dissertation. The unpublished institutional documents, especially of State Planning Organization in relation to Implementation Law No.933 have been vital for detection. These documents are indicated in the bibliograpy separately as “S.P.O Documents”. I would like to thank to Prof. Sevil Korum and Bařak Kayıran, Head of the Department for Publication and Representation of State Planning Organization for their kindly assistance to reach these critical material. On the other hand, the references to newspapers, periodicals, Chambers’ publications etc. are directly indicated with full reference in the footnote section of the dissertation. However, there have been critical articles among these which have also been indicated in the general list of bibliography.

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ABSTRACT

FROM RATIONAL REFORMISM TO NEOLIBERAL CENTRALISM : INSTITUTIONAL POLITICS OF ECONOMIC BUREAUCRACY IN TURKEY (1960-1984)

MEHMET HAKAN BATUR

This study explores the institutional politics of the economic apparatus of the state in Turkey in its late industrialization phase after 1960. Drawing on an historically extended comparative political economy framework, it argues that the internal contradictions inside economic bureaucracy have inhibited the formation of an infrastructurally strong state conducive for long-term economic change. The State Planning Organization which had been established after 27 May 1960 could not have achieved a “coordinating” power status as had been the case in the “strategic mercantilist” sisters of Turkey in East Asia in the context of late capitalist development. . It is argued that the long-run impact of the dismantling of the traditional economic apparatus of the state in Turkey can not be estimated without underlining the historical struggles inside it as they evolved in its late industrialization phase. Depending primarily on a set of interviews and primary resources, it is shown that the intensity and mode of alteration of the traditional economic apparatus of the state after the political takeover of Motherland Party cadres in late 1983 has its origins in the 1966-1971 context. The formation of the “4th Department” inside S.P.O by the “proto-neoliberals” after 1966, it rather became vulnerable to short-term demands of industrial capital. In fact, it is shown that the political brokers of neoliberal reforms in Turkey have inherited a strong legacy of incentive implementation under Law

No.933 which had been in effect in late sixties. Moreover, the strong constitutional and intra-bureaucratic brakes and political opposition during this period have shaped their consciousness on "ruling by decree" in the post-1983 period.

The conflict inside and between state institutions in Turkey in its late industrialization phase produced an incoherent and incohesive economic bureaucracy which eliminated the potentials for long-term economic change in a strategic sense, i.e. of being a productive economy capable of adapting itself to the changes in and challenges posed by the global market. In the short term, the so called move towards "neoliberal centralism" via the dismantling of the autonomy of the "extractive" state institution, Ministry of Finance and the establishment of the Undersecretariat of Treasury and Foreign Trade seemed to contribute to the strengthening of the self-regulating market forces to achieve this goal. But, the newly built "politically centralist" bureaucracy did not have the autonomous capacity to transform these forces into production-oriented networks. On the contrary, the long-term effect of the "radical" alteration in 1983 was the retreat from the existing autonomous-extractive powers of the state in Turkey.

KISA ÖZET

RASYONEL REFORMCULUK'TAN NEOLİBERAL

MERKEZİYETÇİLİĞE : TÜRKİYE'DE EKONOMİ

BÜROKRASİSİ'NİN KURUMSAL SİYASETİ (1960-1984)

MEHMET HAKAN BATUR

Bu çalışma Türkiye'nin geç sanayileşmesinin dönüm noktası olan 1960 sonrası devletin iktisadi aygıtı içerisindeki çatışmaları bir "kurumsal siyaset" perspektifiyle incelemektedir. Kavramsal düzeyde tarihsel olarak genişletilmiş bir karşılaştırmalı politik iktisat çerçevesine dayanarak, devletin iktisadi aygıtı içerisindeki çatışmaların içerisindeki uzun vadeli iktisadi değişime yön verecek bir "altyapısal" devlet gücünün oluşumunu nasıl sınırlandırdığını ortaya koymaktadır. 27 Mayıs 1960 sonrası kurulan Devlet Planlama Teşkilatı'nın Doğu Asya merkantilizmine esas teşkil eden "koordine" devlet gücünü planlı dönemin başından itibaren neden oluşturamadağı tartışılmaktadır. Bir dizi mülakat ve asal kaynağın taranmasına dayalı olarak, 1966 sonrası Devlet Planlama Teşkilatı içerisinde oluşturulan "4 Daire" (Teşvik ve Uygulama Dairesi) nin ve buna yasal dayanağı oluşturan 933 sayılı "Uygulama Kanunu" nun bu süreçten nasıl uzaklaşılmasına yolaçtığı vurgulanmaktadır. 1966-1971 döneminde sanayi sermayesinin kısa vadeli çıkarlarını ön planda tutan bu kurumsal oluşumların 1980 sonrası neoliberal döneme nasıl etki yaptığı incelenmektedir. 1960'lı yılların ikinci yarısında, anayasal sınırlamalar ve siyasal/bürokratik muhalefetle olan çatışmalarının, neoliberal kadroların 1983 sonrası ekonomik karar alma süreçlerinde "kararname ile yönetme" tercihlerinde belirleyici rol oynadığının altı çizilmektedir. "Neoliberal

merkeziyetçilik” olarak tanımladığımız bu yöneliş, devletin DPT-Maliye Bakanlığı ekseninde somutlanan geleneksel iktisadi aygıtının merkezi rolünü tasfiye etmiştir. 1966-1971 arasında edinilen kurumsal deneyimin ve yaşanan çatışmaların bu oluşumda önmeli izlerinin bulunduğunu ortaya koyan çalışma, 1983 sonrası “siyasal merkeziyetçi” bir ekonomi bürokrasisi yapılanmasının kısa vadeli çıkarların devlet aygıtının içerisine daha fazla nüfuz etmesine yol açmış ama uzun vadede devletin “vergisel-artık çekebilme” kapasitesini önemli ölçüde azaltmıştır.

CONTENTS

pp.

1. INTRODUCTION 1-26
2. STATE POWER AND LONG-TERM ECONOMIC CHANGE : LESSONS FROM HISTORY 27-101
 - Setting the Agenda
 - The Paradoxes of the Reincarnation of the "Neo"-Utilitarian" Logic
 - The Concept of Embedded Autonomy and Its Broad Theoretical Implications
 - From Embeddedness to Mercantilism : Understanding the Historical Roots of Long-Term Economic Change and State Power
 - Mercantilism : Historical and Conceptual Boundaries
 - Mercantilism As Rent-Seeking Society : A General Theory of Mercantilism ?
 - Mercantilism as Late Industrialization: Contribution of the German Historical School
 - Infrastructural versus Despotic State Power: Surpassing "Developmental Dualism"
3. "STAATSBILDUNG AS REFORM" AND NEO-LISTIAN "NATIONAL POLITICAL ECONOMY" : THE LIMITS TO INFRASTRUCTURAL STATE AUTONOMY AFTER 27 MAY 1960 102-172
 - From 'Tanzimat' to 27 May 1960 : Paradoxes of 'Perpetuated State-Building' and 'Ruptured Mercantilism' in a Nutshell
 - 'Relative' or 'Transitory Infrastructural' State Autonomy : Restoration or Re-State Building after 27 May 1960 ?
 - Planned ISI as Neo-Listian Mercantilism
 - State-Building as Rational Reformism and State Planning Organization as New Bureaucracy
 - The Failure of "Rational Reformism" and Transition to Limited Infrastructural Autonomy
4. THE FORMATION OF THE 4TH DEPARTMENT INSIDE THE STATE PLANNING ORGANIZATION : THE END OF LIMITED 173-247

INFRASTRUCTURAL AUTONOMY

- Controversies and Conflicts over the Second Five Year Plan : Loss of Coherence inside the State Planning Organization
- Towards the Institutional Cancellation of Limited Infrastructural Autonomy: Law No. 933 on the Implementation of the Second Five Year Plan
- The Genesis of the 4th Department inside the State Planning Organization
- Institutional and Political Opposition to Law No. 933 : Annulment Decision of the Constitutional Court
- Implications of "Proto-Neoliberal" Institutional Orientation in Late Sixties

5. PERVERSE RESTORATION OF REFORM AND BEYOND : ECONOMIC BUREAUCRACY ON AN INCLINED PLANE AFTER 12 MARCH 1971

247-367

- The Crisis of the 'Second Republic' : Understanding the Nature of 'Perverse' Restoration of Reform under the '1971 Regime'
- "Perverse" Restoration of Reform after 12 March 1971: "Interregnum" of Ministry of Foreign Economic Relations
- State Planning Organization and the Third Five Year Plan : A 'Despotic' Product of the 1971 Regime ?
- New Draft Law for Incentive Implementation and the Ministry of Industry and Technology
- Politicization of Economic Bureaucracy under Coalition Governments
- From the 4th Five Year Plan to the "Surrender" of the State Planning Organization : Dissolution of the Remnants of 'Institutional' Autonomy Encountering a Joint Chorus

6. CONSOLIDATION AND DISSOLUTION OF NEOLIBERAL "CENTRALISM" AS "POLITICAL DESPOTIC AUTONOMY"

368-434

- Neoliberal "Centralism" : A Despotic Restructuring of the "State" Autonomy in the Political Sphere
- Recentralization of Economic Bureaucracy as part of 24 January 1980 Austerity Measures
- In Search of Neoliberal Centralism in Early 1980s : Tensions inside

Economic Bureaucracy during the Military Regime

- The Formation of Undersecretariat of Treasury and Foreign Trade as the Core Bureaucratic Institution of “Neoliberal Centralism”
 - Paradoxes of Neoliberal “Centralism” and its Dissolution
7. CONCLUSION : FURTHER QUESTIONS AND RESEARCH AGENDAS 435-449
- NOTES 450-534
- APPENDICES 535-539
- BIBLIOGRAPHY 540-567

CHAPTER I - INTRODUCTION

"Dismantling the state is not the answer. It must be reconstructed."

Peter Evans

The history of structural adjustment and subsequent neoliberal policy reforms in Turkey since 1980 raised a number of questions about the compatibility of their domestic content and international general framework in the recent decade. The original intention of the architects of neoliberal reforms seemed at first sight to liberalize the trade and foreign exchange regimes accompanied by the reduction of the size of the public sector in the Turkish economy. The inward-oriented import-substituting industrialization strategy would thereby be transformed into an export-oriented one with self-regulating markets as the principal driving force in lieu of the state which "administered" the previous strategy. The removal of the pivotal role of the state as evolved throughout the national-developmental stage of economic history of Turkey would thus open the path for the previously "repressed" self-regulating market forces -which were somehow assumed to exist inherently- and create a much more conducive environment for long-term economic change. These basic tenets of neoliberal policy reforms have been recently canonized under the rubric of the term "Washington Consensus", and they have been commonly prescribed for developing countries by international financial institutions in 1980s as if it represents a "universal convergence". The term in fact reflected the original political geography of these institutions which guided the implementation of the general framework of "global" economic liberalization in various "national" economies in the context of late development. For early 1980s, Turkey has been termed as a "success

story" in terms of her ability to surpass the severe balance of payments crisis of late 1970s via shifting a substantial portion of her output to external markets with aggressive real exchange rate depreciation and the imposition of wage and monetary discipline at the domestic level. In subsequent order, the Motherland Party cadres have rapidly put the trade and foreign exchange liberalization components of neoliberal policy reforms into effect on a large scale with the "redemocratization" after the elections in 6 November 1983. The early phase of structural adjustment /neoliberal reforms in Turkey thus seemed to fit to the general framework of the international context of liberalization. This "general framework" to which the Turkish neoliberal "reform" process also adhered implicitly regarded the *existing* state structures and political institutions as obstacles to the enhancing forces of self-regulating markets. It considered the state, independent of its historical and formative characteristics in different settings, as a rent-generating entity which therefore had to be dismantled so as to give way to allocative efficiency and dynamism in the economy which has undergone policy reform. The political brokers of neoliberal reforms in Turkey also respected the outlook of this general framework towards the state and initialized the rapid implementation of policy reforms synchronic with the dismantling of the traditional economic apparatus of the state.

By early 1990s, the panorama briefly described above for late developers which have experienced neoliberal reforms has been subject to interrogation. The comparative experience of neoliberal reforms resulted in diverging patterns of economic performance for countries with a similar policy trajectory. Neoliberal "reforms" did not guarantee a sound macroeconomic performance for all the developing countries at the end of 1980s, which have been eclipsed by the general

framework of economic liberalization. The role of the state started to be discussed on a different basis from the ISI era but still with an interventionist component. This was true especially after the so called "transition economies" of the previously state-socialist Soviet Union and Eastern Europe also entered into the global logic of new liberalism. It has been understood by early 1990s that markets are not constructable entities with political will from above as applied to the dismantling of existing state institutions inherited from state-led development. The legal and institutional infrastructure of markets have become more important to understand their functioning and development. Furthermore, it was difficult for the neoliberal "general framework" to incorporate into its ideological and academic corpus the strategic-interventionist nature of state institutions in East Asia in "guiding" markets for long-term economic change. The analysis of state and institutions took momentum as the neoclassical/neoliberal orthodoxy became subject to intensive criticism from both academic and political circles. There has been even a certain U-turn in the attitude of neoclassical economics as well as international institutions towards the role of the state. It was acknowledged that even self-regulating markets could not continue to exist in the absence of a state providing a certain guiding legal and institutional framework for them. Moreover, economists have even began talking openly about the "positive" aspects of the post war historical-ISI experience in the context of late industrialization which could not have been imagined for any good academic and intellectual reason ten years ago.²

Turkey, in late 1980s, started to diverge from the "original" intentions of the architects of neoliberal reformers and the above "general framework" drawn by international institutions. A certain form of "unorthodox liberalism"³ started to

characterize the political economy of state-market relations. Expansion of the size of the public sector rather than its reduction, high public debt underlining the course of inflation and the subsequent surge of an extremely powerful financial sector rather than a productive entrepreneurial class having a real competitive edge in international markets, periodic and arbitrary intervention of state authorities in financial markets and the trade regime, pervasive rent-seeking on behalf of large parts of capital including the big-exporters, management of extra-budgetary funds etc. were quite in contradiction with the predetermined neoliberal long-term goal of building self-regulating markets. The neoliberal experiment thus seemed to contain in itself important "illiberal" elements. Neoliberal reformers who started with the goal of minimizing the role of the state ended with its political use to accommodate the demands of varying social interests which themselves are not necessarily "self-regulation" oriented. On the contrary, the increased power of rent-seeking business groups made it difficult to achieve that end. What the neoliberals experienced was the expansion of the state with its diminished capacity to intervene while at the same time being at the mercy of rival fractions of capital which lied at the heart of "arbitrary" rule. Hence, this created the so called "uncertainty" for different market participants in search of a closer distance with the politically centralist bureaucracy for short-term ends. State power at the level of economic bureaucracy turned out to take a more "despotic/predatory" shape where the capacity of the state to direct economic interests towards "long-term" industrialization goals sharply declined in comparison to the planned ISI era. Ironic in terms of the neoliberal general framework, dismantling the traditional power of the existing economic apparatus of the state at the institutional level undermined the capacity of neoliberal reformers to achieve their "long-term"

objectives. The so called potentially "self-regulating" economic forces have themselves become a source of the creation of rents in an increasing way as the traditional economic apparatus of the state was dismantled. Contrary to the original presumptions, dismantling the "traditional-autonomous" economic apparatus of the state as evolved throughout Republican history aggravated the "myopic" orientation of various segments of capital in the context of economic liberalization.⁴

The historical experience of neoliberal reforms in Turkey, therefore, is an outstanding example where the "general framework" came into sharp conflict with the mode and content of their implementation as inspected retrospectively from 1990s. On the neoclassical side, myopic explanations such as "policy mismanagement" which takes for granted the predetermined catholic neoliberal credo in self-regulating markets have been provided to account for the failures of neoliberal reforms. The divergence from the original targets of the general framework arose because "inconsistent" policies have been adopted throughout the "timing and sequencing" of economic liberalization. The neoliberal orthodoxy sought to explain the unintended consequences within its theoretical framework accusing the policy-makers for having adopted the "wrong" policies. On the other hand, political economy accounts of neoliberal reforms have concentrated majorly on the post-economic crisis era after 1980 and sought explanations within the political and economic context of 1980s. Those studies which have analyzed the evolution of import-substitution during the 1960-1980 decade have rather considered the episode as a "unilinear" phenomena in terms of state power without paying due attention to the variation in state institutions that did not move at first sight outside the eclipse of the "national developmental" orientation. Absence of "state autonomy" per se has been proposed as an explanatory

device for the demise of ISI.⁵ True in a first-hand cause-effect relationship, such an approach omitted the need for the explanation of the evolution of the changing nature of such autonomy itself. Variation in "state autonomy" or more precisely, the degree of "stateness"⁶ at the level of the economic apparatus of the state in different sub-phases of the "national-developmental" episode has not been addressed. As such, the legacy of planned import substitution era before the crisis period of late seventies remained underresearched for a more thorough understanding of the political economy of 1980s. Since the crisis of late seventies worked as a catalyser for the rise of the neoliberal turn, more attention has been given to it with legitimate credit.⁷ Hence, a rather definitive rupture between 1980s and 1960-1980 period seems to exist in the writings on the recent economic history of Turkey since neoliberal structural adjustment and reforms arose as a response to the severe economic crisis of late seventies.

Such a stance, however, underestimates and does not provide a substantial account for the historically inherited content of neoliberal reforms in the pre-crisis decade of planned import-substitution. Looked retrospectively, state power as effecting economic change during the planned ISI era was not a "constant" but it rather "varied" as the institutional, political and distributional struggles unfolded which made the economic apparatus of the state to lose altitude in its capacity to determine the direction of economic change. Given such a background, a complementary research strategy emerges from the central theme of this study, i.e., the domestic institutional and legal content of neoliberal reforms has been shaped long before the crisis of late seventies and formed the historical background of the

institutional formation of 1980s. Variation in the institutions of the national-developmental phase of 1960-1980 period remains underresearched to assess the evolution of the relationship between state power and economic change spanning also to the policy liberalization decade. In that respect, this study attempts to trace the origins of the divergence of the Turkish neoliberal experience from the aforementioned general framework in the institutional corpus of the 1960-1980 "national-developmental" phase. Its basic premise derives itself from the mere historical but surprisingly neglected fact that the latter political brokers of neoliberal "reforms", i.e. Turgut Özal and his close circle, in 1980s, had "captured" the State Planning Organization in the second half of 1960s and formed a "proto-neoliberal fraction" inside it. It argues that the accumulated experience of Turgut Özal and his circle to guide the Turkey's import-substitution phase in a seemingly more "liberal" direction, their struggle against the bureaucratic cadres of other state institutions related to the governing of the economy, i.e. Ministry of Finance and the traditional statist - "leftist" elements inside the State Planning Organization have played a key role in 1980s in their shaping of the institutional course of neoliberal reforms. In particular, it is argued that the origins of what I call as "neoliberal centralism", i.e. the quasi-despotic "ruling by decree" in the office of the Prime Minister independent of the participation of other state institutions had found its genesis during the 1966-1971 era where the new fraction was organized majorly inside the so called "4th Department", i.e., the Incentive and Implementation Department inside the S.P.O. The "illiberal" dimensions in the policy reform process in 1980s as described above possess strong roots in the "proto-liberalization" oriented institutional and legal structures of state-market relations in these years. In other words, the domestic

content of the neoliberal experiment in Turkey was not dictated at large by international financial institutions, but rather was previously prepared long before the neoliberal general framework of international financial institutions came to be a reality for Turkey after her acute balance of payments crisis in late seventies. Even though the political brokers of neoliberal reforms in 1980s respected the aforementioned "general framework", they themselves filled its domestic content with the legacy of their experience in S.P.O in late sixties. The political economy of 1980s in Turkey was to great extent a merger of the previously formed domestic historical content in late 1960s and the ascendant international general framework of neoliberal economic philosophy in 1980s.

Given the central theme of the study as such in its broad framework, the following chapters of the study progress as follows : The questioning of the neoliberal fallacy on the state necessitated a retrospective analysis of the states and its institutions as they evolved through the industrialization process in the twentieth century and not surprisingly even before. If state power is not necessarily directed towards rent-creation and economic slowdown in all comparative cases, what are the historical conditions that falsify the neoliberal credo on the role of the state ? If state power is not a matter of kind but of degree, what are the preconditions for a successful production-oriented developmental state in history ? Are there any elements that have been inherited from the traditional economic apparatus of the states of "national developmentalist" era in the neoliberal episode despite the arguments for a radical rupture in between ? These and similar questions have led to the flourishing of a literature on comparative political economy in 1990s mostly as a challenge to the "general framework" of the neoliberal orthodoxy. The political

institutions of the state have become a focal subject-matter of analysis in terms of their capacity to shape the course of economic change in varying contexts. Chapter 2 builds up an historically extended conceptual framework of this recent work. It will argue that the extended conceptual framework as such is stronger in its methodological inclusiveness in terms of understanding the evolution of state power in Turkey. Looking at the evolution of the economic basis of the state solely in terms of the comparative conceptual framework of "ideal" developmental state can be misleading in terms of understanding the evolution of the economic apparatus of the state in time. Turkey has been generally associated with a "strong state tradition" but the changing nature of that state strength has not been subject to analysis in historical time. It is argued below that this is because variation in state power in time, especially in the post-war phase where the emergence of industrial groups necessitated new institutional responses from the state, has not been investigated. Since the required institutional responses did not evolve in Turkey in the direction of an ideal full-fledged developmental state in her late industrialization, then one might think that the conceptual kit of the literature on comparative political economy is in contradiction with the changing context of her political economy configuration. As will be discussed, state power is a matter of degree and not of kind plus it is dynamic but not static. Hence, the conceptual equivalence of the concepts of "embedded autonomy" and "infrastructural autonomy" where the second incorporates the first is addressed. States endowed with this form of autonomy in history have been labeled as "strong" states in the direction of long-term economic change. They possessed an autonomous capacity on both extractive and penetrative terms. This has been equally true for the British State in the rise of modern capitalism and Korea in the second half of

twentieth century. The reservation for comparing the two cases in terms of the presence or absence of a "strategic industrial policy" is definitely absurd. But looked from the inclusive perspective of state power, both states have used different "market-augmenting" tools via their infrastructural basis. The same is true for their counterparts, i.e. predatory and despotic states labeled as "weak" states. They could not combine extractiveness with penetrativeness and thereby were subject to stagnation and rigidities. Tsarist Russia in late nineteenth century and pre-Revolutionary Iran in recent times are primary examples for these kinds of states. Of course, there remains the "intermediate cases" in between the two extremes, France and Germany in 19th century Europe and India, Brazil and Turkey in the post-war comparative context. This study, however, benefits from the above extended framework for a different purpose than comparative analysis. Enlarging the conceptual scope back to history is not diverging but conceptually converging us to focus on more clear terms with the evolution of the state in the particular case of Turkey. As will be shown in the third Chapter, the formation and early days of the State Planning Organization in Turkey provides a good example for this argument. Assessing its foundation and early years with the "hard-exclusive" criteria of the presence or absence of "embedded autonomy" -institutionally negotiated dense links between state and business elites around a shared project of national industrial transformation-, might shadow its impact on the history of state power in Turkey as if it was in the "despotic" parenthesis of its evolution. However, looked from an historically extended "soft-inclusive" perspective as summarized above, one can easily detect that its formation and orientation was directed towards a certain level of "relational" or what is referred as "infrastructural power" power similar in substance to

its counterparts. The absence of "embeddedness" does not mean that there would not be elements of "infrastructural power" in the evolution of a particular state. Via such a focus on the "degree" of stateness, we propose to investigate its variation through the changing politico-economic context. More explicitly, variation in state power in time is *sine qua non* to understand the course of long-term economic change. The mode of interactions between state institutions and societal and international interests can create new institutional "saddle points" that can promote or retard long-term economic change. Hence, what might seemingly be not satisfactory at the "comparative" level can be more useful if extended to a "historical" domain of analysis. The title of the study incorporates in fact the central message of the study. The term "institutional politics" of economic bureaucracy refers to the inner struggles and conflicts inside the economic apparatus of the state shifting its power base on a more incoherent and incohesive status in a "counter-Weberian" direction. The drive towards rational reformism and the foundation of S.P.O after 27 May 1960 brought state power on a heightened infrastructural autonomy basis to facilitate economic change in late industrialization which eroded and lost altitude over time and ended with the despotic restructuring under what is termed here as "neoliberal centralism" after 1980 thereby accounting for its variation in historical time as effecting long-term economic change. Indeed, it is why the historical time span of the study has been selected as between 1960 and 1984. The period starts with the foundation of S.P.O as the "axis" institution of Turkey's late industrialization and ends up with the formation of the "axis" institution of neoliberal policy reforms at the end of 1983, namely the Undersecretariat of Treasury and Foreign Trade. The formation of the latter was the initial institutional-political action of the Motherland Party after the 6 November

elections before anything else which had its own particular meaning. It eliminated the institutional power of the last institutionally autonomous "castle" of the historical brakes to rapid accumulation of capital inside the economic apparatus of the state, the Ministry of Finance and its core Treasury which guarded the "state interest" i.e. the extraction and spending of tax-revenues in an institutionally isolated domain of its own. However, the historical genesis of the Undersecretariat and Treasury had founded its political and institutional seedbed inside the State Planning Organization where the consciousness of Özal and his circle had been developed in the direction of "long-term" goal of cancellation of the aforementioned institutional powers of the Ministry of Finance. Hence, the economic apparatus of the state thus was politically restructured in late 1983 at the expense of the institutional "guardian" status of the Ministry of Finance over state resources. The subsequent introduction of extra-budgetary funds which emerged largely out of legislative control, the transfer of various funds and tax-rebates to the needs of rival segments of capital, the strengthening of the political power base of the ruling Motherland Party followed the formation of the Undersecretariat of Treasury and Foreign Trade along with other institutional changes. It is why the study of the "institutional politics" inside economic bureaucracy in this historical parenthesis appear to be of historical significance to understand the continuity in the institutional basis of economic change in Turkey. In that respect, the study might seem to possess a "state-in-state" framework at first sight in addressing its aforementioned task. However, such a "state-in-state" perspective has no doubt its political economy foundations in terms of the conflictual vested interests which we also try to highlight as the historical argument unfolds in each chapter. It is obvious that much more remains to be done in this area as can be

understood from the constantly changing political and economic context of the period full of intricate relationships between major social interests, institutions and key individuals as well. On the other hand, since the primary goal of the study has been to understand the "institutional politics" of economic bureaucracy as such, reference to economic policy details of the period were addressed to the extent they served to enlighten the conflictual space of economic bureaucracy in the changing politico-economic context. It is not "policy" but the "politics" behind it that is of central concern for us in this study. It is obvious that a full-fledged political economy analysis requires a further synthesis of the two on a larger quantitative and qualitative scale but our detection of the latter in this study makes also references to the first in case it is considered as necessary.

As already mentioned, it was the traditional economic apparatus of the state vis a vis which the embryonic form of "proto-liberalization" took its shape. There emerged a split and struggle inside economic bureaucracy in the second half of 1960s in Turkey between the traditional sections of economic bureaucracy who had faith in and defended a state-led development pattern and a new fraction appointed by the Justice Party which defended the "proto-liberalization" line of a still vague and immature form of an open economy with a seemingly more emphasis on the private sector in the development process. The traditional economic apparatus of the state at the time was represented mainly by the cadres of the Ministry of Finance and the State Planning Organization as it functioned between 1960 and 1965. It was against this "dual power" inside the economic apparatus of the state that the resistance of the new fraction in S.P.O under the leadership of Turgut Özal developed forging in turn a counter-resistance from the cadres of this "dual power". It is argued in this study that

the direction and content of the dismantling and reconstitution of the economic apparatus of the state in 1980s and their consequences can not be understood without taking into consideration the context of the intra-bureaucratic conflict between the two "fractions" of economic bureaucracy in earlier decades.

The traditional economic apparatus of the state in Turkey till 1960 as inherited from 1930s was largely associated with the Ministry of Finance. Since "Tanzimat", the early era of the political and institutional modernization of the Ottoman state, state power in Turkey had basically three fundamental pillars, namely the bureaucratic apparatus of the military ("Harbiye"), Office of Foreign Affairs ("Hariciye") and the Ministry of Finance ("Maliye") respectively. The Ministry of Finance representing the fiscal dimension of state power was largely co-termed with a "tax-seeking" state donated with "extractive" powers over the population even though its capacity to fulfill this function emerged on a "weak" basis during the Tanzimat period thus also forcing the state to refer to heavy borrowing from abroad to finance its increasing expenses.¹⁰ The Ministry of Finance was reorganized in 1930s as an encompassing institution embracing all spheres of economic life beyond fiscal extraction. During the heyday of "etatist-national economics" of 1930s and to minimize the negative effects of the world economic crisis, the fiscal apparatus of the state was transformed to being the sole representative of the economic apparatus of the state. The regulation of the trade and foreign exchange regimes under the so called "Law on the Protection of the Value of Turkish Currency" was defined within the institutional realm of the Ministry of Finance as well as the overall administration of State Economic Enterprises.¹¹ Having such a substantial control over the economy, the Ministry of Finance retained this institutional power all along Republican economic history till

early 1980s. This institutional power, as noted, developed historically along an "extractive" continuum with weak "penetrative" links with societal interests - to use the terminology of Michael Mann as is explained in Chapter 2-. Such an organization of state power at the economic level did not seem to create substantial problems in the absence of a mature capitalist industrial class where the economy was still dominated by powerful landed and commercial interests. However, with the advent of industrialization in 1950s, there seems to have emerged the need for an institutional reorganization of the economic apparatus of the state. Looked with the aid of the theoretical criteria posed in comparative political economy literature upon which this study relies, it was to be restructured with a "penetrative" component vis a vis the newly emerging industrial groups in the direction of "relational-coordinating power."¹²

If the traditional economic apparatus of the state had been structured along non-penetrative lines, has there been episodes in Turkey where there has been a search for infrastructural / embedded state autonomy? With the transition to multi-party politics, the necessary institutional reforms to restructure the state were not accomplished. In fact, the institutional structure of one-party period remained intact after the transition to multi-party politics. It is discussed in Chapter 3 that the State Planning Organization which was founded after 27 May 1960 emerged as a partner in the economic apparatus of the state along side the Ministry of Finance and as a potential candidate for the aforementioned role. The two institutions, though sharing a common "ideological" heritage of the early state formation of the Republic on the "dirigiste" role of the state in economic change, differed in their regulatory orientation on state-market relations and their status-seeking inside the state apparatus. The State

Planning Organization was originally founded upon an explicit alliance of radical officers and intellectuals/technocrats intrinsic to the military takeover of 27 May 1960 indirectly supported by the newly maturing industrial bourgeoisie. Even though S.P.O as the "new bureaucracy" of the planned development era shared the common ideological heritage of early state-formation and role of the state with the Ministry of Finance, it rested on a "developmental" pillar in its orientation in comparison to the conventional economic apparatus of the state whose role was confined solely to the "extractive" sphere. The existence of a newly emerging class of industrialists necessitated the new institution to reformulate the early "etatiste- national economics" of 1930s in a new responsive direction to their accumulation requirements in the post-war context of late capitalist development . In that respect, the State Planning Organization was established implicitly as a "potential penetrative" institution in its foundation to serve this goal. This chapter investigates to what extent it achieved such a status and surpassed the boundaries of the traditional "despotic/extractive" dominance of the Ministry of Finance and the failures of the rational-reformist drive resisted from traditional vested interests in and outside the state in which the foundation of S.P.O was located. The focus on the foundation of the State Planning Organization in 1960 and its initial days of establishment is significant to assess this institutional juncture in the evolution state power in Turkey. In terms of policy orientation, protection of national industry and hence import-substitution had been on the agenda since 1930s, but the emergence of an industrial class as relatively differentiated from landed and commercial interests marked the political economy of 1960s from early decades. Since etatisme had been conceived as "complementary" to the flourishing industrial capital accumulation, the planners in the beginning of 1960s

were somewhat "neo-statists" because they were now willing the state sector to co-exist with the industrialists depending on rational market criteria i.e. in a competitive setting rather than in a complementary one. The frequent reference to the idea of a "mixed economy" as a reference for the private sector emerged as a resistance to the neo-statism of the planners i.e. the public sector should continue to subsidize and not compete with the private sector. In addition, the efforts to form collaborative links between state and industrialists via the "Special Commissions" could not turn out to form dense links in the direction of a long-term strategic industrial policy as was the case in East Asian NICs. On the other hand, the call for radical reforms (land, administrative, tax, public enterprise) by early planners and the reformist wing of the military showed that they were aware of the need for a different kind of state apparatus compatible with the requirements of a post-war "national economics" in Turkey. The Ministry of Finance, on the other hand, representing the traditional economic basis of the state, wished for a planned industrialization within its own institutional eclipse. Its resistance to the potential penetrative-reformer status of the State Planning Organization created an incoherent and incohesive economic bureaucracy along with other factors -mostly related to the tensions inside the polity- during the import-substituting industrialization period. Looked from the criteria posed by the historically extended conceptual framework of comparative political economy, the search for reform to rebuild the state apparatus —a re-"Staatsbildung"- in Turkey after 27 May 1960 remained of a limited investment for infrastructural state power in Turkey for which the later stages of her late industrialization were affected in an adverse way.

The implications of the historical genesis of neoliberal reforms in the orbit of the national developmentalist-ISI era are critical for the evolution of state power in Turkey. The fundamental lesson drawn from Chapter 2 is that the precondition for long term economic change is the presence of a state apparatus autonomous but also penetrative in its long term interaction with industrial and other societal interests. It is also noted that in order to invest for infrastructural power, state institutions should be relatively more powerful vis a vis industrial interests in the beginning of industrialization. The Turkish case developed a quasi-despotic but autonomous form of state power in its history of state-building throughout the Republican history. There has been a significant leap forward towards the installation of infrastructural power in the beginning of planned development via the foundation of State Planning Organization. However, this was only a short period and the weak relational capacity of the institution remained intact despite a high level of autonomy, if not "relational", between 1961 and 1965 in the İnönü Coalition governments. The potential for building up the mechanisms necessary for long-term interaction with the newly formed industrial class have been exhausted in the early stage of import-substituting industrialization. The tension between "extractiveness" and "penetrativeness" in the planned import-substituting industrialization phase was one of the reasons why the economic apparatus of the state could not achieve an "embedded autonomy" as had been the case for East Asian developmentalism in the post-war context. The search for infrastructural power as Michael Mann put it or embedded state autonomy as Peter Evans put it ended as a quasi-stillborn phenomena in Turkey whose existence has been considered as detrimental in the literature on comparative political economy for the course of successful late industrialization. Given the inability of the economic

apparatus of the state to move in the direction of an infrastructurally strong state in early 1960s, its later evolution was defined by a loss of altitude in the degree of its autonomous power in later decades during the national developmental era as well as the policy reform period. More precisely, since the traditional "strong" but "despotic-autonomous" power of the state at the economic level had not or could not have been transformed to a "strong" but "infrastructurally autonomous" state power prior to late industrialization where market rationality had been weak, being able to arrest market rationality in the direction of strategic industrial policy, the course of late industrialization in Turkey turned out to be eclipsed by the ideology of the neoliberal "general framework". Looked from a long-term historical perspective, dismantling the traditional state apparatus was now the prescribed solution for the emancipation of the "self-regulating" market forces "imprisoned" throughout the overall Republican history of "etatiste-national economics" with the surge of global neoliberalism in 1980s.

The core chapter of the study (Chapter 4) investigates, documents and evaluates the historical and political significance of the ascendancy and initial retreat of the Turgut Özal circle inside the State Planning Organization between 1966 and 1971. The principal institutional-legal pillar of a "proto-neoliberal" orientation was "Law No. 933" concerning the "Principles of the Implementation of the Development Plan" (II. Five Year Plan). "Implementation Law" envisaged the extensive transfer of public funds to the private sector as well as new criteria of recruiting administrative staff to different state institutions. It is demonstrated that both of these dimensions in essence were the predecessors of the neoliberal practices of 1980s. The implementation of Law No. 933 was subject to severe opposition from both inside the

S.P.O itself and the cadres of the Ministry of Finance. Interestingly, it was the Turkish Labor Party, which opposed the "proto-neoliberal" orientation in the parliament, since it was against the related economic and fiscal articles of the 1961 Constitution. It is also noted that the strong opposition as such from the main economic apparatus of the state shaped the consciousness of Turgut Özal for the long-term in terms of the determination of his political and institutional targets in the latter neoliberal reform process. With a weak "relational capacity" of the state or "institutionalized statism"¹³ vis a vis societal interests even after the foundation of the State Planning Organization, it is shown that the installation of a new fraction inside economic bureaucracy in the second half of 1960s aggravated its incoherent and incohesive character. Despite the weak relational capacity of the Ministry of Finance-State Planning Organization axis, it contained a certain degree of autonomy with its stance over the "preservation of the state" per se. In the original foundation Law of State Planning Organization, the institution was not designed as a center of implementation. This was respected till 1965 where the encouragement of industry was on the agenda through different institutional channels of economic bureaucracy. In essence, the implementation of Law No. 933 till the military memorandum of 12 March 1971 deprived the State Planning Organization even from its early autonomy vis a vis different segments of industrial groups. It was through the institutional introduction of the "4th Department" inside the State Planning Organization as the central incentive implementation unit which catalyzed the regression from this autonomy. In spite of the fact that the "proto-neoliberals" argued for the increased "relation" with business circles, there emerged a different kind of "despotism" dictating the private sector to accomplish certain tasks rather than providing an infrastructure for market

participants. In the absence of a coordinated institutional reciprocity around strategic goals between the planning bureaucracy and industrial groups, the incentive regime became biased towards non-selective and foreign exchange-exhausting consumer goods industries thus making ISI incapable of moving to its 'hard' stage with substantial tasks handled by industrialists. On the contrary, substantial tasks of late industrialization remained with the state which would officially be declared in the Third Five Year Plan.

The "4th" Department was taken from S.P.O and transferred to the Ministry of Foreign Economic Relations after the 12 March 1971 military memorandum. The early planners who were now the "reformist" members of the military-backed government tried to restore the "statist-autonomous" power of the bureaucratic cadres as a reaction to the policy frame of the Özal circle during the rule of the Justice Party. The restoration was ironically directed towards "autonomy" since it was extremely damaged in the previous decade. However, the attempt to restore autonomy in order to discipline emerging rent-seeking now outside the State Planning Organization was subject to enormous resistance from all fractions of capital including the big industrialists. The practices of the Ministry of Foreign Economic Relations created such a tension between the reformists and the industrialists which contributed to their resignation within 8 months. It is argued in Chapter 5 that this attempt was a "perverse restoration of reform" since industrial capital as a class have already become relatively powerful vis a vis a state which have even began to lose its autonomy in the previous decade let alone having the potential capacity to restore its position in early planning days. It is demonstrated in this chapter that the impact of the late sixties for 1970s was the loss of both grounds of autonomy and capacity at the same time per se

for the implementation of industrial policy -not even necessarily strategic- with a powerful industrial class pushing the state resources to its limit in its desire for exhausting the benefits of the domestic market. With the opening of the episode of coalitions, fragmentation and politicization of economic bureaucracy became the "norm" in state-business relations. Its most vivid impact on the economic apparatus of the state was the segmentation of incentive implementation between the Ministries of Commerce (exports incentives) and Industry & Technology (investment incentives) as against the central incentive implementation of the 4th Department in late sixties.

The reascendancy of the Özal circle in late 1979 now backed by international financial institutions was the turning point in the history of economic bureaucracy in Turkey. Chapter 6 critically examines the rise of what I call "neoliberal centralism" in Turkey. S.P.O was reconquered a second time by the Özal circle and has become the institutional base of the preparation and implementation of 24 January 1980 stabilization measures. Özal paid due attention to the recentralization of incentive implementation in the institutional body of State Planning Organization which now was under his political control being the Vice Prime Minister responsible for Economic Affairs as well as the Deputy Undersecretary of S.P.O at the same time. All "statist" remnants were immediately eliminated from the institution and the implementation of the 4th Five Year Plan was put aside. It was now solely the Ministry of Finance as the old counterpart of traditional economic apparatus of the state that resisted to the rapid policy liberalization process. Its effort in that direction continued during the military regime but it was finally subject to the historic and radical blow from the early "proto-neoliberal" fraction which was now in political office after the 6 November 1983 elections. The formation of Undersecretariat of

Treasury & Foreign Trade was the historical inflection point in the history of economic bureaucracy in Turkey because it dismantled the traditional economic apparatus of the state which had been the legacy of the early state building of 1930s. With its installation, the Ministry of Finance was reduced to the status of a revenue-collector leaving its dominant position in directing the components of public expenditure as well as other aspects of the economy. Inspected in historical terms, the fiscal pillar of preserving the "state" was dismantled. Once the traditional economic apparatus of the state was dismantled, new forms of politically centralist bureaucracy were organized around the Office of the Prime Minister with an unprecedented organizational speed.¹⁴ The usage of the term "neoliberal centralist", however, points to a paradox in itself. The reassembling of the economic apparatus of the state after the dismantling of the traditional apparatus was in fact a "weak" and paralyzed move towards "centralism". It did not end up with what has been intended before, i.e. self-regulatory markets. On the contrary, what happened was the penetration of rival fractions of business inside the state where the opposite should have held meaning that the state should have penetrated inside rival fractions of capital for enforcing market competition in the direction of "self"-regulating markets. Neoliberal centralism have canceled the remnants of "autonomy" in the economic apparatus of the state via dismantling its traditional basis and what emerged was a "weakened" economic apparatus of the state in terms of effecting the course of economic change.

It might seem at first sight that the State Planning Organization weighs more in the study in relation to other institutions of the economic apparatus of the state. It is true that the State Planning Organization occupies a central place in the evolution of economic bureaucracy in Turkey in the context of late industrialization of 1960s and

1970s with uneven weight with respect to shaping the course of economic policy in different episodes of the twenty years between 1960 and 1980 . Hence, the major purpose is not to provide an historical evolution of planning in Turkey, but rather to draw a common locus of the politics of economic bureaucracy where State Planning Organization had a unique status inside economic bureaucracy in the planned development phase. A particular state institution in the economic apparatus of the state became "dominant" in relation to others in different episodes of history of economic bureaucracy and economic change in Turkey. As a result, they constituted an "institutional kernel" inside economic bureaucracy in that particular period. State Planning Organization was the outstanding institutional kernel of early 1960s but the "institutional politics" of forming a new institutional kernel as the "4th" Department (Incentive and Implementation Department) inside it in the second half of 1960s on incentive implementation had caused a decline in its dominant status in the "original" role attributed to it after 27 May 1960. The episode of Ministry of Foreign Economic Relations was a search for an institutional kernel as a "reaction" to the "decline" inside the State Planning Organization but was short lived due to the "perverse" restoration of reform under the despotic orientation of 12 March 1971 regime. The 1970s was an episode of dense institutional politics under coalition governments and saw the Ministry of Industry and Technology as the institutional kernel of rapid industrialization in most of 1970s. Finally, the institutional kernel of neoliberal reforms in 1980s was *par excellence* Undersecretary of Treasury and Foreign Trade which was the decisive implementation unit among all powers dispersed inside economic bureaucracy under the authority of the Prime Minister. The usage of the term "kernel" here does not refer to a form of coherent body inside economic

bureaucracy. It rather shows the "center of institutional gravity" in the policy-making process with no reference to whether the institution has been an agent of long-term economic change or not.

The conclusion (Chapter 7) assembles the findings of the study and evaluates its implications in terms of its addition to our stock of knowledge on the relationship between state power and economic change. It is argued that the long-run impact of the dismantling of the traditional economic apparatus of the state in Turkey can not be estimated without underlining the historical struggles inside it as they evolved in its late industrialization phase. The conflict inside and between the state institutions in Turkey in its late industrialization phase produced an incoherent and incohesive economic bureaucracy which eliminated the potentials for long-term economic change in a strategic sense, i.e. of being a productive economy capable of adapting itself to the changes in and challenges posed by the global market. In the short term, the so called move towards "neoliberal centralism" via the dismantling of the autonomy of the "extractive" state institution seemed to contribute to the strengthening of the self-regulating market forces to achieve this goal. But, the newly built "politically centralist" bureaucracy did not have the autonomous capacity to transform these forces into production-oriented networks. On the contrary, the long-term effect of the "radical" shift in 1983 was the retreat from the existing autonomous extractive powers of the state in Turkey. Today, the need for a radical tax reform is evident and indeed on the current agenda to restore the severe macroeconomic imbalances in 1990s but there is no autonomous-extractive institution having a capacity for such a task as the central precondition. Besides, the "old" S.P.O is not in a different position than the Ministry of Finance to forge a

"relational/strategic" neo-planning perspective¹⁵ in the new global logic of capitalism.

The existence of both extractive-autonomous and penetrative-coordinating-embedded state institutions are vital for long-term "flexible" economic change as is the fundamental lesson drawn from the literature on comparative political economy. The lesson of the Turkish case is that states and economies who do not invest for infrastructural-penetrative power over the "long duree" of their economic change are also destined to lose their extractive basis in the long run and end up with economic "rigidities". From a theoretical stand point, the fundamental locus of the Turkish case is that state power is not a static or stagnant phenomena in terms of long-term economic change but is rather shaped by the interaction of social forces and conflicting state institutions over historical time. Hence, what appears also to be of determining the path of economic change in the long-term is the direction and oscillation of the variation in state power in the historical-domestic context of political economies.

CHAPTER II - STATE POWER AND LONG-TERM ECONOMIC

CHANGE : LESSONS FROM HISTORY

"Though capitalism has developed a global system of economic interactions, in fact the real units of its developments have been certain territorial-political units- British, French , German, US economies- which may be due to historic accident but also (the question remains open) to the necessary role of the state in economic development, even in the era of the purest economic liberalism."

Eric Hobsbawm

"Japon ya da Alman mucizesi denen şeyin aslında mucize bir tarafı yoktur. Kendilerine özgü, fakat genel hatlarında bulunan bir merkantilist politika izlemişlerdir bunlar"

İdris Küçükömer

Setting the Agenda

The history of capitalism provides intriguing cases of how and why the state penetrates with varying degrees and modes to the direction of economic change in different historical contexts. The question of why the state, in some cases, had penetrative power to regulate economic interests in the direction of higher economic growth and increased productivity whereas in others lacked such "regulatory" penetrative capacity resulting in low growth rates and various economic maladies had recently placed itself as the core issue in understanding long-term economic change. The recent literature on the comparative political economy of late industrialization, especially in relation to the strategic industrial change in East Asian NICs, made the "state" a more central research problem in understanding the path of economic change in the context of post-war late development. The developmental success of effective state intervention in these economies in the direction of more dynamism , flexibility and international competitiveness had led to the questioning of the historical

presumptions of neoliberal orthodoxy on the "raison d'etre" of the state conceived as distinct from and against the logic of the so called "self-regulating" markets. The historical experience of East Asian developmentalism rather strengthened the opposite view where the state and market mutually reinforce each other in the direction of a "synergy" between themselves. The synergy resulted largely from the penetrative "national" capacity of the institutions of the production-oriented "developmental state" in governing the market sphere composed of diverging sectoral interests but sharing at the same time the long-term strategic goal of industrial transformation.¹ The institutions of the autonomous state were radially diffused in society, principally among the industrial elites to guide the implementation of the shared goal of industrial transformation. The penetrative capacity of the "developmental state" as such have resulted in successful industrial transformation and promoted long-term economic change in these societies over the past half-century. In fact, its phenomenal significance has even been compared to the rise of modern capitalism in Europe linked with the protagonists of early industrialization. "Few would now dispute that the growth of East Asia over the past fifty years represents a historic shift in the economic hierarchy of nations, one that could eventually prove to be a regional shift comparable to the rise of Northwestern Europe 250 years earlier."²

Hence, the challenge of the historical experience of East Asian NICs had far reaching theoretical and conceptual consequences for a better understanding of the relationship between state power and economic change in history beyond merely only the post-war comparative context. The aforementioned concern on the role of political institutions, more precisely that of the state surpassed the mere domain of economic development in the "classical" disciplinary sense that largely restricted itself

with the post-war period after 1945. It rather encompassed a larger matrix of comprehending the "historical" political economy of long-term economic change within the context of differing regions in time as well as the comparative context of post-war capitalism. Starting with the questions of differential economic and industrial outcomes that relate to varying forms of state power and state institutions, the conceptual tools developed for contemporary assessments of late industrialization have begun to be used in the assessment of early industrialization of contemporary advanced capitalist states. It is surprisingly challenging to see that the conceptual pillars of comprehending the recent post-war experiences of newly industrializing countries share quite common frames for apprehending the state-formation and the rise of capitalism in the context of modern Europe and vice a versa. Common theoretical inferences for early and late developers have started to integrate the domains of comparative political economy of development and historical sociology of state-formation. In fact, the surge of the field of comparative political economy originally started from such a methodological premise ³ but the evolution of the literature till mid-1990s concentrated solely on the post-war comparative context. The reason for this seems to be the urgent intellectual need to challenge the neoclassical anti-statism in the context of economic policy frames in the periphery of the world economy. However, once the "state" established itself as the central research problematic, new contours began to be opened for fresh perspectives . With the monumental work of Michael Mann ⁴ as the leading recent work of historical sociology on state power, convergence between the two disciplines have become much more clearer. It is the overall historical and comparative context of capitalist

development where the state with its changing institutional capacities effecting the course of economic change that is now subject to a wider scope of investigation.⁵

In that respect, the purpose of this chapter is to develop an historically extended conceptual framework of comparative political economy of state power incorporating the early as well as late capitalist development. The basic reason why we find it necessary to refer to such an "historically extended" conceptual framework for the purposes of this study is parsimonious : The history of state institutions precede the history of capitalist development in all early and late industrializers , or more precisely state formation precedes the emergence of capitalism. This basic fact is also true for Turkey which is particularly associated with a so called "strong state tradition".⁶ It is thus indispensable to underline the particular history of state-formation in each of these cases to understand their path of economic change via understanding the form of the long-term interaction between state institutions and prevailing economic interests. It is because "strong economic development is only possible in the presence of an institutionally differentiated state, that is , a state that is insulated from the everyday demands of private social actors."⁷ As will be discussed below, the building up of the institutional mechanisms for long-term interaction is a must for the emergence of such an autonomous state facilitating economic change and industrial transformation . In other words, in order for state power to be "negotiated power" diffused in society, it must be interactively autonomous vis a vis various economic groups. Thus, it can negotiate its own goals with those of other economic interests and forge a common normative framework of development. Thus, the legacy of state formation on building present state capacity in the direction of growth, production

and competitiveness is more important than it is assumed to be. It is because "pre-existing structures delimit the range of possible options" for building state capacity and long-term economic change. In the period of late industrialization, this creates a "dualism" inside the state between the "old" and "new" institutional bodies of economic change seeking their own autonomous position inside it. Such a consideration on the autonomy of institutions inside the state rather than the overall autonomy of the state also opens more promising avenues to understand state power as effecting economic change. In general however, those "state" traditions which have evolved solely towards the dominance of a tax-seeking state or simply a "fiscal state" reflected in their institutional apparatus could not have built up long-term penetrative interaction mechanisms with social segments or newly emerging classes in their territories. They have sought to maximize revenue to their bureaucratic apparatus leaving little space for the mobilization of resources in private hands. While doing that, these states have undermined their long-term power and also the possibility for overall long-term economic change. On the other hand, those "state" traditions which have built up their power on the basis of those mechanisms for long-term interaction with the newly emerging wealthy classes have increased their autonomous power base plus pushed the impulses from these classes in the direction of long-term economic change. The state was central to the creation of wealth in society in history till today. It is the second type of states which have been labeled as "infrastructurally strong" states that created the institutional context of development in the long-run. Hence, it is also the set of states to which the East Asian developmental states belong to. In that respect, referring to the "hard" conceptual basis of an "ideal" type of East Asian developmental state, whether it exists or not,

might lead one to be unable to differentiate between the institutional evolution of state institutions in a certain country in time. It is true that different state structures create different capacities for action. However, the same rule is also valid for the different episodes of the history of state power in a particular country. As will be shown in the next chapter, the formation and early days of the State Planning Organization in Turkey provides a good example for this point. Assessing its foundation and early years with the "hard-exclusive" criteria of the presence or absence of "embedded autonomy" -institutionally negotiated dense links between state and business elites around a shared project of national industrial transformation- might shadow its impact on the history of state power in Turkey as if it was in the "anti-infrastructural " parenthesis of its evolution. However, looked from an historically extended "soft-inclusive" perspective which is discussed below, one can easily detect that its formation and orientation was directed towards a certain level of "relational" or what is referred as "infrastructural power" power similar in substance to its "ideal" developmental counterparts.¹⁰ In other words, it is argued in this chapter that state power is a matter of degree and not of kind also in a particular domestic political economy context. Therefore, it is necessary to detect a broader conceptual basis of state power in history which does not contradict but also includes the experience of East Asian late industrialization in itself along with others. This does not only hold for the comparative context but also is applicable to variation in state power through different historical episodes of a particular country. In fact, detecting the evolution of the variation of state power in Turkey at the level of economic bureaucracy will be the central theme of this study founded on such a theoretical basis .

The Paradoxes of the Reincarnation of the "Neo"-Utilitarian Logic

Neoliberal economic philosophy began to challenge the role of the state in economic activity in advanced capitalist economies, principally in Anglo-Saxon countries and the developing countries of the post-war period by the end of the golden age of post-war capitalism. It presumed that it would revitalize the primacy of self-regulating markets in economic change as distinct from the state as it had been the case in early industrialization and the emergence of free competitive capitalism. The principal ideological tool was the creation of a consensus on the virtues of the "market" vis a vis the "state". However, such a task was not new. Historically doubtful whether it was as such, the separation of "states" and "markets" has been a legacy of 19th century economic liberalism. At the time, it was professed as a politically legitimating framework which represented the autonomous interests of a rising industrial class from a state which ought to act on a "minimalist" basis. This meant that it would only protect the rights of individuals, persons and property and enforce contracts.

The separation of the "market" from the "state" in 19th century economic liberalism was subject to a serious "early institutionalist critique".¹¹ Examining the rise of the market ascendancy, Polanyi criticized the idea that it emerged on a natural basis but rather argued that international and local trade had not evolved in the direction of national market unification by themselves. On the contrary, these two forms of trade were subordinated to political control under mercantilism so as to open the way for integrated markets at the national level denying the so called spontaneous dynamic in its emergence. Particularly, it was the labor market beyond others that required the

regulatory intervention of the Crown.¹² Hence, markets are not self-constituting nor autonomous by themselves. Exchange relations in the sphere of the market do not have primacy over other forms of social relationships. On the contrary, they are surrounded by and embedded in other kinds of social structures in order to be able to operate, namely norms, rules, informal ties of trust, culturally shared understandings etc. defined powerfully by Durkheim as "non-contractual elements of contract"¹³ and certain formal forms of institutional hierarchy and conduct principally created by the state. Licensing laws, legal definition of property rights, standard weights and measures, creation and validation of money, regulation of contracts are primary examples for the formal types of "embedding" of markets. This latter type of "institutional patterning of markets by state power" reflected the "historical re-embedding" of markets in the institutions of the modern state.¹⁴ Shortly, capitalism required non-economic conditions for its emergence, primarily the existence of state. "The road to the free market was opened and kept open by an enormous increase in continuous, centrally organized and controlled interventionism."¹⁵ It is significant to note that the usage of the term "interventionist" here is associated with capitalist development in England which is assumed in "common knowledge" as the "least" "state-dependent" capitalist path. Although the full implications of this extremely significant point is discussed below, we can simply say here that the market was not distinct from the state but was "embedded" in a variety of institutions where the state policed different forms of collective action for market participants even in the sphere of exchange. As against the claim of neoliberals and the old proponents of the "free trade doctrine" at the end of 19th century, the assumption that the self-regulating

forces of the market was enhancing at the expense of the state was questionable in historical retrospect. The call for a "minimalist" night-watchman state then was a paradox if the market participants could not define themselves the institutional boundaries of their unintended actions.¹⁶ Current neo-utilitarian logic was in fact a reincarnation of the aforementioned old assumption of the separation of the state and the market. However, it added that all forms of state intervention beyond securing the free operation of "markets" creates social waste or simply what has been called as "rent-seeking". Simply, it is solely the state being the "new Leviathan" from which "rent-seeking" emanates.¹⁷ Hence, it was the states of developing countries which pursued state-led import-substitution strategies that were accused as the sources of "rent-seeking." The underlying political logic from the reincarnation in the context of late development was the dismantling of the "predatory" forms of state apparatus. These forms of states ruled only with the concern of revenue-maximization to themselves irrespective of any responsiveness to the demands of private actors. They are only concerned with the "extraction" of the surplus generated in the society.¹⁸ By doing that, they overload the state resulting with increased tasks for intervention and generate the incentives in private interests to seek for rents in state offices. The resulting panacea would be their replacement by the conventional "minimalist" state. The incarnation of the old idea was that there was no space for a different kind of state apparatus that would facilitate industrial transformation and long-term economic change in the context of late development other than recurring back to the separation of states and markets. In fact, the recourse to a "minimal state" was only a presumptive link between "opening" the potentially "self-regulating" markets and the

dismantling of the traditional-nationalist state apparatus. Paradoxically, no concrete definition of the "minimalist" state in the context of late development has been provided till today by the neoliberals. Hence, economic liberalization would serve as a "surrogate minimal state". It is why the neoliberals start with the comparison of imperfect markets with imperfect states and argue that the first allocate resources better than any other alternative mechanism thus legitimating the case for economic liberalization. The historical evidence for this assertion was that government failures have outweighed market failures in a large number of countries.¹⁹ Such a position disregards the immature institutional basis of markets in the context of late development. It was not only the insufficient level of private capital accumulation that accounted for the interventionist typology in late industrialization. It was also because the states in late capitalist development could not have been able to enhance and regulate functioning goods, labor and financial markets at the national level with their regulatory capacities due to their institutional "weakness" in providing a legal and informative basis for market participants. It is due to such a "low" level of institutional level of development that the states resorted to "replace" the markets as "surrogate entrepreneurs" rather than "creating" them as had been the case in early capitalist development.²⁰ Since the institutional preconditions for the above cited "historical re-embedding" did not exist, it is why in most of the late developers like Turkey building state institutions went in hand in hand with the "etatiste" experiment. The resulting pattern of bureaucratic and institutional formation most often replaced the requisite legal and institutional framework necessary for the functioning of national markets. It is through the state that the newly emerged rival fractions of capital seeked to resolve their conflicts between them and not in the "strong" legal-institutional

domain built by the state. It is here the paradox of economic liberalization appeared which neglected the particular "low" institutional basis of markets . By carrying out neoliberal reforms via "political will" from above does not constitute "markets" per se, but make the previous state -with all its informative and "inner working" channels- more at the mercy of a dominant set of interests as has been the case in the "creation" of financial markets in the recent decade. "Creating markets is politically dangerous. Functioning markets provide opportunity and mobility that undercut lineage and traditional rights of privilege and threaten the position of elites in developing societies. Markets create inequalities in wealth that may not match existing patterns of income distribution, status, power, and entitlements. Markets dislocate groups in both the political and economic realm."²¹ Generalizing the "neo-utilitarian reincarnation" as reflected in the "global ideological consensus"²² shaped by international financial institutions overlooked historical paths of the evolution of state institutions across the comparative spectrum in late development. Since the state has been termed as a vehicle of rent-seeking, then all forms of state intervention in all cases could be identified as pathological. In fact, this is the weakest door of the neoliberal surge into which the institutionalist critique of comparative political economy entered. "If markets must be surrounded by other kinds social structures in order to operate, then the neo-utilitarian attempts to free the market from the state may end up destroying the institutional underpinnings that allow exchange to operate".²³ From this perspective, it is not involvement versus withdrawal of the state as antinomic to each other that matters. "State involvement is a given. The appropriate question is not "how much" but "what kind".²⁴ Hence, even for the self-regulating markets to operate

in the direction of "allocative efficiency", an "active" state is needed to handle the task rather than the paradoxical "minimalist" neoliberal vision.²⁵ More precisely, active state involvement in all its variants has been the rule and not the exception for capitalist development in history. This has been much more true with a visible interventionist component for late industrialization as found in the writings of Weber, Gershenkron and Hirschman.²⁶ But, the meaning of the "active" state varies in time and context. At this point, the institutionalist critique meets the field of state theory which is predominantly occupied with varying forms of state strength. The novelty of comparative political economy in its conceptual reassessment of the successful industrial transformation of East Asian NICs has been to redefine and synthesize the various strands of institutionalist tradition above with the different elements of state theory found in neo-marxist and historical sociology perspectives.

The Concept of Embedded Autonomy and Its Broad Theoretical Implications

The ability of the developmental state to formulate and implement strategic industrial policy in the course of East Asian late industrialization has been considered as the key to the phenomenal alteration of the economic hierarchy of nations over the past half century. The source of such ability, however, depended on the combination of both "embeddedness" of the state inside the business "networks" and its "autonomy" from diverging "pressures" from different segments of business at the same time. The developmental state was "embedded" in its surrounding social structure largely based on dense negotiated links with business focusing on production-centered goals via selective interventionism through strategic industrial policy. Embeddedness as such solves the problem of state capacity in achieving "national" objectives by responding to the problems of business since policy

implementation relies on the delivery of key tasks to private initiative in the final analysis.²⁷ Complementing the "external connectedness" feature of the developmental state institutions, the bureaucratic apparatus of the state should be corporately autonomous from external pressures and short-term demands of business elites in order to be able to formulate independently the production-centered long-term goals but shared with business in the long-term. It was Weber who first argued that running the large scale capitalist enterprise necessitated a corporate and coherent bureaucratic apparatus of the state insulated from the demands of social interests. Insulation, strengthened by the donation of a distinctive and rewarding status where holding 'office' is seen as a vocation, allowed them to seek the furtherance of corporate goals as also the means of pursuing their own interest. Maximizing private interest belonged to "patrimonial" pre-bureaucratic form of states which were not institutionally differentiated. In the modern state, the effectiveness of the bureaucracy resulted through meritocratic recruitment and long-term career paths for its members. ²⁸

The autonomous apparatus of the developmental state with its insulated status in terms of formulating national-strategic goals and thus confirming the Weberian portrait of an efficient functioning bureaucracy has truly challenged the cynical anti-statism of neoliberals. The source of that cynicism was the so called "benevolent social guardian" state ²⁹ in the post-war development context whose mission for intervention derived itself from the existing market imperfections. Inspired by the suspicion on the allocative efficiency of markets which failed during the Great Depression, the phenomenal success of Soviet industrialization via central planning during the same period and the ethos nationalism that the process of decolonisation generated, the

active interventionist state forging national developmentalism as its legitimate ideological foundation embarked to eliminate market imperfections on the path of industrialization. It would be the role of the economists to show the criteria to eliminate these imperfections mostly working in planning institutions and related agencies and the "benevolent" economic bureaucracy would implement these plans in the name of the "public interest." The benevolent social guardians would decide which sectors would have a comparative advantage in the future, would be protected initially and then be opened up later for international competition and not the private entrepreneurs. Without making any reference to the historical contexts of plans in which they are implemented, Anne Krueger explicitly attacks the aforementioned "developmentalist" apparatus that characterized the general picture of late industrialization as follows : "One must ask why economists were ever comfortable with the simultaneous belief that individuals in the private sector act in their self-interest and that individuals in the public sector are motivated by a Benthamite vision of social justice.After all, civil servants are interested in pursuing their careers and in economic gains. While some may be selflessly pursuing the public good, there are others who are attempting to do so while simultaneously concerned about their careers and economic well-being. Thus, for example, civil servants generally loathe to recommend the elimination of their agency and will have a natural bias toward expanding the scope of their agency's activity. It is *probably nothing more than human nature for most people*, (italics mine) including civil servants, to overestimate the importance of their work contrast with that of others."³⁰ It is seen that the portrait of the typical developmental agency in the late industrialization episode is reduced to the skepticism of the "inherent" tendency in the nature of the supposedly self-seeking

bureaucrats in the neoliberal critique of the state. The implicit idea is that if such an inherent tendency exists to exploit the status in office, then again the state is open to i.e. not autonomous from external pressures for rent-seeking. However, the similar kind of cynicism is not applied to the political elite who initiates and carries the neoliberal structural adjustment and reforms by political will from above. It seems that the "malevolent" planning bureaucracies in the ISI era have been transformed to the "benevolent" politicians in the decade of economic liberalization without making reference to the "costly" incentives they face during the liberalization process. On the other hand, each bureaucrat is assumed to have an inherent tendency to expand the domain of activity of his agency, i.e. no potential exists for a corporate, cohesive and institutionally differentiated state apparatus. However, the neoliberal critique rested on a false view of the state which it created for itself. The idea of a benevolent state was found in early development work but with a technical content based on social welfare maximization without any view of the state itself. Benevolence as such did not imply whether the state was omnipotent in its capacity or not, e.g. whether it was endowed with full information in the planning agency.³¹ It has been noted that competence and not benevolence should have been the point of criticism raised by the neoliberals so that there would be enough room for presenting the case of economic liberalization as a legitimate "public interest" since benevolence of political brokers of neoliberal reforms is also needed. By making reference to an early agenda of state, it seems that a certain myth of benevolence has been created to legitimate the anti-statist case of dismantling the state structures impeding liberalization. In fact, the neo-marxist theories of dependency have forcefully brought up the idea that the state in late capitalist development did not work in the "public interest" as it had been assumed.³²

"The assumption of the benevolent state, when it appeared without qualification, was usually more a matter either of pure diplomacy or of "reformist hope". It is vital to recall that the development economists of that time were largely foreigners to the developing countries, where they operated with either explicit or implicit sponsorship of their home governments. They wanted to assist their adopted country in their capacity as professional "improvers" , but not get entangled with local politics. As professional economists seeking to promote reforms, they assumed the existence of certain institutions and attitudes, as it were trying to coax them into life while aware that they were often not in fact there. Saying that they were not there in public would, however, have been easily interpreted as political act. The benevolent state assumption in developing countries was thus a convenient myth for those in a false position, not their firm belief. Many felt morally uncomfortable in their inability to explore openly the reasons for their professional frustration, but most of these loyally respected the diplomatic imperative." ³³ The idea of the benevolent state thus can not provide a sound anti-statist logic. States vary in their internal working apparatus and it is historical and institutional context and not "human nature" working against "public interest" that count for the particular form of existence for their bureaucracies. As Peter Hall put it: "Policy-makers are profoundly influenced by the labyrinth of institutionalized relations that are history's legacy to every society.....the very interests of the actors themselves are critically affected by the organization of the economic and political structures within which they operate." ³⁴ Against the rational choice institutionalism - which the aforementioned extreme neoliberal position shares the common set of theoretical assumptions in close neighborhood- which is based on the idea that self-interest maximizing individual preferences are determined outside the

institutional context i.e. they are exogenous, the recent literature on "historical institutionalism" which stresses that it is not just the "strategies" but also the "goals" pursued by actors that are shaped by the institutional context. Rational choice theorists consider institutions only relevant to the strategic context of self-interested action. The strategic context defines the rules for self-interested action and when rules change so does the latter. Historical institutionalism admits that institutions provide the context for strategy-formation but goes one step further and argues that institutions are not passive arenas for the formation of strategies but directly or indirectly shape also the goals pursued by the agents inside those institutions.³⁵ It is through the lance of different institutions that ideas disseminate and evolve in the direction of crystallized policy frameworks. In fact, it was the idea -later the myth- of the "benevolent state" shared in planning agencies that shaped the collective "raison d'etre" of the members inside the planning bureaucracy. It was again the through different institutions that eased the dissemination and acceptance of Keynesian ideas by the political elites of advanced capitalist economies which is also true for the rise of neoliberalism which found its maturity in the technical-institutional network of international financial institutions.³⁶ Summing up, the above "Weberian" traits of the East Asian developmental state puts historical limits to the generalization made by the ahistorical context-independent neoliberal critique. On the other hand, the historical institutionalist critique revitalizes the original position of Weber that personal and corporate goals are intrinsic to each other in modern bureaucracy. For the purposes of this chapter, the overall lesson from the above discussion is that not all forms of state power inherently constitute a domain of rent-seeking but some forms of state power limit rent-seeking in the direction of production-oriented networks. Moreover, the

need for a detailed analysis of state institutions that effect economic change and distribute power emerges from the fact that they are "ultimately artifacts of political action. They were constructed out of political struggles, and from time to time, we may recast them."³⁷ It is clear that state institutions, state power and their history are not fixed entities. They are subject to variation over time which needs closer inspection to assess the elements for long-term economic change.

On the other hand, neo-marxist accounts of the "relative" autonomy of the state vis a vis different segments of capital in the long-term capital accumulation process do not give us any clue on the direction of capitalist economic change which we are at most interested. Though, they reiterate the link between autonomy and capacity, it does not address the direction of this link i.e. whether it is in the direction of industrial transformation or not.³⁸ Capital accumulation may or may not be directed towards long-term economic change as we understand it here. Furthermore, there have been recent attempts to find a close connection between the neo-marxist concept of "relative autonomy" with the notion of the "developmental state". It is well known that the concept of relative autonomy dates back to Marx's analysis of the French state under "Bonapartism". Although it is true that the Bonapartist state possessed a relatively autonomous status vis a vis the propertied classes, the description of "state autonomy" under Bonapartism as such possessed no degree of "embedded autonomy" as in the developmental state. On the contrary, the absence of "embedded autonomy" of the state vis a vis the propertied classes was its fundamental characteristic. What is again forgotten is that "state autonomy" by itself does not indicate whether the autonomy is directed towards enhancing or limiting economic change. In fact, Marx himself equated heavy taxation with "strong" governments with

reference to state power under the rule of Louis Bonaparte implying an understanding of "despotic" form of state power.³⁹ Such a fallacious but common mistake of considering state autonomy only within the context of the "extractive" powers of the state is the fundamental misinterpretation on considering Bonapartist state autonomy as a "rudimentary developmental state" which does not capture the precondition of penetrative/embeddedness.⁴⁰ Furthermore, recent analysis in the tradition of Marx has also shown that the state autonomy under Bonapartism had been a limiting factor in French capitalist development in 19th century whereas being "developmental" means contributing to long-term economic change.⁴¹ The fundamental lesson drawn from the neo-marxist literature is that "relative" autonomy of the state should be differentiated from and extended to its "relational autonomy." It is not only extraction (autonomy) but also penetrativeness (embeddedness) that defines "relational autonomy" or "embedded autonomy" as intrinsic to the evolution of the developmental state.

In sum, in the absence of "embeddedness", state capacity would diminish with the increasing tasks falling on the state where business elites would free-ride to participate in the shared project. On the other hand, in the absence of "insulation" of economic bureaucracy from the short-term and daily demands of rival fractions of capital in different sectors, there is the danger that "uncoordinated" market participants would resort to oligopolistic collusion among themselves or "rent-seeking" in general as predicted in neoclassical political economy. In fact, introducing the insulated capacity of the developmental state as embedded autonomy addresses both a similarity with and surpasses a central weakness of neoclassical political economy. In his distinguished work, Olson came up with the challenging idea that

distributional coalitions as vested interests once formed have an inherent tendency towards rent-seeking and contribute to economic slowdown and rigidities in a society given long-term stability.⁴² Having demonstrated the principle still in a neoclassical logic, the underestimated significance of this novel idea, on one hand, is that it shows the absence of an inherent tendency for market forces to evolve in the direction of "self-regulation". On the other hand, he also argued for the presence of an inherent tendency for market forces to evolve into "vested interests" in the long run.⁴³ While there is substance against the neoliberal credo in the first part of the argument and should be given the ultimate credit for being an "internal" critique of neoliberal economic philosophy with the tools of neoclassical political economy, the second part of the argument deserves more critical attention. Rather than an inherent long-term tendency in "market forces" to turn out to be rent-seeking "vested interests", the developmental state "arrests" their potential switch towards forming producers cartels, import lobbies etc. i.e. solves the "collective action" problem in the direction of flexible economic change and not institutional rigidities and "sclerosis"⁴⁴ which internalize the negative effects of distributional coalitions for economic change. However, the stage of this "arrest" is important for the state and here Olson's insight collides partially with one of the determinants of the embedded autonomy of a successful developmental state. In order for embedding to be successful for the autonomous state, different sectors must be in their early stages of development or must not have achieved the powerful status of "distributional coalitions" so that they can be disciplined towards internal and external competitiveness. "The growth of state capacity depends on how links between state and society are forged in the period of

industrialization, prior to the strengthening of economically dominant groups."⁴⁵ In that respect, if a candidate developmental state is rather unable to discipline the newly emerging groups as such in the early phase of late industrialization, then the above "Olson's hell" is likely to occur in the long-run.⁴⁶ This is an extremely important point in terms of understanding the evolution of state power in Turkey in the different stages of her late industrialization. The particular historical circumstances of the political and economic context of Turkey in early sixties when the newly emerging industrial capital was relatively weak vis a vis the "relatively autonomous" state, the potentially penetrative State Planning Organization could not transform this relative autonomy into relational capacity and "arrest" the emerging "market rationality" via strategic industrial policy. It will be documented in later chapters in this study that having been unable to penetrate into newly emerging segments of capital in early sixties, the traditional autonomous (solely) state apparatus turned out be penetrated by these groups as the national developmentalist era unfolded and the remnants of that autonomy were dismantled in the end as the starting point of neoliberal reforms. But the neoliberal structural adjustment packages in the aftermath of the crisis of import-substituting industrialization have also suffered from the same deficiency under a "weak" state that assumed the "self-regulatory" character of rent-seeking vested interests. What was difficult in the initial phase of late industrialization for a potential developmental state now became more difficult for the international and political brokers of neoliberal reforms, or a "rocky" road to traverse as Taylor put it in the process of neoliberal reforms.⁴⁷ Their impact on changing the structural path of economic change in most developing countries have been rather limited. After the

introduction of pure market rationality with the presumption of self-regulation, "it is only a matter of time that structural adjustment policies are abandoned and or used subsequently by newly privileged groups to develop new institutional patterns which repeat the traditional mechanisms simply in a slightly modernized form."⁴⁸ As Fishlow put it in the language of comparative political economy, "In the absence of state capacity, concentrated market and political power and other imperfections may make laissez-faire an *nth* best choice."⁴⁹ From the broad perspective presented above, it was ironically the same the "gravedigger" - to use the metaphor of Marx- of the end of import-substituting strategies that hindered the success of the neoliberal structural adjustment policies and reforms. If the state can not penetrate the emerging market forces in the direction of long-term economic change, it is in turn these forces which "penetrate" the state as time passes and use it for their own short-term interests. Variation in state power in time thus is in one respect the result of the struggle between these two rival modes of "penetration". Embedded autonomy as being the first in essence is what avoids the second to dominate in a political economy.

The "internal coherence" of economic bureaucracy adjacent to its "external connectedness" was decisive in enforcing a competitive market structure instead of "rental heavens". It is seen that it is through the autonomous state apparatus that private business elites were channeled towards facing the competitive challenge which they would trespass in its absence. Thus, competitive markets were also created by the conscious action of the state governing the mix of competition and collaboration. Hence, it is the combined effect of "embeddedness" as external connectedness of the state and its "autonomy" as its internal coherence, not each of them separately, that underlined the success of the East Asian developmental state. In short, embedded

autonomy of the developmental state proved forcefully that state power could be exercised through and not over the society.⁵⁰

Embedded autonomy then draws the conceptual locus of the "ideal" developmental state as the principal agent of industrial transformation with which "intermediate" states in the Third World have been compared. There are those states which are endowed by a combination of the varying powers of ideal "predatory" and "developmental" states.⁵¹ Such a spectrum indicates the existence of differential capacities in these states which are situated historically but also indicates that state power is a matter of degree. Understanding the "degree of stateness" in a given setting is crucial to find its locus in the comparative context. However, the implications of the above discussion reach further than the contemporary differential capacities of the various states. It has been pointed before that the East Asian developmentalism has altered the economic hierarchy of nations in the twentieth century. Those countries which were considered to form the "center" of the world economy previously that were no longer alone in terms of sharing their privileged status. East Asian developmentalism has demonstrated the possibility of exiting from a peripheral status in the international and currently global division of labor. However, one is easily tempted to ask the similar set of questions for the previously formed "successful industrial transformation" of advanced capitalist states. More precisely, could not have the "early industrialization" of these countries or in more broad terms, the emergence of modern capitalism, followed a similar route with that of East Asian NICs on a certain conceptual basis? Remembering what Polanyi said on the central interventionist role of the state in the formation of market capitalism even for Britain, can one detect the history of various state-formations as effecting the emergence of

capitalist market forces ? Can one encounter conceptually equivalent forms of "developmental" states as well as "predatory" forms of state in early capitalist development ? In overall terms, striking historical and conceptual equivalence between state power forms of early and late capitalist development is observed in economic history as will be discussed later in this chapter. Hence, enlarging the scope of understanding state power as effecting long-term economic change in history will make the conceptual framework of comparative political economy more enriched. Hence, an historically extended framework of comparative political economy will be more illuminating and inclusive for addressing the history of variation in state power in also the domestic settings.

From Embeddedness to Mercantilism : Understanding the Historical Roots of Long-Term Economic Change and State Power

In his assessment of the intellectual roots of the institutionalism of comparative political economy, Evans has truly cited the names of Weber, Gerschenkron and Hirschman respectively for the different accents they put on the role and mode of the "embeddedness" of the state in late industrialization. The significance of Max Weber's writings on bureaucracy also derives itself from the fact that he is also a member of the German Historical School in the history of economic thought which also included Friedrich List and Gustav Schmoller. Being thinkers on German late industrialization, they explicitly or implicitly argued for a "strong state" with special reference to the Prussian state apparatus in late industrialization. In certain aspects, their contribution to our understanding of late industrialization deserves equal attention like institutionalism. The work of List set the terms of mercantilist resistance against "the free trade doctrine" via the protection of "infant-

industry." Recent interpretations of List's contribution stress the strategic interventionist nature of state intervention present in his work rather than passively accepting the protectionist "closed economy" argument falsely based on the "infant industry". What has been forgotten about the novelty of his contribution is that once the parity is achieved with early industrializers, then late industrializers would also settle on equal terms in the international market sphere with early industrializers. Both these aspects have been fulfilled in a different form by East Asian developers in the twentieth century which altered the so called economic hierarchy of nations. Complementing List, Gustav Schmoller's contribution to our understanding of late industrialization has been his identification of its mercantilist substance synonymous with state-building. Schmoller is closer at this point to Weber here and puts the accent on state-building ("Staatsbildung") to be able to direct market unification in the direction of long-term economic change. But this also meant state-building as nation-building at the likewise. Hence, late industrialization in German Historical School pointed towards a reinforcement of economic nationalism and building a "strong" state at the same time. East Asian developmentalism can be said to have followed this route but in different forms. In fact, not surprisingly, Chalmers Johnson is explicit on this point in his pioneering study on the subject: "Japan's political economy can be located precisely in the line of descent from the German Historical School-sometimes labeled "economic nationalism", *Handelspolitik*, or neomercantilism".⁵² The theoretical implications of the mercantilist nature of late industrialization, therefore, has not been fully addressed in the recent work of comparative political economy which also included the East Asia. Evans has legitimately focused on what produced successful industrial transformation and

investigated the sources of comparative institutionalism as such. But, looking at the problem from the broad perspective of varying degrees of state power which includes also the "unsuccessful" cases in late industrialization, then the domain of inquiry needs to be extended. It is therefore unwise not to refer to the mercantilist heritage of the German Historical School to assess the origins of both the developmental state and other late industrializers. Moreover, starting with presumption of "*embeddedness*" of states and markets in the institutionalist tradition, we are inextricably led back to the investigation of overall mercantilist era where the two spheres reinforced each other in different directions. As against the uniform logic of *laissez faire*, the mercantilist era in its history provides important tools to understand the present day varieties of capitalism since varieties of mercantilism opened different paths of economic change for early industrialization as well as for late comers to capitalist development who missed the initial phase of industrialization but rested on one form or another "*autonomous strong*" state. Thus, the exploration of mercantilism is central to both the concept of embedded autonomy and the broad patterns of state power in which it resides. It is then in this context that the overall contribution of the German Historical School for late industrialization can be assessed.

Mercantilism : Historical and Conceptual Boundaries

Eli F. Heckscher, one of the principal founders of the modern theory of international trade, had began his two volume treatise on "*Mercantilism*" with a concern on the problematic nature of the term mercantilism itself. "Mercantilism never existed in the sense that Colbert or Cromwell existed. It is only an instrumental concept which, if aptly chosen, should enable us to understand a particular period more clearly than we otherwise might. *Thus everybody must be free to give the term*

mercantilism the meaning and more particularly the scope that best harmonize with the special tasks he assigns himself. (italics mine) To this degree there can be no question of the right or wrong use of the word, but only of its greater or less appropriateness."⁵³ The concept of mercantilism, often contrary to the conventional presumption about it due to being the historical precursor of "laissez faire", provides a more comprehensive and a "continuum" understanding of state-market relations in historical time. From a "narrow" historical retrospective view, it corresponds to an historical era when the spheres of "state" and "markets" have not been separated from each other within the boundaries of the *already formed nation state for "early developers"* which for late industrializers was not the case. Smith, criticizing the 'mercantile system' was in fact trying to lay down the principles of political economy of creating wealth in this already "formed" nation state-framework but in a different mode. The classic treatise of "laissez faire" had been named by its author as the "Wealth" of "Nations" still addressing the main problem set by mercantilists themselves but accused them of being confused on what really constituted wealth.⁵⁴ The "task" as such over late industrializers in later decades was coupled with the task of state-building alongside with the creation of wealth for the "nation". Indeed, this issue laid in the heart of understanding the "mercantilism" of late industrializers independent of whether they belonged to the first generation in Europe (Germany, Russia) or post-war second generation in other parts of the world. (Latin America, East Asia etc.)

Even though the "term" is generally conceived as a particular set of economic policies centered around protectionism, specie accumulation in 16th and 17th centuries and ideas related to these policies, its conceptual richness surpasses this

limited framework . German late industrialization at the end of 19th century under the system of "national political economy" and the "developmentalism" of newly industrializing countries of East Asia have been various forms of mercantilisms in history.⁵⁵ Although the historical contexts of these mercantilisms have been quite different, they have been characterized by a common logic of regulatory intervening power of the state combining the "positive" criteria of policy formation and "normative" goal of "national" development.⁵⁶ It rests on the presumption that the interests of the "nation" (or the "whole") can not be guided by the interests of self-seeking individuals. It is this normative dimension as such which , on a certain basis, sharply differentiates mercantilism from "laissez faire".⁵⁷ This issue has been philosophically problematic for the very fact that , for some , the politically-value laden normative ground of mercantilism can anticipate and have anticipated "illiberal" political forms. "In this interpretation, the normative elements of mercantilism anticipate the idea of the comprehensive direction of the economy by the government fro the purpose of achieving objectives and of attaining values that can not be achieved by individuals acting in their own interest. Or, in plain language mercantilism was the forerunner of communism and fascism. In a mild version of this interpretation, mercantilism anticipated the extreme forms of nationalism , those that invest the government with the power to direct investment, modify the composition of output by regulating consumption and other means, to engage in trade wars, to enlarge the public sector, and to have discretionary power over the choice of public goods. In the period between the wars of this century, there was a welter of nationalism , and it was called a return to mercantilism. *In the last half of this*

century, mercantilism has been said to be antecedent of industrial policy in the developed world and of the array of measures the rest of the world has employed to speed its development.(italics mine)"⁵⁸ Hence, the normative dimension inside mercantilism has realized itself in different forms offering the avenue to understand its existence as a matter of degree changing in historical context rather than of kind as against the ahistorical anti-statism of the so called "value-free" neo-utilitarian logic. The definition makes clear that import-substituting industrialization is in fact a post-war embodiment of mercantilism and the idea of the "benevolent state" discussed above then has been the last "normative" body of mercantilism as reflected in late development context. In the historical context of late capitalist development, it refers broadly to the overall set of conscious state-led actions to exit from the "peripheral" status imposed by advanced capitalist economies which had also passed through the same stage in their early capitalist development. But rather than an "unfolding" of the concept in subsequent historical contexts which has been directed as a criticism of the use of the term as such, it should be noted in the outset that it serves just the opposite purpose. Against an expanding notion for capitalism as a whole from a "single" historical source,⁵⁹ the usage of the term mercantilism here presumes the variety of mercantilisms in history. In essence, the conflictual space of capitalism between its "regulatory / reconstitutive" and "self-regulating /spontaneous " forces lies at the theoretical background of our reference to the "old" but still relevant concept. These two forces might be both "retarding" and "enhancing" economic growth and change in different historical contexts but their co-existence does not necessarily move in the direction of a harmonious evolution towards the "self-regulating"/ "enhancing" paradise. The reference to mercantilism is historically illuminating to understand the

limits and fallacies of this ideological presumption and to understand the possibilities of economic change in different historical contexts.

In essence, mercantilism has been considered as a space of co-existence between *ideas, policies, and special interests*.⁶⁰ Treating the historical cases of "mercantilisms" as a spectrum of these three, where one or two of them might appear to be absent in one context and not in another provides an inclusive theoretical framework for state-formation and early/late industrialization. While it referred to the theory of "commercial capitalism"⁶¹ in 16th and 17th century England identifying the interests of merchants with the "national good", i.e. strengthening the power of the absolutist state, it meant the promotion of industrialization via State building and "catch up" with the early developers for late industrializers. More explicitly, where one nation is in a post-mercantilist stage in terms of these three, i.e. England, Germany can be in a stage of building the necessary ideas (National Political Economy) for the already existent interests. On the extreme, only ideas of national political economy can exist to enhance the formation of the weak national economic interests associated with them as was the case in Turkey in the beginning of twentieth century. Recent research has shown that a full-fledged understanding of mercantilism in history can be achieved only by analyzing the interaction between those three components.⁶² Where special interests or specific policies were dominant in one context, as the adherents of the view of "mercantilism as rent seeking" suggest among the three, the "ideas" promoting the general interest of the "state", "nation" and "development" came to invade the conceptual locus in another context.⁶³ All major controversies related to the concept found its genesis in the attempts to "fix"

one variant or a combination of these as "the" concept itself largely contingent upon the historical context. The "locus classicus" on the debates over mercantilism was Eli Hecksher's two volume treatise on the subject. Hecksher's treatment of mercantilism was composed of a mixture of different elements pertaining to the Smithian critique of the mercantile system and Historical School's appeal to the concept to legitimate the case for late capitalist development via "Staatsbildung". A careful reading of Hecksher's "*Mercantilism*" reveals the tension embodied between these two traditions in his treatment of the concept where its positive and normative aspects have constituted an ensemble which have not been considered as consistent with each other. The cost of the search for an encompassing and synthesizing definition of mercantilism in Hecksher's work was its elusive character.⁶⁴ Its system-like character allows one to consider it as a specific economic policy. On the other hand, a clear-cut demarcation is necessary between the ends and means of mercantilism where the ultimate end is to strengthen the external power of the state and the means to sustain this ultimate end by the protectionist and monetary system. The aforementioned tension between the "classical" and "historical school" understandings of mercantilism is evident in these underlying elements. Oscillation between policy, ideas and "wealth of the nation-state" dominated the monumental work of Heckscher. Of these, the power of the state as an end itself has been criticized by Viner who drew the conceptual locus of mercantilism in line with the orthodox "Smithian" critique which did not directly subordinate "plenty" to "power".⁶⁵

The discussion thus far have concentrated on the tension between the Smithian critique of the mercantile system and the state-building end-oriented conceptualization of the historical school. It needs no specific discussion that the use

of the term has been sensitive to the particular historical context it is used for. The usage of the term in the context of Britain in the rise of free competitive capitalism rests on "Smithian" terms but those terms can not account for the experiences of late industrialization (East Asia and elsewhere) which melts more in the tradition of the historical school. Using the criteria proposed by the "Smithian" critique to assess these historical experiences is misleading also in understanding of the term "economic liberalism" in these contexts. However, there has not emerged any clear-cut consensus on what has been the "real" content of the Smithian critique of mercantilism. Since the "orthodox" wisdom i.e. protectionism and balance of trade found its legitimating passages in the work of Smith, the orthodox legacy has been subject to reexamination in the last decade.⁶⁶ In reevaluation of Smith's critique of the mercantile system in his "Wealth of Nations", recent scholarship on mercantilism has argued that his critique of policies of protection should be seen one in a long chain. In other words, the steel-mate orthodoxy of associating mercantilism with protectionism and balance of trade "doctrine" in the work of Smith is quoted with suspicion. To the extent that Smith can not be considered as a defender of "free trade" doctrine, the mercantilists themselves can not be considered as mere defenders of regulative policies the Crown had pursued during the 16th and 17th centuries. On the contrary, many mercantilist authors were critical of them. The textual "deconstruction" of mercantilist authors revealed the fact that the transition to "laissez faire" was not simply a matter of surpassing protectionist ideas that are unjustly associated with mercantilist authors, on the contrary the arguments for free trade had been already present in most of the writings of mercantilists of seventeenth century and early eighteenth century. Tracing the intellectual origins of Smith as such is antithetical of the 19th century consolidation of

the free trade-doctrine in accordance with the needs of British imperial expansion.⁶⁷ Indeed, Schumpeter regarded this "rupture" as a deficiency in the intellectual history of economics and said satirically : "If Smith and his followers had refined and developed the 'mercantilist' propositions instead of throwing them away, a much truer and much richer theory of international economic relations could have been developed by 1848 - one that could not have been compromised by one set of people and treated with contempt by another."⁶⁸ The continuities between the ideas of mercantilism and laissez faire thus have been more decisive than had been assumed by the proponents of the latter legitimating the argument of Polanyi at the historical level.

Mercantilism As Rent-Seeking Society : A General Theory of Mercantilism ?

The "Smithian" Critique of mercantilism has been redressed in a neoclassical political economy framework in the recent decade. Ekelund and Tollison argued that their analysis of mercantile political economy as such reflects the "real" content of Smith's critique of the 'mercantile system' tracing their neoclassical political economy analysis to Smith's views on mercantilism in the Wealth of Nations. The role of ideas are seen as subsidiary to the interests of self-interested actors calculating "costs" and "benefits" of mercantilist regulations of the state. Monopolistic privileges had been formed by the rent-seeking activities of self-interested "individuals" as merchants, monarch, consumers as "public" who are considered as protagonists of institutional change.⁶⁹ Viewed as such, the "traditional" Hecksher-Viner "historicism" of subverting economic policies under mercantilism to a concerted economic nationalism of "plenty" of and for the realm of state building is criticized because of its neglect of self-interest based rent seeking activities behind them. The "traditional" view of

mercantilism, it is argued, separates analyses the "exogenously determined economic policy divorced from the endogenous interplay of self-interested forces."⁷⁰ Taxing the import and subsidizing export goods should not be seen as a means of state building, accumulating specie or increasing employment but should be regarded as the rent-maximization activities of the parties concerned. The ideas on "confusion" of wealth with money by mercantilist authors, balance of trade, state building etc. were by no means "overhistoricised" shelters for the rent-seeking social interests. Indeed, some historians have argued further that the established view on "balance of trade theory" had been more of a moral and ideological justification for a national economy dependent upon mercantilist regulation.⁷¹

Mercantilism could thus be explained in terms of "rent-seeking" behavior by merchants to pursue monopoly rents in internal and external trade and monarchs in search of revenue who supplied monopolistic charters and regulations in mercantile England and France. Against the "irrationality" attributed to the mercantile system by the later supporters of "laissez faire", mercantilism "as rent seeking society" was based on rationality of the self-interested parties but producing "inefficient" outcomes for the society as a whole if put in modern language. "The process was entirely rational based as it was on-wealth maximizing behavior by the interested parties (monarchs and private entrepreneurs), but wasteful in terms of scarce resources and rested on the exploitation of other sections of society. The merchants gained monopoly rents from the system of regulation and the monarchs secured revenues, but the system was damaging to national economic welfare....., the merchants were out themselves; and thus the balance-of-trade objective, regulations of the trade sector and other goals

claimed to be in the national interest were rationalizations designed to disguise the self-interested motives of the mercantilist authors".⁷²

The rise of mercantile economic regulation in England was based on licensing and the restriction of competition among suppliers on a national basis as against the local guild system left from medieval times. Collecting and monitoring taxes was an inefficient means of revenue for the absolutist state. Monarchical interest of collecting "revenue" with the supply of monopoly rights or privileges to a small number of merchants in internal trade was not faced with a similar deficiency. Hence, the rise of mercantile regulation was a coalition of interests between the "rent seeking Leviathan" i.e. the absolutist state and "rent seeking merchants".⁷³

It was in fact the gradual alteration of the "costs" and "benefits" of supplying monopolistic privileges by the Crown that was behind the fall of mercantilism in England and the rise of free market economy as represented in the shift of power on economic legislation to the "Parliament". "... the debate over monopolies was not a debate over trade versus Crown grants of patents, but rather over who would have the power to supply regulations."⁷⁴ The Parliament's struggle focused on setting the limits to the unlimited power of the Crown to supply monopoly privileges, especially in the area of patents. In other words, the rise of liberalism i.e. the growth of the rule of law has been explained as a piecemeal process of the gradual decline in the mercantile regulatory powers of the "Rent seeking Leviathan" as the absolutist state and the establishment of property rights in the body of the parliament as a result of the struggle between them. The emergence of such a conflict over who would legislate was reflected eventually in the judicial struggle between the king's courts and

Common Law courts which made the search for monopoly privileges from the king costly and shifted economic legislation to the Parliament. The Parliament could not have behaved as the Crown in supplying monopoly rights and seek profits through legislation. The costs of a democratic legislative process to sustain such a rent-seeking oriented "*Parliamentary Colbertism*" as Hecksher named it was so high to sustain.⁷⁵ Hence, a significant deregulation followed unintendedly being limited by dominant landed interests in the Parliament at the end of 18th century. The struggle by the industrial class against the landed interests on the famous "Corn Laws" and their repeal would complete the picture of liberal evolution by the mid 19th century.

Trading privileges for revenue had a long history in England and resulted in shift of legislative power to the Parliament decreasing the bargaining power of the monarch. In France, the opposite movement had been observed and a "more centralized" revenue seeking state emerged endowed with a relatively more bargaining power vis a vis its constituents.⁷⁶ The cartelization of the French economy through the monarchical controls over industrial technology did not alter the institutional terms of the "rent seeking" game to private capital accumulation in the absence of representative institutions. The era of Colbert who was the Minister of Finance for Louis XIV was the heyday of French mercantilism. Faced with the difficulties of collecting and monitoring taxes for the state, Colbert has created a system of massive internal economic regulation through the granting and enforcement of monopoly rights. The Crown provided cartel enforcement services to numerous industries bidding for them thus capturing the bulk of monopoly rents. Such an encompassing "monarchical rent-seeking" activity had been carried out by a "strong" administrative bureaucratic apparatus. It consisted of paid officers in charge of the

enforcement of the cartels in local districts being responsible to the central authority. Rent-seeking model of French mercantilism, it is argued, also explains a particular aspect of French industrialization, i.e. investment in luxury industries. The proponents of the model argue that non-luxury industries had been located away from towns and had necessitated "costly" rural regulatory enforcement. Hence, etatisme through cartelisation in France had preferred luxury industries to extract more efficient revenue for French absolute rulers.⁷⁷

The demise of French mercantilism never had a clear-cut historical rupture. Even though a central legislative body limiting the monopoly legislation powers of the monarch did not evolve in France as in England, central rent-seeking power had been subject to competition by "*parlements*" as local representative bodies in towns and cities leading to the end of "monarchical mercantilism."⁷⁸ Rather than a "civil" opposition of private interests, these representative bodies were trying to capture local rents themselves. "The conflicts engendered between crown and *parlements* over the power to seek enforcement rents had a great impact upon the decline of the monarchy and upon the manner of the Ancient Regime's end. Monarchical mercantilism in France declined contemporaneously with this struggle, but the struggle was not over the legitimacy of cartel formation or rent-seeking. It was simply a contest over the locus of the rent-seeking power and in this respect is very analogous to the decline of English mercantilism."⁷⁹

Though convincing on many aspects, "mercantilism as rent seeking society" argument tries to fit historical struggles and economic change as solely responding to an ahistorical notion of material self-interest. Furthermore, if it is offered as *the*

historical explanation rather than a supplementary key to detect the evolution of different mercantilisms where history becomes a chain of unfolding in a preset "model".⁸⁰ By its neoclassical presumption on efficiency, it equates mercantilist "rent seeking society" with "waste" as "antisocial and unproductive" in history being "the" mercantilism for all times as well.

It truly analyses the framework of special interest legislation in favor of a privileged clique of merchants and manufacturers and gives a panorama of "retarding" aspects of mercantilist legislation and privileges in terms of economic change for a particular historical period. However, it only focuses on its "waste" aspects as consistent with the DUP activities view creating a "sub-optimal" allocation of resources. In fact, economic liberalism meant the cancellation of these privileges in order to "free" the "enhancing" forces of capitalism impeded by special interest legislation. Such a view is true in the static sense, but it gives a wrong picture of "national economy" building in early development. Granting of privileges, especially in the realm of trade, was restraining competition and making mercantilism an anti-trade doctrine. But, they were also serving the expansion of the market given the "transactions costs" involved in that process via the regulatory codes they had possessed.⁸¹ The emergence of economic liberalism, therefore, was not a one-shot game but a process of gradual change in the regulatory framework of mercantilist institutions from "privilege" to "right" of equal access making competition compatible with the already formed market structures. Hence, the "benefits" resulting from the ability of mercantilist state institutions to decrease transaction costs for the market participants superseded the "wastes" that new political economy mapped with rent-seeking activities of merchants. "The problem with this analysis is that it focuses only

on the "waste" incurred by state intervention and not on the possible gains attained by the reduction in transaction costs which follow from the same state involvement. This is the logical consequence of assuming away transaction costs. In fact, by definition mercantilism in England must have induced much more rent seeking than did the liberum veto of contemporary Poland. Nonetheless, England came out of the mercantilist era as a world power at the same time as the state of Poland ceased to exist."⁸²

The "neoclassical institutionalist" framework above sets the limits to the ahistorical neoclassical political economy framework of the "mercantilism as rent seeking society" approach. i.e. rather than being an "attorney" of history, it should be used as a detective device in understanding different mercantilisms. As Rashid put it ; "The value of the insights provided by the rent-seeking school are undoubted, but they are supplementary, not primary."⁸³ One can easily note that this is an explicit equivalent of the formerly presented logic of Mancur Olson as applied to the history of mercantilism. History of the role of state-formation as will be the case in German Historical School is absent in it. However, understanding mercantilist economic regulation as "rent seeking society" has important analytical consequences for understanding the evolution of late industrialization. Neoliberal reforms tried to liquidate the mercantilist structures of import-substitution via trade and capital liberalization which were presumed to create "social waste" resulting from the rent-seeking activities of different sections of industrialists created by "benevolent" bureaucracy. But the removal of "hard" forms of state intervention has not liquidated rent-seeking behavior as expected but diversified it instead. In Turkey, the ungradual nature of policy reforms did not shift the dominative power of traditional economic

bureaucracy to a parliament based rule, but to an "inner circle" around the power of the Prime Minister acting like the "Crown" in supplying the demanded privileges. No movement could have been observed to establish "rule of law" under policy reforms but "ruling by decree" became the principal component of policy reforms in 1980s in Turkey. Thus, politics of neoliberal reforms somewhat created a "softened mercantilism" at the domestic level in the absence of a renewed industrial policy characterizing the mercantilism of ISI episode.

Mercantilism as Late Industrialization: Contribution of the German Historical School

Neoclassical political economy accounts have been quite powerful in explaining the "how" dimension of the evolution of British and French Mercantilisms. But they have been rather unsuccessful in terms of explaining "why" their respective political economies have evolved in the way they did. It is at this point that the contribution of the German Historical School enters in. The central role of "state-building" as the core of mercantilism is the principal idea of the School. As noted by Chalmers Johnson, mercantilism in the context of East Asian late industrialization has also converged to a great extent to the meaning offered by the German Historical School. Hence, all "successful" late comers to capitalist industrialization who evaluated their position in the setting of the so called "relative backwardness", ranging from Germany as being the initial one to the most recent of East Asian "NICs" have conformed to the definition of mercantilism as proposed by Schmoller; "It is nothing but State-making-not state-making in a narrow sense but state-making and national-economy-making at the same time; state making in the modern sense, which creates out of the political community an economic community, and so gives it a heightened

meaning. The essence of the system lies *not in some doctrine of money, or of the balance of trade ; not in tariff barriers , protective duties, or navigation laws ;* (italics mine) but something far greater : -namely, in the total transformation of society and its organization, as well as of the state and its institutions, in the replacing of a local and territorial economic policy by that of the national state."⁸⁴ Rejecting the definition of the British mercantilists, Schmoller anticipates here the gist of the East Asian developmental state without considering policy criteria as central but focusing instead on the building of the state as a transformative agency. The historical anticipation of Schmoller also refutes the association of the School more in terms of the Listian argument of "infant industry" behind protective tariff barriers and makes it a contextual idea given the essence of mercantilism as state-building and nation-building at the same time. Hence, the ability of the developmental state to discipline business elites for "export-oriented" international competition is not contradictory with its mercantilist logic which refutes the "market friendly" claim of the neoliberal orthodoxy seeking its own paradigm maintenance in essence. It was in fact President Park of Korea who started the early phase of Korean industrialization with the slogan of "nation building through exports" indicating towards a certain 'renaissance' of the nation.⁸⁵ Just reflecting the same idea of Schmoller, a recent analysis has reiterated the same mercantilist logic : "There is no assumption that the pursuit of national interest necessarily involves protectionism, trade controls, and controls on capital movement. But there is no equally blind adherence to free trade and free capital movements. Norms of global liberalism are not totally ignored, for multilateral obligations have required phased adherence to certain principles of international economic relations. But these are delayed as far as possible if they conflict with the

achievement of development goals." ⁸⁶ The same logic, surprisingly, neglected by economists till today has its roots in the work of Friedrich List as the chief member of the School and who had been given more credit in post-war development thinking. List argued that "national-economy making" in late industrialization meant to achieve this end by following the principles of "national" political economy as against the "cosmopolitical political economy".⁸⁷ He was defending the "infant industry" argument through protective tariffs to avoid peripheralisation and to resolve the so called "competence gap" between the "more" and "less" advanced economies. His argument has provided the necessary analytical backup to all efforts to promote industrialization via state intervention directly or indirectly.⁸⁸ However, it is not only autarky/infant industry argument that formed the backdrop of his work which is commonly attributed to him and "destined" him to be recognized as such by its overgeneralization by the post-war structuralists. Even though he was the forerunner of the idea of import-substitution through stages, one finds no timetable for these stages. On the contrary, he differentiated between those protectionist measures which were part of a coherent development strategy and those that favored a group of special interests. The right form of mixture specific to each sector in terms of openness towards outside competition and domestic protection should be determined by the state in the critical early phase of "catch-up development". Hence, we are explicitly faced with the genesis of the idea of "strategic" state interventionism in his work. As Senghaas put it ; "For him, state intervention at the appropriate time and in the appropriate amount was the indispensable precondition for successful development. State intervention for him had two main thrusts. First, he felt, it was a

matter of facilitating domestic policy measures, *particularly far-reaching constitutional and administrative reforms, (italics mine)* as well as to expand infrastructure. And secondly, he considered *incremental protectionist measures* against the harmful effects the vanguard economy to be essential. Both sets of measures were equally important for him, although only his plea for the protection of aspiring branches of industry -the infant industry argument- is still remembered today."⁸⁹ Hence, East Asian late industrialization has been "successful" in being obedient to the Listian Legacy. Its successful symbiosis of selective protection and export-orientation to reap the benefits of both world and domestic markets has pulled down the conceptual barriers between "import-substitution" and "export-orientation" as if they are antinomic has been quasi-ideologically imposed by neoliberal discourse. In that respect, East Asian late industrialization can be defined to have achieved the status of "strategic mercantilism" having respected to the legacy of German Historical School. But, we discussed in the beginning that its strategic interventionist component was a both a result and a integral component of the embedded autonomy of the developmental state. Building the developmental state through embedded autonomy turned the East Asian late industrialization into a strategic mercantilism in its own right. Put in these terms, the neoliberal orthodoxy thus has been in difficulty in terms of incorporating the mercantilist history of East Asian NICs to its anti-statist dictionary.⁹⁰

The contexts are surely different for Germany which moved towards nation-building undermining the power of local economic communities which Schmoller investigated and the geo-political military context of Korea. However, the mercantilist substance is equivalent to each other. It was a "strong" state that was at the core of the

industrialization drive where the meaning of state strength obviously differed in time and context which is indeed the central idea of departure in this chapter. Given the contribution German Historical School as such, East Asian late industrialization then escapes from being a "miracle" which as a concept rather serves to hide an as if "anomaly" event since it altered the economic hierarchy of nations. In a narrow sense, it was rather a proof and reassertion of the lessons of the mercantilist logic in late industrialization. In a broad sense, the main difference between East Asian and early "late industrialization" is between their respective state powers. Schmoller said: "it was the "enlightened", more or less *despotic*, (italics mine) monarchy of the seventeenth centuries by which this movement was initiated and pushed forward. Its whole activity centered in economic measures; its greatest administrative reforms were anti-municipal, and aimed chiefly at the creation of larger economic organisms....Our present task has only been to show how close was the connection, in Prussia as elsewhere, between, on the one side, *reform* and centralization of territorial economies into a national economy, and a mercantile system on the other; how, here as elsewhere, domestic policy and foreign policy supplemented one another as indispensable elements in one system."⁹¹ It was the building of the "despotic" absolutist state which unified the national market in the direction of economic change which opened the door for the next step i.e. the industrialization drive which needed Weber's corporate and coherent bureaucracy. Hence, Weber's contribution as part of the School on the "corporate coherence" of modern bureaucracy can be understood as complementing Schmoller's concept of "Staatsbildung". Building the strong "state" of Prussia was synonymous with its mercantilist substance of late industrialization. In fact, it was the previous landed-Junker class residing in the state

prior to industrialization and strengthening the state also meant the transformation of this class to big investors in key iron and steel industries. A certain kind of equivalence between the state and the protagonist of economic change lies behind the German mercantilist late industrialization. As Mann put it, "The Junkers were a class "out there" in civil society, yet were also entrenched in the military and key state institutions."⁹² But, it must also be noted that Weber characterized and generalized the apparatus of the modern state as a single whole largely inspired on the German model. However, "nothing has more misled analysis of actual states than Weber's notion of monocratic bureaucracy. State administration almost never forms a single, bureaucratic whole."⁹³ Hence, it is why state autonomy has been restricted to specific policy areas and it is not easy to talk about an overall autonomy of the state apparatus in post-war capitalist development ranging from French Planning to Japanese "strategic capitalism" as some authors claim.⁹⁴ Such an observation is important in terms of understanding the struggle between institutions of the state pursuing different goals, but it also reinforces the necessity of a "key" institutional agency that drags the development pattern. Thus, it is why such institutions have been forcefully "autonomous" in East Asia that the overall economic apparatus of the state had been characterized as "developmental" thanks to Economic Planning Board (Korea) and MITI (Japan) as the primary examples. The weak installation of such a key agency in the initial stage of late industrialization (like S.P.O in Turkey) eliminates the potential of an autonomous coordinating agency in further stages of industrialization.

Evans truly referred to Weber in building the theoretical logic of the developmental state but seemed to miss the overall contribution of the German

Historical School without paying due attention to the mercantilist substance it inherited from it. On the other hand, as noted both in List and Schmoller, a central contribution of the German Historical School was the necessity of central administrative reforms in the state-building process for an efficient functioning bureaucracy, tax system, uniform laws etc. that would remove the institutional "bottlenecks" in national-economy building. This also meant that national-economy making or national economic development could not be successful without a reform of the state apparatus which had been based on weak institutional forms previously. Reforming the state in late capitalist development or "re-state building" would provide the institutional and legal foundations that early capitalist industrialization had already found ready for the market sphere. This idea would be revitalized by their descendants, structuralists and planning authorities in the context of post-war development which also played a key role in early planning experiment in Turkey after 27 May 1960. The central legitimating aspect of the 27 May 1960 military intervention was in fact a re "state building" through a set of key reforms which the foundation of the State Planning Organization was the institutional vehicle at the economic level. In that respect, it was the overall contribution of the German Historical School that underlined the conceptual underpinnings of the developmental state as well as other "neo-mercantilist developmentalist states" in the periphery.⁹⁵

A line of argument has recently combined the "old" and "new" mercantilisms in accordance with the institutionalism of North which argues that those states which are more successful in minimizing transactions costs enhance economic growth.⁹⁶ It is argued that both mercantilist/absolutist states of "early developers" and "developmental" states of East Asia in late industrialization have belonged to this set

of states. However, ascribing the duty of minimizing transactions costs for the operation of markets within the nation/state building framework provides an example of how the reference to the concept can fall in the new political economy trap of "rent-seeking emanates from the state" view in a reverse fashion and can not see the whole picture. "...developmental means being mercantilist rather than liberal, and mercantilism does not mean being pushed and pulled by vested interests and lobbyists but being engaged in building of the national economy..... "Developmental states" of East Asia can be analyzed in terms of mercantilist policies of nation building or vice versa, that mercantilism in Europe was the work of "developmental states". The question of who is mercantilist or not is not a matter of issue semantics. Nor my intention is to restate the empty phrase that "history repeats itself." Rather my point is that mercantilism, old and new, is a term which describes a strategy employed by the state for the fostering of a nationally integrated market economy. Furthermore, mercantilist regulation policies are implemented for the purpose of reducing transaction costs with national boundaries, not for purposes of rent appropriation as is typically argued by Public choice theorists. Thus, the mercantilist view is not a version of the predatory state, which is so common in Third world countries. On the contrary, the fact that it furthers national rather than private interests makes it very antithesis of the predatory states."⁹⁷ Not considering the "unsuccessful" late industrializers as mercantilist and the successful ones of East Asia as mercantilist misses the point that all mercantilisms do not necessarily generate "developmental" outcomes like that of Spain which remained at the level of "territorial rent-seeking" and pillage in its colonies in early mercantilism or Latin America or Turkey in the context of post-war mercantilism.⁹⁸ The analysis offered here in terms of North's institutional framework

of "transaction costs" truly integrates the "old" and "new" mercantilisms of Europe and East Asia rejecting the 'ahistorical' normative neoliberal argument of 'predatory states creating rental heavens for distributional rent-seeking coalitions'.⁹⁹ However, it associates mercantilism with only "successful" East Asian developmentalism for late industrializers. Such a view is "static" since it takes the public choice school as its reference point for criticism on predatory states rather than focusing on a "dynamic" political economy view on how and why mercantilism in some countries moved in the direction of Olson's hell of dense rent-seeking coalitions legitimating the neoliberal public choice arguments for anti-statism. Hence, the call for anti-statism has not been a cure for the cancellation of mercantilism with rent-seeking coalitions before "structural adjustment" but emancipated them from the boundaries of the "unsuccessful" late industrialization. The search for "weakened" institutional structures of the state left from the pre-policy reform mercantilist legislation have aggravated instead the domain of rent-seeking coalitions. The neoclassical institutionalist account of mercantilism can not explain why mercantilisms in the grand matrix of the German Historical School can form a spectrum of cases between long-term industrial transformation and economic slowdown and rigidities.

The idea presented here is that all *mercantilisms* of late comers to industrialization including the end of 19th century first generation (Germany, Russia, Japan,) and the post war second generation (East Asia, Latin America, and other late industrializers via "import substitution") essentially required "strong states" and were shaped around these states conforming the "Staatsbildung" perspective of the German Historical School. This does not however mean that all states in late development have been successful in the process of "State-building" as pushing the resources of

their society in the direction of long-term economic change. In fact, this is exactly what is generally understood by the 'exhaustion of import-substituting industrialization' in the literature. While the critiques of ISI have started from a predestined view of the collapse of ISI, there lies the paradox of state strength at the heart of the matter accounting for its crisis-prone versus strategic mercantilist nature over the national-developmental spectrum.¹⁰⁰ The contribution of German Historical School obviously did not envelope the varying types of state power that remained in the background of whether the cases evolved in the direction of long-term economic change or rather became subject to stagnation, rigidities - as well as political turmoils in the form of revolutions, civil wars etc.- in the end. It is via such a perspective i.e. an historically extended framework of comparative political economy, that the demarcation of the embedded autonomy of East Asian developmental state from the state power of other late industrializers make sense in the common parenthesis opened by German Historical School. On the other hand, it is again via such a perspective that the other cases of late industrialization, like Turkey's, can have a conceptual locus to detect the evolution of state power in different phases of its history. It is now to this central question that we turn in the rest of this chapter.

Infrastructural versus Despotic State Power: Surpassing "Developmental Dualism"

The necessity of an active "strong" state -where the meaning of state strength was left unclarified- in the early stages of industrialization was a direct but largely misinterpreted legacy of German Historical School to the post-war theorists of late industrialization.¹⁰¹ But, they also received the idea that active state involvement had been unnecessary in early capitalist development and will also be unnecessary once a

country has achieved the parity with early industrializers.¹⁰² More explicitly, the necessity of a strong state is only acknowledged for the members of the "periphery" while it is assumed that early capitalist development in today's "center" of the world economy had been exempt from active state intervention. Thus, a "developmental dualism" as such has limited the role of the state in a specific time-bound in the periphery neglecting the fundamental idea that state power is dynamic and has continuous "coordinating" dimension that changes in time and historical context. Those advanced capitalist countries which have neglected this fundamental aspect of state power have lived substantial retreat in their industrial position in the world-economy via shifting the coordinating role to the market sphere like Britain. On the contrary, structuralist development thinking after 1945 has assumed state capacity to eliminate market failure as fairly unlimited as had been the case in German industrialization and underestimated the role of private capital accumulation in the evolution of ISI strategies.¹⁰³ The fundamental failure of both of these lines of thinking is the absence of a concrete analysis of state power and that it is a matter of degree and not of kind with changing substance over time.

Michael Mann's typology¹⁰⁴ of state power in history captures the legacy of state-formation and gives a vivid picture of the autonomy of modern states as they emerged from the feudal matrix towards centralized absolutism. Historically, the centralization of power or the move towards "autonomy" of the modern state resulted from overt conflict (Russia), competition (France) or a mix of competition and cooperation (Britain) with landed interests which controlled de-centralized provincial means of taxation, military warfare etc. Hence, the mode of building state autonomy

in pursuit of the monopoly of the means of fiscal-military resources was detrimental for how the national-economy would also develop at the same time. More explicitly, understanding how the modern state is institutionally differentiated in its apparatus is also decisive in terms of explaining the emergence of capitalism.¹⁰⁵ It is because once the mode of state autonomy precipitated, it also determined the degree of conflict and collaboration between the state and the newly emerging capitalist class till an historical alteration of the political balance of social forces takes place. Given such an historical background on various paths of surpassing the local powers of the nobility, there existed two forms of state power capturing how autonomy unfolded in the modern state. The first type of power is called "despotic power" which is commonly and mistakenly understood as *the* power of the "strong state." It refers to arbitrary use of power in order to extract resources (material and human i.e. tax, conscription, etc.) to its own territorial, military etc. ends in a system of states placed in an international order of unequal and competing states.¹⁰⁶ Tilly forcefully argued all European states emerged in the beginning on extractive pillars where raising taxes was oriented to war-making. "The formation of standing armies provided the largest single incentive to extraction and the largest single means of state coercion over the long run of European state-making."¹⁰⁷ Revenue extraction does not depend on penetrative negotiation with groupings in the population. If they remain only on such an extractive basis, this form of "autonomous" states in history do not build up institutionalized negotiation with economic interests and paradoxically undermine their extractive powers in the long run. In fact, the conversion of the early modern state as Leviathan as an arbitrary tax-seeking state to the latter systematic-predictable

taxing modern nation state underlies the historical demarcation between extraction and penetrativeness. In other words, the effort to sustain the external military effort had created the unintended consequences of internal reorganization and centralization making the burden of taxation over population to depend on legitimate forms of power and not solely by force.¹⁰⁸ Furthermore, it makes clear why mercantilism as national economy making and state-building reinforced each other. The unintended consequences of French mercantilism during the time of Colbert as discussed above rested in fact on legitimate fiscal concerns of the state to find the indirect means to extract revenue for its financing of war effort.¹⁰⁹

States which are endowed with the so called "infrastructural power" have the institutional capacity to penetrate its territories and implement its via a negotiated framework of long-term interactions with different economic groups with less resort to arbitrary physical force. Hence, institutional penetration through negotiated exercise of power increases also the extractive capacity of these kinds of states. While despotic power generates "arbitrariness" and an anti-developmental climate, infrastructural power increases predictability of the institutional environment for long-term economic change. Thus, it is not only despotic states that deserve the label of "strong" and "autonomous" states which rely only on extraction via arbitrary use of force. On the contrary, these states are "weak" states since they do not allow any other power base that can mobilize resources themselves and undercut the extractive powers of the state itself. It is why "despotic power is coined with oscillation not with development."¹¹⁰ States with infrastructural power/autonomy have been able to combine penetrative and extractive dimensions through a negotiated framework with

wealth owners. That is, states seeking taxes to build up their fiscal and military strength provided in return the requisite services for the rising commercial classes. Hence, they both contributed to long-term economic change plus strengthened their own power base since their extractive capacities are increased and thereby deserve the label of "strong" states. On the other hand, it should not be forgotten that these two types of state power co-exist most often in real cases, but the crucial point is to determine the impact of the degree of one or the other that will pull the society in the direction of long-term economic change or open the way to stagnation and crisis.¹¹¹ It is clear that "embedded autonomy" of the developmental state is a reincarnation of this latter type of state power in the last half-century. Mann's classification depended upon the history of the emergence of the modern state in Europe. But, the historical equivalence with East Asian developmental states is clear.¹¹² Embedded autonomy is a more dense and complex version of infrastructural autonomy or to put it indirectly infrastructural power is a more encompassing concept than embedded autonomy but incorporates it also. In addition to the extractive, penetrative and negotiated dimensions of infrastructural power, the developmental state required a "coordinating" intelligence unit shaping the course of industrial policy towards strategic goals which was obviously absent in early capitalist development. Negotiation in the first case became institutionally negotiated dense links between the coordinating bureaucracy and business elites in the latter. While infrastructural power had been conducive for long-term economic change as the emergence of capitalism in Europe, embedded autonomy was decisive for strategic industrial transformation which exactly what long-term economic change refers to in the second half of twentieth century for late developers. It is not only enough in the second half of twentieth century to have

infrastructural power in the old sense but it must be enhanced to include a "coordinating" agency like MITI in Japan inside the state apparatus. Such a coordinating state agency is vital to further and make infrastructural power to rest on a rational economic strategy "adaptable" in a changing dynamic-competitive domestic and international context.

The two contrast cases of early industrialization in 19th century with respect to the "ideal" forms of state power discussed above were Britain and Russia respectively. It was Gershenkron who assumed that it was the bourgeois forces that lied behind the British industrialization whereas it was the Tsarist autocracy that intervened heavily in the Russian full industrialization process. Hence, the logic as such implied that it was the Tsarist state that was "strong" and the British state with its "minimal" character as the "weak state". However, Gershenkron reiterated the fallacy of "developmental dualism" common to most of the theorists of late industrialization i.e. considered the capacity of the state as unlimited and thereby it was the pro-active state in Russia that deserved the label of "strong" state as such. It was because his main logic derived itself from the fact that the more a country is backward relative to the early industrializer, the greater the degree of state intervention would be. Since Russia was the most backward country relative to Britain as the initial industrializer, it would also be the most "active" state by definition. Comparing the Russian mercantilism with early mercantilisms in Europe, he generalized his comparative inquiry on the active state-degree of backwardness relationship as follows : "... I have begun to wonder whether even the Petrine period and policies of Russian mercantilism could not be regarded as an integral part of a general European experience, and this in a sense that goes a good deal beyond the fact that the Russian

experience can be subsumed under a general concept of European mercantilism and that actually looking into the Russian mirror has helped us to develop such a concept. What I am referring to now is problem of the deviations in the individual countries and the chance of systematizing these deviations into a general pattern. The hypothesis then is as follows : everywhere mercantilism in promoting economic development was creating obstacles to the perpetuation of development and the magnitude of these obstacles varied in a comprehensible fashion *with the backwardness of the country*. It could then be argued that it was the very weakness of such obstacles in the most advanced countries that, perhaps paradoxically, rendered possible there a destructive onslaught upon mercantilism, or, at any rate, what was re-defined and re-constructed as mercantilism for the purposes of that onslaught.”¹¹³ Since the seminal work of Gershenkron late industrialization resting upon the above framework is highly praised among economic historians and development economists to legitimate the case for “active” state as “strong state” , the set of inconsistencies arising from his work in terms of the "irony of state strength" are discussed below.

First of all, his analysis assumed that all late developers had an equal tendency to industrialize and "catch up" without examining the reason why they had to do so. The assumption of "relative backwardness" was assumed for this purpose without specifying the set of different incentives or a "will to develop" to industrialize for states like Germany and Russia in 19th century. Secondly and adjacent to this , it was assumed that states in these countries possessed a mature sense of economic rationality as would be the case for late industrializers in the post-war episode. This is largely an ex-post view of late industrialization and misses the differences in international context in which the states shaped their goals. 19th century late

developers were largely inspired by geo-political concerns rather than a economic rationality that we associate with the states of late industrializers - they were though to a less extent inspired by geo-political motivations also- in an international context of high competition. Since 19th century was more relaxed in these terms, it was not primarily economic concerns but rather fiscal-military ends and the associated state power to extract the resources that sustain these ends that defined the position of these states in 19th century geo-political matrix. The primacy of non-economic ends is not mentioned while at the same time the image of the pro-active state with a high sense of economic rationality is taken for granted under a completely different international context in Gershenkron's study. Thirdly, if there had not been a competitive environment as such, the origins of industrialization can not be simply assumed away from a calculable-rational state logic, but it emerged indirectly while the state pursued its own ends, namely war and the preparation for the war. Fourthly and most importantly, the role of the Tsarist state in Russian industrialization is exaggerated whereas the role of the British State is highly underestimated as a "distant force" from the autonomous capitalist class. The strong-weak state paradox reappears here again. The actively intervening but "weak" Tsarist state created a "partial industrialization" with its despotic autonomy, whereas the infrastructural penetrative capacity of the British "strong" state ended with "full industrialization". The first abstained from negotiating with the capitalist class whereas the latter formed organic relationship with the capitalists. The historical result was that "while the Russian case provides an example of 'state *without* market', the case of Britain is an example of 'state *and* market'(italics mine)"¹¹⁴ The dualism of development in early and late

capitalist development is thus resolved in such a framework presented here which is common to most studies of late industrialization.

Why did Russia end up with partial industrialization instead of a full version in the beginning of the twentieth century? The full version which was presumed to take place was based upon the idea of "forced industrialization". The state would engage in the construction of a railway network that would cause a development in iron and steel industries. This in turn would create markets and generate demand. Heavy industry would be protected by tariffs and contracts by the state. Light industry and resulting rural production would follow the establishment of heavy industry. The surplus required to generate the "full industrialization" process would be based upon "forced savings". The peasantry would be subject to heavy and regressive taxation and the surplus created would be channeled to railway industry making the state a "surrogate entrepreneur" in the presence of a deficient domestic demand.

The "rational" strategy of development above assumed a state apparatus conducive to a long-term plan of economic development. It considered the Tsarist state as identified as the Ministry of Finance which was in fact pursuing a rational development strategy as above. But, although there was such an institutional component in Russian industrialization, the core apparatus of the Tsarist state included the Ministry of Interior, Ministry of War, and the autocracy which pursued short-term military goals. Unlike the Meiji Japan which felt itself threatened in its geopolitical context and embarked on an industrial-military set up, the defeat after the Crimean war and the resulting "national military crisis" was partial and these parts of the state did not wish a full industrialization strategy but allowed a partial industrialization satisfying their short-term military goals. Since the state felt itself

relatively secure, autocracy did not feel the need for full industrialization. The political contradictions inside the state was one of the fundamental reasons why the above strategy was not put into practice in the direction of full industrialization but it was the unintended consequences of short-term military policies of the core fraction of the Tsarist state that explained the limited nature of Russian industrialization. In other words, industrialization was only one facet towards this direction. The pivotal strategy was to strengthen the fiscal base and thus increasing state autonomy by undermining the power of the nobility through the 1861 Emancipation Act. The peasants were emancipated from the control of the nobility to make them direct taxable by the state. However, the emancipation was partial and rural communes were established to tax the peasants collectively and avoid them migrating to cities and becoming a member of the working class. The result was also the emergence of a numerically strong working class plus a prosperous peasantry. The peasantry was keeping an important part of their income after taxes and thereby caused the predominance of light industry over heavy industry contrary to the forced savings hypothesis. railway construction was partially inspired from military concerns since there was a weak communication network but also from its market-integrative status plus contribution to iron and steel industries. On the other hand, tariffs were designed with respect to the fiscal needs of the state. Except for industries tied to the military sector, industrial inputs were tariffed more than the finished goods for revenue purposes.

The Tsarist autocracy had sought to accumulate despotic power over the society and undermine the powers of capitalists, working class and peasantry that would challenge this high level of insulated autonomy. It is why it embarked on a limited industrialization serving only its short-term military concerns overriding the

requisites of development. Hence, industrialization in Russia was rather an unintended consequence of the military activities of the state and not a result of a rational development strategy as Gershenkron assumed. He "assumed a coherent and economically rational state, monolithically operated by the Finance Ministry. In actuality, the state was incoherent, fractionated by rival ministries (or what Weber called 'satrapies' and divided through what might be called centralized bureaucratic struggle'. (between ministries) This ultimately saw the dominance of the War Ministry and the Ministry of the Interior and autocracy over the Finance Ministry, which in turn had fundamental implications for industrialization." ¹¹⁵ It is seen that the more despotic accumulation of power, the more conflictual the interior institutions of a state are. Since, only a single concern drives the despotic existence of the state, institutions representing developmental goals are suppressed. The Tsarist state did so because it had low penetrative reach in the social structure that embarking on full industrialization would erode its own autonomy. However, again the paradox of state power reemerges here. Since despotic accumulation of power rested on weak penetrative reach, the aforementioned classes did emerge at a certain degree resisting the despotic autonomy of the state on revolutionary grounds. The refusal of opening up the political system with representative institutions in early decade ended in Russia with a new constellation of state power after the revolution in 1917. It rehandled the unfinished project of full scale enforced industrialization in 1930s now through "forced savings" from the peasantry in the form of collectivization which the Tsarist state could not or did not realize. What the Tsarist state had done to nobility before has been done to the peasantry-enriched after the emancipation act- this time again on despotic terms since the weak legacy to penetrate the rural areas still dominated.

Stalinist neo-autocracy was in fact established to eliminate the weak power basis of the Tsarist autocracy and its segmented structure. It reproduced in the planning episode the Russian state tradition to rule in the absence of a rival power base supplemented with unprecedented "ideological penetrative" power that modern times have ever seen. The new autocracy had increased its penetrative power in the urban network of working class which was assumed to form the "class base" of the state but ironically it was its own creation. On the other hand, the limited threat that caused a partial industrialization between the Napoleonic invasion in 1815 and 1905 War with Japan with the possible exception of Crimean war was extremely reintensified in 1930s which required a full fledged industrialization to confront the threat arriving from the Nazi war machine where no explicit incentive was felt in 1920s (New Economic Policy) for such a project. The planning experiment in Russia and its pre-war late industrialization is a remarkable example of the continuation of the inter-state logic left from 19th century that shaped the goals pursued by a state which lived industrialization on a partial basis in the same century. The following lines by Stalin in 1929 before embarking on ruthless capital-intensive industrialization -even before Hitler's takeover in Germany- is reminiscent of this logic i.e. how late industrialization was linked to the inter-state rivalry in the interwar context. "Do you want our socialist fatherland to be beaten and to lose its independence ? If you do not want this then you must end its *backwardness in the shortest possible time We are fifty or a hundred years behind the advanced countries. We must good this distance in ten years. Either we do this or they will crush us.* (italics mine)"¹¹⁶ In fact, when the inter-state logic was subject to a drastic change in the post-war decade where cold war military concerns were coupled with rational search for a higher level of development

in the new international competitive environment, the relationship between state power and planning plus the human costs of the achievements of enforced industrialization in 1930s began to be interrogated. Its phenomenal impact, however, has been large during and after the Great Depression over the late industrializers. However, the continuity of the "state without market" framework shaped the normative framework of economic nationalism and planning where planners and economists in late capitalist industrialization have assumed state capacity as unlimited to eliminate market failure. This in fact laid down the basis of the anti-statism that neoliberalism identified itself in late twentieth century.

Britain represented in contrast to Russia where state power has evolved in the direction of infrastructural power through negotiated organic links with the capitalist class. However, British industrialization which took was not exempt from the pressures of war and their impact on the evolution of state power starting in 18th century. Britain was also subject to the same inter-state logic that confronted other states also despite its geography might have contributed to decrease its role. Over a long time horizon starting from the beginning 18th century, the manifest economic impact throughout British industrialization was high military expenditures, high national debt, and thus high-regressive taxation as contrary to Gershenkron's claim. In proportion to her national income and central-government expenditures, Britain devoted the highest share to defense. Furthermore, the national debt accumulated again due to military spending purposes has a similar character. Seemingly paradoxical, the tax-burden of low income groups was the highest in Britain in comparison to other late developers especially Russia where income after taxes of the peasantry outstripped the tax burden itself. The impact of this fiscal-militarism was,

however, positive in terms of facilitating the development of industrialization. The neoclassical view considers only the absence of an direct market-promoting "industrial policy" indicating the absenteeism of the British state in the industrialization process with silence on why direct and conscious industrial policy would shape the concerns of the British state in the start of industrialization with no competitive international context compared with recent times. The British state, like Russia, was driven with the logic of sustaining its fiscal-military apparatus from which emerged unplanned market influence whose parameters were set by the state itself.

This was basically the creation of the financial interest at the end of 17th century. In order to finance its military activities, the state created the Bank of England which borrowed from the capital market in the City of London for this purpose. The establishment of the Bank was decisive in the history of state but was also crucial for the future of capitalist development. Private financiers found it profitable to channel their accumulation to the financing of national debt. Thus, The City of London-Treasury-Bank of England formed the institutional triangle in which the state allied itself with financial capitalists in a reciprocal-organic form where the first sought power and the latter sought profits during the heyday of mercantilism. In that respect, the state increased its penetrative powers to extract resources from the financial interests. While the state was creating the financial interest, it increased the indirect tax burden on low income groups to finance the accumulated the national debt. Hence, it redistributed the income indirectly from low income-non saving groups to high-saving-private investors through the national debt and tax system. In other words, the prospective industrialization was not financed by detached and autonomous capital markets but on the contrary on the basis of the state's pursuing its

own fiscal-military goals over a long horizon. It was Britain that the non-direct interventionism or unplanned market influence of the state satisfied the "forced savings" hypothesis with the exception that it was the capitalist class who invested the money and not the state itself. However, it should also be noted that the early alliance between the state and finance later prevented the formation of finance-industry nexus that formed the basis of most late industrializers.

In terms of the development of the industrial sector, the unplanned market influence of the state played also a vital role. In 18th century, there was some sort of a lack of demand that was needed to stimulate the economy. War was the primary substitute for this lack of demand and iron industry developed in line with the needs of the state. Agricultural production was also stimulated during the Napoleonic wars to sustain the manpower in the battle field which also absorbed excess unemployment. Cotton manufacturing also developed with respect to the needs of war beyond domestic mass consumption. Technological innovations in cotton and iron industries again responded to the military requirements of the state. To sustain its colonial hegemony and to protect its shores from invasion, the state supported shipping industry especially through contracts with the navy. This had a considerable multiplier effects in the form of backward linkages on coal-mining, chemical production, and engineering. With respect to tariff policy, Britain, down to 1846, exercised extraordinary tariff rates especially after 1796 on imports of most of the semi-manufactures and raw materials which were vital to British industry. It is difficult to search a protective rationale in tariff policy but rather again fiscal concerns played an important role. Even it was seen that tariffs were to be eliminated at the end of 18th century, the state chose the reverse option of increasing the rates, perfect proof of

the fact that it was driven by fiscal concerns at the edge of the wars in the beginning of long 19th century after the French Revolution. Moreover, the tariffs remained still high till 1846 after the wars because the state resorted to high fiscal extraction to pay the interest on debt borrowed to finance war. On the other hand, there was a planned market influence component in tariffs in terms of educating the promotion of industry rather than a purely "fiscal rationality". This was true when extremely high tariffs prevented the flow of goods and thus reduced revenue. The development of cotton industry was a clear evidence of this. But, till 1846, it was only plausible in the absence of a contradiction with revenue concerns of the state.

The sources of British state strength were basically its fiscal-extractive capacity, its penetrative power, ability to achieve consensus, commerce and the existence of capitalist contractual institutions that developed with the state's long-term competitive collaborative interaction with the nobility in the past. It is not true that England had a small and weak bureaucracy. On the contrary, indirect tax-collection was mostly carried out by central government bureaucrats whereas other absolutisms in Europe relied on private and local officials. Wherever land-tax was collected by local nobles, the fact that they were included in the parliament prevented local corruption and effectively monitored the reach of taxes to the central government. Since the Treasury was extremely centralized around which the fiscal system was organized, uniform application of taxes ensured penetrativeness rather than the generated fiscal privileges and free rides in the French system which enforced the Colbertian regulatory forms discussed above. This was achieved via a vast bureaucracy recalling somewhat Weber's rational-legal model and minimizing fiscal leakage to private tax-farmers. Mann rightly observed that "The best organized

government office of the eighteenth century was probably the British excise department." ¹¹⁷ indicating that the state almost had complete monopoly of the means of fiscal extraction. It thus becomes much more clearer why the state minimized the so called "transaction costs" in essence which has been put forward by rational-choice theorists as the explanatory device. ¹¹⁸ The negotiated dimension of infrastructural state power was enhanced through the existence of the parliament via which consensus was achieved over high taxation. The state could extract high revenue not by dislodging noble groups, but giving them a say in government which was the opposite in France. It is why heavy but non-uniform arbitrary taxation and exclusion of key interests fueled the end of the French absolutism. The fact that extractive capacity depended upon the consent of dominant classes was not a sign of weakness. On the contrary, negotiated links with major links through a mix of competition and collaboration as reflected in the Parliament proved the "strong" character of the British state and not its "weakness". A recent Marxist interpretation has also testified this paradox between the power of the British state and that of continental absolutisms and surprisingly pointed its infrastructural nature in its unplanned effect on the emergence of capitalism, however, still through the lance of the "class base" of the state. "The English state was thus weak in the specific sense that, unlike the absolutist state, its bureaucratic and coercive apparatus was not geared to the needs of the class which controlled it but whose surplus-extractive powers were now *independent* of the 'public power' of the state. In securing the conditions for the 'self-reproduction' of the capitalist class, the English state was not "weak" but "strong". ¹¹⁹ In other words, the state has been "weak" vis a vis the land owners but this weakness facilitated its

"strength" for the rise of capitalism. In this logic, we again see that the marxist reading of history underestimates the fact that state can pursue its own goals through empowering its declining autonomous status via flexible institutional shifts and it is exactly this what makes it strong in terms of long-term economic change. "British state formation was the archetypal strong path in part because state power was wielded not against but through key societal actors. Despotism in the eighteenth century proved to be far less empowering for states than the so called concessional strategy of negotiating access to resources. Despotic coercion was a sign of weakness, not strength." ¹²⁰

Britain enjoyed the easy path of rising to supremacy in the world economy in the absence of rivals rather than coordinating a competitive strategy as we understand it today. Hence, the fiscal-militarist concerns of the state predominated to sustain its geo-political position but also giving way to the industrialization in 19th century. "Britain's breakthrough was enabled in part by a strong state which had sufficient penetrative power to push the economy in a capitalist direction. Above all, the state's solutions to the problems of the seventeenth and eighteenth centuries was the implementation of various institutional changes which propelled the economy towards capitalism." ¹²¹ But, the likely source of the latter British decline is the inability of the state to further these institutional changes later being able to enhance its infrastructural power with coordinating capacity else than the market in the highly competitive post-war environment which had been absent in her easy victory. What Britain lacked in the changed international economic context in its state capacity was in fact what the East Asian developmental states had added to the previous properties of infrastructural power, namely a "coordinating intelligence unit" effectively intervening

in the course of economic change around strategic objectives. There now appears the conceptual equivalence between embedded autonomy as we discussed in the beginning of this chapter and infrastructural power. Embedded autonomy of the developmental state is the latest and unprecedented form of infrastructural power as we know it. The details of the erosion of state power in Britain as inherited from early capitalist development is beyond the scope of this chapter. However, we see that the early form of infrastructural power might not be sufficient to arrest economic decline unless it is adopted to new circumstances. It is in fact worth noting here that the concept of 'flexibility' developed in the recent decade has focused on this aspect of economic formations where of 'institutions, organizations and individuals efficiently adjust their goals and resources to changing constraints and opportunities'.¹²² In other words, our historical comparative investigation above between Russia, Britain and East Asia in terms of evolution of state power shows at the same time that flexible economies correspond to infrastructurally powerful states or infrastructural state power enhances the flexibility of economies in the long run. However, state power at the infrastructural level imposes certain 'rigidities' which have been called as 'flexible' rigidities that operate to discipline the institutional sphere of market participants as has been the case in East Asia. Henceforth, we see that investing for infrastructural power enhances flexibility where in fact the embeddedness of state autonomy in East Asia created the institutional preconditions of long term economic change via assuring the presence of those flexible rigidities in the developmental apparatus. The lifting of those rigidities is equivalent to a significant regression from infrastructural power and thereby from flexibility in long run as has been the case in British industrial decline in recent times.¹²³ We thus return to the basic theme of this chapter. State power is a

matter of degree, changeable and subject to alteration in history. Early capitalist development had also been based upon an infrastructurally strong state as would be for late capitalist development as well. The developmental dualism which restricted the role of the state only for the latter is rather a fictitious construct rather than an historical reality. Furthermore, states possess uneven "will" to develop in their geopolitical and historical context contrary to the claim that "lateness" in industrialization supplies an equal incentive to catch-up with the false implication that early industrializers via more active state intervention as backwardness increases.

This chapter has sketched an historically extended conceptual framework of the recent literature on comparative political economy. It is argued that the conceptual dualism between early and late capitalist development vanishes when the main theoretical division between infrastructural and despotic forms of state power is introduced as the cornerstone of understanding their patterns towards long-term economic change. Infrastructural power enhanced the relational autonomy of the state in history vis a vis capitalist interests in the emergence of capitalism and thus facilitated the long-term shift towards the rise of the productive logic of "free-competitive" capitalism. On equal terms, embedded autonomy of the developmental state is in fact a reincarnation of this form of state power accounting largely for the industrial transformation in East Asia. Hence, developmental states are based on infrastructural autonomy of the state encountered in both early and late capitalist development. However, it is argued that infrastructural power is a more broader and inclusive concept to understand long-term economic change than "embedded autonomy" formulated in the literature of comparative political economy. Strict adherence to the concept of "embedded autonomy" contingent on the East Asian

historical-developmental matrix might lead political economists to underestimate the moves towards varying degrees of infrastructural forms of state autonomy in different historical contexts which might rather be termed as "unsuccessful" in terms of pursuing strategic industrial policy intrinsic to embedded autonomy. It is due to this reason that the "market-creating" infrastructural power of the modern state based on long-term interaction with wealthy classes is addressed where the search for "industrial policy" is definitely absurd. Similarly, such moves towards infrastructural power has also been observed in the history of state-building in post-war late development which is characterized by a high degree of international competition. The moves which endowed the state with complex coordinating capacity have resulted with phenomenal developmental outcomes (East Asia) whereas the same infrastructural moves which could not reach such a coordinating capacity have resulted with considerable but crisis-prone industrialization. (Turkey) On the opposite side, it is despotic state-power in history that is anti-developmental and inhibits long-term economic change. The insulation of the state from forming an interaction with wealthy classes undermines both its long-term power and economic change. Its autonomy is directed towards fulfilling many tasks via mobilizing the resources to itself. Doing it as such, it decreases its capacity to achieve them since no space is allowed to private interests. The absence of a long-term interaction deprives it from a sound basis of revenue-collection. It is not surprising that Britain in 19th century had a tax-base as the strongest among the industrializing countries since it had been endowed with a sound institutional basis to register, monitor, and collect taxes. Although this form of state power is generally entitled as "strong", it is in fact the reverse that defines the history of state power. Strong states are endowed with

infrastructural power whereas "weak" states, like that of Russia in 19th century, are endowed with "despotic power" in terms of facilitating economic change.

Our discussion of mercantilism is closely related to the central theme of the chapter, i.e. variation in state power. It should not be forgotten that the original manifesto of economic liberalism had been entitled as "The Wealth of Nations" and not the "Wealth of Individuals" as would have been more consistent with current neoliberal ideological contour. Smith inherited the problem of increasing the wealth of the "nation" from the mercantilists who considered the power of the British state as vital for that purpose. It is argued that what determines whether various mercantilisms as late industrialization will degenerate into rent-seeking or move in the direction of strategic mercantilism as in the case of East Asian NICs is largely determined by the form of state power in the initial stages of late industrialization. The legacy of German Historical School is particularly addressed for late industrializers which is the idea of strategic interventionism and "Staatsbildung" via reforms which would be revitalized in the efforts for planned development. A central premise of this study is directly related to this question as vital to understand the political economy of late industrialization and the latter politics of neoliberal reforms in Turkey. I argue that the social alliance structure in the aftermath of 27 May 1960 military intervention has created a conducive historical conducive context for the restructuring of the state apparatus or a re-"Staatsbildung" in the direction of infrastructural autonomy. By saying this, we do not say that a full-fledged state autonomy "embeddedwise" existed in the beginning of planned industrialization or started evolving in that direction, but there was an unexhausted political and institutional space in the direction of "infrastructural power" whose ideological referent was "reform" on behalf of radical

officers, intellectuals/technocrats and the newly emerging industrial elites. Given that, the early planning experience was a direct outcome of this reconstitutive referent, the denial of this referent by the Justice Party cadres (and partly by Republican People's Party) led to the "capturing" of the planning apparatus rather than its "reconstitution" after 1965.

Can embedded or infrastructural state autonomy which previously provides an impetus to economic change and industrial transformation in a certain historical context might later deteriorate into despotic/predatory forms of state autonomy ? If yes, then under which conditions ? Overall, the chapter put the accent on the changing nature of state power both in time and context. It rather argued that state power is investable and given certain historical junctures it can be recasted by major developmental forces in a society who possess a strong "will to develop". Historical evidence suggests that while the accumulation of infrastructural state power had been of a gradual nature in the emergence of capitalism in relative terms, the post-war experiences of moving towards a 'relationally' autonomous state apparatus have overlapped with certain episodes of 'crisis'. It was at these moments of crisis that the political will to make the old state apparatus subject to alteration conducive for long-term economic change. In other words, the potential for the emergence of infrastructural power fertilizing long-term economic change in twentieth century has rather been the outcome of a major economic and political crisis in various historical contexts. The primary examples worth citing are France and Korea respectively where the first one is the major example in the context of advanced capitalist economies and the latter in an originally "peripheral" country before the Second World War. In retrospect, French capitalist development since the Revolution did not

constitute a comparable case of “full-fledged” long-term economic change in comparison to her major rival on the continent i.e. Germany, under the pressures of major domestic and external upheavals in late 19th century which was also inhibiting her “strong” state potential. The introduction of French “neo-Colbertist-dirigiste” planning and its institutional setup in the immediate aftermath of the War was politically a result of the loss of legitimacy of the French bourgeoisie at the end of the war. It was left in a paralyzed situation in the political framework due to its collaborative stance with the Vichy regime during the war vis a vis the legitimacy of coalition of “national-patriotic” political forces (Gaullists, Socialists and Communists who fought against the Nazi invasion) and thus were forming the genesis of perhaps a “developmental” coalition specific to an advanced capitalist economy. Thus, the absence of the legitimacy of the French capitalists prevented them to block the initiation of planning by a small group of technocrats. Hence, the formation of an autonomous planning institution made possible the beginning of the reciprocal-infrastructural interaction with industrialists for long-term economic change even though they initially did not reveal such an historical preference. “... the ‘productivist’ credo of a small group of people convinced that some rationalization can create modern capitalism with economic growth and full employment. It is generally agreed that the immediate post-war period presented this small group with an exceptional opportunity to act.”¹²⁴ Having defined the post-war planning in France as “neo-colbertisme” -which is in fact the equivalent concept of “dirigisme” defined by Andrew Schonfield- Schmidt rightly observed the capacity of state bureaucracy to invest for infrastructural power ‘from above’: “The economic miracle of the Fourth Republic was created from above than below. And it was largely the work of the state

bureaucracy, which made the most of the positive international economic climate of the post-war period." ¹²⁵ The French case thus represented a significant example of a leap forward towards infrastructural state power as effecting long-term economic change. On the other hand, the geopolitical context in Korea at the end of the War led to a massive land reform that cleared the path towards the formation of a state apparatus only facing with industrial elites vis a vis which it started to build up its own autonomy based on interactive embedding on the course of industrial transformation. ¹²⁶ Crises thus clear the institutional ground of opposition to enact 'reform' or to restructure the state by conscious will compatible with long-term economic change or more precisely crises give the possibility of enhancing infrastructural state autonomy -or vice a versa despotic state autonomy as had been the case in Bonapartism which inhibited French capitalist development in mid 19th century- However, the intensity of a crisis to produce such an outcome is historically contingent or path-dependent upon the power matrix of economic interests in each case under consideration. It is argued in this study that the emergence of State Planning Organization in Turkey and the limits to its potential "developmental" role has been a valuable example to give merit to this point which we will discuss in the following Chapter.

State formation has historically been a product of the interaction between social interests and evolving state institutions. The nature of this interaction has been the key in understanding whether state power and hence state autonomy will develop along despotic/predatory or infrastructural/embedded lines. In that respect, the paradoxical congruence between Britain, the early "successful" industrializer and Korea the late "successful" industrializer is that in both cases it was the infrastructural

capacity of the state to penetrate society and sectors in the direction of higher productive capacity. The concept of infrastructural capacity of the modern state in the emergence of capitalism and thus embedded autonomy of the developmental state provides a challenge to both neo-marxist conception of the "relative autonomy" of the state, neoclassical anti-statism and the structuralist omnipotent view of the state respectively. All the perspectives seem to skip the essence of state power, that is it is a matter of degree and not of kind and it is subject to change in historical context. It is why all of them did not give credit to state capacity in early capitalist development being confident of the "autonomous" transformative-subject power of the bourgeoisie or the "limited government" respecting the "rule of law" skipping the "dark" side of mercantilism where the absolutist-states had fertilized or had not fertilized infrastructurally the path of long-term economic change with varying degrees and modes. Either the "minimal state" or the bourgeoisie as "the autonomous class force" have been the center of gravity for the neoliberals and marxists respectively. The post-war theorists of late industrialization have also fallen in the same trap that they associated Britain with the category of the "weak" state. Such a developmentalist dualism between early and late capitalist development has a limited view on the changing character of state power in historical time and context. We have argued that there can not be any "fixed" definition of state power which remains "constant" in terms of its contribution to economic change. Basically, the more a state is endowed with infrastructural penetrative capacity, the more likely that developmental outcomes will emerge and the content of that power changes in time in a given historical context. Likewise, the reverse is also true. The more there is retreat from infrastructural power, the more there is "decay" in state institutions and loss of ground

in their autonomy and capacity opening the door to fall into the trap of the neoliberal anti-statist framework. In fact, we argue in this study that institutional history of the economic apparatus of the state and the state power springing from it as effecting the direction and magnitude of economic change after 27 May 1960 in Turkey is precisely a case study of the aforementioned conceptual dilemma which we start addressing in detail in the next chapter.

**CHAPTER III-"STAATSBILDUNG AS REFORM" AND NEO-
LISTIAN "NATIONAL POLITICAL ECONOMY" : THE LIMITS
TO INFRASTRUCTURAL STATE AUTONOMY AFTER 27 MAY**

1960

"We do not believe in planning behind the desk. Nor do we want other departments simply to implement what we plan. We subscribe to the principle of planning together and in collaboration."

Attila Karaosmanoğlu

**From 'Tanzimat' to 27 May 1960 : Paradoxes of 'Perpetuated State-Building'
and 'Ruptured Mercantilism' in a Nutshell**

The theoretical investigation of state power above in an historically extended framework of comparative political economy has important implications for comprehending the locus of state power as effecting long-term economic change in Turkey. The historical experience on early and late capitalist development possessed a common logic of reinforcement of mercantilism and state-building with differing modes and intensities given the constraints posed by their domestic and international context. What made the difference in terms of long-term economic change was found in the genesis and mode of their state building, i.e. whether state formation evolved in the direction of infrastructural-embedded or despotic-predatory forms.

The Ottoman Empire, in contrast to the European experience, did not combine its "strong" centralized-patrimonialism with a mercantilist economic logic during and after its classical period. While the move towards centralized absolutisms- or "Leviathans" in general — in Europe realized itself on synchronic and compatible terms with mercantilist practices, institutions and ideas, the 'strong' centralized state in the Ottoman context lacked those mercantilist pillars necessary to sustain its long-

term existence. Provisionism as against mercantilism shaped the agenda of the centralized Ottoman state to avoid rival and centrifugal forces challenging the solid center. In that respect, the incentives for the emergence of an infrastructural interaction with rival economic powers outside the state were not present at all. A homogenous compact center directly confronting a segregated periphery in the absence of multiple confrontations as Mardin observed it underlined the absence of such an infrastructural 'trigger mechanism' in the Ottoman setting.² The process of state-building encompassing from the formation of early Leviathan to the modern nation-state and beyond in the European setting meant that rival economic forces have been step by step pulled into the 'center' as a result of long-term interactions between the state and these social power bases. The more the 'center' has been able to absorb these forces into itself, the more infrastructural power it has been able to accumulate to enhance this infrastructural power in the direction of "negotiated power", the ultimate form being the political democracy in Britain. On the other hand, the presence of loose ties between the strong 'center' and the weak 'periphery' -at first sight- was the reason why such a process of penetrative power accumulation could not have been observed in the Ottoman state. However, it should be noted that its land tenure system in the classical period allowed it to penetrate the direct producers in terms of extracting the surplus necessary for its maintenance. In fact, crystallized around the idea of 'circle of justice' legitimating the case for a strong state,³ the Ottoman state had developed its own particular 'penetrative' powers during its classical zenith thanks to the land tenure system "timar". In fact, it was this particular "penetrative power" that had been subject to decay during the 17th and

18th centuries due to a set of domestic and external factors . Reflected in the break of the chain in the circle of justice, the state was trapped with its inadequate endowment of requisite fiscal base to cope with the rapidly changing external geo-political context of inter-state rivalry in late 17th century. It is not thus by coincidence that reinforcing the `old` idea of a `strong` state logic for Ottoman statesmen in general derived itself from the urgent need to cope with this rising geo-political pressure by the call for a reform of the army . As İnalcık noted for Selim III whose name is coined as the initial Ottoman reformist statesman ; "His state philosophy was not very different from that of his predecessors. He reasoned, that is, that there could be no power without an army, no army without sufficient sources of revenue, and no revenue without justice and prosperity among his subjects."⁴

It is important to note that the aforementioned logic reinforced itself with the transition to `Tanzimat` i.e. the era when Ottoman state bureaucracy had been subject to rationalization in modern terms. In other words, the legacy of the "strong" state tradition from classical times still made its impact on the transition to a rationalized bureaucratic apparatus during the Tanzimat era. However, the Tanzimat reformers initiated such a `state building` in military (Harbiye), diplomatic (Hariciye) and fiscal (Maliye) spheres in the absence of a mercantilist legacy that had been intrinsic to its formation in European arena. Given the absence of such a mercantilist history, the Tanzimat reformers signed the 1838 Anglo-Ottoman Commercial Treaty under the imperatives of coping with the external military threat (mainly Russia) and destroying the rival sources of power in the periphery, namely the local notables (ayans), especially Mehmed Ali Pasha who was in fact pursuing mercantilist protectionist

policies against the British in Egypt. In other words, the initial steps towards establishing a rationalized bureaucratic apparatus in the 'Sublime Porte' were taken at the same time with underwriting the imperatives dictated over the Ottoman market by the British free trade doctrine. The prerogative of building a 'strong' state thus was not reinforced by a mercantilist logic but rather depended upon a still controversial decision of integration to the British-hegemonic world capitalist system that was assumed to destroy vested interests in the 'periphery' and restrengthen the 'center'.⁵

Since European late comers to industrialization, like Germany, had already formed their bureaucratic-absolutist state apparatuses on the onset of their late industrialization, the Ottoman statesmen were implicitly constrained by the absence of a rationalized-strong bureaucracy and the presence of a geopolitical competition already stamped by the achievements of early industrializers. Having inherited 'dysfunctional' institutions in the new context of geopolitical competition in mid-19th century, they were to trade-off the formation of a "strong" state apparatus with mercantilist resistance to free trade interests given their low capacity to penetrate 'peripheral' resources and to cope with external military threat. Ertman has recently sought to explain the particularities of state-formation in Europe in manner similar to Gershenkron's account of the differences in European industrialization in terms of the timing on its onset at 'early' versus 'late' phases. Those states which have been built later (after 1450) have faced different geo-political constraints in comparison to early state-builders. Non-simultaneity in early and late state-building had worked in different ways in the emergent outcomes through the influence of domestic factors.⁶

In the same way, having missed the phases of 'early' and 'late' European state-

building, the nature of geo-political competition that the Ottoman state reformers faced in early 19th century was rather of a more complex nature which the European early and late state-builders had faced before. The geo-political competition between the formed states in Europe evolved to a stage where mercantilist resistance to free trade domination as had been the case in Germany necessitated the already present 'strong' state which had been absent in the Ottoman case. Hence, 'late-lateness' in state-building under the 19th century inter-state rivalry had somewhat closed the avenue for mercantilist late industrialization for Ottoman statesmen in the initial phase of its early political modernization phase. They rather had considered the 1838 Treaty as a leverage for them to initiate a modern 'Staatsbildung' in the Empire by getting the support of the British against the persistent external threat from Russia and the powerful local notables ('ayans') in the periphery. Modern-state building thus started on an anti-mercantilist path in Turkey.

The consequences of the decision have been still of a controversial character till recent times with important political connotations for understanding the national-developmental experience of Turkey in 1960s and after. It has been generally conceived by Marxists that the historical outcome of the Treaty was the Empire's falling to a 'semi-colonial' status towards the end of 19th century. Such a theoretical position was extremely influential among all variety of socialist circles during the 1960s and 1970s in Turkey. The seminal work of this theoretical position is prominently found in Avcioğlu's two volume 'The Order of Turkey'. Avcioğlu argued that the signing of the 1838 Treaty closed the path of "independent" capitalist industrial development in Turkey where the initiated open door policy made the

Ottoman market subject to the prerogatives of the British free-trade doctrine. He considered the administrative and financial reforms of 'Tanzimat' as responding to the needs of the open-market system. In fact, he explicitly considered the Tanzimat reformers as the domestic articulators of British (and other) interests inside the state apparatus.⁷ He was arguing that there were the elements of an "independent" capitalist development potential in the Empire which were blocked by the penetration of more advanced capitalist countries into its territories thus resulting in a "semi-colonization" process where the political independence of the Empire was sustained only as a result of the equilibrium derived from the intra-European power conflicts. Having not been able to shift to a mercantilist stance like Japan and Germany which succeeded in fact to industrialize as result of their mercantilist resistance to imperialist penetration in their domestic markets, the Ottoman Empire had fallen into such a "semi-colonial" status. His monumental treatise revolved around the implications of this semi-colonization process for later decades of economic history of Turkey which he considered as having started during the Tanzimat era. The argument was that Turkey has not been able to break away from this semi-colonial status even during the Republican era and moreover this status has been reproduced in more acute form after the Second War under US hegemony. The panacea he developed in late sixties was to call for a 'national revolutionary development path' which was in essence a search for a mercantilist withdrawal from the world capitalist system to eliminate the prevalent semi-colonized status. Substantial economic change would only be possible by conscious state action directed towards forming mercantilist resistance structures (primarily related to etatisation of foreign trade and finance) which Turkey had not been able to build in its history on a solid basis. This was due to the predominance of

a 'conservative coalition' of domestic social forces allied to international capital and whose interests lied majorly in the reproduction of the aforementioned semi-colonial status and not "national" economic transformation. It was therefore necessary to assemble the reformist-nationalist forces along with 'progressive' army officers that would liquidate this conservative coalition and open the path to establish mercantilist restructuring for national development. It was natural that the call for such a mercantilist setup via political action gained popularity in 1960s with the reformist 'myth' that 27 May 1960 movement had generated but failed to accomplish. 'Semi-colonization' thesis which had been traced back to 1838 Treaty continued to shape the consciousness of the Turkish left till the end of 1970s since the analysis also provided a legitimating space of political action at large.

With the collapse of the national-developmental era in 1980, the "dominant" theoretical contour of 1960s and 1970s on economic history of Turkey as such started to shift towards a new perspective. The Neo-Braudelian 'world-systems' school or the "world-market marxists" as Hobsbawm named them had considered the previously conceived process of 'semi-colonization' now rather as a process of 'peripherilization'. In other words, rather than considering the imposition of free-trade doctrine on the Ottoman market after 1838 as of an exploitative unequal exchange relationship, the process has been considered as part of a common trend for the non-capitalist world in which the Ottoman Empire was only one of those territories that signed similar treaties with the British Empire in the same decade. In line with the idea that the world capitalist system had already settled long before the industrial revolution between mid-15th and mid-16th centuries, the signing of the treaty was a natural outcome of the "incorporation" of the Empire to this world

economy. In other words, the 1838 Treaty as the “cause” of semi-colonization for Avcioglu and others who were primarily inspired by the “Lenin-Hobson” thesis of imperialism, the Neo-Braudelians saw the treaty as a “result” of this incorporation process which in turn accelerated the ‘peripherilization’ of the Ottoman market. This was not an ‘anomaly’ for the ‘independent’ development of countries remaining outside the ‘core’ of the so called ‘world capitalist system’, but rather as a ‘natural’ tendency built into the system itself. In that respect, the 1838 Anglo-Ottoman Commercial Treaty was not an ‘anomaly’ for the Ottoman Empire but an articulation of the interests of the ‘core’ in a potential ‘to be peripherilized’ territory inside the world system. 8 What is intrinsic in this conceptualization of economic history is that all political and state intervention forms should be compatible with this ‘natural tendency’ in the final analysis. The ‘anomaly’ lies not in the process itself but rather in the conscious efforts to open ineffective ‘mercantilist parentheses’ inside this ‘natural tendency’ blocking its realization. Looking at history as such, it was not the 1838 Treaty, but on the contrary, later brackets of mercantilism during ‘national economics’ (1908-1918), ‘etatisme’ (1930-1945) and the ‘planned-IST’ (1960-1980) episodes that were ‘deviations’ from the tendency as such. In fact, the logic of global neoliberalism after 1980 has been considered as a reintroduction or ‘normalization’ of this tendency and the closing of the chapter of mercantilist resistance inside this historical pattern.9 In that respect, the current industrial bourgeoisie in Turkey is not satisfied with what the nation-state had been providing to it inside the mercantilist parentheses and it is now in a position to demand a “real” bourgeois state with its “legal-juridical” status defined by a set of “civil” rights for its citizens emancipated from “arbitrary” interventions by state-bureaucracy in conflict with the imperatives of

expanding global trade and finance. The crisis of the nation-state in Turkey is in fact the crisis of not being able to become a "real" "bourgeois" state serving the frictionless accumulation of capital in the context of globalisation. "The crisis of the state; i.e. the state not being able to do the things that was mentioned in the most mature mercantilists between 1945 and 1980, in Friedrich List and in development economics."¹⁰

Within the historically extended comparative political economy framework that we have tried to develop in this study, these two lines of thinking addressed only certain particularisms of the process under inspection while claiming to be of a 'generalized' form of analysis. The call for mercantilist resistance structures for national development did not specify state power on infrastructural terms being able to cope with the geo-political context of post-war era which stressed the more competitive basis of international economy. Since the post-war episode has been conceived as the re-establishment of the old 'imperialist hegemony' now exercised by the U.S., no benefits are seen to exist to reap from this competitive world for national purposes which in reality is not driven solely by inter-state rivalry in the 19th century version. Mann considered free-trade in 19th century as "having embodied the geopolitical power of 'national' capitalists, able to set the terms of trade over lesser capitalist nations" and continued that "Free trade was then seen as British-dominated trade. Nineteenth century ideologists of rising classes and states contested the rule of the 'hand' by advocating greater authoritative territorial power."¹¹ On the other hand, new states, new firm structures, new international regulatory institutions have emerged making the post-war context quite different than the old international order

in which imperial and expansionist concerns had been dominating the agenda explicitly. Rather than a Pax-Brittannica of the 19th century, the post-war international economic and political context has been defined by the presence of an "embedded liberalism" where states in the 'periphery' could have also pursued a variety of objectives, primarily the mercantilist objective of catch-up with early industrializers, under the existence of certain international institutions not purely and directly serving the interests of a single hegemon.¹² Presuming the post-war episode similar to the 19th century geo-political context and hence the still presence of the semi-colonial status triggered by the 1838 Treaty led to political action and institutional restructuring along the idea of a "self-sufficient" mercantilist industrialization path where the state is overloaded with insurmountably heavy tasks. The weakness here lies in considering state power as "omnipotent" -parallel to structuralists- to fulfill the duties of economic nationalism with an absence of interactive space allowed for capital even though the interests of the 'national bourgeois' segment is considered theoretically as against the dominance of the 'cosmopolitan bourgeoisie' being part of the conservative coalition. The economic mentality of 1960s present in most socialist, neo-statist circles -which also partly shaped the consciousness of planners as well to be elaborated below- could not envisage a mercantilist path of late industrialization where the state is not overloaded but delivers certain key tasks to the newly emerging industrial groups as had been the mission of developmental states in East Asia.

Neo-Braudelians, on the other hand, do not give any recognition to state capacity in terms of economic change in the 'periphery' independent of the articulation of 'core' interests. Even if there are so called 'national developmentalist

efforts', that space is allowed to them by the developments in the 'core'. It is argued that even the forging of ISI in the 'periphery' in the post-war context gives evidence to this fact. ¹³ In other words, flexibility to embark on mercantilist development paths remains at the mercy of what 'serves' as best to 'core' interests. The 'core' and the 'periphery' in the world capitalist system are considered rather as permanent entities unfolding since 16th century where their own status and the relationship between themselves in the final analysis remained intact irrespective of the changing geopolitical context of inter-state relations. This is because the logic dictates which goods will be produced in which region of the world which allows the categories of the "core" and "periphery" to be defined. However, the alteration of the hierarchy of nations by East Asian NICs in the second half of twentieth century — as noted in the previous chapter- proved on the other hand that this was not the case. The Neo-Braudelian line of thinking underestimates the fact that what made the rise of capitalism in Europe to achieve the status of 'core' could have also elevated — and still can elevate- the 'periphery' as well to this previously achieved status. It is the presence of a 'high degree of stateness' on infrastructural terms that accounts for the alteration of hierarchy of nations as is broadly discussed in the previous chapter.

History of modern-state building in Turkey thus began with an anti-mercantilist logic at the economic level but did not eventually serve for 'semi-colonization' as Avcioğlu claimed or naturally reflected the needs of a natural process of 'peripherilization' as the neo-Braudelians claimed. The search for establishing a 'strong' state logic in the domestic and geo-political context of mid-19th century was the primary concern of the 'enlightened despotism' of Tanzimat reformers. As Ahmad

said : "The Tanzimat reformers were sophisticated enough to tailor some Western theories to their own environment. They did not see the role of the state as that of night watchman, as liberal theory required; the state had to be interventionist —the state as social engineer—so as to transform society." ¹⁴ It is in this milieu that the genesis of modern economic apparatus of the state (Maliye) beyond its military (Harbiye) and diplomatic (Hariciye) components had come to existence. It has been noted that the Tanzimat reformers had been more successful in terms of enhancing the military and foreign affairs apparatus of the state relative to its fiscal apparatus . It was due to the weak penetrative reach of the state to extract resources from the diffused periphery that was the fundamental reason for the failure of installing a relatively powerful fiscal apparatus. Even though the drive towards fiscal centralization was ineffective, the transition to a 'rationalized' bureaucracy of the modern state was observable. The genesis of modern economic bureaucracy in Turkey as originated during Tanzimat rested on a 'weak' autonomous basis vis a vis entrenched landed interests. ¹⁵

The initial reinforcement of mercantilist resistance and 'strong' state logic in Turkish history corresponds to the Unionist period following the 1908 Young Turk revolution. Given such a background of state reforms during and after Tanzimat but circumscribed by an anti-mercantilist economic logic, forging a 'national economy' during the Unionist period sought to reverse the legacy of 1838 Treaty. The 1908 Young Turk revolution continued the process of 'State building' via 'national economics' policies as the *pre-Republican early mercantilism* in Turkey. ¹⁶ However, the protagonists of this 'mercantilism as staatsbuilding' now were quite different than their Tanzimat predecessors. Rather than the Sublime Porte members, the lower ranks

of the army who realized the revolution had been the potential candidates for such a task before the revolution. It is significant to note that "the impact of the German model after unification and the formation of the German Empire was felt in Istanbul and the protectionist ideas of Friedrich List competed with those of classical liberalism in the lecture halls of the *General Staff College*."¹⁷ In other words, the Unionist officers who were aspiring to be the nationalist 'state builders' were receptive to mercantilist ideas at the same time after a long-phase of disintegration of the Empire following the 1838 Treaty thinking of converting the Empire to a "Japan" of the Middle East which had followed the mercantilist path in its own setting. It is argued below that the 'late Young Turks' of early sixties, i.e. the officers who realized the intervention of 27 May 1909 would also find themselves in a 'reincarnated' situation in late 1950s similar to their predecessors in a changed inter-state rivalry in the post-war context. Being 're-state builders' in the context of what is termed here as the third wave of mercantilism in Turkey in twentieth century, they embarked on establishing now the institutional foundation of 'mercantilist late industrialization' i.e. S.P.O as the core element of the "Staatsbildung as Reform" after 27 May 1909 respecting the List-Schmoller line of the German Historical School in the post-war context.

The surgence of the ideas of "national economy" represents the genesis of Turkish mercantilism in its "ideas" component since the strong vested interests of a "national bourgeoisie" was not prevalent at the time.¹⁸ These ideas most often represented the "need" to form a "national" bourgeoisie in lieu of the non-muslim commercial agents of "cosmopolitical" capitalism. But the discontent of major nationalist thinkers in early century with the 'peripheral' status of the Ottoman Empire (as also would be the case for the underdevelopment theories in 1960s) who later had

also a great impact on the ideological foundation of the Republic¹⁹ coincided with the "need" to form a "national" bourgeoisie in lieu of the non-Muslim commercial agents of the "cosmopolitical" capitalism. Such idea of forming a 'national bourgeoisie' constituted the backdrop of this mercantilist experiment of national economics and the product of this conscious policy was visibly seen at the end of the First World war. However, it is significant to note that the link between building a strong state and mercantilist logic of forming a national bourgeoisie as its basis was prevalent in the writings of the notable nationalist thinkers of the day. Yusuf Akçura has written that the "foundation of the modern nation state is the bourgeois class. Contemporary prosperous states came into existence on the shoulders of the bourgeoisie, of the businessmen and bankers. The national awakening in Turkey is the beginning of the genesis of the Turkish bourgeoisie. And if the natural growth of the Turkish bourgeoisie continues without damage of interruption, we can say *that the sound establishment of the Turkish state has been guaranteed.*"²⁰ The initial phase of early mercantilism focused on the building of the state on a nationalist basis to give birth to a nascent bourgeoisie. Thus, the Unionist episode represented in Turkish history the first overlapping phase between the '*perpetuated state-building*' and '*ruptured mercantilism*' where 1930s and 1960s would constitute the second and third phases respectively.

The lack of an "industrial bourgeoisie" who would follow the principles of national political economy (as had been the case in Germany) but the emergence of a rather strong Turkish-Muslim commercial interest was the dilemma of early Turkish mercantilism from the standpoint of "late industrialization." The Listian "mission" could not have been carried out in the absence of such a national and industrial

bourgeoisie at the same time. The absence of mature industrial accumulation of capital as such necessitated the "surrogate" companion to accomplish the ends of national political economy in 1930s. Leaving the "interregnum" of "quasi-cosmopolitanism" in economic policies of 1920s which was largely due to the obligations posed by the Lausanne Treaty where the anti-liberal inclination was also observable even in the İzmir Economic Congress, this companion has been found in "etatisme" of 1930s which follows from the tradition of French Mercantilism of Colbert's industrialization efforts as against the assertion of the "uniqueness" of "etatisme" as a "third way" proposed by the influential thinkers of the day.²¹ Industrial capital accumulation would be achieved through the concentration of industrial investment in state economic enterprises. The industrial plans as against the comprehensive plans of 1960s were prepared to allocate scarce state-capital in different industries to be promoted. Hence, "List" and "Colbert" met each other as the two continental traditions of mercantilism in the early Republican state-formation in Turkey.²²

In 1930s, the nation-state building process which was subject to rupture at the end of the Unionist experiment continued on a more enlarged scale. The policy of promoting a national bourgeoisie was again on the agenda where the national-merchants were expected to become industrial investors. Contrary to these expectations, the state-builders were dissatisfied with the expected performance and contribution of this class to the overall industrialization targets. However, it should not be forgotten that the 'etatiste' experiment in Turkey in 1930s overlapped with the chaotic external context of interwar era. The intensity of the inter-state conflict in the direction of military rivalry was increasing. It is not by coincidence that the Republican state-builders were emphasizing the rationality of 'etatisme' in terms of

strengthening the state to cope with the interwar military threats. İsmet İnönü, writing in his famous article "The Etatiste Character of Our Party" has explicitly underlined this point as follows : " *...a policy of etatisme in economics is of necessity primarily for defensive purposes. (italics mine)* To bring to an end to the neglect of centuries, to save the country from lawless destruction and *to establish a powerful state* to deal with the difficulties of our times, it is surely necessary to protect the order from subversive elements." ²³ Complementing the external dimension of etatisme, the state in 1930s has made an explicit and conscious shift to refer to ideological penetration in the domestic context to foster the accumulation of domestic capital by a variety of measures under 'etatisme'. Parla has emphasized the idea of the enforcement of the corporatist-solidarist ideological-organizational framework in the Republican state-
 "national bourgeoisie" building process as in fact serving the needs of this fostering of domestic private accumulation to keep the potential emergence of a strong -organized labor under `control` under the protection of neo-mercantilist policies. ²⁴ This was in fact corresponding to the needs of the ideological-penetrative apparatus of the despotic power of this mercantilist accumulation. In other words, mercantilism as etatist-national economics and solidarist-corporatism as ideology were the economic and ideological facets of the early Republican "Staatsbildung" in 1930s. From a different but converging standpoint, the mercantilist nature of 'etatisme' has been provided by İdris Küçükömer in his "The Alienation of Order" conceptualizing the process as the "primitive accumulation" stage of capital in Turkey. He considered the period of `etatisme` as the phase of "primitive accumulation in Turkey in line with the analysis provided by Marx in the Third Volume of "Capital". Marx had originally referred to the period of primitive accumulation to describe the extra-economic

dimension in capital accumulation prevalent in the mercantilist phase, that is the phase prior to the onset of the autonomous reproduction of capital. Hence, the 'etatiste' episode was in fact the continuation of the primitive accumulation process which started in the "national economics" period but now forming "Republican mercantilism" as the mirror image of what Marx described for the early rise of commercial capitalism. Our usage of the term "Republican mercantilism" here refers precisely to why Küçükömer considered etatisme as the incarnation of primitive accumulation of capital in the beginning of the Republican era. Referring to the aforementioned article by İnönü, Küçükömer observed the *complementarity* between the private and public sectors and not their *competition* as the driving element of primitive accumulation as etatisme. It is worth noting here that this was the reason why the planners after 27 May 1960 were cited as "neo-statists" who wanted to enforce industrial capital to co-exist on a competitive basis with the public sector in their call for State Economic Enterprise Reform but which came out to be a failure in the end. Küçükömer said : "The bourgeois class in the West was a class developing "from below" oriented towards the principle of profitability. There was, however, a role for pillaging newly discovered continents and slave trade in *mercantilist primitive accumulation* but even the push towards this direction was based on a calculation of profitability. In Turkey, it is perhaps possible to talk about a primitive accumulation via "etatisme". This is the transfer of wealth made to private persons from the surplus product that the state extracts. This happened through a new domestic pillage or booty." ²⁵ In other words, even the phase of commercial capitalism was aiding the accumulation of capital in terms of profitability criteria to reproduce itself on an autonomous basis while Republican mercantilism in Turkey was positioned towards a

“rent-seeking” pattern in its mirror phase in comparison to early capitalist development from its origin in trying to convert the Muslim-commercial bourgeoisie to an industrial one. Adjacent to this, the ‘penetrative’ ideological framework of ‘solidarist-corporatism’ thereby served the realization of this ‘primitive accumulation’ under early Republican mercantilism by imposing labor discipline and avoiding the conditions of a potentially disruptive class conflict during the critical historical conditions of the interwar period. “Mercantilism as State-building” in the Schmollerian sense in 1930s was sanctioned to be resulting from a “despotic” state power where the relational capacity of the state to create and enforce an industrial class in the direction of long-term economic change was at a minimum. The long-term effect of such a legacy of primitive accumulation-solidarist corporatism had “rigid” consequences on the relationship between state power, political democracy and late capitalist development in the post-war context till today whose analysis is beyond the scope of this study. However, what we insert in this context is the fact that the Neo-Listian mercantilist (planned ISI) era after 27 May 1960 inherited such a background of state power to be “rationalized” via reforms in the third wave of “mercantilism as Staatsbildung” in the twentieth century. Hence, the second wave of reinforcing ‘Staatsbildung’ and ‘mercantilism’, even though not founded on a solid interactive basis with the potential “national” industrial bourgeoisie in the direction of long-term economic change, had made an important leap forward in terms of supplying a dense legacy of ‘mercantilism as Staatsbildung’ with important constraining elements for the post-war mercantilism as planned “late industrialization.”

The reasons for the 'rupture' of this second phase are beyond the scope of this "nutshell" assessment which seeks to draw the historical locus of the arrival of the third wave of 'mercantilism as Staatsbildung' after 27 May 1960 to be crystallized under planned ISI and the State Planning Organization. However, making the transition to political democracy in peaceful terms did not match a restructuring of state institutions inherited from 1930s adaptable to the new post-war domestic and international context. What has been always a matter of complaint about "etatisme" as the given name for mercantilism of 1930s but extended consciously or unconsciously till today are in fact the accumulated but not reconstituted economic codes and institutions of 1930s in subsequent decades. For instance, the "Law on the Protection of Value of Turkish Currency" has been enacted as a response to Great Depression but remained till today as the mercantilist code regulating the foreign exchange regime even after capital movements have been liberalized. The "National Protection Law" as being perhaps the most rigid and primitive form of mercantilist regulation in economic history of Turkey has been kept intact during the so called "liberal" Demokrat Party period of 1950s but has been canceled by the National Unity Committee government after the 27 May 1960 military intervention.²⁶ In other words, mercantilist policies and practices co-existed in different phases and have been transmitted to other phases irrespective of the original impetus behind their enactment. Institutional flexibility remained to be absent necessary to adopt the economic apparatus of the state to the changing external and domestic circumstances.

In early 1950s, however, economic policies pursued by the Demokrat Party have shifted towards a post-war 'cosmopolitical orbit' by "surrendering" the core of early Republican mercantilism. However, it was prior to the takeover of the Demokrat

Party that the loosening of early interwar mercantilism in Turkey started to take place which was later intensified during the Democrat Party rule. The post-war context had displaced the geo-political constraints under the interwar episode for the state-builders and replaced them with new ones. The new trade-off was to be a part of the newly formed international order imposed by US and continuing the early mercantilist and 'strong' state stance of 1930s. It is interesting to note that the first devaluation in this context was pursued by the hard-line statist Recep Peker government of the day in 1946 where there was seemingly no fundamental domestic economic reason for this policy shift. Peker, who had been on the forefront of state-building via ideological penetration and etatisme during the single-party era, explained the reasons for this shift as follows: "If we had not changed the system, we would have been eventually isolated in the world trading order."²⁷ The political anxiety of admission to the newly constructed institutions of the post-world order was extremely strong in the minds of the state-builders of 1930s now trying to adopt themselves to the new geo-political inter-state rivalry. The transition to multi-party politics in the domestic setting where the difficulties to sustain the single-party coalition between the state-builders, commercial and landed interests were apparent at the end of the war co-evolved with this external-oriented dimension of ending the early Republican mercantilist experiment.²⁸ The limits of adjusting the state-apparatus of 1930s to the external international geo-political framework have been intersected by the limits posed to sustain the coalitional basis of etatiste policies at the end of the Second War. The Second wave of mercantilism had thus lived its rupture at the end of the Second War paving the way also to multi-party politics.

The initial years of the Democrat Party rule rested on neglecting the 'Listian' dimension of early Republican mercantilism via lowering the protectionist barriers in foreign trade. However, the same is not true of relying on State Economic Enterprises or the 'Colbertian' dimension to sustain growth and populist support. Agriculture-based new State Economic Enterprises were established for sustaining this policy. What is important to note that it was the import-oriented merchant capital that benefited from this 'cosmopolitical' orientation along with landed interests. In fact, they have been the major vested interests for the continuation of DP rule before the 27 May 1960 military intervention. Since DP did not move away from this coalitional support, the manufacturing bourgeoisie started to come into conflict with import-oriented merchant capital in the second half of 1950s, especially after the 1958 stabilization measures. No explicit institutional interaction mechanisms with the industrialists existed except the so called transitory 'Ministry of Coordination' and the formation of the "Department of Appropriation and Distribution" which was considered as a 'proto-planning institution' responding to the foreign exchange demands of both manufacturing and commercial capital. Their role was to balance the emerging pressures from manufacturing capital with the dominant interests of importer-merchants. In other words, we do not observe a production-oriented restructuring of the economic apparatus of the state in response to the rising demands of the newly born manufacturing capital in the "unplanned IS" setting in the second half of 1950s even though the initial steps towards planning were taking place partly enforced by international institutions but were politically resisted by the Menderes government.²⁹ The emerging industrial capital wished a certain regulatory stance by the state on its behalf as the conflict between itself and merchant interests intensified

as is clearly seen in the pattern of allocation of foreign exchange quotas. In fact, its implicit support to the 27 May 1960 intervention was derived from the expectation that the political economy balance of the fractional division between itself and commercial bourgeoisie would be altered to its own favor.³⁰

In the third wave of 'mercantilism as Staatsbildung' in the twentieth century industrial capital thus emerged -finally- thanks to the "unplanned IS" setting in late 1950s due to balance of payments difficulties but disprivileged vis a vis commercial segments of capital. It was now the candidate protagonist class of "national" late industrialization contributing as an ally to this 'postwar Staatsbildung' initiated during the 'Second Republic' after 27 May 1960. The expectations of post-war state builders -radical officers and planners- were that industrial capital which was expected to serve collective long-term ends i.e. to be 'national' - would be disciplined to serve to form a production-centered mercantilism and thus could have been disciplined towards that goal by the new autonomous institutional kernel of State Planning Organization. Developments following the foundation of State Planning Organization proved that those expectations were not to be fulfilled. Rather than being the protagonist class of long-term economic change, industrial capital found it in its own interest -or economic bureaucracy could not have been able to discipline it towards infrastructural interaction- for a set of reasons to 'free-ride' from building a long-term 'strategic mercantilism' of East Asian type that would avoid the problem of 'exhaustion of IST'. Instead, it became a member of the old 'conservative coalition' (commercial and landed interests) and began to challenge the limited infrastructural power inside economic bureaucracy and associated political institutions imposed after 27 May 1960. The rest of this chapter investigates these set of reasons accounting for why

such a limited infrastructural interactive space emerged between S.P.O as the economic pillar of 'post-war Staatsbildung' and industrial capital. The contention made is that if the limited infrastructural power initially attained by S.P.O could have been turned out to be of a 'coordinating' nature like its counterparts, i.e. established its autonomy in the 'embedded' sense vis a vis industrial capital, then the aforementioned third wave in Turkey could also have followed the 'strategic mercantilist' path of East Asian NICs.

The inferences from this short and dense "nutshell" assessment of the combined history of state-building and mercantilism in Turkey for its late capitalist development phase can be summarized as follows. State power as effecting long-term economic change has not been fertilized on an infrastructural basis since the Tanzimat era as the early decade of modern state-building in Turkey. The Republic has inherited such a legacy but embarked on its mercantilism on a "despotic" state power basis without moving to its penetrative, negotiated dimensions intrinsic for long-term economic change in the "rationalized" context of post-war capitalism. It is thus not the "history of state-building" but rather the "history of anti-infrastructural state building" that was the legacy of modern-state building in Turkey as left to its post-war context inherited after the transition to formal political democracy prior to its late industrialization. In comparison to her counterparts, Turkey did not live a major crisis during the interwar period as was the case for Japan and subsequent East Asian NICs, France, Italy and Germany in the form of war, open fascism, invasion etc. that would alter the institutional ground of state power for long-term economic change as was the case for all these countries in the "golden age" of capitalism, i.e. a major crisis strong enough for the emergence of various manifestations of infrastructural state

power as “embedded autonomy” (Japan and East Asian NICs) , “democratic corporatism” (Germany and small states in Europe) and “neo-colbertist planning” (France). What Turkey inherited from its history of state-building in the absence of such a crisis was a “non-aboptable” state which hindered its societal capacities to belong to this broad set of capitalism(s). The 27 May 1960 military intervention was also a “crisis” of state power in the hands of pre-(industrial) capitalist interests under formal democracy inherited as above but with no comparable magnitude with others. The move towards a more infrastructural form of state power in its aftermath did shake but could not alter the ground for long-term economic change in the “Order” of Turkey as Avcioglu called it. Hence, the limited infrastructural power as crystallized in the emergence of State Planning Organization as the most significant outcome of this post-war shift in Turkey remained significant but impotent to change this “order” as being the obstacle in front of long-term economic change. This is in essence what we will try to detect in this chapter.

'Relative' versus 'Transitory' Infrastructural' State Autonomy : Restoration or Re-State Building after 27 May 1960 ?

The historical significance of the political instance of 27 May 1960 intervention can thus *also* be understood within such a perspective of ‘perpetuated’ state-building and ‘ruptured mercantilism’ in the Ottoman-Turkish context . The ‘perpetuated’ character of state-building and ‘late’ post-war mercantilism met each other after 27 May 1960 within the key reforms and planning dependent upon the neo-Listian ‘will to develop’ of ‘late Young Turk officers’ and planners who jointly founded the State Planning Organization. It is argued in this chapter that although this collusion created the preconditions for attaining infrastructural autonomy at large as in

equivalent developmental counterparts for long-term economic change, the result has been its limited emergence. The State Planning Organization which would have been pivotal in terms of achieving a more complex embedding in society could not do so for a set of structural reasons discussed below. Hence, the emerged limited infrastructural autonomy of the state attained in early planning days had gradually been subject to decay during the evolution of 'planned ISI'. It is the erosion of this limited infrastructural power starting from the early days of planning that prevented the 'strategic mercantilist' character of planned ISI in Turkey where full fledged embedded autonomy of a developmental state could not have emerged. However, assessments of the emergence of planning and the foundation of S.P.O have rather confined themselves to the idea of 'relative autonomy' of bureaucracy to reveal its transitory nature where the autonomy attained by the planners was a result of the political weakness of the 'bourgeoisie' in Turkey. The argument rightly observes the ascendancy of this autonomy as a response to the political and economic crisis of late 1950s. The French and Korean experiences were also situated in a milieu of political and economic crisis after the Second War as we have indicated. In fact, the rise of planning in Turkey can be considered as remaining inside this common set of moves towards infrastructural state power in the post-war context. However, the 'relative autonomy' argument does not give credit to the underlining search for a certain degree of infrastructural autonomy by S.P.O. It rather considers its 'autonomy' between 1960 and 1962 as a transitional deviation from its 'pre-destined' final locus, i.e. serving the accumulation requirements of the industrial bourgeoisie. The crisis allowed the bureaucracy and thus S.P.O to attain a particular relative autonomy after 27 May 1960. Its emergence was due to a fractional conflict inside capital resulting in

political vacuum. However, once the fractional conflict among different segments of capital is over and industrial bourgeoisie established its 'hegemony' in the political system, the preconditions for this particular autonomy were over as had been exemplified by the resignations of early planners.³¹ The relative autonomy of bureaucracy is destined to evaporate and give way to political power defined in terms of bourgeois class interests. The emergence of autonomy is directly linked to the 'relative weakness' of the power of the bourgeoisie, therefore once it was restored the State Planning Organization found its 'appropriate' place in the system.³² In the same spirit, Milor has evaluated the short episode of "search for autonomy" by early planners after 27 May 1960 military intervention as a "Bonapartist" outcome reflecting the 'relative autonomy' argument. He forcefully linked the argument to the non-emergence of a developmental state after 27 May 1960 as follows : "Had early planners been successful in carving out operational space in the design and implementation of economic policy for the economic technocrats within the state machine, then the Turkish state might have become what political scientists call a "developmental state", functioning to promote economic growth and international competitiveness."³³ It rested upon a political "eclipse" due to the split between major fractions of capital. Once the unity of different fractions of capital was restored ,the episode of "eclipse" was over. The absence of a working class pressure from below as had been the case in France at the end of the Second war opened the way to the developmental project of planners to settle on the path of serving the "to be disciplined" domestic-oriented holdings' interests.³⁴ Even the though the end result is as above, it is not easy, however, to equate the search for infrastructural power after

27 May 1960 with "Bonapartism". As we indicated in the previous chapter, "Bonapartism" was constraining the French industrialization drive whereas the political momentum of 27 May 1960 opened the avenue for the flourishing of industrial entrepreneurship even though there was no clear-cut liquidation of the power of conservative social forces in "land" and "commerce" via reforms.

There is no explanation, on the other hand, why 'relative autonomy' could not have become 'relational autonomy' after the crisis. Other historical cases reveal that bureaucracy might emerge as more autonomous as a result of crises. Linking relative autonomy only to the strength of the industrial bourgeoisie is quite misleading because in early sixties it was difficult to talk about a well-entrenched 'autonomous' industrial bourgeoisie in Turkey just in the beginning of her post-war late industrialization. On the contrary, it is at the end of sixties and early seventies that we are able to talk of a powerful industrial bourgeoisie that blocked the empowerment of economic bureaucracy as a result of planned ISI of ten years. It is why we will name the political appointment of early planners as 'perverse restoration' of reform after 12 March 1971 since no space of interaction was left for them at the time. However, the potential for disciplining industrial bourgeoisie for long-term economic change under the guidance of S.P.O as 'coordinating' agency had not been exhausted after 27 May 1960 in a predestined way as is claimed by the relative autonomy thesis.

Intrinsic to the 'relative autonomy' thesis is the implicit orientation of seeking an as if 'class' status for new bureaucracy like that of the pre-war bureaucratic elite. Hence, it is indicated that 'reattainment of a class status for bureaucracy'₃₅ as such did not take place but it rather settled on the orbit of serving the mode of capital accumulation imposed by planned ISI. Such a view underestimates the particular

constraints imposed by the logic of post-war capitalism and the conscious attempts to build up a new state apparatus compatible with post-war mercantilism of a late industrializer. In fact, Keyder also notes the demarcation status of 1960 in the history of the Republic as follows: "...the post-war evolution of a nationally based manufacturing bourgeoisie and its international links now necessitated regulation by the state of the process of accumulation- a task which the DP administration , severely politicized in its last years, was not capable of fulfilling. From this perspective the 1960 coup and its attendant consequences emerge as *transformatory rather than restorationist*.(italics mine) Akin to transitions in the state economy relationship in other national contexts, the 1960 Coup also led to the institution of a new administrative mechanism which served to formulate and implement economic policy. The two groups most immediately targeted as clients of this policy were the industrialists and organized labor." ³⁶ The planners were quite aware of the distinctive domestic and international context they operated in comparison to 1930s. They were conscious of the necessity of a new state apparatus having a certain degree of institutionalized collaboration with other state departments of the state and newly emerging industrial capital where S.P.O would be the "dragging-coordinating" institution in the new phase. ³⁷ If the foundation of S.P.O had been only motivated by the search for a restoration of the eroded power of bureaucracy during 1950s, it would then be difficult to understand why the traditional bureaucracy of Ministry of Finance came into rapid conflict with the 'new bureaucracy' status of S.P.O after its foundation. The aforementioned view escapes the prevalent necessity of establishing a 'developmentalist' agency in the economic apparatus of the state. In other words, no serious distinction is made in the "restoration-relative autonomy" thesis between the

'status-quo' versus 'developmentalist' segments of bureaucracy in the beginning of planned industrialization. State power is considered as 'stagnant' during Republican institutional history as if being always irrespective of new demands for economic change. Even though the old bureaucratic elite including the Ministry of Finance was behind the 1960 intervention to restore their eroded power in 1950s, the underlying element in the foundation of S.P.O was not principally the re-establishment of the traditional power of bureaucracy but the necessity for a 'potentially coordinating' agency inside the state on the eve of the rise of an industrial bourgeoisie as the protagonist of late industrialization. Such a perspective allows us to detect why S.P.O could not have been able to play - or not allowed to do so- this potential role and invest for infrastructural autonomy in the process of industrial change.

The reasons for the elimination of 'state autonomy' thus can not be reduced directly to the strength of the bourgeoisie but they reside in a set of structural factors that led the industrial bourgeoisie to free-ride from the plan discipline. Instead, the broad-jacket questions we pose are the following within the theoretical framework of this study : Why did infrastructural autonomy emerge on a limited basis after 27 May 1960 ? What were the conditions that allowed industrial bourgeoisie to resist to long-term oriented 'relational autonomy' search of planners ? It is suggested in this study that this set of questions provide the historical locus of the itinerary of 'national developmentalism' in Turkey in the third wave of mercantilism in twentieth century. We have argued that the disciplining of industrial elites on an interactive basis in the initial stage of late industrialization was detrimental for the emergence of embedded autonomy and thus long-term economic change. A detection of the questions above

will provide us why , in the initial stage , the 'will to develop' by radical officers and planners could not turn out to generate a developmental state per se in Turkey.

Planned ISI as Neo-Listian Mercantilism

The political economy of import-substituting industrialization in Turkey between 1960 and 1980 has been portrayed extensively in the recent decade.³⁸ For our own purposes in this study, a set of important lessons emerge from this literature. First, planned ISI was a reincarnation of a 'neo-Listian' mercantilist political economy -as we discussed previously- adjusted to post-war international capitalism. This means that its neo-Listian character was not a "rebellion against the world economic order"³⁹ under an insulated old German type of industrialization but found its locus in the international division of labor having a more competitive status and sanctioned by it. It was neo-Listian since absolute self-sufficiency was not and could not be prevalent under post-war capitalism. The international context of import-substitution industrialization strategy thus is no doubt vital to understand its rise. It is often thought that the rise of "import-substitution" has been determined solely on national terms in the post-war context. It has been argued that such an understanding is partially valid given the dominance of a pro-ISI coalitional support in the national context under inspection. If that is not the case, US support has been vital for the implementation of ISI. But even in the former case the support by U.S has been crucial to impose the "norms" of an international economic order and a development orthodoxy around ISI as defined by U.S interests. The major reason why the United States has tried to "enforce" ISI based development frames was the dominance of an "internationalist" coalition of business during 1950s. Their principal concern was to stimulate internationalization of large U.S firms through the provision of new demand

for capital goods and heavy industrial products. The war has created excess capacities where domestic absorption in U.S would be insufficient to . ISI allowed U.S corporations to export machinery and investment goods to the nationally protected countries but had no danger of the counter movement of the same type of goods. Politically, the necessity to create a secure environment for U.S international investment and to “tie” the Third World countries to the post-war U.S bloc overlapped in the framing of ISI. Hence, an “internationalist” coalition in the United States is documented to be an important broker of ISI at least for its initial “easy stage”.⁴⁰ However, even though ISI was ‘sanctioned’ by the international capitalist system, this did not mean that its mercantilist blueprint originating from domestic-national forces in different settings is ‘secondary’. On the contrary, it is pointed in the literature that a particular form of ISI would have been implemented in Turkey even in the absence of US sponsorship. “*Where pro-ISI forces were stronger, as in Turkey and Argentina, some elements of the strategy would have been implemented without U.S sponsorship.* However, U.S pressure encouraged these countries to accept development priorities more consistent with the ISI-theory propounded by the leading development economists of the time.*(italics mine)*”⁴¹

In fact, the “radical” officers were not only attracted to planning just simply their worldview incorporated it as reflected in their profession but the ‘unequal exchange’ status of Turkey’s economic locus in the international economic system was visibly seen observable in their consciousness. The lines in Cemal Gürsel’s speech in the First Automotive Congress in 1961 criticizing those who had not been persuaded by the idea of manufacturing of domestic cars is significant in this respect ; “*We are buying ten cars while selling a full ship of cotton.**(italics mine)*”⁴² Thus, the

'neo-Listian' mercantilist orbit of 'planned ISI' is not outmoded by the external context of the strategy. "Neo-Listianism" as the economic philosophy of late capitalist development in the post-war context had dominated the agenda of intellectuals and economic thought with different colors in Turkey after 1960. The fundamental problem of exiting from a "peripheral" or "semi-colonial" status in the post-war international division of labour based on the idea of a mercantilist withdrawal - incorporating also the option of socialist central-planning in the same bracket- shaped their consciousness which largely was enveloped in "self-sufficiency-autarchy" tones in itself without thoroughly analyzing the different orientations in post-war international order for late capitalist development. Thinking in historical retrospect, the idea of a mercantilist punctuation in the neo-Listian stance was no doubt a "must" for late industrialization, but the way of interpreting this "must" did not seem compatible with the external logic of world political economy which the East Asian developmental states grasped so well in their course on enhancing "strategic mercantilism". Yentürk has neatly underlined the conceptual-organic link between ISI and export-led industrialization - in line with the "strategic mercantilist interpretation of the Listian Legacy as we discussed in the previous chapter- as such which we think needs attention with respect to the "frozen" interpretations of ISI. It suits our theoretical point in the previous chapter that they comprise the overall set of mercantilisms in the "periphery." "ISI should not be confused with an interventionist policy, and neither should export-led industrialization be considered as a liberal one. Export-promotion can be brought about by specific incentives, resulting from specific incentives, resulting from state intervention. We should recognize the need for LDCs to resort to protectionist measures before confronting competition on the world

market. ... *The two strategies should not then be considered antinomic*, but rather seen as two complementary stages, one leading to the other. Transition from ISI to export-led industrialization results *as much from domestic constraints* as from modifications in the world economy, which command the international division of labor. (*italics mine*)⁴³ The original Listian legacy of infant industry thus did not adhere to a "defensive" notion of protectionism preventing or slowing down the decline of industries with no international competitive power but rather aimed at an "offensive" concept of protectionism aiming to create future comparative advantages and national economic flexibility of openness for competition.⁴⁴ The mode of interpretation of this neo-Listian character by the planners was quite away from the mode that the East Asian 'state strategists' developed for their own setting. The more 'inward-oriented' interpretation of this neo-Listianism by planners was reflected in their export-pessimism in early sixties looking solely at the deteriorating terms of trade in 1950s against the "periphery". It would be unjust today to accuse the early planners of 1960s for having adhered to the tradition of "early" Listian framework in a "neo-Listian context" for late industrialization as was the case for almost all countries which have implemented "development planning" in post-war late industrialization. The point is to understand the degree of "rigid" elements in their thinking which were an impediment for them to follow the post-war conditions in the world economy in proper even though they were conscious of the differences between the interwar and post-war international economic contexts. Their post-war vision of development still being influenced by the "early mercantilist/economic-nationalist" mentality of the 1930s thanks to the successes of "etatisme",⁴⁵ they can be criticized for not having reinterpreted the dynamic content of the intellectual backup of first generation

industrializers as such as reflected in the First Five Year Plan. However, it would not be just to simply argue that if they had been able to reconstruct a vision of "national" political economy compatible with the terms of post-war capitalism, as did the East Asian NICs, then the transition of Turkey's neo-Listian mercantilism of 1960s and 1970s could have followed the "infrastructural" logic of a strategic mercantilism that would have been able to combine selective import-substitution with export-orientation which would be the "dynamic" interpretation of the Listian legacy. Even if they did, the set of domestic and structural constraints had been quite different in terms of class relations and geo-political context. Some "liberal" economists have interpreted the emergence of planned ISI just rather a reflection of the "activism" inherent in the voluntarist preferences of planners and bureaucrats.⁴⁶ This was obviously not the case. It was not only "ideas" but the interaction of *institutions, ideas and interests* that needs to be analyzed overall to assess the emergence and evolution of Turkey's "post-war late mercantilism" after 1960 as is the legacy of Hecksher's work which we discussed above.

Another lesson derived from the aforementioned literature is that planned ISI constituted in its initial setup a coalition of production-oriented classes, namely the industrialists, workers and the new bureaucracy against the conservative bloc of landed and merchant interests as obstacles towards long-term economic change and industrial transformation. Protectionism being the major component of the industrialization strategy brought capital and labor together against this cross-coalition of interests who were the principal beneficiaries of DP policies in 1950s. Protectionism, said Gourevitch, "avoids a zero-sum political game with respect to class divisions of society. In economic terms it pits domestically oriented producers

against internationally oriented ones, and this by no means a cleavage that brings capitalists and workers to confront each other. Rather, it joins the two groups together in conflict against another cross-class coalition."⁴⁷ Hence, such a production bloc would be possible thanks to high protection rents extracted by the industrialists so that the compensation of higher wage claims by labor would be feasible. However, rather than the implicit alliance between capital and labor under protectionist framework which operated during 1960s and turned out later to reflect the conditions of class conflict proper in 1970s, the intriguing question here is why this production coalition in the initial setting of ISI did not turn out to form a sustained 'developmental coalition' of forces for long-term economic change? In other words, why was it rational for the industrial class to 'betray' to the neo-Listian developmental project from the early days of planning? More explicitly, why did the industrialists not support the drive for 'rational reformism' (on the issues of tax, land, public enterprise, administration reform) after 27 May 1960 even though the planners were envisaging it in their long-term interests? Concretely, the newly emerging industrial class found it rational for its own interest to resist the agenda of rational reformism that would have shaken the conservative alliance of landed, merchant and "old-establishment" (in SEEs) interests. In the comparative spectrum, we observe that the elimination of powerful landed interests had opened the way to rapid industrialization through the transfer of surplus from agriculture to industry. It also put the state on a more firm position vis a vis industrialists in order to have an autonomous interactive space for them. It is here interesting to note that the emergence of embedded autonomy in the Korean case of late industrialization had rested on the elimination of such an obstacle in the beginning of 1950s. "The virtual

elimination of powerful landed interests in postwar East Asian society ensures the absence of "competing elites" and this increases the coherence of the dominant interests in civil society and an unchallenged commitment to industrial capitalist development."⁴⁸

In Turkey, a 'resource'-oriented accumulation diagnosis as such insisted upon by planners has been mostly inspired by from the "Stalinist" model of industrial accumulation in 1930s in the Soviet Union. It has been argued that such a diagnosis was not well founded in early sixties. Agricultural landownership was not characterized by a small number of "feudal" landlords but rather the number of small producers on land was quite remarkable in proportion.⁴⁹ This meant that the political elite and industrial class were not attracted to this strategy of accumulation envisaged by the planners due to electoral and domestic-market creation reasons after the transition to political democracy. "Had the agrarian structure been characterized by the dominance of small number of large landlords, industrial bourgeoisie might have felt the urge to extract and transfer this wealth in order to satisfy the needs of urban accumulation."⁵⁰ The call for land reform was not only confined to a 'transfer of surplus' from landed interests but it was also directed towards the elimination of a powerful social force prevailing inside the political system. In fact, As Avcioglu noted, the state-builders after 27 May 1960 were aware of this phenomena when they initiated the preparation of a law on land reform which was later prevented by R.P.P. for the reason that the administration of National Unity Committee was a "temporary" one. It is understood that the issue of land reform was considered by the state-builders as integral to the "Staatsbildung" as rational reformism that would have shaken the

class base of landlords as part of the conservative coalition. In the reason for the law which included the exile of 55 landlords in the East, apart from eliminating the feudal remnants in the East that had been obstacles to modern capitalist development, it was also recorded that the law had been prepared “*to explain that there was not any power above the state in the twentieth century.*” (*italics mine*)⁵¹ In other words, rational reformism as reflected in land reform in the direction of eliminating pre-capitalist economic relations was in fact oriented towards strengthening the power and integrity of the nation-state itself respecting the original substance of Schmoller’s idea of “mercantilism as Staatsbildung” as we discussed in the previous chapter. On behalf of industrial capital, this would have also eliminated a rival class in front of industrialization. However, the strong resistance to land reform also included industrial capital itself as part of the “conservative coalition” for the reasons discussed above. On the other hand, this would also be one of the reasons why the Justice Party would be subject to a fragmentation at the end of sixties as result of rapid industrialization. Industrial capital resisting land reform in the beginning of 1960s would later need other political means to consolidate its “hegemony” inside the conservative coalition given the inability of Justice Party to draw a common line for industrial, commercial and landed interests where rapid industrialization worked against the interests of the last two. Through the Justice Party, the state became an arena for landed and commercial interests to pursue their partial interests which resisted to tax and land reforms in early sixties. For industrial capital in 1960s, the problem was not “land reform” which would have strengthened the power of the state but rather the consolidation of its hegemonic position inside the “conservative coalition” in the context of industrialization. Unlike the East Asian counterpart where

the state faced only the industrialists and imposed the necessary disciplines for the shared approval of the autonomy of the state, the Turkish case of developmentalism, from its early days onwards, has evolved into a sphere where "the role of the state is itself an object of the struggle."⁵²

Industrial capital thus did not share the infrastructural orientation of new bureaucracy for long-term industrial change and did not make a transition to a cooperation stance. "...early planners in Turkey, who were eager to transform the protectionist mentality of the business groups, received a very cold welcome from the latter. This is because, in the absence of a serious threat either from blow or from external environment which could have threatened the rule of domestic capital and its international allies, not a single faction of the business class felt any need to risk its political fortunes by cooperating with the early planners at the expense of alienating its own partners. Thus, no option was left to the founders of the S.P.O but to resign after realizing that their project of initiating modern Western capitalist planning was doomed."⁵³ Given the political option of seeking short-term interests under the political umbrella of JP after the transition to political democracy, it 'free-rided' from a 'developmental coalition' to a 'conservative' one. The 'productive' coalition between labor and capital started to co-exist with the conservative coalition where industrial capital resided in both. The option was 'rational' since the now limited autonomy of planners after the ending of the political power of radical officers was precisely transforming the state to its own short-term 'protection-domestic' based interests, i.e. guaranteeing the minimization of the autonomous space for planners to impose plan discipline over themselves and provision of a hegemonic position inside the 'conservative bloc' vis a vis landed and commercial interests. The planners as

potential discipliners of the industrial capital started to be disciplined by industrial capital itself.

Once the Justice Party took over with a majority in 1965 elections, the 'saddle' between S.P.O and industrial capital was in fact subject to a "radical" alteration. The remnants of 'limited' autonomy as the institutional residual of early planning episode and 1961-1965 period also constituted a brake over the rapid accumulation requirements of industrial capital. The State Planning Organization was thus to be 'captured' via political invasion in order to respond to their rising demands for rapid accumulation. Rapid accumulation meant, however, the 'horizontal' expansion of industrial capital rather than the difficult stage of vertical industrialization of ISI. While the strategic mercantilism in East Asia during the same period was beginning to settle on the orbit of 'deepening' ISI in the 'vertical' sense in the competitive locus of post-war capitalism, the historical neo-Listian equivalent in Turkey was diverging from the 'strategic' orbit and was beginning to show signs of convergence to its 'common peripheral fate'.⁵⁴

State-Building as Rational Reformism and State Planning Organization as New Bureaucracy

Our general claim in this chapter is that the third wave of mercantilism in Turkey corresponded to a new phase of state-building or a post-war *search* for a 'strong state' in infrastructural terms. The emergence of a limited form of infrastructural autonomy attained by the State Planning Organization out of this search was detrimental to the latter decades of declining state autonomy at large especially after 1966. Planned ISI constituted the political economy component of this mercantilist revival in the post-war episode. As has been discussed above,

'planned ISI' was the embodiment of the neo-Listian framework of this post-war mercantilism. On the other hand, state-building at large after 27 May 1960 would be crystallized in a set of key reforms (public enterprise, tax, land and administrative reforms) directed towards long-term economic change or simply strengthening the infrastructural power of the state. The planners were aware of the fact that without the realization of these reforms, long-term development via planning would be impossible. 1961 Constitution would be the legal document of this state-building which would presumably prevent the political system to distort the economic and bureaucratic content of the developmental effort against the invasion of 'conservative' forces whose interests did not lie on the contour of long-term economic change. Hence, the third wave of mercantilism in Turkey revealed another collusion of state-building and mercantilism in the case of Turkey in the post-war context reflecting the tradition of German Historical School as we discussed in the previous chapter. The emergence of limited infrastructural state autonomy after 27 May 1960 can be understood by the limits posed to this politico-economic framework to evolve in the direction of full-fledged developmental state.

The "Staatsbildung" after 27 May 1960 rested upon an inclusive attitude towards intellectuals in general of which the planners formed a key section among them. Ahmad identified the 27 May 1960 military intervention as having been transformed into an "institutional revolution" from a mere "coup" after the involvement of intellectuals.⁵⁵ The formation of the State Planning Organization was in fact considered as being in the core of this "institutional revolution". The introduction of the "new bureaucracy" inside the state apparatus as such was highly praised by the influential authors of the day. It is not by coincidence that Şevket

Süreyya Aydemir celebrated the establishment of the foundation of S.P.O as follows :
 “It would be the confession of a reality that the most successful service agency which
 27 May movement installed in the structure of the state is S.P.O”.⁵⁶ The opening
 address of President Cemal Gürsel to the initial issue of "Planning" journal published
 by S.P.O , not by coincidence, has been entitled as "*The Constitution of the Second
 Republic and Planning*". Gürsel pointed in fact to the "Staatsbildung" character of the
 1961 Constitution by the " Second Republic" and considered planning as an integral
 part of the Second Republic as "development under a democratic order". The
 planning mechanism was considered as an indispensable element of the political
 decision making system in the formulation of economic and social policy.⁵⁷ It is clear
 that the "national political economy" and "Staatsbildung" components were intrinsic to
 each other in the emergence of the State Planning Organization inside the economic
 apparatus of the state. It is not a coincidence that the radical officers of 27 May 1960
 first established the State Planning Organization prior to the opening of Constitutive
 Assembly and preparations for the new Constitution. Moreover, during the
 preparations of the 1961 Constitution, an “Assembly of National Economics” (Milli
 İktisat Şurası) was initially envisaged and debated recalling by its name the first wave
 of mercantilism in Turkey as the historical ancestor of planning in Turkey. As linked
 to the re-state building process , this proposal was not found appropriate since it
 might have distorted the “central” coordinating status of the new organization. ⁵⁸
 Moreover, besides the Undersecretariat of Prime Ministry , Undersecretariat of State
 Planning Organization was the second Undersecretariat in the history of the
 Republic.⁵⁹ Proving Schmoller’s almost one hundred years idea, the post-war

"Staatsbildung" in Turkey then created its own "new bureaucracy" in the body of S.P.O. While the "state" as "military" considered "national" developmentalist cadres as integral to "Staatsbildung" under the "Second Republic", "state" as "new bureaucracy" found the umbrella of 1961 constitution vital (but not sufficient as will be seen later) to their premises of national planned industrialization. With respect to the goals of this study, the foundation law of State Planning Organization implicitly defined the role of the Organization in the direction of attaining infrastructural capacity for the economic apparatus of the state. Beyond the preparation of plans and consultancy to the government, the law envisaged the role of "consultancy" for the well-functioning and reform of other bureaucratic agencies for the implementation of the plan. More importantly, private sector activity was advised on measures for encouragement and regulation towards the targets of the plan. However, the foundation law originally did not envisage any role of daily implementation of private sector encouragement and projects since the institution was established to plan for long-term economic development which marked the autonomous status of the organization in the first half of 1960s from particularistic interests.⁶⁰

The early planners were conscious of the fact that the post-war conditions for "reform" were quite different than early Republican reforms which necessitated a different form of state power in the state-building process of 1930s. The punctuation over 'Rational Reformism' in the direction of long-term economic and social change was in fact an institutional and political drive stated explicitly in the First Five Year Plan towards establishing infrastructural state power in the post-war context. To rationalize capitalism in the course of late industrialization meant also the rationalization of the state apparatus which had not been on the agenda after the

transition to multi-party politics. "Today's administration is based on the system in force under the Ottoman rule, which has been modified to take account of changed conditions. However, since these modifications were not based on well-defined principles, the structure of the administration is entirely inadequate and cumbersome so far as division of work and coordination is concerned. Therefore, it is essential to improve the administrative structure of the central government and of local government and make it conform, in regard to rationalization and expediency, to the needs of a developing economy."⁶¹ The early initiative for administrative reform during the National Unity Committee government period was the serious "MEHTAP" project⁶² which was put on shelf with the transition to political democracy. In fact, as Torun noted, the First Five Year Plan put forward the idea of undertaking the reorganization of State Economic Enterprises on its own, but as an integral part of the re-organization of the central government and administration. The "targets and the strategy of the plan which is a document explaining the main goals of the First Five Year Plan, has acted on the same principles by stating that it is essential to undertake the reorganization, not only of State Economic Enterprises, but to do this together with the re-organization of the central government and administration."⁶³ The drive for administrative reform was pursued in the absence of its "socio-economic" change dimension -as emphasized by early planners- during the İnönü coalition governments as if the issue was only a matter of "law" and "administration" by the cadres of the Ministry of Finance, especially by Memduh Aytür then being the Undersecretary of the State Planning Organization. Aytür was aware of the unresolved tension between the prerogatives of the spheres of economic change and the administrative context in

a country settled on planned industrialization but not willing the traditional power of Ministry of Finance to cease in the new era. The idea of "comprehensive socio-economic planning" was also pointing towards establishing the preconditions of infrastructural state power to be attained by the plan. The presumed "preconditions" for "successful" planning as receptive attitude of political circles towards planning, its reflection of the needs of different social interest groups and the existence of a certain degree of consensus among them, the presence of plan discipline in organizations of implementation etc. were in fact objectives to be attained by the plan itself. In short, the plan was conceived as a means to enhance infrastructural power for long-term economic change. "In the presence of these conditions, development at the desired rate can be realized spontaneously without the plan itself. From this perspective, the success possibilities of planning do not reside in the presence of these conditions as many claim. On the contrary, a successful planning is planning that succeeds to realize these conditions. The "raison-d'etre" of comprehensive socio-economic planning is this."⁶⁴ It is not by coincidence that the State Planning Organization was evaluated as also a "research center for reform" by its undersecretaries belonging to the traditional bureaucracy of Ministry of Finance for the purpose of enhancing infrastructural capacity of the state. Baran Tuncer narrates the underlying intention as such for Memduh Aytür as follows : "Memduh Bey, did not accomplish the task of Undersecretariat as a routine work. His studies on administrative reform, race for development, development law were perhaps of an amateur style but he had extremely brave and different ideas. While we were busy with the technique, e.g. macromodel etc., he always dealt with these sides of the matter. He was interested with issues like the locus of Planning in administration, the position of the Prime

Minister and how administrative reform could be achieved."⁶⁵ These efforts rather reflected the tension between the incoherent relationship between the "traditional" status of the Ministry of Finance and the role S.P.O should have played as the "coordinating" power in the nationalist-developmental context. However, these efforts also ceased with the political takeover of Justice Party in October 1965 elections. The historical punctuation over *administrative reform* ceased to exist in the following plans even though there was formal reference to the issue in the documents.

The "radical" officers who took over the state machinery were extremely "concerned" about the "social" dimension of planning as part of their conception of state-building. Their concern was derived from a purposeful but not well defined concept of "stability" in terms of "keeping different social stratas together" as truly a continuation of the "solidarist-corporatist" ideological heritage of early "Staatsbildung" after the foundation of the Republic.⁶⁶ Without a "rupture" from the ideological heritage of "early/interwar" "Staatsbildung" which largely was based more on despotic forms of state power under the single party regime, the tension between transforming the historical legacy as such to "post-war" Staatsbildung and the necessity of a certain degree of infrastructural power was lived by the cadres of military intervention. The necessity of investment for a certain kind of infrastructural power for the officers was derived from the need to resolve the aforementioned tension in the direction of economic change. The concept of "social justice" which was heavily discussed in the Constitutive Assembly was actually a means to release this tension on behalf of the new "State-builders". It would be via "social justice" that different social interests would be "kept together" in the long-term as a benchmark of political and social stability. It is not by coincidence that the two concepts of

"nationalism" and "social justice" were the most discussed topics in the Constitutive Assembly debates during the preparation of the 1961 Constitution. The first concept, intrinsic to "early" Staatsbildung was still surprisingly discussed along with the concept of "social justice" intrinsic to "postwar" Staatsbildung.⁶⁷ The original intention was to insert the concept of "Social Justice" into the 1961 Constitution. The opposition to such a scheme emerged from powerful representative of Chambers of Commerce, Fethi Çelikbaş who later became the Minister of Industry in the First İnönü Coalition government. The basic reason of the discontent with the term "social justice" was that it contained a "reformist" dimension which could allow a "change of order" for landed and commercial interests. Devoid of the reformist content, the result was the entrance of the concept of "social state" as a mere "reflection" of the concept of welfare state in the 1961 Constitution rather than the substantial concept of "social justice".⁶⁸ It is also quite significant that the content of the concept of "social justice" as such would be defended by the Turkish Labor Party after its foundation in 1961. It can be said that the early planners were much more closer to the concept of "social justice" than the concept of "social state". In fact, some of them, like Attila Sönmez had close links with the Turkish Labor Party for which he was accused after 12 March 1971 military memorandum. He was opposed by the "conservatives" in the First Erim Government, e.g. Minister of National Defense Ferit Melen on his appointment as the Undersecretary of the State Planning Organization.⁶⁹ The defense of the reformist stance along with the 1961 Constitution of postwar "Staatsbildung" by labor rather than direct "class based" interests reflects the search for autonomy vis a vis labor in early sixties and the acceptance of labor to stay inside the production coalition rather

than moving into capital-labor conflict. The seemingly legal and constitutional debates of 1960s in the parliament was an indirect reference to the unintendedly strengthened status of labor in early 1960s. The more there was "deviation" from the Constitutional imperatives of reform as "Staatsbildung" by rapid accumulation, the more there was a strong tendency to defend the "Constitution" by labor till the end of sixties. The panorama would change completely to a different scenario after 1970s. As will be seen in the next chapter, it was the Turkish Labor Party who defended most the prerogatives of the 1961 Constitution against the Incentive Implementation Law prepared by Özal which ended the chapter of limited infrastructural autonomy in the history of economic bureaucracy.⁷⁰ Similarly, the "reformist" position of radical officers of the "Second Republic" synchronically sought to fuse the search for infrastructural power for state bureaucracy with the search for long-term political and social "stability". It is because of this very reason that National Unity Committee resisted the advice of foreign experts which made no reference to incorporating "social planning" in the overall framework of planning itself. In fact, the fact that Chief of the State Cemal Gürsel declared that planning should have a "social" dimension would later become an issue of conflict between the state authorities and foreign experts.⁷¹ Koopmans explicitly resisted to the idea of social planning in a meeting with Cemal Gürsel.⁷² Similar sensitivity was also shown by the Committee members directly to planners themselves who only made reference to "economic planning" and neglected the long-term social dimension. In a briefing given to National Unity Committee on the preparations of the First Five Year Plan, Head of Economic Planning Department of S.P.O, Attila Karaosmanoğlu concentrated solely

on the economic targets of the plan. An influential Committee member, Suphi Karaman asked the straight forward question : "Is development going to be preferred to social justice in the next ten years ?". Karaosmanoğlu replied as follows : "The first and fundamental principle of development is to secure social justice."⁷³ In fact, the establishment of the "Social Planning Department" inside the State Planning Organization which only would be formed as an extended form of "Economic Planning" Department in the first place is rather an outcome of these developments.

The "State-builders" were thus aware of the underlining "structural change" context hidden in "social planning" for not only for economic development but also for social and political stability which the "armed bureaucracy" was naturally concerned in the first instance. Labour rights with a strong social policy component also meant a social anchorage to avoid "potential" political class conflict throughout the "stable" creation of the domestic market in the Cold War context. The political implication of such "inclusion" was that the "normal" path of the emergence the "social democratic-welfare" equilibrium after violent class conflict throughout the interwar years in Western Europe had been reversed -at least for a short period of time- in Turkey with rather "stability" concerns . The denial of class conflict had been the major element in the formation of the Unionist and later Republican "official" ideology to control the emergence of a strong labor opposition in the process of the creation of industrial capital. It is clear that such a "shadow progressivism" inherent in the 27 May 1960 transformation underlied in essence by "re-state-building" concerns has strong roots in the economic philosophy of early "national economics" thinkers i.e. Tekin Alp and Ziya Gökalp and closely reflects an ideological reincarnation of their "solidarist-corporatist" framework. The solidarist-corporatist ideology in the

thought system of "national economics" thinkers, especially in Ziya Gökalp was rooted in the presumption of the possibility of a "national bourgeoisie" which would transcend its narrow profit-maximizing orientation by "solidarity" and "conscience" and dedicate itself towards national goals valuing primarily "public interest".⁷⁴ It is true that the planners were obviously the descendants of the same "national economics" tradition which emerged during the first wave of mercantilism in twentieth century.⁷⁵ However, the reinterpretation of "national economics" by them in its "third wave" did not depend upon such a "naive" expectation which the early mercantilist-thinkers in Turkey had taken for granted -or pretended to take as granted- in their nationalist ideology . Without providing the necessary rational "selective" incentives to the newly emerging industrial capital but forming at the same time a "rationalized" state apparatus that would have provided the S.P.O the necessary "relational-coordinating power" in the process of long-term economic change, the expectation that industrial bourgeoisie would transcend its short-term "myopism" in the accumulation process was not found prevalent in the orientation of planners. What was present on the other hand was the "mutual distrust" between the planning organization and the industrial bourgeoisie in the first half of 1960s i.e. the episode of limited infrastructural autonomy as we name it. The non-existence of such a "confidence" to industrialists on behalf of planners in their memory given the fact that the creation of a "national-industrial" class could not have been completed since 1930s and that the planners were well aware of their potential "rent-seeking" orientation so that they were keen on avoiding forming intimate relationships with industrialists. More explicitly, they were sandwiched between the "national economics-etatiste" "successful" experience of 1930s and the "cosmopolitan-

commercial" orientation of the prospective "national-industrial" bourgeoisie in 1950s accepting a "peripheral" status of Turkey in the post-war order. It is why such a strong distrust for the "real" bourgeoisie existed in their consciousness which prevented them to deliver key tasks in late industrialization. Günel Kansu, an old planner, said that they were extremely concerned about this point before the arrival of Turgut Özal in the state Planning Organization.⁷⁶ In essence, the problem for the planners was in fact the basic problem of the horse-rider relationship which the "embedded autonomy" of the developmental state played the role of the "rider" in the East Asian or French contexts to prevent rent-seeking of industrial capital as it matured. Hence, the planners were not purely appealing to the "conscience" of industrial capital as the early thinkers of "national economics" presumed but rather were seeking to form the necessary "selective incentives" which would keep them as autonomous vis a vis industrial capital in the infrastructural sense. Not being equipped with the necessary tools for embedding autonomy as we discuss below, the donation of labor rights "from above" can be considered as an indirect political means to preserve their autonomy via being the "arbiter" in capital-labor conflict with the intention of "checking" the power of industrial capital indirectly. We noted that the pressure of labor from below in France was detrimental to enforce the bourgeoisie to give consent to the autonomy of planning technocracy. In the absence of such a milieu in Turkey, the picture which emerged under the "Second Republic" was that the "state-builders" have found it much more convenient to force "labor" to co-exist with and to "check" at the same time "industrial capital" at the political and daily "social policy" levels. Thus, the power of industrial bourgeoisie would not thereby easily turn against the state and where the role of the state as an "arbiter" would

continue as if a "social-democratic" equilibrium game was being played in the constitutional and political economy domains. As noted by Keyder,⁷⁷ such a "transformation" could not have been realized by industrial capital itself whose expectations from the 27 May 1960 movement was rather confined to impose itself as the "hegemonic" force in late industrialization vis a vis commercial capital and landed interests. The orientation of "state-builders" to reinterpret the legacy of the "solidarist-corporatist" framework as such where the "over and above" status of state-builders would continue in the post-war conditions was of course based on the assumption that their initiative would find a broad basis of legitimacy among different segments of the society including labor. Once the political system had been given the start again in late 1961, it was understood by the "conservative" coalition of social forces - including the restored hierarchy of the army itself- and their representatives in the parliament that allowing such a development would create dangerous results given the emergence of an organized working class and the dissemination of socialist ideas calling for the change of "order" in Turkey more openly than the "reformism" after 27 May 1960. It is in such a context that "rational reformism" in which the "high autonomy" of the planning institution resided was eliminated from the political agenda in 1962. Hence, after the elimination of such an "high autonomy" status of planners-reformists, the remainder of such a "reincarnation" devoid of rational reformism suited to the needs of industrial capital in the "easy" stage of ISI. Forcing capital and labor to co-exist as such was a "stability" concern for "State-builders" which was not politically understandable for industrialists from the beginning but the profits from an expanding market outweighed the labor "costs" in the easy and heavily protected phase of ISI in early 1960s.⁷⁸ It can be said that even though the "national economics"

of planners can be thought as an heir of the "solidarist-corporatist" line of thinking, industrial bourgeoisie was not in favor of even such a "solidarist-corporatist" constitutional framework for opening up the system to labor rights on unionization and organization from the beginning of 1960s. This was revealed by the constant opposition of Justice Party to the 1961 Constitution as the 1960s unfolded which contained significant brakes to the rapid accumulation of capital as we will study later in this study.

It seems that the strategy of the First Five Year Plan had incorporated the above concerns of "state-builders" in the following lines : "The maximum possible portion of the increase in our national income will be channeled towards investments. It is no doubt that the desired development can be realized by certain sacrifices made by the nation. Issues like intensive agriculture, industrialization, utilization of man power that will increase productivity can all be realized by investment. This in turn requires a large amount of savings. *The current living standard of the majority of our people will not be decreased in order to increase savings. (italics mine)* However, setting apart a major portion of the increase in national income to investment is an indispensable precondition of the desired goal to be reached. Such a sacrifice to be made should be accepted in order for the society to achieve a higher level of welfare in the future. However, the following principles will be taken into consideration while savings are increased : a) Production of necessary consumption items should increase at least with the rate of increase in population. b) Increase in savings should be in the direction of not widening the differences in income distribution but in the direction of decreasing. The increase in savings and investments, fundamentally, will be via the prevention of the increase of the production of luxury goods. For this reason, the

sacrifice expected to be made from the society is less than it seems at first sight. For, even the average per capita production increases little, it will be possible to increase the living standard of the majority and social welfare by the provision of a more just income distribution."⁷⁹ The strategy of the First Five Year Plan, in the language of this study, formulated a "prospective" coalescence of "productive" interests in the form of a strategy of growth and increase of labor's share in national income. Social Planning was a strong component of this strategy in the form of educational planning, population planning etc. that would contribute in long-term to the increase in productivity beyond the provision of an infrastructure for an higher social welfare for the vast majority of the population. This point is extremely important because it is an important yardstick to understand the attitude of economic (and armed) bureaucracy to economic change and planning plus the degree and kind of state autonomy in 1960s and 1970s respectively. Limited infrastructural power as such in the First Five Year Plan as partly a product of 27 May 1960 movement would rapidly vanish with the Third Five Year Plan in early seventies. As will be discussed, the Third Five Year Plan which was prepared under the "1971 regime" neglected social planning and made the emerging social structure a mere reflection of the consequences of rapid industrialization. Planning and State Planning Organization would thereby serve for passively legitimating the direction of industrialization in the absence of the original "rational reformist" search for infrastructural power.⁸⁰ The dimension of social planning essential to the early limited infrastructural autonomy hence would be completely abandoned with the Third Five Year Plan. Turkish developmentalism, unlike its East Asian counterparts, forged itself initially with a relatively labor-inclusive stance in the political system. It was quickly and instinctively understood that this was

rather dangerous and the necessary "correction" was made with the changes in the Constitutional framework after 12 March 1971.

The Failure of "Rational Reformism" and Transition to Limited Infrastructural Autonomy

The episode of "high autonomy" *per se* enjoyed by S.P.O in Turkey was lived only in the period between the foundation of S.P.O and the first wave of resignations in the Organization. With the political and constitutional backing of 27 May 1960 movement, the planners were in a position to shape the planned development trajectory of the Turkish economy. However, their optimism about the compatibility of "instruments-targets" concerning the plan did not receive the same backing from social interests. ⁸¹ The planners were claiming that in order to achieve a high growth rate of %7, the government should have fulfilled the fiscal requirements of such a growth target. The incompatibility for the government was between the will to achieve a growth rate of %7 and the political capacity to generate fiscal resources which could only finance a growth target below the desired rate as such. ⁸² The implementation of the plan was strongly resisted by mercantile and agricultural interests who continued to oppose to all attempts of transferring the surplus necessary for the realization of the plan targets even after the removal of the reformists from office. ⁸³ The planners who were "sure" about the power of Prime Minister İsmet İnönü to "enforce" the coalition government to generate new fiscal resources were "frustrated" ⁸⁴ and resigned. The resignations revealed the fact that social interests were considering the "plan" as a means to achieve higher levels of national income but at the expense of land and tax reforms. Hence, "high autonomy"

status of S.P.O inside the state apparatus emerged in the outset of plan implementation as "fragile". The "coordinating intelligence" device of S.P.O was born infrastructurally "weak" and that "weakness" would later serve the needs of rapid capital accumulation in the latter half of 1960s by the invasion of the institutional sphere of planning by short-term private sector interests. The Second Five Year Plan was prepared with such a "realist heritage" of the First Five Year Plan. "... it was accepted realistically that development was limited by a political power and planned development could not have been realized *via surpassing this political power from the interior of planning organization (italics mine)*, planning organization was not the place to endow political power with more planning/developmentalist-oriented forces."⁸⁵ The second group of "statist-reformist" planners in the episode of limited infrastructural autonomy between 1962 and 1966 were stripped off from any political or more precisely a "reformist-statebuilder" mission like the first group.

Early planners were put in a position in which they found themselves devoid of the "umbrella" of reform. The "generality" of the dilemma confronting the early Turkish planners was also captured by Kaldor who had been invited to Turkey to submit a report on the taxation of agriculture. Being aware of the necessity of building "infrastructural power" via rational reformism, Kaldor indicated towards the most intriguing question of attaining infrastructural power in the context of late development as the contingent possibility of eliminating the resistance from vested interests. He was actually aware of the limitations of investing for infrastructural power via rational reform in the context of late industrialization in the post war context.⁸⁶ Indeed, the strong resistance of anti-reform interests have "forced" the planners on the official declaration day of the First Five Year Plan to declare that a

"just, balanced and rapid development under democracy" was not possible.⁸⁷ It was not by coincidence that Union of Chambers made an harsh critical announcement on the plan one week before the resignation of planners. It has been argued that not enough cooperation has been made with the private sector on the preparation of the plan, increase in tax rates for domestic financment of the plan was not realistic and they believed that it was "etatisme" which dominated the plan.⁸⁸ This was in total opposition to what the planners have expected in the beginning . The planners were aware of the need for infrastructural interaction with "production-oriented" sectors through the "Special Commissions" linking the State Planning Organization to different sectors of the economy. Attila Karaosmanoğlu says that the formation of "Special Commissions" in S.P.O inspired from the French planning experience which brought technicians and private sector representatives together was their own invention and Tijnbergen was extremely excited about such a micro-institutional regulation.⁸⁹ It is due to this very reason that they resisted to donation of extraordinary powers that would undermine their prospective "infrastructural power" even more than the effective situation which established an equal power distribution between the "politicians and "planners".⁹⁰ The planners were aware of the fact that "political democracy" would serve in essence to formulate the signals of the long-term economic and social targets of the plan. The planning organization could not have both served for the spheres of "choice" and "instruments". A surrogate "institution" without any interaction with social interests would have turned the autonomous power of S.P.O to "despotic" rule of the "enlightened". However, the formation of long-term encompassing social goals was absent in early days of planning which did

not allow the necessary "consent" to "surrender" state power to S.P.O in the "embedded" sense . Osman Nuri Torun explains why politicians resisted to equal sharing of power with the planners in the High Planning Council and how planning was diametrically opposed to "populist" behavior. We also see the similar shared understanding of "infrastructural power" in the words of a notable early planner. *"Since planning is the problem of the decision to be given by the politicians to self-restrain themselves and obey this decision unless they explicitly change it, this is troublesome for many ministers in terms of previous political habits. For, examples like "we will accomplish this, we will make this investment for you" by going freely to the election region have raised aspirations in many. These aspirations should be removed for the plan to be implemented.(italics mine)"* ⁹¹

The tension as such carried into the body of "new bureaucracy" from the early days was in fact the institutional seed of the latter discussions over the quasi-ideological controversies on the proper status of the "mixed economy". Indeed, the weapon of "mixed economy" argument was oftenly used by both the leaders of the Justice Party and representatives of industrial capital in instances of clash between the demands of "public" and "private" sectors in the following years. But, the initial controversies on "mixed economy" and the proper role of the public sector had been settled in line with the demands of the industrialists and not with that of the planners. The planners had the idea of reorganizing the public sector to have a competitive edge vis a vis the private sector. However, the *State Economic Enterprise Reform* was strongly opposed by politicians for the reason that the industrialists did not wish to see the state as a "rival" from the beginning of late industrialization and that politicians did not want to lose their "patron-client" networks. The "retreat" from the planners idea

was the engagement of the risky but complementary investments by the public sector and leaving of profitable consumption-sectors to private entrepreneurs which was precisely the legacy of etatisme of 1930s but not the understanding of the planners in the new context. The planners had a neo-statist conception of running State Economic Entreprises based on rational-market criteria that would generate also additional funds for the economy and emancipate the private sector from being dependent on subsidies. Such a "complementary" conceptualization of SEEs as inherited from the "etatisme as primitive accumulation" of 1930s as İdris Küçükömer paid attention was to be replaced by the rationalization of the public sector for long-term economic change. As Milor said ; "In addition by proposing a new pricing policy for the SEEs that should confirm to market criteria, planners aimed to generate some additional funds in the economy - given that the ratio of savings to GNP was a mere 12 percent- that should have been used in accordance with the priorities of the plan and especially for undertaking new investments in capital goods. In short the actual functioning of the SEEs was seen by planners as useful for individual capitalist interests and politicians, but dysfunctional for the expanded accumulation of capital."⁹² It was not the planners that shaped the path of the "mixed economy" of 1960s and 1970s but the conversion as such was an heritage of the Second İnönü Coalition government which did not want to alter the "old" form of division of labor between the private and public sectors. In other words, the public sector would still continue to provide subsidized inputs for private sector accumulation.⁹³ This "heritage" would reach its climax in the Third Five Year Plan in the history of planned development era and the results of a non-reformed public sector which did not exist in

the original set of goals of early planners would be an important component of the collapse of the industrialization strategy.

A central condition of gaining "embedded autonomy" vis a vis industrial capital has been considered as the state monopoly of the financial system to channel investment funds to priority industries as had been the case in Korea starting from its early years of late industrialization. In other words, key industrial sectors were obliged to respect the embedded status of the financial system in strategic industrial policy so that the Economic Planning Board was equipped with the necessary instruments in the financial arena to close the doors of "rent-seeking" for "sunrise" sectors thus being able later to deliver key tasks in Heavy and Chemical industries to private corporations in these sectors. However, the banking system was nationalized in Korea which the 27 May 1960 "coup-makers" and the planners in Turkey did not show any inclination towards such a measure as part of their reform agenda as the authoritarian Park regime in Korea did.⁹⁴ The Turkish planners lacked such a monopoly from the beginning where the availability of funds from the commercial banking system had restricted the potential of planners to differentiate selectively among the industrial sector rather than favoring overall manufacturing vis a vis non-industrial sectors. It was in 1957 that an interlocking of private conglomerates and the banking system was put into effect that lifted the credit ceilings to enterprises in which banks were also equity holders.⁹⁵ "... the potential leverage that could be wielded by planners over the industrial system in a credit-based market economy was thwarted as a consequence of the scarcity of medium and long-term credit and ownership patterns in the private commercial banking sector. In the absence of control over the flow of funds to industry, planners in Turkey distributed various

subsidies to business groups via tax reductions and exemptions and outright grants but, since they could not resist political pressures to cater to all interests, the actual allocation of incentives lacked a clear and strategic focus.”⁹⁶ In fact , it has been noted by Türel that the triangle in which the foreign trade regime was determined within i.e. , S.P.O, Ministry of Industry and Chambers of Commerce lacked the effective instruments to guide directly money capital. It is due to this reason that this triangle focused on the decreasing the tax burden, premiums, interest rate differentials in the resource allocation process along with the trade regime.⁹⁷ More explicitly, in the presence of an “autonomous” financial sector from the state, S.P.O lacked from the beginning a central requisite of building embedded autonomy and thus could not enhance its limited infrastructural power in the direction of “coordinating” power.

The episode of "limited infrastructural autonomy" in economic bureaucracy corresponds to the period of two Undersecretaries appointed to the State Planning Organization, namely Ziya Müezzinoğlu and Memduh Aytür in due order after the resignation of early planners. Müezzinoğlu had been one of the appointed "outside" members of the Constitutive Assembly with the "push" of İnönü in the beginning of 1961 in order to provide "new blood flow" for the preparation of the new Constitution. He was the General Secretary of Treasury before his "appointment" to the Constitutive Assembly. In the 1961 elections, Müezzinoğlu was a MP candidate from Republican People's Party again with the "support" of İnönü. Having lost the elections, he returned back to his former position, General Secretariat of Treasury.⁹⁸ Müezzinoğlu was suggested to Prime Minister İsmet İnönü by Ferit Melen, Minister of Finance who was active in the "liquidation" of early planners.⁹⁹ He was immediately proposed to be the Undersecretary of State Planning Organization by

İnönü after the resignations. Müezzinoğlu also reiterated the necessity of "sound finance" to İnönü if the government wanted to achieve the % 7 growth rate. He also added that concession from the %7 growth target would undermine the seriousness of planning efforts. Müezzinoğlu defended the First Five Year Plan in the Assembly and in the Senate which was not "acceptable" in the legal framework.¹⁰⁰ The traditional bureaucracy of Ministry of Finance immediately wanted to circumscribe the domain of planning under its own privileged institutional sphere, at least at the level of "top" decision-making if not the lower echelons. The new Undersecretary declared that he was committed to the %7 growth rate. But, external financing and workers remittances would now substitute for domestic taxation given the strong resistance in the Cabinet to tax reform.¹⁰¹

Müezzinoğlu narrates the status of "limited infrastructural power" on behalf of planners after the failure of rational reformism of early planners and the ratification of First Five Year Plan in the Assembly and in the Senate with critical remarks on the status of "new bureaucracy" as follows : "Economic administration in Turkey has come to a new point with the plan itself. Although such a goal was targeted with the foundation of State Planning Organization , what was important was the emergence of the support of the bureaucracy¹⁰² and people after the plan began to be implemented. I can say in a proud way that we accomplished a fine project to attain this support. As the State Planning Organization, we were going to a certain city province every weekend as a group with the Undersecretary, General Secretary, Heads of Departments etc. to introduce the plan to certain circles by talks , to answer their questions on it. This has been extremely successful. We have done this in many

cities ranging from Eskişehir, Gaziantep to Konya. We were getting into contact with predetermined institutions like Chambers, Union of Chambers but apart from this, we have preferred such a way in order to transmit the plan to the people, to gain the support of the people. I presume we had been very successful in this attempt."¹⁰³

The relationship between State Planning Organization and the Ministry of Finance during the İnönü coalition governments exhibits the "incoherent" status of limited autonomy with which S.P.O was endowed. Kemal Kurdaş, the Minister of Finance during the National Unity Committee government, was aware of the limitations put forward by the "conservative" role of the Ministry of Finance inside the state apparatus vis a vis the State Planning Organization which should have possessed the "coordinating power" oriented towards "developmental" goals. As reflecting his expectations after 27 May 1960, he argued in 1964 that linking the State Planning Organization to the Prime Ministry in the first phase would in fact serve the purpose of forcing the Ministry of Finance to share developmental goals inside the state apparatus along with the State Planning Organization that would also have had a "dragging" effect on other state institutions. It is how S.P.O would play a critical role of introducing "coherence" inside the economic apparatus of the state.¹⁰⁴ However, what he said was true if the State Planning Organization continued to serve the purpose of rational reformism. Devoid of such a "solid" backing, the Ministry of Finance still continued to occupy a "conservative" and dominant position inside economic bureaucracy given the fiscal dependency of the realization of sectoral-investment targets of the plan. Along with the "current" and "transfer" expenditures, the inception of the public investment expenditures as determined by the annual programs prepared by S.P.O was constraining the budget priorities of the Ministry of

Finance. The plan-program-budget nexus required the formation of the annual program before the preparation of the budget which should have strictly obeyed the investment expenditure prerogatives of S.P.O. The budgets were envisaging annual expenditures but the plan was spanning over a five years period which prevented the formation of a sound long-term relationship between the two.¹⁰⁵ Henceforth, the cadres of the Ministry of Finance was not receptive on this "de facto" and "a priori" restriction on their degree of freedom in the preparation of the budget which had not been the case before the planned development phase. Thus, a conflict between the "norms" of the two institutions emerged inside the state apparatus from the early days of planning.¹⁰⁶ After the formation of High Planning Council, a "Committee on Current Economic Affairs" was formed by the Ministry of Finance immediately in order not to lose their say on key projects. On the other hand, the planners who desperately needed the statistical figures on the accumulation of foreign debt in 1950s were not given the information by Treasury Officials.¹⁰⁷ The fiscal bureaucracy was not cooperative given the privileged position of the "new bureaucracy" after 27 May 1960 which explains the consciousness of the planners on the necessity of "coordinated" state power as is clear in the initial maxim of this chapter by Karaosmanoğlu. The primacy of the "budget" had been put forward by the members of the "old" bureaucracy against the new priorities claimed by the planners on the investment and growth targets of the plan. Till the foundation of the State Planning Organization, there was no authority controlling investment expenditures other than the Ministry of Finance itself. With the arrival of the State Planning Organization, there appeared a conflict between the two economic institutions of the state in terms of dominating the relationship between "current" and "investment" expenditures in the

expense budget. In the Law 91 on the foundation of State Planning Organization, the annual programs prepared by State Planning Organization determined the investment projects prior to the preparation of the annual budget which had a binding effect on the Ministry of Finance and fiscal policy in general. The evolution of the relationship was a deviation from this legal basis in practice. The Ministry of Finance has been conservative in terms of earmarking to the whole annual budget and the State Planning Organization was reluctant to prepare a list of priorities in the "dual power" on the preparation of the expense budget. Explicit confrontations emerged between the Planners and the Minister of Finance in front of Prime Minister İnönü in High Planning Council with respect to the financing of new investments. Minister of Finance Ferit Melen was complaining about the political difficulties of levying new taxes which the new investment targets had required.¹⁰⁸ The planners were no doubt cautious about the dangers of deficit financing and they tried to develop new methods of "sound finance" for new investments of State Economic Enterprises. Recruitment of S.P.O technical staff with management background was serving this purpose.¹⁰⁹ Furthermore, young cadres who were sent abroad by the Ministry of Finance for graduate study and remained intact there after their arrival were employed by S.P.O. The underlying reason for such a "containment" policy of staff of the Ministry of Finance was to soften the opposition and include figures who had a knowledge of the "interior" structure of this organization.¹¹⁰ The planners were on the cooperative side of the relationship between the Ministry of Finance and the Planning Organization. The Ministry of Finance was still heavily eclipsed by the "guardian of the treasury" concept of state of 1930s and could not easily accept the proper role of

S.P.O inside the state apparatus. The two undersecretaries of the planning organization under the period of "limited infrastructural autonomy", namely Ziya Müezzinoğlu and Memduh Aytür were critical figures who were aware of the "proper" role of S.P.O as such but were keen on not allowing an autonomous identity independent of the outlook of the traditional "fiscal" bureaucracy of the Republic. They were persistent initially on their idea of the role of Ministry of Finance as a "Ministry of Economics" at the same time in the early days of planning which did not necessitate the establishment of a different institutional layer in the economic apparatus of the state. But after the political "dangers" of reform were eliminated with the resignation of early planners, they did not act as "traditional" members of the Ministry of Finance bureaucracy but have been effective and supportive in the bringing up of new planning cadres in the absence of a "reformist" challenge against the vested interests of the "conservative coalition". But, the "new bureaucracy" was not welcome easily institutionalwise by the Ministry of Finance. It was seen as a "shareholder" in the institutional power domain of traditional economic bureaucracy. But the heavy influence of Prime Minister İsmet İnönü during the coalition governments was critical in terms of providing the *necessary but also limited (emphasis added)* political space for the planners. "The fiscal bureaucracy was obviously not pleased with the arrival of a political decision-making organ above them but not too much was left for them given the support of the political cadres, especially Prime Minister İnönü." ¹¹¹ This support made sense obviously after the elimination of "rational reformism" from the scene. Under limited infrastructural autonomy, 'stability' concerns of Ministry of Finance in general overwhelmed the 'original' strategy concerns of the planners which marked the different orientation of the two

institutions till the end of 1970s. However, one also observed not surprisingly the conflict between the executives of the Ministry of Finance and S.P.O cadres on the taxation of agriculture. After the resignations of "early planners", Chief Consultant Jan Tijnbergen immediately came to Ankara and had been accepted by Prime Minister İsmet İnönü on 13 November 1962. İnönü accused the planners for having "quit" the office. Tijnbergen's reaction on the resignations was "harsh" and he showed his discontent on the taxation scheme prepared by the "government" (Ministry of Finance) explicitly which demonstrated how the demarcation line between the "old" and "new" fractions of economic bureaucracy inside the state apparatus was seen by a foreign expert. He said : "Mr.Prime Minister, your tax scheme meets the needs of one hundred years ago. *Can a team who wants build the future of Turkey be accused ?*". (*italics mine*)¹¹² In the minute of the İnönü-Tijnbergen meeting kept by Evner Ergun (who later would be the Head of the Social Planning Department), it is recorded that İnönü explained the refusal of the planners' scheme of taxation of agriculture for its "impracticality". Ergun narrates İnönü's explanation of the current situation to Tijnbergen as follows : "There is a common understanding between the government and the planners on the taxation of agriculture as a source. The mode of taxation proposed in the plan, on the other hand, has not been found practical *by high echelon "fiscal" specialists*. Hence, the planning organization remained in a position of not having been able to find the required resources for the financing of the plan."¹¹³ It is important also to note here that İnönü's "conservative" position towards the early planners had later became an issue of criticism by his close political associates. Yakup Kadri Karaosmanoğlu was surprisingly narrating the resignation of planners eight years after the event as follows : ".....always giving concessions,

making revisions. He spoiled the plan. They put the plan in a ruined position. Those Melens, according to the views of reactionary economists of certain circles.....The real thing that would have elevated this country, the real hope was the implementation of that plan point by point. And he eliminated all those who prepared that plan. He made something completely invented, not marching." ¹¹⁴ The reforms proposed by the planners were strongly detested by the government members and they conceived the plan as a means to achieve foreign aid while reducing its original goals centering on substantial reforms to mini-reform modifications. ¹¹⁵

The failure of rational reformism in the domestic political economy context for the future of planning in Turkey and the limited born status of infrastructural autonomy, not surprisingly, was observed by international experts as "inhibiting" the long-term economic change perspectives of Turkey. Hollis Chenery was insistent on the need for tax and agricultural reforms and made even the most successful plan prepared by the most skillful technicians contingent upon the realization of these. ¹¹⁶ More significantly, Tijnbergen was still considering the above mentioned "4 R's" i.e. four reforms (public enterprise, tax, land and administrative reforms) as indispensable for the faith of the First Five Year Plan even in 1964 pinpointing also the weak legacy of early planning days for the Second Five Year Plan : "These four reforms are necessary for the implementation of the Plan."¹¹⁷ The intellectual father of the planning methodology in Turkey indirectly seemed cautious about the future of planned-ISI in the absence of its "state-building as reform" component which in fact started to be "shadowed" and politicized in the political arena by the powerful Justice Party representing the short-term accumulation requirements of industrial capital inside the "conservative coalition" as Avcioğlu used the term to describe the dominant

bloc of social forces in "The Order of Turkey". Idris Küçükömer had forcefully portrayed and foreseen the "tragedy of planning" in Turkey in those days as follows :

"The conservative groups and classes in Turkey will not allow the decisions that will be conflictual to their short-term interests to be taken or if they are taken, they will not let them to be implemented. If those decisions wish for a certain level of sacrifice from them in the short-term, they will not see this and will reject these decisions even if they will be to their own benefit in the future."¹¹⁸ Even if the industrial bourgeois which carefully emancipated itself from the wave of rational reformism as "State-building" and the political earthquake of 27 May 1960 days had succeeded to make itself as the "hegemon" in the bloc of the "conservative coalition" rather than the being the "protagonist" of the "productive coalition". In fact, the limited infrastructural autonomy meant in the final analysis the consolidation of the power of manufacturing capital vis a vis pre-(industrial) capitalist interests to affect economic change which it could not have done by itself. The early planners were thinking to change the "Order of Turkey" with this "real" bourgeoisie with the hopes that it could have been disciplined towards increasing the "Wealth of the Turkish Nation". The idea might have been historically sound but it failed as the drive towards establishing an infrastructurally strong state -like Turkey's mercantilist sisters in East Asia succeeded- lost momentum as the 1960s unfolded.

The historical legacy of the early days of the *third wave of mercantilism* and the associated drive for a *post-war Staatsbildung* embody paradoxical lessons for the political economy of state power and economic change in Turkey. The inherent contradiction of the ruptured Republican mercantilism of 1930s as leading to 27 May 1960 military intervention was the incompatibility of the co-existence of "weak

/despotic" state institutions as inherited from 1930s and retreat from "national" political economy under etatisme to a "cosmopolitan" orbit under representative political institutions. The apparent "losers" from this cosmopolitan economic orientation in 1950s were majorly the urban fixed-low-income "petty-bourgeois" segments of the society primarily employed by the state including the low-rank officers themselves. These segments of the population were largely effected by the inflationary consequences of DP economic policies in the second half of 1950s. On the other hand, the "cosmopolitan-conservative" coalition of agrarian and import-oriented merchant interests under DP rule - the "gainers" from the cosmopolitanism - were indirectly perceived by the "radical" officers and intelligentsia as undermining the "original" goal of "Staatsbildung" intrinsic to the foundation of the Republic so that the primary goal of the National Unity Committee established after 27 May 1960 was to lay down the foundations of a "Second Republic" to revitalize the "perpetuated state-building" once again. It is why the re-establishment of the so called eroded power of bureaucracy had been entitled as a "neo-consolidationist" structuration.¹¹⁹ However, in our framework, there was more of a *re-staatsbildung* directed towards an infrastructural form of state power after the takeover of the "late Young Turk" officers.¹²⁰ On the other hand, given the set of constraints discussed above, the emergence of *limited infrastructural power* -in the post-war sense- had curtailed the potential of forming a developmental state having a full-fledged relational autonomy of its own. As Milor said ; "the establishment of planning in Turkey was the product of a *conjunctural* (italics mine) alliance between the reformist wing of the bureaucracy, both civilian and military, and industrial businessmen."¹²¹ However, it was not solely the *conjunctural nature* of this coalition but the structural

conditions that blocked state-building as reform that made it difficult to generate a developmental coalition. Those structural conditions not only were derived from the resisting traditional socio-economic forces of landed and commercial interests but also from institutions being part of the state. It was why industrial capital had the possibility to free-ride from long-term developmental disciplines in the presence of such an incoherent and incohesive economic apparatus of the state. Republican People's Party backed the Ministry of Finance from a "conservative" standpoint to contain the reformist wave. Such a political support was detrimental for the formation of an incoherent bloc inside economic bureaucracy. Mardin in fact pointed out towards this "seemingly" paradoxical situation later as follows: "The modern Turkish state is expert at setting interdictions but *does not shine in its ability to establish control over society by means of new organizations*. It is this *organizational weakness* which has not allowed the state control the new concentration of wealth in Turkey even when such was its stated purpose. In this respect, there seems to be little difference between the policies of the "conservative" JP and "progressive" R.P.P." (*italics mine*)¹²² Given the incoherent and incohesive status inside the economic apparatus of the state, industrial capital could not have been disciplined or had exploited the opportunity to 'free-ride' from plan discipline. Industrial capital thus did not give support to 'rational reformism' directed towards long-term economic change and its goals have been shaped by short-term concerns in the *neo-Listian* ISI setting. Its adjacent political identification thus was matched both being a member of the 'conservative bloc' and the 'production' bloc of social forces intrinsic to long-term economic change envisaged by planners. The 'dual spirit nature' of Turkish industrial bourgeoisie was that it institutionally sought and received what it needed for

its accumulation from the new bureaucracy, i.e. the political allocation of scarce foreign exchange and low-interest credit in a more privileged way but at the same time, it politically allied itself with the Justice Party as political democracy was introduced after 1961. The implicit anxiety for industrial capital was to maintain the provision of key factors at the top level of political decision making but without being constrained by the disciplinary 'plan rationality'. In fact, a powerful political force JP was representing for them a restraining 'checks and balance' factor under the coalition governments between 1961 and 1965 to prevent the "constraining" interventions by S.P.O. The seemingly duality between the institutional and political spheres as such would be eliminated after the 1965 elections when JP took over political power with a significant majority. From that point onwards, S.P.O and the Second Five Year Plan would settle on the 'realist' line, i.e. almost complete withdrawal from its mission of imposing plan discipline. S.P.O would now rather become an institutional base of daily implementation for private sector projects. The limited infrastructural autonomy attained by planners during the First Five Year Plan period would be subject to a radical erosion in the second half of 1960s and a new chapter in the history of economic bureaucracy that had its everlasting effects till recent times was opened. It is now this decisive episode of history of economic bureaucracy in Turkey that we turn our attention in detail.

CHAPTER IV-THE FORMATION OF THE 4TH DEPARTMENT
INSIDE THE STATE PLANNING ORGANIZATION:THE END
OF LIMITED INFRASTRUCTURAL AUTONOMY

"Kimlerin elindeydi devlet. Varsın batsındı örgüt. Batacağı sonunda. Yokuş aşağı hızla iniyorduk. Yön verenimiz, sahibimiz yoktu".

Ali Nejat Ölçen

The electoral victory of Justice Party in 1965 elections represented the reconsolidation of the power of "hegemonic bloc" of classes safely emancipated from the wave of "rational reformism" of early sixties. However, such a reconsolidation was restored under the leadership of industrial capital as against DP rule which primarily favored merchant and landed interests. Industrial capital which had been successful in manipulating rational reformism after 27 May 1960 carefully to its own short-term benefits now reconsolidated the power of the "conservative coalition" under its own dominance as the principal beneficiary of the mercantilist-ISI setting. Justice Party would now revive the "populist legacy" of 1950s to sustain this conservative bloc of social forces in the favorable world economic conditions by responding to the demands of the electoral base. Rapid economic growth would in fact serve for the purpose of sustaining this coalition in the latter half of 1960s. Thus, the short-term interests of industrial capital did not come into conflict with the overall macroeconomic policy orientation of the government to sustain this coalition via resorting to deficit financing and thus increased inflation through the mechanisms of fostering the growth of the domestic market i.e. high state support pricing for

agricultural products, low-level of taxation in agriculture, subsidized inputs for agricultural production. As long as the necessary mechanisms of the transfer of state resources (domestic and foreign) were present for its rapid accumulation and the top priority has been given to maintain its privileged domain inside the conservative coalition vis a vis pre-industrial sectors but checking also labor to be under "control", industrial capital did not come into conflict with the overall macro concerns of political power. Its reluctant attitude towards tax and land reforms to deepen the domestic savings-recourse base of late industrialization had been well understood in this context all along 1960s. However, as industrial capital itself matured vis a vis pre-capitalist interests in agriculture and commerce and the pressure of high wages were felt by increased union activity supported by the presence of a socialist opposition in and outside the parliament, these socio-economic interests would naturally begin opposing the privileged status of industrial capital in the so called "hegemonic bloc" thus making it difficult for the Justice Party to maintain this coalition. Rapid industrialization as rapid accumulation of industrial capital came into conflict at the end of 1960s with the overall macro concerns of Justice Party government to maintain its "populist" agenda prior to the political crisis in 1971. Hence, "accomodation" of rival class interests through high economic growth carried in itself the constraints built upon sustaining such a coalition and the seeds of its own weakening.

It is within the context of such a political economy configuration that the alterations of the Justice Party inside the economic apparatus of the state to consolidate the primacy of the short-term interests of industrial capital made sense. It would have been thus natural to expect it to make a leap forward to convert the victory in 1965 to infiltrate the state apparatus to weaken the "constitutionally"

privileged institutional brakes standing in front of its short-term rapid accumulation requirements. It was obvious that an "institutionally autonomous" State Planning Organization even devoid of its reformist substance could have slowed down this rapid accumulation process given the highly profitable protected domain of the domestic market. Henceforth, the "limited infrastructural autonomy" as represented by the State Planning Organization would thus be under pressure by the new government which considered it also as a product of the 1961 Constitution. The daily political debates concentrated on the constitutionally privileged domain of the State Planning Organization which was considered as an "obstacle" to the expansion of industrial capital. The reality was just the opposite. Industrial capital could have had access to scarce foreign exchange rationed and low-interest credit most favorably to itself through the State Planning Organization. The gist of the debate was in essence the mode and the speed of the articulation of the interests of industrial capital and not whether the State Planning Organization was an "obstacle" or not. Since the planning cadres had rather been committed to public-sector led industrialization and that required massive state resources, the mostly ideological attack on the status of S.P.O was whether potential frictions could have emerged in the process of rapid private industrial capital accumulation even though these frictions were not biased in essence against its logic and direction. The legal bases of various incentives had been already laid down during the early years of the First Five Year Plan. However, the problem was how fast the short-term interests of industrial capital could have been realized and with which mechanisms in the mercantilist-ISI setting of the expanding domestic market. Hence, the "statism" of planners under limited infrastructural autonomy started to be interrogated by the spokesmen of the maturing industrial

capital. Further weakening of the power of S.P.O thus was wished by the maturing industrial capital to satisfy its short-term accumulation demands. It is precisely in this context that the "Second Wave of Resignations" inside the Planning Organization is understandable. The first wave of resignations in 1962 closed the avenue of rational-reformism and thus infrastructural-state building for long-term economic change. The second wave of resignations in 1966 would now represent the elimination of planners who believed in the leading role of the state in economic development and open now the door for the closing of the chapter of limited infrastructural autonomy in the history of the economic apparatus of the state. The early "proto-neoliberal" phase of "weakening" the state thus was beginning and coming into sharp conflict with the "re-state-building" after 1960.

The Second Wave of Resignations in the State Planning Organization :

Towards the Closing of the Chapter of Limited Infrastructural Autonomy

The year 1966 was an inflection point in the institutional history of planning in Turkey. The tension between the "political" and "constitutional" spheres concerning the powers of State Planning Organization inside the state apparatus became more apparent and the "old" cadres in S.P.O resigned or left the organization for differing individual reasons. Even though the proclaimed individual reasons were different, the common element in these resignations were that those cadres became aware of the fact that it would not be possible to work with the new government in terms of its attitude towards the Planning Organization. Justice Party, which took over political power in October 1965 elections immediately revealed its intention to "contain" the constitutionally privileged domain of planning within the political sphere. In his presentation of the program of the newly elected government in the Assembly , Prime

Minister Süleyman Demirel revealed the stance of the new administration towards the planning organization as follows : " The plan is not a narrow jacket which should be put on as it had been cut out." ¹ The discussions and preparations over the Second Five Year Plan provided the government the necessary opportunity to accomplish this task . It was in fact due to this search for a containment of State Planning Organization that the Second Five Year Plan, whose bureaucratic cement differed sharply in terms of its preparation and implementation became the historical inflection in the history of economic bureaucracy in Turkey. The second wave of resignations in S.P.O represented the initial historical backdrop for the collapse of premature infrastructural autonomy achieved after 27 May 1960. The appointment of Turgut Özal and his circle to the State Planning Organization and the implementation of the Second Five Year Plan would be the following stages of the cancellation of the remnants of this autonomy which the early `Staatsbildung as Reform` imposed.

The discussions on the targets of the Second Five Year Plan coincided not incidentally with the containment of State Planning Organization by the government. The national colloquium on 20-21 December 1965 discussed the model of the Second Five Year Plan. While these technical preparations for the Second Five Year Plan were on the agenda, Demirel, in a speech on the acceptance of the S.P.O budget in the Parliament, said : "My view concerning the state departments' taking order from the government is eternal. This also includes S.P.O because if departments come to a point where they do not get the orders from the government, the possibility to govern the state vanishes, chaos begins. The genesis of a state within the state means the falling of the state in a state of insolvency." ² Rephrasing the "consultancy" status of S.P.O, Demirel insistently put the emphasis on the distinction between technical and

political responsibility. Increased political control over staff policy and the right of government to move tenure officers out of the organization was also on the agenda of Justice Party in terms of "containing" the organization. Such a way of looking at the status and functions of the planning organization created an anxious atmosphere among the cadres of the organization.

The source of anxiety as such on behalf of planners rested on the presumption that the concept and implementation of planning would not be taken seriously anymore. Even though the laws and regulations concerning the constitutional locus of S.P.O were there, the shift of implementation deviating from the "essence" of the concept of planning was perceived as conflictual to their previously defined and set roles. Demirel had announced that the plan would be revised.³ Finally, the formulation and preparation of economic policies outside the planning institution aggravated the anxiety on behalf of planners for being unable to fulfill their "consultancy" role to the government. Indeed, in the days prior to his appointment to the Undersecretariat of S.P.O when he was not officially a cadre of S.P.O, Turgut Özal was given a private office inside the institution and discussed issues of formulation and implementation with certain specialists.⁴

The "enforced" leave of Memduh Aytür, then Undersecretary of the Organization, in the beginning of March 1966 was the turning point in the "surrender" of S.P.O to the political prerogatives of the Justice Party government feeding the above cited anxiety. Günal Kansu, who was an "old version" planner, but who later worked with Özal for a while in the Organization said that his arrival to the State Planning Organization as the Undersecretary of the Organization was extremely revolutionary in the life and career of Memduh Aytür. This was due to the fact that he

became aware of the power under his hand in terms of controlling the different parameters of the Turkish economy from a unique institutional setup. He was fascinated with the power as such even though he had had a considerable experience in the Treasury and other posts inside the Ministry of Finance for long years.⁵ In fact, it is easily understood that he had conceived the planners as an intellectual leverage inside the state. " It is necessary that the planners put their strength forward not only as professionals, but also as intellectuals willing to be useful. The idea of planning and the special and exceptional form of remuneration the state recognized for the planners is an invitation and challenge at the same time".⁶ His aforementioned "obsession" to the organization was so much that, after the 12 March 1971 military memorandum, he refused a ministerial post in the newly formed government but became the Undersecretary of the Organization for the second time. Aytür knew that Demirel would not wish to work with him. Even if that was the case, he did not want to leave the office and searched for the means and possibilities to work with the new government. He waited the letter till the last minute from the Prime Ministry indicating that his contract had been renewed. His contract having not been renewed by the government, Aytür resigned from office on 1 March 1966 and left the Organization to continue his work as a Consultant in the Central Bank.⁷ Representing the power of "traditional" bureaucracy of Ministry of Finance in S.P.O, Aytür can be said to have been the last figure in the history of S.P.O autonomy with respect to the limited-original concept of planning as implemented between 1961-1965. He was extremely sensitive to connecting the concept of planning to its Constitutional roots. In an article published after he left the Planning Organization which was entitled as

"The Strategy of Strategy", he surprisingly was able to foresee the faith of the Second Five Year Plan with respect to the conflict between the "political" and "constitutional" spheres. "The new strategy which will come out these days will be technically successful. However, the essential problem is in its connection to the rules inside the Constitution, i.e. to make it live inside *public law* and implement it with seriousness."⁸

It has been claimed that Aytür returned to S.P.O after the 12 March 1971 memorandum with an aggressive psychological mode which was partly a result of his desire to take the "revenge" of his resignation in 1966. Such an aggressive psychological mode is said to have contributed to the change of the course of the Third Five Year Plan to extremely rigid "etatist" 'anti-relational' forms.⁹ In fact, such a return to the State Planning Organization reflects the "perverse" character of the call for "reform" after 12 March 1971 memorandum. As we will see in the next chapter, the shift of state power towards more "despotic" forms eliminated the search for "reform" as it had been understood in early sixties.

Demirel did not appoint a subsequent Undersecretary for the Organization for almost three weeks. Baran Tuncer said that it was still not easy for him to understand why Demirel did not appoint Turgut Özal immediately after the resignation of Memduh Aytür. Furthermore, Özal was unofficially working inside the Organization having been given a private room. Demirel did not appoint Özal even after the resignation of Tuncer, Head of Economic Planning Department and others and waited till the end of January 1967 i.e. almost a year.¹⁰ In the end, Orhan Çapçı, a staff member working in the Coordination Department (follow-up of investments) of the Organization on a contract-basis, had been appointed as the Deputy Undersecretary of

the Organization on 22 March 1966.¹¹ After the appointment of Orhan Çapçı as the Deputy Undersecretary, conflict began to be intensified between him and the Heads of Departments.¹² We observe that the daily routine of technical reporting was disregarded if the views incorporated did not fit to those of the government. Indeed, these developments led to the conclusion that the "Plan was adjusted according to the Justice Party principles."¹³ Demirel, on the other hand, wanted the plan to be ready for discussion in the High Planning Council till the end of June 1966. A significant but inconclusive reaction to these developments emerged from President Cevdet Sunay. He arranged a "briefing" in Çankaya residency with the planners to understand the "insider" story of S.P.O. The planners welcomed this invitation to complain in essence about the situation. Although Sunay called only the planning specialists and wanted to talk with them alone, Demirel and 9 ministers of the government also participated in this meeting having learnt about the situation. Even though the planners did not have the chance to open up their situation to Sunay, his concern created a positive atmosphere inside the S.P.O staff.¹⁴ It was even recorded in the press that Sunay praised the planners as the "staff" of the government.¹⁵

The expected resignations came one after another in September and October 1966. Haydar Aytekin, the General Secretary of S.P.O at the time was the first to resign to leave the organization to move to NATO Headquarters, Paris. He was followed by Yalçın Küçük, Manager of Branch for Long Term Plans. Consultant for Foreign Economic Relations of S.P.O, Adnan Erdaş demanded to return back to Fiscal Inspection and this demand was accepted. Consultant Haluk Ceyhan, Specialists Merih Celasun and Ali Nejat Ölçen were also the other staff who were expected to

leave the organization.¹⁶ After having appointed Çapçı as the Deputy Undersecretary, it is understood that Demirel pursued a "wait and see" strategy before any appointment. The "old" cadres remaining from the first generation of planners were put in a dysfunctional position after the resignation of Memduh Aytür. There were even physical blockages over certain working material of the old cadres.¹⁷ It was put forward in press that a "National Income Distribution" report prepared by specialists were frozen by Çapçı to prevent it to be declared to the public since it sharply revealed the inegalitarian nature of income distribution in the country.¹⁸ Çapçı was forced in the end to announce that the government by no means interfered to hide the report and the report would be used in the preparations of the Second Five Year Plan. However, Çapçı was accused severely by specialists as making the State Planning Organization a "satellite" of the government.¹⁹ The commemoration day of the State Planning Organization was celebrated in the absence of any participant from the government. The High Planning Council were supposed to meet on the first of October to discuss the 1967 annual program. No sign of meeting with the planners came from Demirel.²⁰ As a result, the final and climax of second wave resignations was that of Baran Tuncer, Head of Economic Planning Department.²¹ His resignation had been accompanied by a personal "memorandum" submitted to the Prime Minister. The indifferent attitude of the government towards planning, the refusal of its consultancy, the non-acceptance of written reports, the retardation of routine meetings related to the plan etc. were the major ingredients of the "memorandum".²² However, the underlying reasons were, though not different totally from the above ones, indicating the destiny of the remnants of limited autonomy of S.P.O under

Justice Party rule. Tuncer said he thought that plan implementation would not be taken seriously anymore even though the constitutional imperative on planning was clear-cut. Similarly, Kansu says that Aytür's "leave" affected Tuncer's attitude significantly with respect to his decision to resign from the Organization. "To my mind, the most prominent factor in Baran's resignation was the interpretation of the non-renewal of the contract of Memduh Aytür. Baran and I, at that time, interpreted this signal in such a way that Planning Organization *would not be the old Planning Organization anymore.*" (*italics mine*)²³ Although the role of Head of Economic Planning Organization was explicitly put forward in the law concerning S.P.O, he was anxious of not being able to fulfill the duties of "consultancy" to the government donated to the Head of Economic Planning Organization. Most importantly, major economic policy decisions were taken outside the realm of State Planning Organization and not shared with it where ex-planning cadres were playing a critical role which was an unacceptable situation to official cadres in the Organization.²⁴ Tuncer wrote that in matters of economic policy, "if the opinion of State Planning Organization is not taken, the necessity exists for the public opinion to know the institutions and private persons from whose ideas and opinions were benefited in order to operate the economic decision making mechanism."²⁵ Similar concerns were also explicitly declared by Consultant Haluk Ceyhan to Orhan Çapçı just before he resigned in the beginning of November.²⁶ The de-institutionalization of State Planning Organization by the Justice Party government was transforming the constitutional organization of economic policy formation into a debased status within the state apparatus.²⁷ Memduh Aytür, the former undersecretary of the organization, warned

immediately after Baran Tuncer's resignation that serious problems would emerge concerning the economic and national prestige of the country internally and externally if the institutional collapse as such could not have been prevented.²⁸

Demirel defended the political prerogative of the government by stressing the "continuity" inside the state in a paradoxical way. He played off the frequent change inside the higher echelons of SPO during the coalition governments against the criticisms directed to him on the recent resignations. " It is seen nowhere in the world (including Turkey) that entrants to an office also stay there till the end. In fact, if we look at the short history of State Planning Organization, you can see that four undersecretaries have changed in the last five years, still again in five years those echelons you have mentioned (*addressing the journalists*) have been subject to turnover two or three times. Did you then put these anxieties forward ? I don't know. Did you say that this organization was disintegrating ? I don't know that also. But there is continuity in state, continuity in state exists in all organizations of the state, that is what I will tell."²⁹ Paradoxically, the criticism of "limited autonomy" was used as the legitimating evidence to cancel the remnants of "limited autonomy" itself inside the S.P.O.

However, the government continued to appoint Deputy cadres to the emptied positions in the organization instead of definitive appointments in contrast to the idea of continuity.³⁰ Selçuk Egemen was appointed as the General Secretary of the Organization who had close connections with the DP rulers before 27 May 1960 and had been "accused" of being a "mason".³¹ Günel Kansu was appointed as the Deputy Head of the Economic Planning Department who was a specialist in the Annual

Programs Branch.³² Hikmet Çetin, a specialist in the Social Planning Department, was appointed as the Long Term Planning Branch Manager. There were also other appointments which were heavily criticized in press, but the appointment of Selçuk Egemen, who had close connections with the DP rulers before 27 May 1960 and "accused" of being a "mason" was strongly opposed.

Merchant circles expressed their indirect support to the government by differentiating "planning" from the "planning organization". It has been argued that a certain type of planning was necessary but a given "mentality" of the State Planning Organization was limiting the power of the government to implement its program.³³ Union of Chambers was explicitly calling for rapid industrialization via the encouragement of the private sector as the sole means to achieve it.³⁴ Moreover, meetings were held between the ministers and the representatives of different chambers on the prospective "audit" of the implementation of the plan by the specialists chosen from chambers themselves.³⁵

The High Planning Council met on the 27th of October 1966 after the resignations. Demirel made his political concern explicit on the strategy of the Second Five Year Plan and sent the document back to S.P.O. It is understood that the principal concern of Demirel was the removal of the term "land reform" from the original strategy document. He wanted instead the term "multi-dimensional agricultural reform" in lieu of the term "land reform" to enter the document.³⁶ He explicitly started to put forward a different concept of planning than the "restraining" vision peculiar to its earlier form.³⁷ A peculiar development of the post-resignation period in S.P.O was that Demirel came into conflict with İhsan Gürsan, Minister of

Finance on the issue of new taxes to be levied and the danger of inflationary financing. İhsan Gürsan was aware of the need of a certain form of "tax reform" compatible with the needs of "planned" development. He resigned as a result of this conflict with Demirel and was succeeded by Cihat Bilgehan.³⁸ The institutional arena for the implementation of a development path compatible with the political prerogatives of Justice Party was now seemingly "free" from the "statist-reformist" obstacles. The definitive appointments for upper echelons of S.P.O bureaucracy followed in the early months of 1967 and a new era began in the history of economic bureaucracy in Turkey.

Controversies and Conflicts over the Second Five Year Plan : Loss of Coherence inside the State Planning Organization

The preparation stage of the Second Five Year Plan included national and international colloquiums. The first national colloquium on 20-21 December 1965 was on the model of the Second Five Year Plan. It was followed by a second meeting on 27-29 January 1966 on the targets and strategy of the plan.³⁹ The International Colloquium on the Strategy of the Second Five Year Plan took place immediately after the resignations on 21-23 November 1966.⁴⁰ What was quite significant in this colloquium was that Tinbergen, being the chief consultant to S.P.O, made "confirming" comments in line with the government on the relationship between the government and the planning organization. He expressed the view that the planning organization should not interfere in the daily political decisions of the government. "I state as my conviction, with importance, that planning should be a consultancy activity. I also would like to add that , for the formation of policy decision-making to

be in order an efficient, *especially daily decisions should not be interfered by the State Planning Organization*.⁴¹ Kansu says that Tinbergen transmitted the same views to the "old" cadres of the organization.⁴² Such a "turn" from the "original" punctuation on the role and status of State Planning Organization would have been subject to heavy criticism from the public opinion and intelligentsia.⁴³ This was due to the fact that this was confirming Demirel's case to "contain" the privileged domain of planners with respect to their influence on economic decisions. The private sector showed signs of "debasement" of the activities of the planning organization more explicitly. Specialists, like Merih Celasun, in the organization were complaining about the absence of any reaction from the private sector on the project drafts campaign for the preparation of the plan.⁴⁴ Moreover, explicit assaults began by the top representatives of the Union of Chambers to the idea and practice of planning considering it as the equivalent of "etatisme" and the "the bad legacy" of İnönü governments.⁴⁵ A new "Draft Law for the Promotion of Industry" was also being prepared by the Chambers of Commerce and there was an "open demand" by its executives to make it an integral part of the Second Five Year Plan.⁴⁶ Demirel also made the important statement that the plan "is not of an unchangeable character" in the Budget and Plan Mixed Commission.⁴⁷ The intentions for a different form of plan implementation became more explicit at the end of 1966 inside the ranks of the 'conservative coalition'.

The definitive appointments to critical S.P.O positions took place in January 1967 with the support of such a "milieu". Looked at historical retrospect, the figures who were appointed to these positions would also have been effective in

Turkish political life in the future. Besides Turgut Özal who was appointed as the "Undersecretary" of the Organization, Ekrem Ceyhun and Nevzat Yalçıntaş were appointed as the Heads of the "Coordination" and "Social Planning" Departments respectively. Selçuk Egemen was appointed to the General Secretariat of the Organization. Günal Kansu was a significant figure inside the planning organization who continued to work with Turgut Özal and his circle but belonging at the same time to the early tradition of planners. He was definitively appointed as the "Head of the Department of Economic Planning". Specialists Cemil Çınar and Merih Celasun were appointed as "Long Term Plans Branch Manager" and "Consultant" in due order.⁴⁸

There was now a "dual" type of technicians inside the State Planning Organization. The Özal circle, rather than liquidating the planners of the old period would opt for the expansion of the cadres of the so called 4th Department co-existing with the planners of the conventional departments of the organization. The technical support of the latter cadres -whose names are aforementioned above- Plan had been of great importance for the preparation of the final document of the Second Five Year before Özal and his circle were appointed to the organization. In fact, the final document of the Second Five Year Plan which had been sent to the Budget-Plan Commission was prepared by these cadres after the "second wave of resignations" in the upper echelons of the Organization. But, it should be mentioned that the original macro-economic structure of the plan was formally prepared by a team comprised majorly by Baran Tuncer, Yalçın Küçük and Ülkü Egeci and specialists from outside of the Organization. In addition, the strategy document of the plan which was accepted in the High Planning Council was also prepared by this team.⁴⁹ But, during

the resignations an "alternative plan" was prepared secretly by a group of specialists, namely Merih Celasun , Ali Nejat Ölçen, Cemil Çınar "against" the discriminatory attitudes of the first group on the preparation of the plan which revealed itself by the absence of exchange of information . It is said that Yalçın Küçük and Ülkü Egeci had not wanted to share the "technical" possession of the plan with others in the Organization whereas this team called the others as "yellow planners" for having diverged from the essence of planning to please the new government in power.⁵⁰ The alternative plan was basically an interrogation of the approach and model of the Second Five Year Plan which was principally equivalent with that of the First Five Year Plan. As is well known, the "three-stage" approach developed by Tijnbergen plus the two-gap version of the Harrod-Domar growth model used in its first stage had been essential to the structure of Turkish plans. The primacy was on macro-concerns in this methodological framework which was widely used in most of the development planning experiences in the post-war context. The three-stage approach first determined the rate of growth of national income, the necessary amount of investment to realize this target and the equivalent amount of savings necessary to generate this level of investment with the aforementioned Harrod-Domar growth model. After the determination of basic macro-aggregates in the first stage, the second stage involved the determination of sectoral targets to reach these macro-targets of the plan by a Leontief-type of input-output model. Finally, the sectoral targets are decomposed at the project-evaluation stage by determining the appropriate projects for the realization of the sectoral and thereby macro targets. The determination of the target values beforehand and the finding the necessary policy instruments to reach these targets constituted the pillar of the three-stage methodology of Tijnbergen.⁵¹ It is

at this point that the critique of the "alternative plan" group interrogated the conventional wisdom of Turkish planning as such also visible in the structure of the Second Five Year Plan. Against the above summarized methodological framework of planning which put the primacy over the macro model of the plan, the critiques argued instead that the "center of gravitation in the Second Five Year Plan should be rather sectoral planning and the project-stage".⁵² In other words, a planning approach from below was suggested by the group where the determination of the macro-targets should depend upon the determined project-stock.⁵³ Given the general framework of criticism above, the alternative plan first determined the upper and lower limit values for the strategy instruments and then solved for all consistent strategy targets remaining in the limit boundaries and the combinations of strategy instruments corresponding to these targets. In this way, separate calculations of the combinations to reach the predetermined targets are avoided.⁵⁴ The choice of such an alternative plan strategy is considered by its proponents as providing a more flexible decision-making space for the political authority in terms of the choice of the projects. The dispute inside the technical cadres of the organization on the theoretical foundations of planning is more than a fight between opposite cliques. It shows that the micro-basis of the plan, i.e. public sector investment projects, were selected solely with the realization of plan targets. The critique pinpointed towards the establishment of "investment planning and coordination" to prevent the bottlenecks that could appear in the future.⁵⁵

The "struggle" between the two groups ended after the resignations of the first and the remaining group later finalized the Second Five Year Plan after the

appointment of Günal Kansu as the Head of the Economic Planning Department in the beginning of 1967. But, then Özal wanted to make certain important changes in the fundamental macro-economic equilibria of the plan document. In order to show the "savings" gap smaller and a high private sector propensity to save, he wanted to impose a higher marginal propensity to save in the plan document to be transmitted to the High Planning Council. He was accusing the planning specialists for having underestimated the contribution of private savings. The specialists recomputed this figure several times and were of the opinion that Özal's figures were unrealistic. Kansu told Özal that they could not have brought a plan in front of him as he liked it to be. He said that he would oppose in the High Planning Council if the figures were changed. Özal was initially "soft" but the figures had been changed and Kansu brought his opposition to them in the High Planning Council. Demirel was surprised and told the planners to come in front of him with "unique figures" of S.P.O. warning especially Özal that it had been his own responsibility to render account of more taxes if necessary. A "mid-way solution" had been found and was transmitted to the plan document.⁵⁶ Another area of "alteration" in the Second Five Year Plan was on the issue of educational planning in the domain of the Department of Social Planning. In the First and Second Five year plans, a principle of "production-oriented occupational-technical education" was present and investments were allocated likewise. Özal, it is said, had manipulated the above framework by treating the "imam-orator" schools as such. Hence, educational investments would follow the intended route. In addition, the plan principle was based on the idea that occupational-technical schools including the "imam-orator" ones would continue higher education in their own branches. In contrast, Özal considered "imam-orator" schools as exempt from

continuation to higher education only in theology. Such a proposal had been rejected in the first instance in the High Planning Council. The accepted section of the plan as prepared by the Social Planning Department and its Head, Evner Ergun was subject to fraud by Özal before its ratification in the Assembly. Evner Ergun noted that 18 pages were different than the original document when it returned back from the Council of Ministers. Ergun resigned immediately but was persuaded that the necessary adjustment would be made. The fraud was avoided in the parliament but having seen that no action was taken against the religious educational rise, he left the organization and moved to the United Nations warning that this attempt would be the beginning of long-term "dangerous" developments.⁵⁷ Hence, the final plan document was a product of consecutive teams before and after the resignations. But what is important is that, the Planning Organization had been subject to a serious loss of "coherence" during and after the "Second Wave of Resignations." The degree of integrity among the planning cadres in the preparation of the First Five Year Plan did not exist in the preparation of the Second Five Year Plan.

Both the first and second generation of planners who resigned in 1962 and 1966 respectively had a shared understanding of a state-led development strategy with a certain doze of suspicion towards the contribution of the private sector in the development process. They were excessively concerned about the preservation of the "unspoiled" nature of the state. However, there were also major differences between the first and second generation of planners of a statist-orientation. The first group of planners, i.e. Osman Nuri Torun, Attila Karaosmanoğlu etc. considered themselves as endowed with a political mission. They wished to affect the course of political life through rational bureaucratic reformism as we discussed it in the previous chapter.

Indeed, investing for infrastructural power via reforms had been implicitly considered as indispensable for long term economic change by the cadres of first wave of resignations. However, the second generation, still keen on protecting the domain of the state and uncomfortable with the deviation from the vanguardship of the state in economic development, was politically reserved and accepted that the political decision on matters of economic policy belonged to the political authority. They worked with two undersecretaries, namely, Ziya Müezzinoğlu and Memduh Aytür who belonged to the traditional sphere of Ministry of Finance. Though their reformist stance had not been clear-cut as the "first" generation, these two undersecretaries were quite concerned about the "autonomy" of the state per se. The episode of limited infrastructural autonomy had been lived inside the State Planning Organization deprived from the "reformist" leadership but with the political support of İsmet İnönü who stayed away from shaking the conservative vested interests as has been mentioned in the previous chapter. Hence, they were respectful to political authority on matters of implementation. It is due to this reason that certain "technical" cadres like Günel Kansu -who "managed" to cooperate with Özal for a while - and Merih Celasun⁵⁸ who had received their "planner" formation in the ranks of the planning cadres of early sixties continued to work with the Turgut Özal circle in late sixties after the resignations. Cadres with a "planning" background continued to exist at the "economist-technical" level with the prospectively employed "close circle" of Turgut Özal where the transition to the second was a gradual process.⁵⁹ However, it should also be pointed out that the new government had been suspicious of the planning cadres from the beginning. Günel Kansu says that there had been a "trust" relationship between the planners and the politicians before Justice Party came to power. He adds

that this was not the case after the takeover of the new government. Referring to his personal experience in the meetings of the High Planning Council which he participated as the Head of Economic Planning Organization, he describes the disharmony inside the High Planning Council as a result of distrust of Minister members (like Mehmet Turgut, Minister of Industry and Bahri Dağdaş, Minister of Agriculture) towards the planners. Even the language the planners had been using in the plan documents, i.e. usage of "pure" Turkish vocabulary, was becoming an issue of conflict.⁶⁰

The first wave of resignation in S.P.O after the transition to coalitional politics represented the transition to a "limited infrastructural autonomy" status of S.P.O as "new bureaucracy" vis a vis societal interests. The contradiction between the "constitutional" dictates of "reform" and the strong political resistance to it undermined the "autonomy" of State Planning Organization from the beginning and led to the emergence of an autonomy as such vis a vis industrial capital in the initial phase of the First Five Year Plan. The resignations in S.P.O in 1966 had closed the chapter of "limited infrastructural autonomy" in the history of economic bureaucracy in Turkey. The "deviation" of S.P.O from the initial mission of attaining infrastructural power on the course of economic and social development had reached a point of "surrender" to the political prerogatives of particular interests favoring a shift towards what Hirschman called as "accumulation function" in the absence of "rational reformism" which would have been in fact the true crystallization of infrastructural power after 27 May 1960.⁶¹ With the "takeover" of Turgut Özal and his circle in S.P.O in 1967, a different 'developmentalist' vision disregarding the drive for "reform" would have transformed the S.P.O to a position now responding to the

short-term needs of rapid accumulation of capital. The formation of the Incentive Implementation Department and the passage of the so called related "Implementation Law" in the assembly in 1967 were the concrete steps towards realizing the rapid "accumulation" function as such. In accordance with such a "leap forward", a new type of bureaucracy began to have been installed inside S.P.O whose educational and professional background differed sharply from the planners proper themselves. Indeed, a planner who had worked in S.P.O before and after the arrival of these cadres, i.e. Turgut Özal and his circle had labeled this demarcation period as "B.C" of Planning Organization.⁶² The autonomy of the early "to be" developmentalist kernel of late industrialization would give way to "rent seeking" penetration of fractions of capital in the latter half of 1960s till the perverse restoration of "reform" as such in 12 March 1971 that apparently sought to block this orientation. The drive for infrastructural power after 27 May 1960 was now over via the subordination of long-term vision building for economic and social change under the planning institution to "accumulation" as rapid industrialization at the end of 1966. Rapid "accumulation" required a different institutional mode of regulation and the remnants of limited infrastructural state autonomy established on a "fragile" basis became subject to penetration of daily demands of capital from then onwards.

Towards the Institutional Cancellation of Limited Infrastructural Autonomy:

Law No. 933 on the Implementation of the Second Five Year Plan

The original framework of planning and the installation of the State Planning Organization rested upon the enhancement of a "long-term" production-oriented economic and social change with a quasi-infrastructural interactive state power vis a vis socio-economic interests, namely capital and labor. There was the "indicative"

search for channeling the newly born industrial capital towards investment areas consistent with the fulfillment of the macro-goals of the plan. Even though industrial capital did not wish to show the degree of "discipline" the plan had required, the macroeconomic and sectoral realization of the First Five Year Plan was promising in terms of following the "long-term" vision underlying the planning philosophy.⁶³

Although the low-level relational autonomy characterized the emergence of State Planning Organization in the first half sixties, the Organization was rather a macro "vision" builder institution independent of the implementation of daily economic affairs. The initial Law No.91 on the Establishment of State Planning Organization had given the Planning Organization a "high level consultancy and "staff" status"⁶⁴ including the promotion of private sector activity within the plan discipline. There was no reference to the involvement of State Planning Organization in the incentive *implementation* process.⁶⁵ But, issues of implementation were basically outside of the realm of the planning institution as found in the original organization law during the First Five Year Plan.

The legislative background of investment and foreign-trade related incentives during the First Five Year Plan period consisted of three major laws. These laws can be considered as the "legal roots" of present incentive regulations. Law No.202⁶⁶ has initiated the practice of "investment allowance" with a section added to the Law No.193 on Income Taxation. This principally meant the tax-exemption of deduced equity capital at a given percentage financing investments in harmony with objectives of the development plan. This percentage has been determined as %30 for industrial investments during the First Five Year Plan. Law No.474⁶⁷ authorized the Council of

Ministers to allow the payments of import tax and duty payments of imported investment goods by installment within a maximum period of 5 years and to make the necessary changes in the tax rates indicated in the Customs Entrance List. The applications were evaluated in the Ministry of Customs and Monopolies by a Commission formed by the representatives of different Ministries.⁶⁸ In a study prepared by the State Planning Organization on the implementation results of these two incentive measures between 1963 and 1966, it is concluded that the number of demands for investment allowance by the private sector had increased drastically in 1966 in comparison to the previous years. In the absence of a parallel increase in investments, the new political climate had signaled the private sector to benefit from encouragement measures. However, it was also pointed out in the same report that since the Ministry of Finance was finally deciding on investment allowances after the evaluation in S.P.O, this took a period of almost seven months on average for the investor to receive an answer.⁶⁹ The third significant legislation was Law No. 261 on export incentives.⁷⁰ It authorized the Council of Ministers to provide "export power" to products in external markets via the provision of tax, duty etc. exemptions and tax rebates. The amount of tax rebates could not have exceeded the sum of total duties of the exporter. Hence, this was not a "premium" or "subsidy" system because there was opposition from international economic and financial institutions.⁷¹ The law came into effect in March 1964 with payments of initial tax rebates from the Central Bank by two consecutive decrees.⁷² The difference between the first and second decrees was that the second brought the possibility of tax rebates on an "advalorem" basis rather than "specific" which previously caused certain problems in implementation.⁷³

The Council of Ministers is seen as the final authority in the implementation of these incentive laws. However, the implementation process has been dispersed to different ministerial organizations which later became a subject of criticism by industrialists. The most significant institutional development of this period related to Law 261 had been the formation of the "*Export Tax Rebate Commission*" which came into effect with the Decree No.2453 on 5 December 1963.⁷⁴ The Commission was determining the products that would benefit from tax rebates, the amounts & percentages of rebates and making the proper suggestions to the Council of Ministers with the channel of Ministry of Commerce.⁷⁵ The commission consisted of the representatives of the following organizations: Ministry of Commerce, Ministry of Finance, Ministry of Industry, Ministry of Customs and Monopolies, State Planning Organization, Center for Export Promotion, Union of Chambers of Commerce.⁷⁶ The Ministry of Commerce played the most important role among the aforementioned public and semi-public organizations in the operation of Commission on Export Tax Rebates. It is considered as the final authority in the tax rebate system because the decisions taken in the "Commission" need not have been channeled to Council of Ministers if it contradicted the "principles" of Ministry of Commerce. In other words, Commission on Export Tax Rebates had been a decision-making institutional body of an advisory character.⁷⁷ Tax rebates were paid by the Central Bank subject to the presentation of legal documents on customs exit and the sale of earned foreign exchange to an authorized bank. The Central Bank was responsible to declare the monthly amounts of rebates to Ministry of Finance and Ministry of Commerce. It was the Ministry of Finance which was in charge of the necessary appropriation put in the Ministry of

Finance section of the Central Budget which was guaranteed in the related decree. It was also responsible for keeping the central accounting records concerning the rebates. 78

The tax-rebate system during the "Commission" period had been subject to a number of criticisms which also became instrumental to legitimize the incentive implementation practice during the Second Five Year Plan. Exporters had been arguing that the system had been working "slowly". The absence of "coordinated" and rapid decision making between the different institutional agents of "Commission" had been considered as inhibiting the potential "export drive". The determination of the amount of tax-rebate for a particular product took 5-6 months or more, even one year. All burden was on technical boards which contained only one Certified Public Accountant appointed by the Ministry of Finance. Since it was impossible to increase the number of these Certified Public Accountants in these boards, it was not feasible to speed up the process of determination of rebate amounts. Both the Ministry of Finance executives and exporters were complaining about the delays on the determination of tax-rebate amounts. For Ministry of Finance, Treasury funds were kept "idle" in service of private use for a long time and exporters were complaining about the unnecessary "wait" for their earned claims in the Treasury.⁷⁹ It is quite easy to detect that the complaints on the delays had been principally focused on the penetration of Ministry of Finance into the "Commission" system with a "conservative" fiscal stance on the tax-rebates. Hence, the tax-rebate system via the "Commission", though endowed with the necessary legal backup, was institutionally split among different agencies in terms of implementation during the First Five Year Plan.

The Second Five Year Plan was ratified by the Senate and the Assembly on 22 June 1967 and 3 July 1967 respectively after long discussions.⁸⁰ The general macro-structure of the plan was not the major source of conflict between the Justice Party and opposition parties, but it was rather the emergence of a prospective plan implementation at the service of the private sector that made opposition parties uncomfortable. There was strong opposition from the Republican People's Party and Turkish Labor Party even at the stage of Budget-Plan and Constitutional Commissions on the "private sectorism" inherent in the plan implementation law. Demirel was calling for "authorization" from the Senate and the Assembly for the government to "implement" the plan besides the mere acceptance of the plan document. "The plan is a document which must be implemented. If you do not implement the plan, the plan can not go further than being a lifeless document....The plan implementation appears to be the most important point here. There are the "follow up", coordination, the completion of projects on time, taking the precautions and avoiding the use of the time factor as some kind of comfort, more precisely there is the push and move of the plan which is closely linked to the effectiveness of the plan. *Two factors are important for the effectiveness of implementation. The first is the effective,decided and quick functioning of administration and the second is the endowment of political power with sufficient authority. (italics mine)*"⁸¹

This implementation law which was also called "Authorization Law" achieved legal existence on 28 July 1967 soon after the plan document itself.⁸² There was strong opposition from the Republican People's Party and Turkish Labor Party even at the stage of Budget-Plan and Constitutional Commissions on the "private

sectorism" inherent in the plan implementation law. It has been said that the preparation of this law had been a secret process. Even the bureaucrats in Ministry of Finance, ironically in State Planning Organization and in other Ministries learnt about the existence of such a draft law only when it arrived to the Budget-Plan Commission. Moreover, it has also been noted that even the Minister of Finance , Cihat Bilgehan shared similar views with the opposition. It is recorded that the resistance from opposition parties in the Budget Plan Commission to the draft law had been decisive over its "improvement" in terms of reducing the "fund transfer mechanisms" to the private sector in it.⁸³ The opposition was arguing that the Draft Law on Plan Implementation which donated the government with extraordinary powers was absolutely against the Constitution itself and bringing the possibility of "transfer of public funds" to the private sector. Nermin Neftçi, an MP from Republican People's Party gave an opposition commentary in the Constitutional Commission for the reason that the law had been absolutely against the Constitution. Senate member Fikret Gündoğan again from Republican People's Party made a very penetrating criticism of the draft law in the Senate arguing that it seeked to enrich a fraction of the private sector via state resources with a short-term focus on rent-seeking rather than long-term accumulation.⁸⁴ Sadun Aren (MP, Istanbul) and Fatma Hikmet İşmen (Senate Member, Kocaeli) of Turkish Labor Party have strongly criticized the "private sectorist" nature of the Implementation Law. İşmen argued that transfer of public funds for private sector use was not a public function of the state and hence it was against the constitution and the principles of social justice. Aren was also considering the encouragement of the private sector by the Implementation Law as contradictory to the concept of planning. Interpreting planning as an instrument of

"etatisme on behalf of labor", he argued for the leadership of public sector for a state-led "non-capitalist path of development" which would leave the "private sector" on its own in this process devoid of state support.⁸⁵ Outside socialist circles were also extremely concerned about the potential hazards of this implementation law and reacted immediately with strong discontent to its ratification by the Parliament.⁸⁶

The ratified Second Five Year Plan document put the accent on the encouragement of the private sector investments "in harmony" with the economic and social principles of the plan. The introduction of an open mechanism functioning rapidly is envisaged along with the simplification of formalities to emancipate the encouragement measures from their dispersed status.⁸⁷ Without specifying the particular "institutional mode" of implementation, the enlargement of interaction between the private sector and the State Planning Organization is noted in the section on the implementation order of the plan. But this was limited to channeling of information and "assistance" to the private sector by the State Planning Organization on the course of economic development and investment opportunities.⁸⁸ The plan specified a "Development Fund" in the investment expenditure section of S.P.O. budget for this purpose to follow R&D research and latest technological changes related to economic and industrial development.⁸⁹

The objectives of Law No. 933 on the Principles of Implementation of the Development Plan had been described explicitly in the Consortium Report on the Second Five Year Plan as follows : "The objectives of this law are *to speed up the administration of development by giving very wide powers to the Council of Ministers in areas which previously would have required Parliamentary legislation ;*

to clarify the ability of the Government to divert public funds to the private sector or to mixed enterprises and to make more selective and more speedy the taking of measures to encourage exports and investments. (italics mine)"⁹⁰ In an article published in the Official weekly newspaper of Chambers of Commerce, the underlying reasons were presented with more clarification from the standpoint of the private sector in general. The establishment of transferable funds from the budget is found as legitimate in order to "provide elasticity for the circumscription and brakes (in terms of legal obligations and the formalist habits of administrative cadres) to which state expenditures are subject to".⁹¹ In order to achieve these objectives, the law introduced new critical encouragement measures as well as enlarged the domain of incentive laws already in effect. Most importantly, the law also introduced a new institutional basis of incentive implementation as the "single" authority on the issue. The principal components of "Implementation Law" No.933 are summarized below with reference to their institutional context of implementation inside economic bureaucracy.⁹²

Development and Encouragement Funds (Article 1-A)

As part of the "financing" section of the Law, it is made possible to transfer resources from the annual General and Annexed Budgets (also foreign resources) to private sector investments in accordance with the objectives of the development plan and priorities set forth in the annual programs. In the budget of the Ministry of Finance, a section called "Development and Encouragement Funds" is opened every year where different funds are indicated. The intermediaries (banks, co-operatives etc.) are determined with decrees of Council of Ministers. In application, the method and terms of transfer of the funds to the intermediaries via the Ministry of Finance

were to be regulated by the State Planning Organization. On the other hand, the utilization from the funds can be made within or the following budget year on a partial basis depending on the type of investment.⁹³ The same principles are also made applicable for export promotion in the law (Article 3-A) and the institutional form implementation. The institutional network for the determination of tax rebates are now the Ministry of Commerce, Center for Development of Exports and the "Bureau for Encouragement of Investments and Exports" of State Planning Organization.⁹⁴

Participation Shares to Mixed Enterprises (Article 1-B)

In order to provide state support for investments where private sector is not in a position to realize on its own and where capital is not concentrated in the hands of a few number of firms, funds are established in General Budget-Ministry of Finance section to show the state shares of prospective mixed enterprises. A S.P.O document stated clearly the conditions of public participation in mixed enterprises as follows :

"Mixed enterprise should be built up in regions where private entrepreneurship does not step in or in large scale enterprises where the private sector would not undertake because of insufficient capital or on areas which *do not provide profitability for a certain period or on areas carrying a risk potential (italics mine)* or areas of production which require a large organization for the adoption of a new technology."⁹⁵

Investment Allowance (Article 2-A)

The ceiling ratio under Law 202 as discussed above was % 30 for industrial investments. Law 933 had raised this ceiling value up to % 80 *for all sectors. (italics mine)* The percentages to be applied according to regions and sectors would be

specified in the annual programs. In application, annual program decree should be prepared by S.P.O in a way that that the varying ratios for different sectors and regions should not be subject to frequent revision. After the decree has been prepared by the *Economic Planning (italics mine)* and Coordination Departments in Cooperation with the "Bureau" , the draft would be subject to discussion between the representatives of S.P.O. , Ministries of Finance, Commerce, Customs and Monopolies and *Union of Chambers. (italics mine)* The formed decree would be sent to Council of Ministers taking the approval of High Planning Council. This decree would determine the sectors that would benefit from partial or overall tax exemption and its details of application. ⁹⁶

Customs Duties Exemption & Tax Rebates (Article 2-B)

Partial or in case, overall exemption from duties on imports as well as partial or overall rebate of these duties according to sector is determined by a Council of Ministers decree. Customs installment would continue as had been specified in Law 474 discussed above. We observe that since the implementation process of the "Customs Exemption" article of "Law" was sensitive in terms of its effects on import-substituting industries, a governmental decree was considered as necessary. Although S.P.O was responsible for the preparation of this decree, the draft would be subject to discussion between the representatives of S.P.O. , Ministries of Finance, Commerce, Customs and Monopolies and *Union of Chambers*. The formed decree would be sent to Council of Ministers taking the approval of High Planning Council.

Land Expropriation for Industrial and Touristic Areas (Article 2-C)

The formation of touristic and industrial regions and necessary legal expropriation of land is made possible with a Council of Ministers Decree. It would be

delivered later to private sector who would build their own enterprises in these regions. Each region would be considered as a self-consistent 'project' in implementation where a Central Working Group would work on different projects in cooperation with related state institutions on the development of these projects. (Ministries of Industry, Tourism, State Irrigation Affairs, Etibank etc.)⁹⁷

Recruitment to Civil Service (Articles 7 & 8)

In cases when plan implementation requires special skill, promotion can be made to the different posts in various ministries especially Ministries of Finance, Commerce, Industry, Transportation, Public Works and Agriculture irrespective of seniority of service by any rank thought appropriate. Civil Servants promoted as such are paid on regular salary scales. *Experts of various types can be employed under contract on a temporary basis at any pay rate. (italics mine)*

The Genesis of the 4th Department inside the State Planning Organization

The most important part of the "Law" set forth in Article 4., however, was the establishment of a new institutional kernel of incentive implementation called as "*Bureau for Encouragement of Investments and Exports*". With the establishment of the "Bureau", the functions of both the Export Tax Rebate Commission and Commission dealing with Customs Installment came to an end. Significantly, no further application could be made to the Ministry of Finance concerning investment allowance and the operations currently carried out by the Ministry of Finance concerning "investment allowance" were actually transferred to the "Bureau".⁹⁸ It was formed as a "centralized" incentive implementation organizational unit directly linked to the Office of the Prime Minister. Although it was directly linked to the Office of the

Prime Minister as had been stated in the "Law", the "Bureau" began to be administered by the State Planning Organization and started to operate after the related Prime Ministerial notice on 13 September 1967.⁹⁹ Given the situation as such, it is understood that the institutional status of the "Bureau" was not so clear in the minds of its "designers". "This bureau is directly under the instruction of the Prime Minister ; it is at the outset to be administered by the Undersecretary who is the head of S.P.O. but *it could later be transferred to another Ministry*. The Bureau is no formally part of the S.P.O. though it clearly will have close links."¹⁰⁰ It was stated in the S.P.O document on the implementation principles of Law No. 933 that the "Bureau is not a Department of S.P.O but an organization linked to it." It was also stated in the same document that the administration of the 'Bureau' is handled by the Undersecretary of State Planning Organization on behalf of the Prime Minister.¹⁰¹ It can easily be detected from the above lines that there had been a constant search to provide an "independent" if not autonomous status to the established kernel of incentive implementation called as "Bureau". The logic of its establishment constituted the embryonic form of "neoliberal centralist" institutional mode of regulation of post-1983 period in Turkey. Due to the related article of Law No.933 on recruitment to civil service, both permanent and contract-based staff could be appointed to the Bureau. Staff in other state ministries could be employed if found necessary by the State Planning Organization. But what was crucial in this quite arbitrary form of selection to bureaucratic service was that the political authority and the proto-neoliberal fraction inside S.P.O was both utilizing the personnel recruited to S.P.O's conventional departments in accordance with the original Law No. 91 on the

foundation of S.P.O and the 'temporary' contract-based staff. Seemingly founded on a 'merit' basis at first sight, such a policy of staff recruitment was damaging the internal coherence of S.P.O. "With the 4. & 8. Articles of Law. No. 933, the employment of cadre and temporary status staff in the implementation of encouragement measures (development plans) in the related institutions has achieved legal status . Henceforth, the possibility of employing contract-based staff on a temporary status was recognized and the employment of staff *in all the units* of State Planning under the 933/4-8 status was a large practice. These staff do not have their cadres. For this reason, it is possible that the contracts of the temporary-status staff can be canceled and they can be fired with the payment of necessary compensation. It is seen that the number of staff working under this status is high." ¹⁰²

As will be seen, the 'neoliberal centralism' of 1980s at a much more encompassing level will reiterate the similar underlying logic as such in the restructuration of economic bureaucracy. However, the anchor of "centralism" of incentive implementation in 1967 was initially left "open" since there might have been institutional conflicts inside the economic apparatus of the state (including the State Planning Organization) about the "effectiveness & speed" of implementation. Indeed, Özal was aware of this "potential" problem. We learn that there was resistance to the formation of the 4th Department on Incentive Implementation in the Planning Organization. "My major dispute and struggle with Turgut Bey emerged on the idea of establishing this Department....One and very important point was the plantation of this Department as a unit of "execution". This issue was discussed in the High Planning Council and I opposed it. Evner Ergun (Head of Social Planning Department) supported me. As a result, we blocked the law. We resigned at the end

of 1967 and a few months later, the law was admitted."¹⁰³ He put the primacy over the "political authority" in the initial period of incentive implementation. For him, the anchor was "political" and not "institutional". Özal said that "implementation can be in the hands of various hands but there are great benefits that political decisions are prepared in one hand." It is why a separate Board responsible for money-credit issues (Money and Credit Board) and a Coordination Board were established sharing the powers of the High Planning Council on economic policy issues.¹⁰⁴ However, being confident of both the political status of the Justice Party and his dominance inside the State Planning Organization, the kernel of incentive implementation had been extended to be the famous "4th" Department inside the State Planning Organization in 1968 to "speed" up the encouragement of the private sector. In fact, Özal left the preparation of the legal framework of Law.No.933 to a close friend Yılmaz Ergenekon, an Associate Professor from the Faculty of Law of Istanbul University who later would also be the Minister of Finance in the first Nationalist Front government in mid-1970s. The preparations of Implementation Law was basically a "secret" issue between Özal and him where Ergenekon was not officially entitled with any "function" in the State Planning Organization during this process.¹⁰⁵ After the ratification of "Law", Ergenekon was officially appointed as the "Director of the Branch for Financial and Legal Measures" which was a division inside the Coordination Department. But he first became the Director of the "Bureau" and then the "Head" of the 4th Department after its establishment in 1968. In fact, Ergenekon also became the Vice Undersecretary of the State Planning Organization on 24 October 1968.¹⁰⁶ The "Bureau" started to handle all operations concerning the

encouragement of investments and exports as indicated in Law No.933. Moreover, it was entitled to use its discretionary powers in particular investments and projects that became a fundamental point of criticism of its extended version (i.e. Incentive Implementation Department) later in terms of its "raison d'etre" inside the State Planning Organization. It was said in the Consortium Report on the Second Five Year Plan that "*The decisions can be made ad hoc and tailored to particular enterprises and particular investments.*"(italics mine) ¹⁰⁷ With the overall collection of investment and export encouragement implementation with foreign capital operations inside the body of State Planning Organization, an "Incentive and Implementation Department" had been formed by a Prime Ministerial Confirmation on 9 May 1968.¹⁰⁸ However, the legitimate existence of the Incentive and Implementation Department was delayed till the 1970 devaluation and the enactment of "Financement Law" where the legal existence of the 4th Department emerged as part of this law.¹⁰⁹ "The "Bureau" became a unit of this "4th" Department inside the State Planning Organization along with other formed units . The number of units of the 4th Department increased in time as a result of daily interaction with increasing demands of investors and exporters and by 1970 , there emerged seven units, all of them entitled now as "Directorates". These "Directorates" were namely , Directorate of Investment Encouragement ,Directorate of Customs Reduction, Directorate of Export Promotion, Directorate of Organization and Follow-Up, Directorate of Project Evaluation ,Directorate of Foreign Capital. The number of cadres donated to the State Planning Organization reached by this time to a figure of 594 with 349 being technical staff. Such an expansion in the number of staff was basically an expansion in

the number of cadres of the 4th department which became later a major point of criticism against Turgut Özal and his circle after 12 March 1971 by the "reformist" government of Nihat Erim.¹¹⁰

The *raison d'être* for the establishment of a separate Department inside the S.P.O as such was portrayed as follows : "With the establishment of a separate department implementing incentive measures inside S.P.O, the organic link which must be present between these incentive measures and S.P.O has been formed while at the same time those departments preparing the plan and programs are channeled to concentrate on these duties."¹¹¹ The above lines are significant to understand how the independent 'Incentive Implementation Department' had been envisaged by Özal and his circle. There is the 'normative' imposition of the formation of the 'organic link' between those who would benefit from the encouragement measures and the S.P.O as the institutional base of their implementation. The move towards such an institutional establishment was legitimized by the 'withdrawal' of plan-related departments from their 'inspection' role under the Laws No. 202, 261 and 474. The concentration on project-implementation for the 4th Department served the dual role of forming the relationship with industrialists seeking state-support but also controlling the potential 'brakes' which might have emerged from the conventional planning departments.

The implementation of Law No.933 came into effect rapidly with the 1968 annual program and a decree regulating the utilization from encouragement measures. Four major divisions form the inventive measures in the annual program in line with Law. No. 933. These were "Funds", "Allocations from Foreign Credit Sources", "Participation in Mixed Enterprises" and "Encouragement of Investments". The

annual program systematized the incentive measures according to sectors.¹¹² A very important component of 1968 program was the introduction of a certificate for partial and overall exemption from Customs duties for investments capable of competing with world markets and especially the Common Market. The investors should have applied to the "Bureau" in order to obtain the exemption certificate. The "Bureau" investigated the capacity of investment, whether the new investment brought a new technology, whether it could produce at world prices and its conditions, whether it was export-oriented and whether it contributed to import substitution or not.¹¹³ Apart from the aforementioned major components, the implementation of the 'Law for the Encouragement of Foreign Capital' was transferred to State Planning Organization by a governmental decree based upon Law No.933. Other important elements of plan implementation law were project-based foreign exchange allocation, Special Export Funds and Selective Credit Implementation.¹¹⁴

Private sector was extremely content with the "suitable environment" the Second Five Year Plan provided. Big industrialists were explicitly supporting the implementation of the "Law".¹¹⁵ General Secretary of Union of Chambers of Commerce, Necmettin Erbakan was indicating that the "offers" to the S.P.O have been prepared by the contribution of *whole business community (italics mine)* and the plan document contained the main principles of the private sector but he would later be appointing to its implementation. From the early days of the implementation of Law No. 933, the conflict between industrial and merchant capital became an apparent issue. Erbakan was complaining about the fact that credit volume envisaged

in the encouragement measures had been unsatisfactory i.e. it was allocated largely to big industrialists and not to small industry and merchant capital. He also pointed out the absence of the role of the Union of Chambers in the plan document as deficiency.¹¹⁶ It is significant that the internal contradictions of business after the start of incentive implementation in 1968 became apparent as against to what Erbakan had said on the unified status of business. The major beneficiaries of the Law No.933 were targeted as industrialists investing on projects of a certain value even though the results of implementation were different . On the other hand, there were meetings with the private sector to expose the structure and operational status of Implementation Law, especially the Incentive Certificate System in the beginning of 1968.¹¹⁷ The representatives of industrialists were especially concerned about the enforcement of projects above a certain value in the plan and were curious about whether the projects of the industrial sector would not benefit from encouragement measures confirming what Kansu said above. They also asked whether public sector investments would benefit more from these measures since they obviously would be grand projects. The criticisms of the private sector pointed towards the contradiction between the plan document and its implementation. In practice, encouragement measures would be used by a diverse set of private sector investment projects which would become a matter of criticism, especially after 12 March 1971 military memorandum. Özal and his colleagues were defending the "scale economies" of these big projects but implicitly forcing a monopolization path in the industrialization process disproving Erbakan's aforementioned appeal towards small and local trade and industry.¹¹⁸ Not similar to the form as Erbakan expected, there was an

institutional link between the Union of Chambers and the State Planning Organization. Projects above a certain magnitude indicated in the program decree could be evaluated by the Union of Chambers with respect to investment quotas if they had received the 'incentive certificate' to be given by the Project-Evaluation Branch of the Incentive and Implementation Department.¹¹⁹ By such a mechanism, a direct link between S.P.O and Union of Chambers which was responsible for the allocation of foreign exchange in practice was established. This meant that the competition for obtaining the certificate was at the same time a competition for obtaining foreign exchange where S.P.O was directly connected to the process via the institutionalization of the 4th Department. The infiltration of daily "project" and incentive implementation inside the State Planning Organization had removed its fundamental tasks out of the organizational agenda. The planning organization which had been established to make long-term plans became identified with the "service" of the 4th Department where the functions of other departments "ceased". The essential difference between the spheres of "Plan" and "Implementation" intrinsic to the period of limited autonomy vanished. As a result of the related article on "Staff" recruitment of Law No.933, the overall staff of the organization had reached to a number of about 600 people within 3.5 years of time thanks to the increase in the number of staff working in this department. The penetration of daily project "follow" up for particular applicants in the private sector canceled the "above" and "outside" consultancy status of S.P.O. vis a vis Departments responsible for the implementation of the plan and annual programs. The establishment of the "Bureau" and the subsequent "4th Department" were the "institutional eclipses" of the remnants of limited autonomy of S.P.O vis a vis the short-term needs of industrial capital. The

autonomy of State Planning Organization as emerged after 27 May 1960 came to an end with the introduction of an institutional kernel at the mercy of daily demands of rapid capital accumulation. The underlying reason for expanding the staff of the planning organization (actually the staff of the 4th Department) from the view of the "other" rival bureaucratic power i.e. the Ministry of Finance was explained by Ziya Müezzinoğlu as follows ; "While forming his own cadres ,the new Undersecretary at that time, hesitating to take "absolute" decisions, more precisely without forming an opposition group against himself and keeping the "old" cadres in their places had preferred to form new cadres on his side. It is due to this reason that the number of cadres of State Planning Organization had increased suddenly. The "old" cadres who shouldered the plan in our time had been kept aside and made ineffective. This is the period when the "takunyacılar" in the Planning Organization had dominated the situation."

120

The 4th Department was primarily oriented towards the channeling of funds towards certain "predetermined" projects in the minds of Özal and his circle. Its installation inside the Planning Organization was not serving the purposes of building a "market economy" but "enforcing" investors by the fund mechanism to complete projects which were seen as vital by Özal for "development". "Private sectorism" was substituted in lieu of "market economy" which led also to confusion after "neoliberal reforms" in 1980s. The following lines by Günal Kansu who was in the "vicinity" of Özal in those days belonging to the "old" planner group (i.e. those working after 1962 after the resignations of early planners.) provide a vivid picture of the establishment of the 4th Department and the underlying economic philosophy behind Law. No.933. which carried strongly "illiberal" elements. "When Turgut Bey came to

the Planning Organization, there were the elements of this incentive affair. It was not institutionalized, not extended. It was something newly flourishing, not systematized. The moment he saw this, he grasped immediately how effective a weapon it could have been in his hand. He was a very clever man and beyond being clever, he was an entrustfull man in a different direction than us. *His economic beliefs were as strong as his religious beliefs (italics mine)*. He formed a "Development fund." We discussed the issue with him. State Planning Organization had been in the position of "technical consultant" till that time on incentive affairs. The responsibility belonged to "Interministerial Council". It only presented its "views" on tax rebates, investment allowance, customs reduction etc. This was done by the specialists in the Department of Economic Planning. Turgut Bey wanted to take this from the Department of Economic Planning and convert it to a separate "4th" Department. Yılmaz Ergenekon initially came to the Planning Organization as his Consultant. We were wondering why this man came to the organization since he did not have a recognized position in the Planning Organization even though he was so close to Turgut Bey, entering his room etc. We learnt later after many months that he had been working on this Law No. 933, inventive system. Its "brain" was Turgut Bey but its "executer" was Yılmaz being a specialist of "law". It is no doubt that the original idea of the "Law" belonged to Turgut Bey. He saw this immediately. (*i.e the power of the incentive system. H.B*)

It is popularly said that it was Turgut Özal who "formed" the "market economy". In my opinion, at least in the period I knew him, Turgut Bey was *not "pro" of market economy but was "pro" of the private sector. (italics mine)* Those two are not the same. Turgut Bey sided with the realization of the projects in his mind not by the State Economic Enterprises, but by private entrepreneurs, Koç, Sabancı etc. I know it

closely. I was involved in some of them .He *enforced* them.(i.e *entrepreneurs H.B*) He was *dictating* (*italics mine*) the entrepreneur that the capacity will be this amount and not this, the technology will be like this and not that, its place will be here and not there etc. Since he could not achieve this only by *persuasion* (*italics mine*), he was saying that "if you do what I say, I will give you this amount out of the fund"..... He did not like the SEEs and found them as "clumsy".It must be admitted that he was thinking on more healthier terms than us on that. However, *no anxiety existed in his mind so as to try to settle the market mechanism, eliminate the imperfections there and provide a policy decision-making environment for the investor in which he could make healthy decisions.*"(*italics mine*) ¹²¹

The above lines gives one important clues about the "institutional mode of regulation" of 1980s. It would not be through institutionalized but rather personal-clientelistic relationships that the outward-oriented policy reforms would be carried out after the takeover of the Motherland Party in late 1983 which we find its strong lineages in these years.The emergence of "neoliberal centralism" after 1983 which centralized the "anti-statist" reform process had its formative lineages in the Second Five Year Plan Period. Rather than allowing an interactive space of development for market participants, a certain kind of "enforced private sectorism" around state-supported critical projects favoring big industrialists emerged during the implementation of the Second Five Year Plan. As is seen below, governance by "decree" on critical issues against accountability to legislative power and centralization of decision-making formed the centralist, if not yet in its mature "neoliberal" form, core of the mode of regulation of 1980s having its roots in the politico-economic setting of the implementation Law No.933.

Institutional and Political Opposition to Law No. 933 : Annulment Decision of the Constitutional Court

The macroeconomic and sectoral context of the implementation of Law. No. 933 gives certain clues to understand why the preference of rapid accumulation by industrial capital had been lying at its "backdrop". The Second Five Year Plan left the principle of balanced growth of industry and agriculture which was intrinsic to the First Five Year Plan. Industry became in principle the "dragging" sector in overall economic growth and development and its share in national income in 1972 was projected to be %20.5 from a figure of %16.3 in 1967.¹²² The objective of industrialization as such , however, assumed -or reassumed- an underlying division of labor between the private sector and the public sector in the course of industrialization. In this period, the second stage of import substituting industrialization, i.e. the completion of manufacturing of consumer durables and transition to production of intermediate and investment goods, was envisaged by planners. The implicit division of labor in this industrialization strategy was that foreign and domestic private capital would undertake the manufacturing of consumer durables and the public sector would undertake the manufacturing of intermediate and capital goods.¹²³ The Second Five Year Plan was vague and somewhat static on breaking the "vicious circle" concerning the "foreign exchange constraint". Although there was a serious accent on increasing the volume of industrial (and agricultural) exports, the high import dependence of domestic production also limited the proclaimed "export drive". Özal was emphasizing the need for foreign aid during the Second Five Year Plan to achieve the growth target of % 7 and to reduce the dependency on foreign resources is subordinate to the realization of this target. He

argued that it would be during the Third Five Year Plan that demand for foreign credit would not be necessary. ¹²⁴ In fact, when the export performance in 1968 and in the first half of 1969 was much below than the expected as a result of the encouragement measures, the "planners" started to accuse the overvalued fixed exchange rate system and initial import controls in early sixties for the deteriorating balance of payments conditions which in fact was a result of unplanned foreign exchange utilization as reflected in the arguments for "assembly industry." ¹²⁵ Hence, the plan or more precisely the plan implementation wanted to break the vicious circle by the "injection" of incentive measures to induce the profitability of private sector investments. With the expansion of industrial investments, the import-dependence of both private and public sectors increased given the limited foreign exchange availability. Hence, there appeared a quarrel between the private sector which wanted the state to limit its import volume and the public sector on achieving their "proclaimed" objectives. ¹²⁶ Moreover, in comparison to first and third five year plans, the realization of total fixed capital investments in the Second Five Year Plan with a rate of % 92.30 exceeded the realization in the others. However, the realization of private fixed capital formation in the Second Five Year Plan is also the lowest among the three plan periods. ¹²⁷ This, in turn raised a significant question about the effectiveness of incentive implementation in those days in terms of whether rapid industrialization was 'production-centered' in the long-term or was being distorted towards 'rent-seeking.' Hence, the "mode" of industrialization favoring the short-term demands of industrial capital during the Second Five Year Plan brought on to the agenda the so called famous "Assembly Industry" debate. The socialist circles of

all varieties including the Turkish Labor Party have criticized the "assembly" nature of emerging private industry as "waste" having socially undesirable consequences at the end of 1960s. It is rather a critique of the 'distorted status' of ISI which can not move towards its further stages since industrial capital does not behave in the direction of 'national' interests i.e. undertake the production of capital and investment goods but rather concentrate on assembling and packaging of 'luxury' consumer durables, that is behave as the 'agents' of international capital. In other words, the varying foreign and domestic parts of the produced goods are assembled in the domestic setting. The critiques have argued that the production of consumer durables including the automobiles as well was undertaken by industrial capital which had license connections to international capital producing the intermediate and capital goods necessary in the production of the domestically assembled goods. In this critique, foreign capital only is interested in terms of penetrating the market for the purpose of sustaining the import-dependence so as to prevent the overall domestic production of the commodity. This was the principal reason for which the Turkish left made an heavy criticism of foreign capital in those days. In this way, the "anti-national" production structure as such serves the luxury demand of high income groups with huge amounts of socially wasted foreign exchange. What was suggested in return was either the prevention of foreign capital entering the country so that domestic capital should undertake the overall production process or a state monopoly should be required in areas requiring advanced manufacturing technology and are highly profitable due to monopoly status. Another proposal was to eliminate the assembly industry operating for the demands of luxury consumption of high income groups. Instead, industrial exports should have been encouraged on one hand, and on the

other, those industries increasing the welfare of low income groups should have been developed in accordance with the principle of social justice. If the domestic production of such luxury goods would be produced, not assembly firms but rather factories for iron, steel etc. basic raw material and motor industry should first be established so as to avoid foreign exchange waste. Assembly firms on an overall domestic basis for these goods can then be established. ¹²⁸

It is in this context that the opposition to the implementation of Law. No.933 found a strong echo in the parliament and in the public opinion. The resistance to the "Law" which continued and gained strength after its ratification in the parliament. Transfer of tax-revenues for rapid capital accumulation was not acceptable in an environment of planning which should only rest on "indicative" terms for the private sector. For this reason, the opposition parties, especially Turkish Labor Party, were resisting the unconstitutional nature of transfer of tax-revenues to the private sector in the form of "funds" based on Article 61 of the 1961 Constitution which stated that tax payment was contingent upon the realization of public expenditure. The argument put forward by Turkish Labor Party in 1968 budget meetings was that it was not a "public service" to make expenditure out of tax-revenue for the private sector in lieu of normal credit conditions in the market. Tax-revenues could only be allocated for public benefit and therefore both the utilization of these funds by the private sector and their permission by the political authority constituted a "guilt".¹²⁹ As a result, Turkish Labor Party applied to the Constitutional Court for an action for nullity concerning all the articles of Law No.933.¹³⁰ The demand for annulment stated that the "formal" legislation process of the "Authorization Law" was against the

Constitution because the law came into effect by the votes of post-election formed Reliance Party members without taking into consideration the participation ratios of their members in Assembly and Senate commissions. Substantially, the bill of action stated that law was of a character *which transferred the legislative functions of the parliament to the government. (italics mine)* It authorized the government to make "decrees in law" and provided it the possibility to "freeze" those laws possessing articles in contradiction with the decrees in the period the decrees would be in effect. Finally and most importantly, the "Law" provided the opportunity to make changes in the expenditure items of the "Budget" by decrees. This was considered as against the Article 126 (Budget) of the 1961 Constitution since the budget was finalized by the parliament by law and hence such an "authorization" could not have been delivered to the government by decrees. Likewise, The bill also claimed that the "Law" was allowing the government to use an authority of the state which had no offspring in the Constitution as the Article 4. on "sovereignty" of the Constitution had stated . Moreover, Authorization Law was delivering the legislative powers of the parliament which could not be delivered to others as had been stated in Article 5 of the 1961 Constitution.

Three major concerns are identified in the Bill of Action regarding the anxieties of the Turkish Labor Party on the implementation Law. The first is on how a "privileged" entrepreneurial class would be subsidized by the delivery of the authority of the parliament to the administration. "It will be possible with this Law that , without taking into consideration any principle, *a board consisting of doubtful persons appointed by procedures vulnerable to all kinds of fraud,* the Prime Minister and the *Planning Organization working dependent on him (italics mine)* changing de

facto the Constitution and its principles, the hierarchy founded by current laws and the order operating thereby and putting the social and economic life into a chaos for the interests of some private enterprise and some persons and firms, the comfortable and open establishment of a period of pillage without law." The second is on how the bureaucratic hierarchy depending on merit and long-term state career was abused by the Law with the arbitrary appointments to be made by the political authority where the 'career' state officials would be removed from office without any legal right of court application. Hence, the proposed staff system was abolishing the rank & tenure inside bureaucracy and changing the bureaucratic structure by making arbitrary appointments. Thirdly, the bill stated shortly that tax and duty exemptions and rebates were not specified along with the indeterminate definition of "investment goods" imported. "Bargains" would start on the amount of rebates after the imported goods had been specified as "investment goods" in the Planning Organization. Hence, governmental decrees will make certain fractions of business enriched by this "flexible" resource system which is absolutely open to fraud and corruption. Land expropriation for individual benefit was also opposed in the document. ¹³¹

The application of Turkish Labor Party to the Constitutional Court on the "unconstitutional" substance of the "Authorization Law" had far reaching consequences for the evolution of proto-neoliberal orientation inside economic bureaucracy, rapid accumulation of big capital and later neoliberal reforms in 1980s. The application, first of all, is unique in economic and institutional history and also in the history of socialist movement in Turkey after 27 May 1960. It can be said that labor opposed from a legitimate stance to a key legislation enacted for the benefit of industrial capital for the first and last time at one of the highest legal echelon of the

"state" present in the 1961 Constitution. The application, as will be seen below, resulted with the cancellation of major articles of the implementation law. Its significance was that state power at the constitutional level was still responsive to the remnants of limited autonomy at the end of 1960s which would not be the case after the memorandum of 12 March 1971 and the subsequent changes in the 1961 Constitution against the rights of labor. The opposition of Turkish Labor Party to the "Authorization Law" which had been enacted to speed up the accumulation and concentration of industrial capital outside the spheres of the Constitution and the original concept of planning is rather a defense of the early production coalition from the labor side. In other words, with the advent of unregulated accumulation by incentives and inflationary financing of development, labor started to resist on "constitutional" terms revealing her somewhat ambiguous "faith" in the political manifesto of the productive coalition, i.e. the 1961 Constitution. As industrial capital moved on dismantling the terms of productive coalition -which the state-builders after 27 May 1960 forced -at the expense of labor and "new" bureaucracy, labor also started to oppose to such a "centrifugal" movement of industrial capital on legal terms defending the rights donated in 1963. The situation would be absolutely different after 12 March 1971 and rapid capital accumulation would continue with "despotic" forms of state power after the Constitutional changes. In 1970s, labor would shift to a "militant" stance in the absence of a legitimate representation in the parliament and aggressive capital-labor conflict would dominate the political scene.

The application of Turkish Labor Party to the Constitutional Court for the annulment of Law. No. 933 had indirectly a long term effect in terms of economic governance in Turkey. Since the process of legislation in the parliament was long and

there had always been the possibility of annulment by the Constitutional Court, the Motherland Party embarked on neoliberal reforms after 1983 elections with "decrees in the force of law" rather than parliamentary legislation. For instance, even though the Motherland Party had the majority in the parliament, Özal had resorted to an "Authorization Law" enacted by the "National Security Council" for the decree and hence the establishment of "Undersecretariat of Treasury and Foreign Trade" came out on such a legal basis.¹³² In other words, the consciousness of Turgut Özal and his close circle with respect to the political and constitutional brakes at the end of sixties, resulting from the existence of a strong constitutional and social opposition had later shaped the institutional mode of economic regulation of a new form of capital accumulation after 1983. The fact that no similar social and constitutional opposition existed in 1980s is an evidence of the aforementioned "decree" paranoia of the Motherland Party.¹³³

The opposition was not unique to the Turkish Labor Party. As the results of Law. No.933. and the developments inside the S.P.O began to be more apparent, intellectuals of the day started to express their discontent of the developments concerning plan implementation. Sensitivity over the principal functions of the planning organization and the discontent on the activities of the 4th department.¹³⁴ The opposition against the implementation of Law No.933 has found its "natural" ally inside the state apparatus, namely the Ministry of Finance. The Ministry of Finance implicitly developed its opposition from the early days of negotiations and enactment of the law. We learn from a S.P.O document prepared by the 4th Department saying that the Ministry of Finance was reluctant to transfer the 'Development and

Encouragement Funds` to intermediaries in 1969.¹³⁵ It is even known that Kemal Cantürk, the General Secretary of Treasury of the day who belonged to the so called harmonious "Triumvir" of economic bureaucracy opposed the draft of the "Law" in the Budget-Plan Commission.¹³⁶ The issue of the transfer of funds from Treasury sources to the private sector was by no means accepted in the Ministry of Finance. We also learn from the press of the day that a report had been prepared by State Planning Organization on the insufficient performance of ministries. Although the report had drawn attention to the work done by different ministries, its principal target was the Ministry of Finance which slowed down the research and inspection of the legal process of budgetary transfers in accordance with the implementation Law. In specific, the slow work carried out by a group of inspectors formed by the Head of the Board of Inspectors of the Ministry of Finance was subject to complaint in the aforementioned report.¹³⁷ On the contrary, the inspectors belonging to "Board of Inspectors" and "Tax Specialists" would later come to the State Planning Organization and examine the "appropriateness" of transfer of funds and the activities of the 4th Department after the 12 March 1971 memorandum. Özal had started to consider the Ministry of Finance as a "conservative" force inside the state apparatus even before his days in Planning Organization. He even confessed to Kemal Cantürk, the Secretary of Treasury in 1968 that he wanted to enter politics just simply to break down the power of the "bureaucracy" inhibiting any change.¹³⁸ His attitude towards traditional bureaucracy with its traditional power as a major obstacle on the rapid development path of Turkey was entrenched with these developments. Such an institutional "inspection" by the Ministry of Finance would shape Özal's long-term

consciousness on the state apparatus in Turkey and his targets for the implementation of policy reforms after 1983.

The annulment decision of the Constitutional Court on major articles of the Implementation Law was declared on 25 October 1969 without a statement of reason after almost two years of its enactment in the parliament.¹³⁹ The Court did not permit time for the government to "pass" a new law and put the decision into effect from the date of the declaration of the decision.¹⁴⁰ The opposition was extremely content with the decision of the Court and argued that the period of "enrichment" of a privileged fraction of business with state resources was over. Since Turkish Labor Party had lost its group in the Parliament in 1969 elections and internal problems began to dominate the agenda of the Party, no serious reaction could have been observed by the Turkish Labor Party on the issue. It was rather the applicants of Republican People's Party to the Constitutional Court who was in conformity the decision of the Constitutional Court.¹⁴¹

The annulled articles of Law No.933 were the pillar articles of encouraging the private sector. The article on the "Development and Encouragement Funds" had stated that the conditions of the utilization from these funds would be specified in the annual programs. It was been found as against the Constitution since no definite framework on the transfer, reimbursement and audit of Treasury and foreign resources for the intermediate institutions (i.e. banks, cooperatives etc.) had been stated in essence. The determination of the type and ratio of state participation in mixed enterprises in annual programs as well as tying the budget "a priori" to these forms of participation was also found as against the Constitution. Law No.933

authorized the Council of Ministers to determine tax and duty exemptions and exceptions. The decision annulled the related article of the Law for the reason that it was against Article. 61 of the 1961 Constitution which explicitly stated that tax, duty and fiscal regulations could only be arranged by law. Hence, investment allowance as applied with a ratio of up to % 80 became void after the annulment. Recourse to ratios in Law 202 legally became the implementation practice. It is, however, important to note that during the changes of in the 1961 Constitution in 1971, an section was added to Article.61 of the Constitution authorizing the government to make changes on tax and duty exemptions and exceptions. It is a partial evidence that the direction of "1971 Regime" was parallel to the expectations of the Justice Party on the mode of governing economic change. The Constitutional Court did not also consider the land expropriation as against the Constitution at first sight since there was public benefit in the action, but the transfer of the expropriated areas to private persons was found unconstitutional since their utilization was subject to parliamentary audit and the obligations for their utilization by private persons should be determined by law. The decision did not consider the foundation and existence of the "Bureau" as inappropriate since it was a governmental rearrangement. However, there were also criticisms of making the Prime Ministry a unit of implementation by linking the Bureau to it even though it was a center of "political coordination" in essence.¹⁴²

The decision was "shocking" in all respects to the government and it became subject to extensive debates in political and business circles. Demirel, reproaching the Republican People's Party members and the National Unity Group in the Senate who allied with the Turkish Labor Party said : " "Authorization Law" would have turned the wheel of the state in Turkey much more rapidly and *would have abolished*

"bureaucracy". Its cancellation will be discussed in front of the public opinion. (*italics mine*)"¹⁴³ It is significant that Demirel was worried most on the cancellation of "investment allowance" item in the law considering also the non-canceled items valuable for economic policy.¹⁴⁴ Özal defended the plan implementation in the last two years as successful and argued that the legal gap after the annulment would be eliminated with the measures to be taken. He was especially trying to calm down business circles whose interests would be harmed after the annulment. In his declaration on the subject, Özal satirically said : "While inspections lasting two years on the "Law" have been made in the Constitutional Court, the "Law" has lived a broad implementation. The results have shown that the "Law" has been extremely successful....There is no point for anybody to worry with the idea that our development will *slow down (italics mine)* with the annulment of above mentioned articles of Law No.933. Development of our Turkey has accelerated, is accelerating. This development which is the will of our nation and the order and necessity of our new constitution will not slow down. As people who believe in the development of our Turkey, I believe that the gap that will arise out of the nullified articles of Law.No.933 will be covered rapidly with the measures to be taken."¹⁴⁵ Head of Incentive Implementation Department, Yılmaz Ergenekon said that the articles of annulment had no reference to tax rebates and tax rebates would continue as they had been. The Ministry of Commerce made also a similar declaration on the subject. He also added that those entrepreneurs who had already received an incentive certificate could benefit from encouragement measures as indicated in their certificates. The legal gap after annulment would be eliminated by the possibilities offered in other laws for

the continuation of incentive implementation and they would publish a pamphlet covering the two year plan implementation period indicating all the projects in it. The government also declared a "notice" on the issue which stated most importantly that investment allowance would be implemented with the percentages applied before the Law. No.933. It also declared the conditions of the cease of transfer of funds via banks , participation in mixed enterprise, customs exemption etc. after 25 October 1969. After the notice, the State Planning Organization who had prepared already the "implementation" program of 1970 settled on revising the program. New decrees were also prepared on rebates for transactions on touristic foreign exchange and vehicles.¹⁴⁶

In legal terms, the government made a recourse to the original laws on implementing incentives enacted before Law No.933 during the First Five Year Plan which still authorized the government to implement investment and export incentives.¹⁴⁷ However , in practice, we learn that the government continued to implement the incentive measures in Law. No.933 with the "surrogate" legal measures even after the annulment of the key articles.¹⁴⁸ An immediate "coverage" by Özal and Demirel was a governmental decree on 1 November 1969 on the status of alteration of Tariff Lists as part of the compensation after the annulment. This decree" now relying on Law 474 Article 2., decreased the Customs Tax Rates to '0' (nullification) for the investment-capital goods of projects over a certain capacity in certain sectors that are considered as fulfilling the preconditions by the 'Bureau'. The industrialists who were deprived of the fund transfer mechanisms in the first place were now tried to be compensated by the recognition certain big projects as politically privileged with

respect to the trade regime. The General Director of Revenues of Ministry of Finance, Adnan Başar Kafaoğlu resisted to this "nullification" decree with the anxiety that it formed a considerable loss of revenue for the Treasury. ¹⁴⁹

Even though Demirel and Özal were trying to "dominate " the "de facto" situation after the decision of the Constitutional Court, industrialists and merchants were extremely concerned about the anti-"Law" developments. Their common demand was the reconsolidation of new incentive measures in lieu of Law. No.933. Vice Chairman of Union of Chambers, Sakıp Sabancı defended the plan implementation as a "forward looking institution" and made the statement that "the bomb had fallen on the projects" which had been prepared trusting this law. He also added that the cancellation of articles would have a negative effect on investment activity and they would submit a "memorandum" to the government for the immediate preparation of a law in the same direction. Similar comments were also made by Vehbi Koç on the potential cease of investment activity after the "annulment". The influential Chairman of the Istanbul Chamber of Industry of the day, Ertuğrul Soysal made the interesting remark that the decision had been taken just only from the standpoint of "law" and not economic rationality . Incentives were "open to everybody" and that they were mostly used by the public sector. He added that industrialists were urgently waiting a new configuration for the incentive measures from the parliament.¹⁵⁰ After the strong defense of the authorization law by the industrialists, Özal made remarks on how right the principles of the implementation law had been as understood by the strong interest revealed in its favor after the decision of the Constitutional Court.¹⁵¹

After the annulment of critical articles of Law No.933 by the Constitutional court, Demirel government found itself in a position of "inertia". Demirel was declaring that they would send the Law No.933 again to the parliament and accused the "environment " as not conducive to development.¹⁵² However, the government was somewhat "enforced" to reorganize the planning organization due to the strong opposition on its presumed "perverse" structure both inside and outside the parliament. Even though it did not realize, it was said that Özal would leave office for the ambassadorship of a Latin American country and would be succeeded in State Planning Organization by the Director of General Revenues, Adnan Başer Kafaoğlu.¹⁵³ The institutional conflict between the Ministry of Finance and State Planning Organization during the implementation of Law 933 was decisive on how Turgut Özal would treat the implementation of 1980 economic liberalization during his Vice Prime Ministerial period in the military government after 12 September 1980. Adnan Başer Kafaoğlu, Consultant to Head of the State, Kenan Evren would again be a "restraining" factor on the policy decrees prepared by Özal cadres with an institutional edge of reconstituting the primary role of the Ministry of Finance inside the state apparatus. Moreover, the arrival of inspectors in 1971 from the Ministry of Finance, Nazif Kocayusufpaşaoğlu being the most important , to examine the accounts of incentive implementation had also sharpened Özal's targets inside the state apparatus.¹⁵⁴ Nazif Kocayusufpaşaoğlu would become the General Secretary of Treasury in 1980 and would strongly resist to Turgut Özal circle on the implementation of 24 January 1980 measures before and after the military coup in 12 September 1980. Hence, the "conquering" of Ministry of Finance and especially the

General Secretariat of Treasury as the core in it had been determined in Özal's consciousness long before as the principal target prior to policy reforms after 1983.

The clash between the Ministry of Finance and the State Planning Organization became explicit on the redesigning of Law No.933 during the draft preparation stage in the middle of 1970. In the new draft, the sectors in which the funds would be allocated were made clear in the related article including ratios of allowance to be applied to areas of investments and not left to be determined in annual programs. The novelty, however, in the new draft law was the establishment of an 'Development and Export Bank'.¹⁵⁵ The Ministry of Finance was after the control of the legally suspended development and encouragement funds and wanted the new bank to be established on a different legal basis than the 'to be renewed' Law No.933 which the S.P.O also approved from its own standpoint. They also wanted the new Bank to be under their control, which was a matter of complaint on behalf of the State Planning Organization.¹⁵⁶ We understand that the Ministry of Finance was hesitant about the potential 'danger' of the conversion of the bank into a central fund administration mechanism after the decision of the Constitutional Court. In fact, it was stated that one of the benefits of the establishment of the bank would be the centralization of the administration of the funds. It is understood that this would rather be directed towards breaking the link between the Ministry of Finance and the intermediaries as had been the practice during the implementation of Law No.933. "Since the 'Development and Export Bank' which is to be established with a different law would be a specialist bank in its field, it is envisaged as an intermediary organization in the utilization of the development and encouragement funds in terms

of providing unity, speed and harmony in implementation."¹⁵⁷ In that context, an apparent conflict between the Ministry of Finance emerged on the issue of the delivery of the *Interest Differential Fund*. S.P.O claimed that the difference between the interest payment from the fund user and the sum of the interest payments delivered to the Treasury and the bank would be reserved in the Development and Export Fund so as to be used as a subvention mechanism.¹⁵⁸ They claimed that the Ministry of Finance wanted this subvention mechanism to be under their control.¹⁵⁹ The aforementioned laws were submitted to the assembly as prepared by S.P.O in June 1970. However, there was no definite improvement in their legal enactment being interfered most probably by the hectic days of the August devaluation and its aftermath. With the resignation of JP government and the leave of office of Turgut Özal and his circle, it was canceled out from the legislative agenda during the "technocratic" First Erim government after the 12 March 1971 memorandum.¹⁶⁰ However, no definite improvement was observed on their enactment since the agenda started to change sharply towards the end of 1970 and the re-establishment of the legal basis of encouragement measures was postponed to the aftermath of the military memorandum of 12 March 1971. Their implementation would take a 'decentralized' shape but with increased volume under rapid industrialization during the Third Five Year Plan and remain so till the end of 1970s.¹⁶¹

It seems that the conflict between the Ministry of Finance and the 4th Department-dominated S.P.O in this context was perceived by Özal as 'natural' i.e. can not be avoided. In other words, given the implementation role of the 4th Department as above, Özal found the incohesive status inside economic bureaucracy

as inevitable. He made the following remarks on the issue : " The economic system in Turkey has changed. Separate ministries do not have their own policies. Program and Plan policy have been adopted. Naturally, there *will always be (italics mine)* a kind of dispute of authority between the planning organization and related ministries." ¹⁶² It is clear that Özal had sharpened his views on the role of traditional economic bureaucracy inside the economic policy formation process in the aftermath of the annulment decision of the related articles of Law. No.933. Hence, his firm belief that "flexibility" can be injected into the economic decision-making mechanism not with but at the expense of the Ministry of Finance matured during these days that would form the basis of the dismantling of the traditional apparatus of economic bureaucracy after 6 November 1983 elections.

On the other hand, conflicts of opinion on major economic policy issues other than the renewal of Implementation Law have also emerged inside economic bureaucracy and between Demirel and Özal at the end of 1969 and in 1970. The preparations of 1970 devaluation started earlier in 1969 and Özal could not have been convinced on the indispensability of devaluation till the last days. ¹⁶³ It can be observed that Özal had been hesitant on the interpretation of the incentive measures as being unsuccessful in terms of increasing the level of exports. In fact, such a criticism would be directed against him by Vice Prime Minister Attila Karaosmanoğlu after the 12 March 1971 memorandum. Another point of controversy inside economic bureaucracy in which Demirel did not support Özal was the issue of the Common Market. In 1970, the time for the negotiations on Additional Protocol had come. There had been a tension on this issue between the Ministry of Foreign Affairs and the Planning Organization since the signing of Ankara Treaty in 1963. However, the

conflict between Ministry of Foreign Affairs and State Planning Organization intensified after Özal and his circle "took over" the Organization in 1967. The Ministry of Foreign Affairs were looking at the problem from a political standpoint in terms of the changing geography of Europe and geo-political context where new entrants to the Community were appearing, catching "Greece" whose relations with EEC were frozen after the "coup d'etat" of the colonels in 1967, the concessions that were on the agenda to be given to Mediterranean countries etc. For the Ministry of Economic Relations, the political environment was suitable which necessitated immediate action. From a diametrically opponent standpoint, Özal circle had the idea that no urgent necessity had existed to bind the scope of the relationship with the European Economic Community under an imposed discipline from outside for Turkey's industrialization. There was not enough technical preparation, a plan model, data, perspectives etc. Such an agreement and the resulting discipline would not bring the desired "rationalization" for resource allocation which should be sought "inside" with different measures. Without totally denying the EEC, Özal and his colleagues had the belief that Turkey could have played a more "dominant" role in the Middle East.¹⁶⁴ Although there were such rationalizations which would be kept on the agenda of the Özal circle till 1980s, the underlying opposition was rather hidden in the fear of the Özal circle to lose their discretionary bureaucratic powers attained via the Law No.933 that allowed them to give "ad hoc decisions" on projects and incentive implementation regime which was visibly seen by the "nullification" decree discussed above and which would now be challenged by the external interference of EEC on the trade regime. The tension between the Ministry of Foreign Affairs and the State Planning Organization was portrayed by a high diplomat and a close member of the

Özal circle respectively on how the two institutions “perceived” each other at the time : “The planners, sometimes in a “leftist” and sometimes with an “Eastern cunning” mode had tried to make the issue more difficult coming with irrelevant proposals...They saw everything on a project-basis and were satisfied with listing the names of 10-15 projects when they were praising Turkey’s economic development..... *They were afraid of the loss of powers they commanded with the Law No.933 in their hands.....*” (planner belonging to the Özal circle) “The Ministry of Foreign Affairs had targeted to link Turkey to abroad with the idea of “making Turkey Western.” However, they could not see that we could not have carried out a relationship we were not ready, strategies of our industry not drawn, like EEC which had required large-scale coordination. The had aimed to link us abroad with a venturing eye and at all cost. They were opposing to whatever we said with a political excuse and could have won the government to their own side.”¹⁶⁵ Özal could not have convinced the government and Demirel on the issue. Özal and his circle started to oppose strongly afterwards by not making the necessary preparations related to S.P.O to slow down the process. Demirel sided with the pro-signing group inside the bureaucracy. The view of Ministry of Foreign Affairs, in alliance with the Ministry of Finance became the "official" view on the Additional Protocol which was signed on 23 November 1970.¹⁶⁶ It would later come into force on 1 January 1973. This also partly explains why Özal and his circle were removed from office after the 12 March 1971 memorandum before the preparation of the Third Five Year Plan strategy that would have an officially declared “new” perspective of linking industrialization to integrate the Turkish economy with EEC in the long-term as is explained in detail in the next chapter. However, the conflicts inside economic bureaucracy on the issue

never ceased to exist. Osman Okyar was writing the following lines in 1976 when further tariff harmonization was on the agenda but the commitment would be abandoned in the beginning of 1977 under the threat of the rising balance of payments crisis. "The continued indifference, even neglect, shown to the potential change in Turkey's foreign trade and industrialization policies implied in the Treaty of Ankara and in the Brussels Protocol of 1970, indicates the existence of an apparent split in government thinking and policy over economic development policies, *a split which seems to have emerged in the early sixties and continued to the present.*" (*italics mine*)¹⁶⁷

As the opposition from other segments of bureaucracy was intensified, the "inner" opposition from the State Planning Organization accompanied this process as well. The traditional-statist "left" circles inside the planning organization started to criticize Özal and his colleagues with an explicit political tone at the end of 1970. There was even a "Union of Planners" formed inside the organization which critiqued the so called "Personnel Reform" of the government.¹⁶⁸ Salary discrepancies between higher and lower staff became more apparent within S.P.O. In pamphlets declared by these S.P.O members, the politicized character of appointments of anti-secular staff and the transfers from public resources to private business were the main points of this criticism. The Union was majorly composed of "leftist" oriented planners who wanted to control the staff entry into the Organization. In fact, in the new regulation concerning hiring of assistant specialists and promotion of specialists to the Organization after 12 March 1971 memorandum, the presence of a Union member would become compulsory reflecting the "politicized" status of the hierarchy of the Organization before the "memorandum".¹⁶⁹ There was also discontent inside the

parliament on the issue.¹⁷⁰ New appointments to the Incentive and Implementation Department and the Vice Undersecretariat of S.P.O was subject to interrogation in the Parliament principally accusing Prime Minister Süleyman Demirel. He was asked on his close relationship with Muammer Dolmacı, the new Head of the 4th Department after the "voluntary" leave of Yılmaz Ergenekon from this critical post.¹⁷¹ These developments played a significant role in the attitude of the military-backed government towards the planning organization after the 12 March 1971 memorandum. The 'technocratic' government formed by Nihat Erim would rather be concerned about the activities and status of the 4th Department and would seek a new institutional definition of incentives outside the realm of the State Planning Organization. The centralized institutional status of implementation would now be over under the 1971 regime which would only be reincarnated by the return of Özal and his close circle to office at the end of 1979 under a substantially different domestic and international context.

Implications of "Proto-Neoliberal" Institutional Orientation in Late Sixties

A full-fledged empirical analysis of incentive implementation in late sixties emanating from Law.No.933 is beyond the scope of this study since we are much more concerned here about the institutional aspects of the "proto-neoliberal orientation". However, certain features of the process which definitely made a great impact on the completion of the "easy" stage of ISI but also preventing the stepping of industrial capital to its difficult stage should be addressed in this context. It is for sure that the results of incentive implementation demonstrate themselves with a "lag" effect. Henceforth, the results of the incentive implementation between September 1967

and March 1971 make sense if we take into consideration the sectoral decomposition in 1970s also. It is because the encouragement of consumer-durables/light industry based accumulation of private industrial accumulation continued on a massive scale in 1970s as well but in a different institutional context than late sixties which we will discuss in detail in the next chapter. The major idea is that with the strategy of the Third Five Year Plan where import-substitution in capital-investment goods industries were handled by the public sector, the legacy of incentive implementation during the period of the 4th Department was not cancelled. In other words, key tasks for investing in these industries were not shared with the private sector which was rather content with the production of light-consumer durables being encouraged on an expanded scale. High profitability in "horizontally" expanding firm structures in the heavily protected domestic market context avoided such an orientation in 1970s. There was no impetus for carrying out the tasks of "selective import-substitution" along with lowering protectionist barriers to incept a competitive restructuring of industry on a differentiated sectoral basis. However, such a "learning" phase was not initiated in late 1960s with the myopic anxiety to transfer state resources for the emergence of an industrial class as a whole.

The most critical component of the incentive measures which were subject annulment by the Constitutional Court was obviously the "Development and Encouragement Funds." What strikes one from the global figures given in the following figure is that transfer of state resources did not concentrate upon encouraging investment projects in key manufacturing sectors. On the contrary, we observe that payment out of the funds to the foodstuff sector surpassed the encouragement of Machinery-equipment with a significant value.

DEVELOPMENT AND ENCOURAGEMENT FUNDS			
Sectors	NP	BA	POF
Foodstuff	20	33.9	29.9
Chemistry	2	28	13.5
Vehicles	16	41.1	24.6
Machinery	16	14.3	12.6
Cement	1	10	10
Organised Industrial Areas	2	17.3	8.9
Small Industry Sites	13	20.8	20.4
Transportation and Storage	27	43.5	27.2
Total	97	208.9	147.1
(As of 13.12.1970-Million TL)			
NP:No.of Projects			
BA: Budgetary Allocation			
POF: Payment Out of Fund			

Source: Yatırımları ve İhracatın Teşviki ve Uygulama Sonuçları, 1971. D.P.T.

(It should be noted that the figures also comprise those projects which benefited from fund payments after the decision of the Constitutional Court but already had been allocated from the fund before the decision.)

As for investment allowance, we do not have the exact detailed figure in the sub-manufacturing sectors in order to be able to differentiate the "selectivity". The items on "Other Manufacturing" remain ambiguous whether light or advanced manufacturing sectors were encouraged or not. However, it seems that foodstuff etc.like sectors were heavily promoted during the decade in this area.

INVESTMENT ALLOWANCE ACCORDING TO SECTORS			
Sectors	NAIC	IV	VIUA
Manufacturing	515	10386149031	5387394064
Textiles	61	551321509	261432752
Chemistry	40	3121133265	1021069873
Cement	18	1375530472	576996493
Iron-Steel	47	402813692	254656555
Other Manufacturing	349	4395350093	3273238391
NAIC : Number of Incentive Certificates			
IV : Investment Value			
VIUA : Value of Investment Utilizing from Allowance			

Source : 1971 Yıllık Programı. D.P.T.

The same observations hold also for the "loss" of fiscal revenue from Customs Duties and Exemptions. It is difficult to observe that selective encouragement of sectors were followed. Looking at the table below , apart from textiles as the traditional export sector prospectively, one sees that all sectors were almost encouraged on an almost equivalent basis without any significant differentiation between them keeping in mind that the import-inputs of the Chemistry sector were obviously higher by definition.

CUSTOMS TAX AND DUTIES INSTALLMENT		
Sectors	NAP	TVI
Foodstuff	33	28121469
Textiles	89	127044590
Mining-Manufacturing	39	25998380
Mining	10	31279916
Iron-Steel-Metalurgy	31	22250516
Chemistry	41	129800571
Cement	19	87470860
Machinery Manufacturing	20	13074856
Energy	6	41412481
Electrical Machinery and Equipment	9	17865513
NAP : Number of Applications		
TVI : Total Value of Installment		
(As of 31.12.1970)		

Source : Yatırımların ve İhracatın Teşviki ve Uygulama Sonuçları. S.P.O. 1971

The implementation of Law. No. 933 was the critical legal and institutional pillar of JP economic policy in late sixties in the maturing process of industrial capital in Turkey. It was with the "Implementation Law" that the political will for a different mode of "plan" implementation serving the short-term accumulation requirements of industrial capital became more explicit. The institutional and economic developments with the start of the plan implementation law changed the course of State Planning Organization and the itinerary of mercantilist-ISI in Turkey. The long-term effects of the Implementation Law No.933 had been far reaching in historical retrospect. The limited infrastructural-orientation of state power the "new bureaucracy" possessed in

early sixties vis a vis societal interests had been eliminated and closed the chapter of limited infrastructural autonomy vis a vis industrial capital. The original idea and practice of planning which had emerged to regulate a production-oriented coalescence of "national" interests was kept aside and rapid accumulation of capital started to take place with state-centered incentives. The collapse of S.P.O autonomy with the installation of a center of incentive implementation on daily economic affairs has formed the seedbed of the expanded domain of incentive implementation in 1980s. A careful inspection of the implementation Law No.933 in historical retrospect in all its dimensions gives the early clues of "neoliberal reforms" after Motherland Party came to power in 6 November 1983 elections. The historical gravitation center of "neoliberal centralism" of 1980s is found in the implementation of Law No.933 and the institutional and political struggles inside economic bureaucracy and between the social forces affected by rapid industrialization in late sixties. The institutional mode of regulation embodied in the implementation of Law No.933 had clear-cut objectives for a different kind of accumulation than envisaged in the initial phase of planned development. The implementation of the law had possessed "illiberal" elements which had a durable effect on 1980s when they were revived in a different domestic and international politico-economic context. Most importantly, as Özal came to understand the institutional and constitutional obstacles to form "intra" budgetary funds in his experience of the implementation or authorization law in his State Planning Organization days, he persistently pushed ahead to form extra-budgetary funds largely free from legislative control after 1983. The formation of "extra-budgetary" funds after 1983 instead of the canceled "intra-budgetary funds" transferable to private entrepreneurs in 1969 and the appointments to the top

managerial posts centered around the Prime Ministry can be considered as the "incomplete" institutional legacy of rapid accumulation under Justice Party rule. The historical demarcation is that the existence of a strong political opposition especially from labor and constitutional "breaks" in the first prevented its full implementation whereas the absence of such an opposition and a suitable constitutional framework opened the avenue for the realization of the incomplete task of late sixties by Motherland Party after 1983. It is why there is a strong continuity between the Justice Party of 1960s and Motherland Party of 1980s. The first has struggled to surpass the limitations of the 1961 Constitution in terms of increasing the powers of the executive vis a vis the legislative by demanding the right to rule by decrees in the force of law on economic and fiscal issues whereas the latter found it ready in front of itself in the corpus of the 1982 Constitution. What was the "exception" in late sixties became the "norm" in 1980s in terms of transferring public resources to the needs of private accumulation.

On the other hand, the push for rapid accumulation by the Justice Party and the prospective "neoliberal" cadres of 1980s led to the emergence of social opposition from labor in late sixties. The Constitutional Court canceled critical articles of the "Law" after an action for nullity applied by the Turkish Labor Party. Its significance was that labor, rejecting its status vis a vis the "imposed" form of accumulation was also unwilling to stay inside the "productive coalition" which forced capital and labor to co-exist in the transition to planned import substitution after 27 May 1960. There now emerged the "normal" conditions class conflict at the end of sixties which would take more militant forms in 1970s. On the other hand, even though the Constitutional Court canceled certain articles of Implementation Law, it continued in other forms in

1970s contributing to a form of industrialization serving the needs of a rapid but non-strategic capital accumulation creating thereby the conditions of crisis. It is therefore not quite legitimate to talk about the emergence of neoliberal eclipse at the end of 1970s purely as a response to economic crisis, but rather a process culminating towards that destiny as the loss of altitude of state autonomy varying in time after 1960 and especially after the implementation of the 4th Department.

With respect to the broad theoretical contour that we developed in terms of state power and long-term economic change, the interim conclusions from the genesis of the fourth department can be summarized as follows : Originally, state-building necessitated the disciplining of industrial bourgeoisie for long-term economic change under infrastructural autonomy. The limited infrastructural autonomy did not allow the comparative reincarnation of a 'mercantilism as Staatsbildung' as *defined* by the German Historical School and *realized in the post-war context* by East Asian developmental states having the capacity to generate long-term economic change. In Turkey, state power as related to economic bureaucracy did not evolve in the relational meaning as such to sustain a strategic mercantilism like that of East Asia but rather was distorted towards a short-term 'relational' but anti-infrastructural form. Responding to short term demands of capital became the 'norm' where the limited autonomy of the State Planning Organization was surrendered to serve the short-term requirements of rapid accumulation of industrial capital. More precisely, the institutional genesis of the 4th department was representing the distortion of mercantilism as ISI to a non-strategic 'crisis prone' form and the retreat from the 'state-building as reform' to be invested for infrastructural power after 27 May 1960. The early infrastructural orientation of state power in the direction of long-term

economic change has been removed from the agenda to open the path of a non-strategic ISI under a 'despotic' form of state power after 12 March 1971 under the Third Five Year Plan. It is the legacy of such an economic apparatus of the state that the "reformist" revival inherited after 12 March 1971 but now in the presence of a mature industrial capital in comparison to the early planning days.

**CHAPTER V- PERVERSE RESTORATION OF REFORM AND
BEYOND : ECONOMIC BUREAUCRACY ON AN INCLINED
PLANE AFTER 12 MARCH 1971**

"Türkiye Sanayileşme sancısı çekmektedir. Bu nedenle Sanayi ve Teknoloji Bakanlığı'nun görevi daha çok ağırlaşmış ve önem kazanmıştır. Sanayi ve Yatırımı teşvik için her türlü kolaylık sağlayıcı tedbirleri almak gerekmektedir. Bu kapıyı ardına kadar açalım."

Ferit Melen

"...bürokrat dediğimiz grup bugün sınıf olmaya doğru gitmektedir. Bürokrat dediğimiz sınıfın bir kısmı bugün sınıf olmaya yönelmiştir. Kimdir bu sınıf olmaya yönelenler?.. Bu bürokratik , bürokrat sınıf içinden sınıf olmaya yönelenler maalesef subaylardır....Bir montaj sanayiinin dışarıya bağlı olmasından sözediliyor.Montaj sanayiini kuranlar kim ? Ortaklık yapanlar kim? Bakıyoruz ordu, donatım kurumu, montajcılığa yönelmiş. Yani dışarıyla birlikte ortaklaşa üretim aracına sahip olmaya yönelmiş."

İdris Küçükömer

The Crisis of the `Second Republic` : Understanding the Nature of `Perverse`

Restoration of Reform under the `1971 Regime`

Feroz Ahmad makes the following observation on the evolution of political and economic history of Turkey between 1960 and 1971 : "The Second Republic ..began by forcing capital and labor to co-exist. But this co-existence was always an uneasy one and in the end the contradiction between the two was resolved in favor of capital by the military intervention of 1971." ¹ The observation is quite remarkable for the conceptual apparatus of this study. First , it substantiates our basic claim that state power varied over time and the limited infrastructural state autonomy attained after 27 May 1960 had been subject to erosion as the 1960s unfolded . Secondly, it points out towards the evolution of industrial capital to a more mature and independent status

from other economic interests where its demands have received priority without any concern to a "balanced" concept of economic change corresponding to the early 'productive coalition' between itself and labor imposed by "re-state builders" and regulated by 'new bureaucracy' as S.P.O. In other words, as of the beginning of 1970s, industrial capital as a class has reached to a vested interest status in the Olsonian sense where the remnants of state power in its relational-limited infrastructural form largely withered away to discipline it towards 'shared' long-term production-oriented goals in its developmental meaning. To be 'disciplined' industrial capital after 27 May 1960 by 'new bureaucracy' now became the 'discipliner' of the state apparatus after the 12 March 1971 military memorandum. After 12 March 1971, what started was the episode of the rapid decline in state power and the rise of the attempts of capturing of the state apparatus by industrial capital to be completed after the transition to the neoliberal orbit in 1980. Hence, whatever was restraining to its short-term rapid accumulation requirements under the political, constitutional and economic framework of the 'Second Republic' would be subject to alteration under the '1971 Regime'.² With respect to our historically extended conceptual framework, this means that 'Staatsbildung' in the Schmollerian sense which reflected itself with the drive for rational reforms after 27 May 1960 came to an end after the changes under the 1971 regime. Adjacent to this, mercantilism as 'planned ISI' was now serving the short-term rapid accumulation requirements of industrial capital in the absence of the former 'brakes' of the Second Republic as we document later in this chapter. It is in this context that the introduction of 'bureaucratic reformism' during the First Nihat Erim government of the '1971 Regime' is understandable. The technocratic cadres of this government among which the founders of the State

Planning Organization played a critical role had been still carrying the 'benevolent' belief that structural reforms as remained incomplete from the early 1960s could be completed under the 1971 regime. However, their presumptions were not based on a sound analysis of the '1971 regime' itself with respect to the status of the army and industrial bourgeoisie. In fact, it is exactly why we call the 'reincarnation' of reformism under the 1971 regime as 'perverse' in this chapter. Their inability to understand the real nature of these two forces after the memorandum where especially they considered the high command as committed to "reform" as had been the case for the radical low-rank officers of the National Unity Committee after 27 May 1960 formed the principal benchmark of the perverse character of their bureaucratic reformism. The commitment of the high command to the completion of reforms was the cunning element for the "reformist" cadres of the First Erim government. Even though the high command who submitted the memorandum seemed to be committed to the completion of these reforms, this was rather aiming to cool down the low-rank officer activity within the army dedicated to the "spirit" of 27 May 1960 and which already was organized around a coup to be accomplished on 9 March 1971.³ Seemingly dedicated to the completion of "reforms", the army in essence itself had already turned out to be a 'vested interest' in the mercantilist-ISI setting by the huge amounts of investments in various industries (e.g.automotive) through the Army Mutual Assistance Fund mechanism making the high command "more involved with the defense of the system than with any particular party. Their primary concern was with stability and there was an inclination to intervene against any party or political leader who appeared to be a threat to a stable order".⁴ In other words, the army hierarchy, now also involved in seeking the short-term benefits in the mercantilist-ISI

setting, was primarily concerned with "restoration" of order in 1971 at the expense of the institutions of the 'Second Republic' and not "transformation" as had been the case for the "re-State-builders" with "developmental will" for long-term economic change who established the State Planning Organization. Hence, the increasing opposition by labor to the rapid accumulation prerogatives of industrial capital plus the socialist political activity was now in contradiction with the "stability" concerns of the high command of the army. It has also been observed that the concept of stability for the army command in the beginning of 1970s largely shifted towards the maintenance of "order" in the context of rapid industrialization at home given the escalation of the Cold War in the international context, especially in the Middle East. The "independent" foreign policy moves by the Justice Party between 1965 and 1970 to develop economic relations with the Soviet Union for the financing and technical support of key advanced-industrial projects by Soviet credit and technology serving the goal of rapid growth and industrialization were also discredited by security concerns in the fragile context of Cold War.⁵ On the other hand, when the 'reformists' began restructuring economic bureaucracy which is our principal area of detection in this study, they came to understand rapidly that any excessive regulatory imposition over industrial capital was subject to immediate disapproval without accepting any 'discipline' per se even it might have served to their long-term interests. The short history of the formation and dissolution of the Ministry of Foreign Economic Relations which we inspect in detail below was rather a reflection of this resistance to discipline on behalf of industrial capital. The candidate protagonist of long-term economic change after 27 May 1960 has within ten years switched to the

defense of its short-term interests in alliance -in the final analysis- with the 12 March 1971 military memorandum.

A full-fledged analysis of the reasons leading to the 12 March 1971 military memorandum is beyond the scope of this study.⁶ However, to understand the continuity between the demands of industrial capital and the structuration of economic bureaucracy prior and after the memorandum, the following points need to be mentioned. It has been already mentioned that labor started to resist to its status in this mode of accumulation openly with the recognized trade union and organization rights in the 1961 Constitution. The number of unions and its members in the industrial sector sharply increased almost in the second half of 1960s. Working class activity especially by the radical union DİSK and the presence of a socialist party in the legal setting, namely the Turkish Labor Party was not digested by industrialists.⁷ Apart from that, the internal contradictions between industrial and commercial capital accompanied the discontent of labor. Anatolian commercial capital and "national" industrial groups (e.g. industrialists represented in Eskişehir Chamber of Industry) , as well as landed interests started a strong opposition to the policies pursued by Justice Party favoring a small group of industrialists having monopolistic privileges in the "abused" domain of import substitution. Rapid industrialization and the expansion of the domestic market was increasing the expectations of "petty-bourgeois" low-income segments of the population and creating discontent among especially low-rank state officers. Small ranks of bureaucracy were also affected in a negative way from economic policy measures which were namely the "Financement Law No.1803" and the 10 August 1970 devaluation. These aimed to create new investable funds for the industrial sector but the "Personnel Law" was also put into effect to balance the

negative effects of the previous two on the small ranks of bureaucracy.⁸ The considerable degree of industrialization was changing the political economy configuration of social forces in Turkey which all wanted to reap more from the benefits of rapid economic growth and change. Primarily, the demands of rapid industrialization by industrial capital necessitated the transfer of resources from "land" and "commerce" to industry. Taxation of non-industrial sectors was considered as the principal duty of the state by a major spokesman of the industrialists just prior to the 12 March 1971.⁹ The fraction of industrial capital which progressed to a certain stage in the manufacturing of consumer durable goods was supporting these policy measures above in essence but seeking also measures to overcome their recessionary effects and to deepen them. However, other fractions of capital and landed interests were resisting to be the "source" of a further stage of industrialization at their own expense. The Union of Chambers wanted to keep its dominant position in the representation of the private sector at large. The planned development phase between 1960 and 1970 in which industrial capital absolutely left behind merchant capital caused a fractional crisis inside the organization where the removal of Erbakan from the Chair of the Union of Chambers and finally forming the National Order Party was in fact its direct reflection.¹⁰ Justice Party, whose traditional political networks relied upon the sustainment of the existence of these economic interests under the same political umbrella, found itself in a dilemma of keeping the interests of different fractions of capital and landed interests together after the aforementioned policy measures in 1970. In fact, two parties had already emerged at the end of 1969 and have separated from Justice Party, namely the National Order Party due to the crisis

in the Union of Chambers and the Democratic Party after the crisis of the disapproval of the 1970 Budget.¹¹ Justice Party, thereafter was no more capable of defending the interests of industrial capital in "a united bloc." Hence, 12 March 1971 military memorandum was to a certain extent a result of a "crisis of governance" serving industrial capital which was willing to be emancipated from the legal and political framework of the 1961 Constitution and the social forces generated by it, labor principally being the first. Such a task could not have been accomplished under the representative institutions of the Second Republic which allowed these forces to operate freely and under the rule of the Justice Party which could not have eliminated these constitutional and representative structures within which it was ruling. As Laçiner said : "The root of the opposition to Demirel and his team, if not sharp, is not among big capital circles. On the contrary, Demirel's policy exhibits a character which looks after big capital in the development of capitalism in the country. Opposition offsprings more from small and middle bourgeois circles. This is in fact the sign of the beginning of the non-marching of propertied classes around big capital i.e. the breaking into pieces, the decomposition of the alliance formed vis a vis the historically dominant civil-military bureaucracy. Thus, we start seeing that voting power, the fundamental instrument of the alliance, decomposed into its elements, to keep its "governing" in hand started to become "de facto" ineffective".¹² It was thus not by coincidence that The Turkish Labor Party and the National Order Party were jointly banned immediately after the memorandum.¹³ The validity of this historical point would be verified by the change of 11 articles of the 1961 Constitution in the direction of a more "despotic" form of state power. To sum up, the representation of industrial capital by Justice Party was not responding to its demands to consolidate its dominant

economic power for rapid industrialization in the context of emerging social and intra-capital conflicts. Secondly, as we have discussed, the end of limited infrastructural autonomy and the loss of power of bureaucracy was making the conflicts inside the state apparatus more apparent. Lower ranks of bureaucracy would be supporting for a call for "administrative reform" as even the aforementioned unionization of planners has shown. Thirdly and most critically, labor started to oppose its status under the industrialization drive on militant terms which necessitated coercive measures on the side of both army and industrial capital. ¹⁴ As against the presence of "sectoral politics" as was the case in East Asian industrialization, the orientation of state power towards more despotic forms under the 1971 Regime contributed to the rise of class conflict and "fractional-class politics" after the transition to coalitional politics following the 1971 regime. Sectors like newly emerged automotive etc. carried their interests under the overall "fraction" of industrial capital since they had more of a common interest domain against labor and the non-industrial sectors in the economy. Once confronting a strong opposition from labor in late sixties, fractional not sectoral interests dominated the political agenda under the 1971 regime and its aftermath in 1970s. With the transition to coalition-led governments, fractional and class politics went together till the end of 1970s. The confrontational character of labor militancy moved fractional interests of capital to a secondary status while at the same time allowing the governments, now "independent" of sectional interests, to carry out "disciplinary" neoliberal policies over labor. Conditions of crisis in Turkey less in the beginning and more at the end of 1970s have created a similar environment for different fractions of capital. But the substantial difference between the beginning and the end of 1970s was the non-exhaustion of the protection rents accruing to different

fractions of capital in the ISI setting in the initial episode which actually accounted for the instability of coalition governments at the political economy level. The panorama changed after the severe "foreign exchange crisis" causing a deadly arteriosclerosis for the pursued industrialization strategy. Being used to enhance their sectional interests in the traditional rent-seeking terms under import-substitution, the strong labor opposition in the distributional domain have created a bloc surrendering their sectional interests to a "minority" government having now a political space to implement the January 1980 stabilization cum adjustment policies as an inflection point in the economic history of Turkey. However, the root of the end result can be traced back to the shift of state power to more despotic terms under the 1971 regime, hence aggravating tense class conflict after 1973. In sum, the more infrastructural capacity of the state to regulate fractions of capital and labor in late industrialization, the higher the possibility of shifting "fractions" into "sectors" and "class politics" into "sectoral politics". In fact, the Third Five Year Plan which emerged as a political product of the 1971 Regime was not able to open the door for a sectoral politics due to its despotic/technocratic orientation, but rather pushed for an industrialization strategy in the absence of "sectoral ties". The very political economy lesson of 12 March 1971 memorandum in Turkey within the framework of this study is that in the absence of infrastructural state autonomy, or more explicitly the long-term interaction necessary to be attained between state and capital (also labor in due order) in "successful" late industrialization, initial production-oriented coalescence of socio-economic interests evolve in the direction of antagonisms of a distributive character under rapid accumulation which in turn result in "despotic" forms of state power as exemplified by the political history of Turkey.

**"Perverse" Restoration of Reform after 12 March 1971: "Interregnum" of
Ministry of Foreign Economic Relations**

The so called "reformist dominance" in the First Erim Government of the "1971 Regime" reflected the "prism" of the above antagonisms. The reformists of the so called "brain" cabinet had initially somewhat the illusion that they had an "autonomy" like they had achieved after 27 May 1960 for the completion of "incomplete reforms". In fact, the presence of Attila Karaosmanoğlu as Vice Prime Minister responsible for Economic Affairs, Ayhan Çilingiroğlu, Minister of Industry and Trade and Şinasi Orel, Minister of Education in the "Reform" cabinet of Prime Minister Nihat Erim who had been early planners and founders of the State Planning Organization was a clear evidence of such a "bona fide" "restoration" of the power of reform. It is notable that some of these ministers (and bureaucrats like Memduh Aytür who would be appointed as the Undersecretary of State Planning Organization) had also been in the list of the "to be" proclaimed "9 Marchist" coup government in line with the "original" orientation of 27 May 1960 intervention.¹⁵ The "reformist" impulse of the conditions of late industrialization, to be served however for the particular interests of industrial capital in the final analysis, was so strong in the beginning of 1970s that the Erim government was formed with a program entitled as the "Program of Reform Government" and contained the above figures in it. They were perhaps given the "autonomy" for the removal of obstacles for rapid industrialization but now rather in the context of a "despotic" form of state power whose limits were set by industrial capital which they came to realize at the end of eight months. In fact, they were representing the same political authority with figures like Ferit Melen (Minister of National Defense) and Sait Naci Ergin (Minister of Finance), the first being one of

the personal chief obstacles on land reform and taxation in 1962 and the second influential in banking circles.¹⁶ It is not by coincidence that Demirel used the metaphor of "prism" for 12 March 1971 affair. "12 March has more of a character of a prism. It has a multi-form appearance."¹⁷ The so called Erim government for "reform" was a "modular" crystallization of the change of state power in Turkey since 1960. The early search for "infrastructural state autonomy" for reform and long term economic change was forced to co-exist in a "palliative" manner for a while with those who resisted structural reforms but still proving the non-exhausted power of the pro-rational reform forces in society. The "form" of 12 March 1971 regime in the beginning was seemingly like that of 27 May 1960 movement, but the "substance" being the "despotic" orientation of 12 September 1980 military intervention. Later developments enforced a change of this "form" to reflect the "substance" e.g. Ferit Melen became the Prime Minister after Nihat Erim. Hence, the "legacy of reform" was now circumscribed by the demands of industrial capital and the "military-industrial complex". The term military-industrial complex was oftenly used in those days to describe the entrenchment of the economic interests of industrialists and the army.¹⁸ Perverse restoration of reform do not refer by any means to a search for infrastructural autonomy that would discipline fractions of capital on a long-term interactive basis. When they began to implement their own concept of "reform" which opposed the interests of industrial capital, all fractions of capital along with landed interests immediately reacted to the "reformists". Historically, it was this time the dominant power of industrial capital who set the terms and limits of state power for the reformists. The principal beneficiary of 27 May 1960 political inflection, i.e.

industrial capital who was receptive for a limited autonomy of planners in early sixties turned out to liquidate the early 'productive coalition' under "despotic" terms of state power. The reformists would this time be the "passive brokers" of the demands of industrial capital for rapid industrialization, not the potential "active discipliners" of early planning days. The potential "discipliners" of newly emerged industrial capital of early sixties were now to be "disciplined" forever by industrial capital.

It is in this context that the establishment of the "Ministry of Foreign Economic Relations" as an unconventional institutional form calls for special attention in this period. There had already been a demand by business circles for a separate ministry concerning foreign trade before the military memorandum of 12 March 1971. Industrial capital wanted a certain dose of "discipline" in foreign trade, i.e. curtailing the power of rent-seeking importer-merchants and the channeling of foreign exchange reserves to their own needs of investment goods. However, it made a very rapid U-turn after having been subject to "discipline" themselves following the policy implementation of Ministry of Foreign Economic Relations. The short episode of Ministry of Foreign Economic Relations was, thereby, an unconventional institutional "interregnum" in the history of economic bureaucracy. But, the reaction against it at the end of this short episode opened the era of regulatory and institutional "feodalization" of incentive implementation concerning investments and exports. The Second Erim government which would in fact reflect the "true" nature of the 12 March 1971 regime responded to the "fears" of industrial capital on the centralization of implementation by "statists" and had divided the powers of incentive implementation to the Ministries of Industry & Technology and Commerce. The "fractionalized" status of economic policy implementation in the 12 March 1971

regime would later shift towards "politicization" of economic bureaucracy with the coalition governments after 1973 elections.

The government program of the First Erim government declared that there were necessary changes to be made in the Second Five Year Plan and the preparation of the Third Five Year Plan was the critical agenda of the reform government beyond the different reforms to be accomplished.¹⁹ It was clear that the plan implementation after 1967 would have been the principal concern of "bureaucratic reformism" after 12 March 1971 and a reaction to it would have emerged naturally. The reformists in the government who were called as an "internal cabinet" on economic and social issues were drawing a balance sheet of the economic legacy of Demirel government along with their call for "reform". In fact, such a condemnation of the past economic policies as well as the high wage claims of labor by Vice Prime Minister Attila Karaosmanoğlu was interpreted as a sign of the emergence of a "*Dictatorship of Technocrats*".²⁰ The undisciplined institutional and fiscal forms of encouraging private sector investment and exports constituted the central axis of the reorganization of economic policy implementation. It is not coincidence that formation of the new ministry occupied the central place under the heading of "Rearrangement of the State Section".²¹ The Ministry of Foreign Economic Relations, hence, emerged in the first place rather as the "reformist" response to the legacy of "undisciplined" plan implementation of the Özal decade. Indeed, just before the program of Erim government was read in the parliament, all private sector related dealings on investment allowance, customs exemption, foreign capital in the Incentive Implementation Department were stopped by Özal by an "oral order" from "above".

No document was allowed to exit the Incentive and Implementation Department till a second order. It was recorded that the order had been given as a result of transmission of certain "claims" and "files" to the related Ministries of Erim government concerning the corruption inside the State Planning Organization. The reformists have made it clear from the beginning that the Özal circle in the State Planning Organization would be removed from "office" and the names of "old" planners like Memduh Aytür and Baran Tuncer began to be quoted in press for the position of the Undersecretary of the State Planning Organization. ²²

As has been noted above, the manifest reason for the establishment of the Ministry of Foreign Relations was disciplining the unregulated rent-seeking activities of importer-merchants which had been harmful to the investments of "productive" industrial capital. Extensive "rent seeking" in the form of foreign exchange smuggling, faked invoicing, letter of credit trading, quota trading, spare parts "mark ups" etc. by speculators and importers needed a regulatory framework in foreign trade. Inter-state trade with Eastern Bloc countries also became an enormous source of rents for exporters who could have had access to it. ²³ The diagnosis of the "reformists" on the issue was that non-(semi) state institutions, i.e. Union of Chambers, in which merchant capital was still powerful even after the leave of Erbakan from office, had possessed significant power for distribution of foreign exchange quotas. ²⁴ Moreover, the officers of Union of Chambers had been working in the "Foreign Trade Department" of Ministry of Commerce as "state officers" in its quota service. It was argued that the Ministry of Commerce had not possessed enough cadres and was ineffective in the functioning of quota service. However, these "private" officers,

though working in the Foreign Trade Department , were supplying "intelligence" necessary for the "Union" and taking their orders from its Headquarters.²⁵ In addition, it was seen that Chiefs of the Foreign Trade Department were being appointed immediately to critical posts in the Union of Chambers.²⁶

The "reformist" diagnosis as such has been indeed reflected in the government program as an important reason for the establishment of a new "reformist kernel" on economic affairs. It was not however, restricted only to foreign trade, but would involve all foreign economic relations as reflected in its name. "A close cooperation will be attained on the policies of foreign trade, foreign exchange, customs protection and other issues of foreign economic relations. A "Ministry of Foreign Economic Relations" is established to make the preparations of reform on this issue and execute them. *The duties concerning the most effective execution of foreign economic relations and the present units today will be connected to this Ministry. On the other hand, those duties and authorities transferred to ex-state organizations on these issues will be taken back also in conformity with Article 117 of the Constitution.* (*italics mine*) This Ministry will be in principle the recognized access in import-export business of those countries who import and export via the state. By this means, the effects of inconsistent competition among exporters will be prevented."²⁷ The major state institutions were the Foreign Trade Department of Ministry of Commerce and Organization of International Cooperation inside the Ministry of Finance along with foreign economic units of other ministries that fell originally in the domain of the new ministry. While the Foreign Trade Department was linked to the new ministry of Foreign Economic Relations, the other departments of the Ministry of Commerce

merged with the Ministry of Industry forming the new Ministry of Industry and Commerce. However, the final institutional corpus of the Ministry of Foreign Economic Relations was comprised of three units. They were the Foreign Trade Department of the Ministry of Commerce and Incentive and Implementation Department including the Branch of Foreign Capital of the State Planning Organization. It was clear that such a corpus was assumed as an institutional negation of the "undisciplined" economic policies of Justice Party. Foreign Trade, Incentive Implementation and Foreign Capital were considered as the sources of "rent-seeking" for the reformists in the previous decade. On the other hand, the reason for uniting the Ministries of Industry and Trade would later be explained by Ayhan Çilingiroğlu with the "maturity" level of industrial capital in the evolution of import-substitution. His argumentation reflects the "diagnosis" of industrial capital in Turkey in the beginning of seventies through the eyes of the reformists. Industrial capital is considered as having reached a stage which decreased its dependence to commercial capital in the early decade of import-substitution. But it also implicitly aspires to bring an institutional discipline for the "rent-seeker industrialists" given the existence of those seeking both "industrialist" and "importer" quotas among them. "The goal of forming a separate Ministry of Industry 20-25 years ago was to protect the newly emerging industrialist against the importer. The interests of importer and the industrialist in the beginning of economic development are in contradiction with each other. For this reason, separate ministries protecting the industrialist are formed. But as development proceeds and the import substituting industry is built, this contradiction disappears. The industrialist now enters directly to importing as the importer of raw materials. The industrialist forms his own marketing organization. It

is why all firms established today are named as "trade and industry firm". It is a necessity today that the functions of industry and internal trade are unified under one ministry." ²⁸

For the "reformist" diagnosis, the infiltration of daily demands of capital have even come to the stage of handling even the "routine functions" of bureaucracy. The Union of Chambers was considered as fulfilling a public service of distributing quotas by private hands. Hence, the distributed import permits had been given on unconstitutional terms. Besides the 4th Department on Incentive and Implementation in the State Planning Organization which followed a similar pattern, the powers of Union of Chambers were also subject to limitation by the new institutional center inside economic bureaucracy. The new institutional center was to be formed on the criticism of the performance of these two institutions in the Justice Party era and their reorganization within the new ministry itself.

The old Head of Economic Planning Department and new Vice Prime Minister Attila Karaosmanoğlu made an assessment of the legacy of economic policies of Justice Party government in a press conference on 14 April 1971. The attitude of the "old planners" now in government became explicit to the public opinion. Besides the points on tax and land reforms, constraints to be imposed on foreign capital activity, incentive implementation in the Özal circle decade in Planning Organization was the primary issue. Having interrogated the status of Incentive Implementation Department inside the State Planning Organization, he reiterated the major criticism on the expansion of "staff" in the Organization from a number of 89 as was the case in the "foundation" law to 658.²⁹ Most of the "excess" staff were working in areas outside the sphere of economic planning. "Such a concept of planning has no

place in the working order of our government. Incentive and Implementation Department will be separated from the State Planning Organization and will be connected to the Ministry of Foreign Economic Relations. The cost of each incentive measure and its benefit for the economy will be openly calculated, its conformity with the plan will be taken into consideration and then the incentive measures will be implemented. *The epoch of incentives as a dogma has ended. (italics mine)*" He made an analysis of effectiveness of the incentive measures implemented during the 1967-1971 period and concluded that even the plan targets in exports could not have been achieved as a result of their implementation.³⁰ What was quite significant concerning the attitude of Justice Party against the claims made by Karaosmanoğlu on incentive implementation was illuminating on the relationship between the Justice Party and the "Özal" cadres. It was said in the Justice Party declaration that "if there had been mistakes made in the projects, this had nothing to do with the Justice Party. The projects are prepared by the technicians."³¹

Özal replied to the criticism made by Karaosmanoğlu on incentive implementation in the period of Law. No.933. by an official letter sent to the State Ministry he was connected to. It was argued that the figures on which Karaosmanoğlu relied were not taken from S.P.O and most of them were false, especially those on the repatriation of profits by foreign capital. He defended the phase of rapid industrialization in the incentive implementation period in which critical infrastructural projects have been completed.³² It should be noted that Özal wanted to work with the Erim government as the Undersecretary of State Planning Organization and he was initially appointed to a Special Consultancy status in the Prime Ministry.³³

However, given the different concept of planning "officially" declared by the reformists, ³⁴ he was "forced" to resign from State Planning Organization on 19 April 1971 with a "leave" message to the organization which contained the ideological signaling of policy reforms in 1983 with the kind of "discourse" intrinsic to them along with the reply to the critiques of incentive implementation. He defended the implementation of incentives not being as "dogmatic" as had been claimed by Karaosmanoğlu in this leave message but it was rather the idea of "reform" left from early planning days that was conflictual to rapid industrialization at this stage. After summarizing the macroeconomic performance of late sixties, Özal's leave message to the State Planning Organization ended as follows : "*I do believe that not dogmatic, hence primitive because it is dogmatic and regressive ideas but pragmatic, realist, modern and scientific thought is essential in the rapid development of Turkey. (italics mine)*" ³⁵ After Turgut Özal left the State Planning Organization , the Head of the 4th Department, Muammer Dolmacı and some other managers were also removed from office in the planning organization. ³⁶ Ekrem Pakdemirli who became the Undersecretary of Treasury and Foreign Trade after 1983 elections says that those who implemented Law. No.933 and were in the 4th Department became even subject to interrogation and trial after 12 March 1971. ³⁷ Incentive implementation would now be displaced to a new institution outside the sphere of planning after the "third wave" of resignations in the planning organization. However, it should be mentioned that the "lower" echelons in the incentive implementation would still constitute an important "base" for Turgut Özal after the "third wave" of resignations as would be seen later in the preparation of 24 June 1980 austerity measures.

As a result of these developments, Foreign Trade Department and Incentive and Implementation Department now becoming "General Directorates" became parts of the new Ministry of Foreign Ministry of Foreign Economic Relations by two Prime Ministerial notices and Presidential approvals.³⁸ The new Foreign Trade Regime endowed the Ministry of Foreign Economic Relations with full authority on all matters concerning the organization of imports and exports and transferred the right to distribute quotas to the new ministry.³⁹ The related Council of Ministers meeting made the tension between the "reformists" and "conservatives" in the first Erim government explicit as the regime had disciplinary articles on private sector economic activity. Such a concentration of institutional power in terms of controlling the most sensitive domain of the private sector created strong dissent among the "conservative" members of the "Reform" government. Ferit Melen didn't want to sign the governmental decree on the Foreign Trade Regime and an explicit conflict emerged between him and Minister of Foreign Economic Relations, Özer Derbil on the issue. The conflict was resolved by the intervention of Prime Minister Erim and Melen was "forced" to sign the decree in the end.⁴⁰ The decree brought quite rigid disciplinary forms to foreign trade. Primary price controls for exports and imports were imposed by the decree which caused immediate reaction by all sections of the private sector. While the new ministry was concerned on checking the declared prices of commodities for the purpose of reconciliation of allocated and transferred (from abroad) foreign exchange, exporters and importers were complaining about the "lags" in orders and deliveries. In addition, strict controls were imposed on those who delivered their foreign exchange and goods imported for their own use to others as

well as on under/over invoicing. Another critical control was linking the foreign exchange distribution to the declaration of corporate and income tax certificates. Karaosmanoğlu says that they wanted to question those firms who declared that they were in "loss" the previous year so as to free ride from taxation and still continued to import raw materials declaring that it was for their own use by a computer system which was fairly advanced for the year 1971. He adds that this was extremely disturbing for the "rent-seekers". The measures were also supplemented by new changes in the foreign exchange regime discouraging foreign exchange smuggling.⁴¹

The Union of Chambers reacted immediately on the removal of their privilege on distributing quotas as well as the new controls imposed on foreign trade by the Ministry of Foreign Economic Relations. The immediate reaction of the Head of Union of Chambers, Medeni Berk to the new foreign trade regime was its orientation towards "statization foreign trade".⁴² However, it was understood from the declarations made by the executives of Union of Chambers that they were majorly anxious about Union's losing its active role and power in the economy if the function of distributing quotas was taken away from them. In other words, reformist restoration had a catalysis effect on the rise of the need for reorganization inside the Union of Chambers as the "sole" representative of the private sector to avoid disintegration.⁴³ The anxiety as such had been confirmed as true by the developments concerning the separate organization of big industrialists under TÜSIAD. It is worth noting that big industrialist Vehbi Koç was making announcements supporting the new government.⁴⁴ The executives of Union Of Chambers were rationalizing their case to keep the "privilege" with the maintenance of a qualified staff in the "Union"

working on the subject. The qualified staff was employed with the earnings from quota distribution and other services and with the removal of those functions, "they would not be in a position to employ this staff which might have caused certain delays in the services of Turkish economy".⁴⁵ The high rents accruing from trade with socialist countries were now eliminated with the centralization of import permits and export licenses in the new ministry. Such a development was considered as a first step towards "etatization" by the "Union" circles.⁴⁶ Even though such an underlining towards the "etatization" of foreign trade did not exist in the government program, representatives of the private sector used it as an ideological tool to resist the "rigid" disciplines imposed by the new kernel and their "loss" of status and power in the next months. In fact, the immediate reaction of the Head of Union of Chambers, Medeni Berk to the new foreign trade regime was Being aware of such a potential resistance, Vice Prime Minister Karaosmanoğlu said : " I suppose that not even one sentence exists in the program that might be interpreted as a first step towards the "etatization" of foreign trade.....but there are some elements that alarm and will make certain groups uncomfortable. For instance, the rules on the issue of reswitching of certain functions executed today by some ex-state organs which belong to the state constitutionalwise....What we think at this moment and work on it seriously is the entrance of foreign trade system into the necessary discipline for the Turkish economy to develop in a successful way. *It is not an entrance to a discipline in the sense of 'etatization'.* (italics mine) ⁴⁷

It is observed that the "reformists" were aware of the strong external linkages of the Turkish economy so that the new 'kernel' inside economic bureaucracy was

organized as the "Ministry of Economic Relations". However, the resistance from rent-seeking merchants was so strong that it would not be possible to settle an interactive relationship with export-oriented fraction of industrial capital. The "transaction" costs of organizing for export markets were so high under state discipline that even this fraction started from the beginning to resist to the intended disciplines by the reformists and defended the incentive measures implemented during Law No.933 which were now frozen till a further reorganization by the Ministry of Foreign Economic Relations. Ertuğrul Soysal, the spokesman of "export-oriented" manufacturing circles in the Istanbul Chamber of Industry, was rather concerned on this point instead of the prospective debased status of Union of Chambers after the transfer of quota distribution to the new ministry and argued that it was the public sector which benefited more from the encouragement measures. He also put forward the dislike of the industrialists towards tax reform.⁴⁸ As the price controls were also exercised over the industrialist-exporters, these circles also started to resist the imposed disciplines.⁴⁹ The reformists were seeking the cooperation of industrialists in terms preventing the "losses" and rent-seeking in foreign trade. Derbil made explicit this point in a press conference explaining how the new foreign trade regime was "implemented". He argued there was flexibility in the system for industrialists and they did not have to be subject to primary price controls prior to foreign exchange quota assignments.⁵⁰ Hence, the dual nature of the relation between industrial capital and the Ministry of Foreign Economic Relations continued till the resignations of the reformists and the elimination of the new ministry. Industrial capital was in search of using the idea of reform as an answer to reconcile the conflicts between different

fractions of capital as well as the "stick" of 1971 regime against labor. Its most explicit manifestation was the "alliance" of the Istanbul Chamber of Industry with the ministry on the distribution of 26th quota. Since preparations were not ready on the preparation of the 26th quota by the ministry, the industrialists' quotas were left to the "Union of Chambers."⁵¹ However, an announcement of the new ministry declared that industrialists could obtain their certificates free of charge from Chambers of Industry which caused strong dissent by the Union Headquarters arguing that it was an interference to their internal affairs.⁵² It asked each Chamber of Industry whether the quotas distributed by the Union Headquarters were appropriate or not. However, the acknowledgment of the "Ministry" by the Istanbul Chamber of Industry on corruption cases (quota distribution to closed firms, duplication of distribution to the same firm etc.) on quota assignments prepared by the "Union" Headquarters empowered the case of the Özer Derbil on the issue.⁵³ The indirect support given to the new ministry by the industrialists to pull down the traditional power and privileges of merchant capital embodied in the "Union" of Chambers during the 1971 regime is of historical significance in the history of late industrialization in Turkey. It provided, if not directly, the suitable environment to form a separate body of representation, namely TÜSIAD, just after the aforementioned "support" for the Ministry of Foreign Economic Relations.⁵⁴ Both the "reformists" and the "industrialists" were indirectly allied on the course of rapid industrialization where the second considered the 12 March 1971 regime capable of removing the "traditional" privileges on the path of industrialization along with suppressing "abnormal" wage claims of labor. The episode of perverse restoration of "reform" was in the final analysis a shift of power to

industrial capital which it could not consolidate vis a vis other social interests under the representative forms of 1961 Constitution. The reformists, however, had still the illusion that they could provide the reform ground for long-term industrialization whereas industrial capital was seeking the short-term encouragement measures along with the sound establishment of their dominance in the socio-economic formation.⁵⁵

The Union of Chambers started a strong and explicit opposition campaign to the implementation by the new ministry as the disciplines in foreign trade became more rigid and executed. Strict penalties were foreseen for those businessmen who were evading taxation in foreign trade.⁵⁶ A memorandum was given in the end to President Cevdet Sunay concerning the "rights" and "freedoms" of the private sector after the changes to be made in the 1961 Constitution but it was in essence a written complaint about the new ministry. The memorandum contained significant clues on the demands of the private sector on the "mode of governance" in the context of 1970s. While it was in favor of restriction of the rights of labor, it was also demanded in the memorandum that the government in office *should not be endowed with extraordinary powers for the reason that the abuse of power by the government could have harmful consequences for the society*.⁵⁷ Such a point absolutely reflected the "mood" of the Union of Chambers under the pressure of the Ministry of Foreign Economic Relations. However, it is also paradoxical to observe that when Law. No.933 was authorizing the Justice Party government with extra-ordinary powers of ruling by decree and it was opposed by labor as being unconstitutional, there had been complete support for government policies by all fractions of capital. On the other hand, price "audits" were considered as a replication of the "National Protection Law"

and as being presented in the form of "reform".⁵⁸ The rising opposition by the private sector to the "reformists" started to undermine the integrity of the government and became an opposition to the government itself. Erim was forced to calm down the private sector himself and he brought the ministers and the representatives of the private sector together. He emphasized that their understanding of private sector economic activity was found in the framework of "mixed economy" and rejected a mentality considering private entrepreneurship and profit as "theft". Derbil explained the case for primary price controls in exports not only as a means to prevent foreign exchange smuggling but that it would serve for the purpose of specialization in international markets.⁵⁹ However, there was no significant progress in the attitude of the private sector in general towards the "reformists." Union of Chambers was still resisting the transfer of the quota allocation function to the ministry. An open struggle was initiated against the new policies adopted. Announcements were made by the Head of the Union of Chambers that they would fight against a mentality which ignored the Chambers. It became clear that they were supporting the "reforms" without the "reformists". "We are on the side of the *reforms of the government. (italics mine)* However, we are against attitudes which suppress the private sector in the name of reform. Especially, we have taken a decision to fight with the mentality which denies the Union of Chambers, which ignores Chambers, and which is dividing and particularistic to the last instance. We know how to make sacrifice if it is time for it and we do it. But there can't be one sided sacrifice. The authorities should also make sacrifice when necessary."⁶⁰ Another important "memorandum" was given to Ayhan Çilingiroğlu, Minister of Industry and Commerce by Istanbul Chamber of Commerce

complaining that the share of commercial sector in national income had stayed constant in the past 15 years so that measures were necessary to overcome this "recession".⁶¹ While Union of Chambers was getting more rigid on the issue of "quotas", there were also announcements on the need to promote exports by incentives. "Exports of finished goods should be promoted on all grounds. Concepts like stinginess, *treasury interest (italics mine)* on this issue have remained in history."⁶² There was also great dissent on limited foreign exchange quotas with the objection of restricted imports of raw materials and investment goods. Even though growth of national income was promising for 1971, the private sector was also hesitating from investment as a sign of political resistance to the reformists.⁶³ The foreign exchange quotas was doubled by the decision of Karaosmanoğlu and Derbil two times as a result of this politically induced recessionary investment environment within twenty days. Karaosmanoğlu says that the quota system would have been eliminated if he had believed in the increase of inflow of foreign exchange resources. Since he had no such belief, he had chosen to increase the volume of quota and "liberalize" the import regime as such. The importers, especially spare parts importers, opposed to such a "move" by the government which was limiting high rent-extraction possibilities.⁶⁴

The rising opposition by industrialists and merchants against the government was finally joined by the opposition against land reform from the parliament. In fact, with the experience of early planning days, the "reformists" were aware of the prospective resistance on land reform. The draft reform proposal, indeed, was blocked by Justice Party and Democratic Party groups in the Land Reform Commission. The

“dual” spirit of industrialists revealed itself on the issue and the industrialists , even though “theoretically” it was in their own interests, did not opt for a land reform. This was the critical turning point in the personal decision of Karaosmanoğlu to resign from the government. As Avcioglu noted , via land reform, the reformists were thinking to expand the domestic market in rural areas for consumer goods industries to bring a “long-run” solution to the crisis of industrial capital faced before the 1970 devaluation, i.e. deficient demand for consumer goods industries which revealed itself in sharp decline in investments before the devaluation. The tax reform on the other hand was aiming to shift private sector investments to the production of investment goods with the proper incentives. However, the disciplines imposed by the Ministry of Foreign Economic Relations and the subsequent expectations of reformists was not within the short-term demand set of industrialists and thereby led them not to support a land reform that would have strengthened the “autonomous” hand of the reformists themselves.⁶⁵

While the "reform" proposals were elaborated in the parliament proving the impotence of the "reformists", the changes in the 1961 Constitution as the political "raison d'etre" of the 12 March 1971 military memorandum appeared with sufficient "speed". These changes were of central importance to industrialists under the 1971 regime for two interdependent reasons. The first one was that the industrialists were extremely concerned about the "excessive" rights of organized labor. It was even explicitly put forward by Ertuğrul Soysal, Chairman of Istanbul Chamber of Industry that articles inside the 1961 Constitution impeding economic development should be canceled.⁶⁶ The second one was the removal of legal obstacles on the encouragement of the private sector by the state. This was reflected to the political scene whether

"reforms" should be implemented by "Authorization Law" based decrees or not. The right to issue decrees was given to the executive by the changes made in the 1961 Constitution. It became a critical issue because the issues on which the executive would be strengthened became the fundamental political conflict inside and outside of the parliament. There emerged a paradox for each party in the parliament on the appeal to "Authorization Law" concerning security and economic issues and economic and social reforms. Republican People's Party supported the realization of reforms, at least in rhetoric by decrees in law and was against the delivery of authority to the government on economic and security issues.⁶⁷ The Justice Party was in favor of "Authorization Law" on economic issues, i.e. encouragement of the private sector as was the case on Law. No. 933 as well as on security issues but was absolutely against the implementation of "reforms" by "authorization" law under Erim government.⁶⁸ In fact, a program on the "required" changes in the 1961 Constitution had been prepared by Justice Party on the aforementioned issues. Hence, ruling by decree was already being demanded by the Justice Party before the 1971 memorandum but was realized by the 1971 changes during the First Erim government.⁶⁹ For our own purposes in this study, the change in the constitution as such delegitimized the case of opposition against a law like Law. No.933. An additional sub-article to Article 64 allowed the authorization of the government to issue decrees in law on certain subjects including economic matters. In fact, the 1971 regime accomplished what Justice Party had been willing to accomplish for the encouragement of the private sector. The 1971 regime opened the way to the frequent use of "Decrees in Law" by the related change in the 1961 Constitution. The 1982 Constitution later strengthened the legal base of ruling by decree which the

Motherland Party revitalized the historical legacy of Law. No.933 as the "norm" for most of its economic legislation for neoliberal reforms. In fact, Özal would say later in the heyday of neoliberal reforms with no hesitation that the "Constitution *eased* execution."⁷⁰

After the changes in the Constitution were made, especially with respect to ruling by "decree in law", the opposition against the reformists intensified. It is interesting to observe that the presence of the parliament in the "1971 regime" served an important purpose for industrial capital. The parliament still served the representation of different fractions of capital and landed interests with only two parties Turkish Labor Party and National Order Party banned representing labor and Anatolian commercial capital respectively. While the "1971 regime" served industrial capital to articulate its own interests against labor and other social interests, the presence of Justice Party as the key majority in the parliament served for the "checking" of the "extremities" of implementation of military governments that could have been harmful to its own interests.⁷¹ This was exactly the case on the issue of land reform that opened the way to the resignations of the reformists. The "perverse" restoration of reform under the "1971 regime" came to an end again because of the issue of "land reform" as the "trigger mechanism" as had been the case in 1962.⁷² One should also mention that the management of State Economic Enterprises was also attacked by the reformists. Karaosmanoğlu considered their responsibility equal with that of politicians on the running of the public sector. Making reference to the serious work on administrative reform in the beginning of 1960s especially on the reorganization of State Economic Enterprises, the concern over preservation of the

"status quo" of the public sector bureaucracy or what he named as the "establishment" played a significant role in the non-realization of administrative reform. It was due to this reason that no serious progress came after the so called "staff reform" under Justice Party rule.⁷³ The reformists were of the opinion that the reorganization of State Economic Enterprises should be based on a single "holding" type of general management rather than the prevailing status where each enterprise was accountable to a different political and administrative authority. Erim did not admit such an opinion and the proposal was rejected in the government.⁷⁴

The resignations followed the formation of such an anti-reform block and the reformists in the government came to a decision on the impossibility of pursuing a reformist strategy. The manifest political "catalysis" of the resignations was the appointment of Mesut Erez, former Minister of Finance from Justice Party as Vice Prime Minister by Erim.⁷⁵ However, the underlying reasons were economic and related to the internal conflicts inside the government. The Ministry of Finance resisted to tax reform indirectly. It was insisted by the reformists that tax revenues should be made adequate to finance the public sector investments in the preparation of 1972 budget. The Ministry of Finance and the conservative group inside the government resisted to this view. The Ministry of Finance could also have resisted to this initiative because there was also a secret attempt by the reformists to separate the unit of Treasury from the ministry which was obstructed by Sait Naci Ergin in the government. Karaosmanoğlu says that such a change inside traditional bureaucracy was part of the agenda of institutional reform besides the formation of Ministry of Foreign Economic Relations.⁷⁶ Another point of conflict emerged between the

reformists and the Central Bank. Since the flow of tax revenues was a matter of time, Derbil proposed the realization of public sector investments by the Central Bank credit opened to the State Investment Bank out of its foreign exchange reserves. Central Bank Governor Naim Talu resisted to such a scheme being suspicious of the decline of foreign exchange reserves in 1972, especially the component of workers remittances. He argued that the scheme of opening foreign exchange credit to the public sector was against the Central Bank Law and could have led to inflationary surge. He was also uncomfortable with the attitude of some reformists to "dictate" the Central Bank to open credit to the public sector on non-cooperative terms. Talu says that the reformists who resigned in the First Erim Government made two fatal mistakes of neglecting the existence of parliament and the bureaucracy. Their "non-cooperative attitude" is said to have formed a strong opposition against them. He implicitly put forward the idea that without the consent of the forces represented in the parliament ,i.e. Justice Party no significant progress on economic affairs could have been achieved.⁷⁷ Talu was highly close to business circles and his appointment to the Ministry of Commerce after the resignations of reformists would be a sign of the complete change of the economic policy orientation under the Second Erim Government. Karaosmanoğlu said that he was thinking of appointing Oktay Yenal instead of Talu after the emergence of conflict between them. He also said that Talu was aware of this plan. ⁷⁸

The resignations have been declared to the public opinion with a letter which can be entitled as the last document of reformist politics in Turkey.⁷⁹ After the resignations of 11 reformist ministers, Erim also resigned and the First Erim

government came to an end. The letter contained the dissent of the reformists on the aforementioned points discussed above. The appointment of Erez by Erim was mentioned in the letter as the abandoning of the initial founding principle of the government which was giving no post to a former Justice Party government member. However, the most significant part was related to the internal conflicts between the "reformists" and economic bureaucracy where the "reformists" came into open conflict with Central Bank governor Naim Talu. The "reformists" were willing to increase the tax resources in the 1972 Budget as part of the "tax-reform" so that public investments would be financed on a "sound" basis. Minister of Finance, Sait Naci Ergin resisted to such a reformist demand on new taxes. In the second stage, the "reformists" came with a proposal by Derbil in front of Central Bank governor Naim Talu. Since the ratification of new tax-laws would take time, in order to prevent "lags" in the realization of public sector investments, Derbil proposed that the Central Bank should open credit to State Investment Bank out of which the financing of these investments would be made possible. Talu was against the idea for the fact that he was afraid of a possible fall in the inflow of workers remittances in 1972 which actually came out not to be true. He did not want the Central Bank to bind itself with such an obligation which might have had inflationary consequences. Having been unable to coordinate the monetary and fiscal policy in the direction of reformist goals, the resignation document stated the following as a major reason of the resignations: "Completely inherited from the Justice Party government, the organizer of the economic policy of Justice Party period, a "Finance" and "Central Bank" equip devoid of modern understanding of economics and finance and unwilling to cooperate with our government causes increase in problems making their solutions difficult."⁸⁰

Central Bank Governor Talu responded immediately to the claims presented in the resignation letter of the reformists. He accused the reformists for having made speeches which misled the public opinion having negative effects on the course of economic affairs. He also added that the reformists choice of aforementioned fiscal policy was inflationary. However, even though Talu's anxiety seemed at first sight to be derived from "macro" concerns related to monetary policy, the essence of the problem seemed that business as a whole and especially the importer-merchants were willing the accumulated Central Bank reserves urgently to be channeled for private sector needs to remove the recession in commercial activity. For "absorption" of these reserves, as a "corollary", they also argued for the re-introduction of incentive implementation that had been frozen by the Ministry of Foreign Economic Relations for the past 9 months. It was not a coincidence that Raif Onger, the Head of Union of Chambers organized a press conference immediately after the resignations to express the above demands. ⁸¹

After the new government was formed, Talu was appointed as the Minister of Commerce which re-included the Departments of Foreign Trade and Internal Trade as well as the Incentive and Implementation Department. The cancellation of the Ministry of Foreign Economic Relations and the appointment of Talu to the newly formed ministry was considered by the private sector as "trust" building. In fact, Erim's words on the appointment of Talu reflected the expectations of the private sector in general. "We brought the Governor of the Central Bank as the Minister of Commerce. The private sector will find confidence in his person and the old debates will vanish....This is a guarantee by itself." ⁸² Talu, however, was not representing business interests as a whole. He had developed close connections with banking

circles during his Central Bank governor days. Events would prove that he was more on the side of bankers and importer-merchants than the industrialists as would appear clearly during the period of Melen cabinets. However, the priority for industrial capital like other business interests was primarily the elimination of the "perversity" in the 1971 regime in terms of economic bureaucracy with the resignations of the reformists and the removal of Ministry of Foreign Economic Relations. With the Second Erim government emancipated from "bureaucratic reformism", industrial capital have found such a "guarantee" in the economic apparatus of the state.

After the abolition of Ministry of Foreign Economic Relations and the Ministry of Industry and Commerce, the Ministry of Commerce was reestablished along with the Ministry of Industry and Technology in the Second Erim government.⁸³ The Incentive and Implementation Department remained in the institutional body of Ministry of Commerce in the first hand to which Talu was appointed as the minister.⁸⁴ Business circles in general revealed their support for the economic cadres of the new government. The 1972 Foreign Trade Regime which expanded investment quotas and eliminated "rigid forms of controls" on export and import prices was positively evaluated by the representatives of Union of Chambers. However, there was no explicit reference for a return to the old "privilege" of distribution of quotas by the Union of Chambers. The primary price control system in exports was not abolished but was made "flexible" delivering the mechanism to the Chambers of Commerce with the daily audit remaining in the Ministry of Commerce.

⁸⁵ The primary price controls in imports would be subject to a similar regulation later during the last government of the 1971 Regime when Talu would become the Prime

Minister. Such a decision would mean a return back to the situation before the establishment of Ministry of Economic Relations.⁸⁶ The government continued to expand the quotas of importers but it did more of the industrialists'. The continuation of "enclosing" the quota distribution system by the state in the 1971 regime made a lasting impact for the decline of the traditional role of the "Chambers" in 1970s in the distributive domain of limited foreign exchange. "It is important to underline the significance of the date 1971, for the decision to centralize the allocation of foreign currency quotas under the aegis of the Ministry of Commerce at the national level, thereby drastically curtailing the powers of the chambers, was made in the immediate aftermath of the 1971 military intervention. That a military takeover, aimed at restoring "law and order" and "stability" in the country, should immediately be accompanied by changes in the foreign currency quota allocation system indicates what an important source of power and political patronage is involved."⁸⁷ The merchant circles organized in the Union of Chambers were not successful in the repossession of the privilege of distribution of quotas. However, they would be successful for a temporary period during the Talu government to obtain the right of license confirmation back from the Ministry of Commerce. Paradoxically, the National Salvation Party which was in favor of a "decentralized" foreign trade regime before 12 March 1971 memorandum supported the opposite from the early days of the coalition government with the Republican People's Party reflecting a rapid change in the status of Anatolian small and medium-size industry. Having had access to state "power" , National Salvation Party did not need the "Chambers" anymore to distribute "rents" to its business clientele in mid-seventies. Economic bureaucracy "centralized" the dispersed privilege of "Chambers" in the distributive domain with

the presumption of "effective" tuning of industrial investments in the Third Five Year Plan period. The same underlying logic also applied for the encouragement of investments and exports with the constraint of the "memory" of Law.No.933. The presumption of "centralization" under the "1971 regime", however, opened the avenue for the politicization of economic bureaucracy with the start of coalitional politics. The realm of economic bureaucracy itself became the "source of power and political patronage" to be captured by the coalitional partners. It is not by coincidence that National Salvation Party have "captured" both the Ministry of Industry and Technology and Ministry of Commerce in the first coalition government after the "1971 regime" as well as the first in the two Nationalist Front Governments.⁸⁸ The locus of the economic apparatus of the state under the "1971 Regime" seems to have neglected the prospective "democratic expansion" while pushing the industrial accumulation to a further stage. In fact, the Third Five Year Plan which was a "child" of the 1971 regime became inapplicable in the hands of the coalition governments since it rested on the political assumptions of the 1971 regime. Even though it contained a strategy of long-term industrialization path, the plan was criticized for its "economism" and the neglect of the social dimension largely due the above discussed reasons.

Early planners had resigned after having lost the political space for interaction with newly emerged industrial capital for the reasons discussed above and limited autonomy of new bureaucracy was born on 'fragile' terms. The revival of "reform" after 12 March 1971 which is labeled here as "perverse restoration" took place under a political space which only allowed for the "despotic autonomy" of bureaucracy vis a vis social interests other than industrial capital. The newly emerged industrial capital

after 27 May 1960 formed a productive coalition with labor with the allowed limited autonomy of new bureaucracy. Along with the collapse of limited infrastructural autonomy as we have discussed, industrial capital chose the path of rapid accumulation at the expense of the continuation of productive coalition. The mature phase of industrial capital accumulation had been reached in the absence of a long-term interaction with economic bureaucracy as in cases of successful early and late industrialization. The perverse restoration of reform proved the impossibility of reincepting even the limited "infrastructural" autonomy vis a vis industrial capital in its mature phase. The absence of conditions for effective state intervention and the emergence of limited infrastructural autonomy in the early days of planned development created the preconditions of "perversity" of searching for reform in the mature phase of industrial capital at the end of sixties. It was not coincidence that Karaosmanoğlu continued to accuse the concept of planning in the Justice Party era even after Özal left the organization.⁸⁹ He was conscious of the fact that after the elimination of all remnants of autonomy and maturation of industrial capital in the absence of interaction with bureaucracy, it would not be possible to "reconstruct" it. In fact, infrastructural autonomy is not "(re)constructable" but unfolds under the reciprocal consent of both state and capital. The "gestation" of restoration attempt of such discipline in Ministry of Foreign Economic Relations proved its impossibility under the 1971 regime. It is significant that the reformists presented their case as a "war of national development" where capital is under examination in this struggle to "fulfill its duties".⁹⁰ The "national developmentalist" ideology of perverse restoration of reform had targeted to reassemble the pillars of the productive coalition which were subject to decay under rapid accumulation in late sixties. However, the remnants

of limited infrastructural state autonomy vis a vis industrial capital in early days of planning ceased to exist. Hence, the ideology of restoring the productive coalition in the mature phase of industrial capital where its maturity was attained not under conditions of enhanced autonomy but required a despotic shift did not have a sound economic and political base. The short episode of First Erim government and the experience of "reformism" where the search for a new institutional unit of implementation was a central element has been truly considered as the last "as if autonomous" attempt of bureaucracy in Turkey.⁹¹ Its immediate legacy was the decentralization of regulatory power inside economic bureaucracy which seemed to serve the short-term demands of industrial capital but was also an indirectly contributing institutional factor to the development of economic crisis at the end of seventies. Politicization of economic bureaucracy in 1970s was rather an unintended legacy of the perverse restoration of reform. The establishment of Ministry of Foreign Economic Relations claiming to discipline all fractions of capital had caused the emergence of a "phobia" from a potential reformist challenge which caused the separation of implementation at the end of the reformist experience. The revitalization of incentive measures after the resignations of the reformists and the implementation of the Third Five Year Plan had such a backdrop which characterized the institutional political economy of industrialization in 1970s resisting to "adjust" in a cohesive way to the dictates of world economic crisis in the overall economic apparatus of the state.

State Planning Organization and the Third Five Year Plan : A 'Despotic'

Product of the 1971 Regime ?

It is therefore much more proper to understand the "lack of state autonomy" in this evolving historical context rather than a "predefined" notion to be imposed upon the different stages of ISI. The inability to further the import substitution in Turkey in its difficult stage in the beginning of 1970s where strong cleavages prevailed is explained with such a predefined absence of "state autonomy" by the students of the period.⁹² The argument proposed here takes state autonomy as a matter of degree rather than of kind to be enhanced or to be retarded on a long-term interaction basis between state and industrial and other social interests, mainly labor. In other words, the collapse of limited autonomy during the Second Five Year Plan instead of its enhancement constituted the historical lineages of the "inability" of economic bureaucracy to push the industrial sector in the direction of manufacturing intermediate and capital goods at large. Rather than being disciplined towards vertical industrialization in the further stage of import-substitution, industrial capital had found the means of expanding horizontally in the manufacturing of consumer durables.⁹³ The consequences of the collapse of the limited infrastructural state autonomy was the emergence of "despotic" autonomy of economic bureaucracy in assistance to industrial capital under the 1971 regime preparing the ground for a "higher" stage of late industrialization in the Third Five Year Plan period. Economic bureaucracy had already lost its chance of restoring the long-term interaction around a shared goal between itself and industrial capital during the implementation of Law. No.933 which was followed by episodes of "reaction" and "compliance" under the 1971 regime. As was argued before, it was rather the interrupted evolution of the form of interaction began in the decade of limited autonomy rather than the cleavages among different forms of capital at the end of sixties that locked the path for a "strategic" form of late

industrialization. Economic bureaucracy under the 1971 regime was not able to make a "recourse" to the early sixties even though there were elements of such an effort. The mature phase of industrial capital was in contradiction with the "bona fide" restoration of planning and reform. The legacy of Justice Party economic policies was so strong that the substantial elements of those policies were made available to the accumulation requirements of industrial capital but with different legal and bureaucratic facets. More importantly, the short episode of 1971 regime was conceived to last longer in the preparation of the plan and incentive measures disregarding the arrival of party politics and the competition for "rents" between their business and public sector "clients". The consequences of such a "design" with respect to the incentive measures and the Third Five Year plan had drastic consequences on the collapse of the industrialization strategy at the end of seventies. The idea that the governments of the 1971 regime "did not leave much of an imprint on political economy matters"⁹⁴ in comparison to their principal mission of restoring security and state authority seems to be not valid. The consolidation of a plan strategy and extensive incentive implementation in the absence of a solid legal basis left its impact on the overall political economy of seventies. The Third Five Year Plan and the strengthening of the Ministry of Industry and Technology were the institutional "imprints" of the 1971 regime on this period. Beyond the choice of a crisis-prone strategy of industrialization as economists and critiques of the Third Five Year Plan indicated, these "imprints" have given a "sclerotic" content to the economic apparatus of the state which did not allow "flexible" governance in industrial policy, but made it an instrument of populist expansion strategy of coalition governments. The politicization and parcellisation of economic bureaucracy in 1970s was not in

contradiction with the formation of the 4th Department in the second half of 1960s but was a natural continuation of the sharp decline of the altitude in state power that had taken place during those years.

As part of the overall reform agenda, State Planning Organization had been expected to be "revitalized" after the takeover of early planners in the First Erim Government. After Özal left the Organization, Hüsnü Kızılyallı was appointed as the Deputy Undersecretary to the Organization temporarily till the full appointment of a new undersecretary. There seems to have emerged again another conflict between the reformist and conservative wings of the First Erim government on this issue. The reformists in the First Erim government wished to appoint Attila Sönmez who had been the Head of Economic Planning Department in 1962 after the resignation of early planners. But Ferit Melen in the government and National Trust Party of Turhan Feyzioğlu in the parliament opposed to the candidacy of Attila Sönmez for the reason that he had been in close relation with the Turkish Labor Party. In fact, this was also one of the points of attack against Karaosmanoğlu after the resignation of "elevens".⁹⁵ Hence, the appointment of Memduh Aytür was not the "revealed preference" of the reformists for the Undersecretariat of the State Planning Organization. There was even a phase of reciprocal distrust between Aytür and Karaosmanoğlu after the appointment of Aytür to the State Planning Organization. Aytür hesitated to enter the First Erim government as a cabinet member although the offer had been made. He was anxious of not being able to return back to the State Planning Organization after a ministerial term. After evaluating the "cabinet bargaining" for the First Erim government, Aytür opted for the Undersecretariat of State Planning Organization where the offer of Vice Prime Minister Sadi Koçuş was in that direction in the end.

The personal "enforced retreat" in 1966 before the takeover of Özal circle from the most prestigious state institution established after 27 May 1960 was the driving motive behind the "reconquering" of the planning organization.⁹⁶ The consequences of "reconquering" has been considered as "hazardous" in terms of the preparation and the document of the Third Five Year Plan. The plan came out as a product of "technocratic isolation" reflecting in essence the political "milieu" of the 1971 regime. In fact, it was finalized and approved with certain modifications in the parliament during the Melen government which made the approval of the plan as a precondition for the transition to political democracy for the reasons discussed below. It would not be an exaggeration to state that the plan was an offspring of the "dictation" of Aytür at the bureaucratic and Melen at the political levels. The economic apparatus of the state under the 1971 Regime was a consolidation of the traditional economic bureaucracy. In fact, Melen government was identified as the "coalition of financiers" where major figures belonged to the traditional bureaucracy of the Ministry of Finance.⁹⁷ Prime Minister Ferit Melen, Minister of Finance Ziya Müezzinoğlu, Minister of State Zeyyat Baykara were all members of the so called "coalition of financiers" who belonged to this tradition. In fact, Aytür was completing the picture in the State Planning Organization. The domination of the Ministry of Finance became so explicit that Aytür would testify that no "reform" could be realized in the absence of its *voluntary participation (italics mine)*.⁹⁸ Aytür's shift of attitude towards a "domination" type of governance in comparison to his previous "open-ended" type of governance before his resignation in 1966 has been even considered as "fascist-oriented" by a planning specialist who left the organization during Aytür's

Undersecretariat but who also had been so close to Aytür in the pre-Özal decade in the Organization.⁹⁹ For our own purposes, this comparison reflects the differential in the mode of autonomy of State Planning Organization from early sixties to the beginning of seventies. It is not the "lack of state autonomy" but the loss of altitude from "limited infrastructural" towards a "quasi-despotic" form of state power that is offered here as an explanation for the decline in the regulatory ability of the State Planning Organization. Reconsidering the original "raison d'etre" of 27 May 1960 movement as "Staatsbildung", this meant the retreat from the original goal of fusing the enhancement of infrastructural capacity of the state with neo-Listian national political economy.¹⁰⁰ The decline in the role of the State Planning Organization during the 1971 regime was an expression of the retreat from "Staatsbildung" as reform and the abandoning of the search for the symbiosis between industrial capital accumulation and reform for long-term economic change. As a product of this change of axis, the Third Five Year Plan emerged on the basis of a "despotic" form of state power as distinct from the "limited infrastructural" status of the State Planning Organization after 27 May 1960. The strategy had been finalized and accepted in the High Planning Council after the resignations of the reformists and approved by the legislature during the Premiership of Ferit Melen. The despotic structuration of the Second Five Year Plan reflecting the absence of any participation from other segments of the society as well as political parties in the Assembly was reflected in a secret meeting between President Cevdet Sunay and political party leaders. Sunay was insistent on the fact that "the Third Five Year Plan should be passed through the parliament before the elections" trying to avoid the alteration of the industrialization strategy by fractional interests and those who were discontent by the retreat from the idea of "social

state".¹⁰¹ The fact that Ferit Melen, the "interlocutor" of the views of the military inside the government (later as the Prime Minister) was opposed against the appointment of early planners to the organization whose reformist stance might have constituted the emergence of an anchor as such. The role State Planning Organization in the absence of any reformist guidance had been subordinated to the preparation of this anchor reflecting the consolidation of despotic state autonomy represented by the traditional bureaucratic alliance of the military, Ministry of Foreign Affairs and the Ministry of Finance. The structuring of the state apparatus as such under the 1971 Regime made the "economic bureaucracy" inflexible under a presumed fixed anchor. However, such a presumption of "fixedness" of the preferences of the bureaucratic alliance and the resulting institutional structuring of the economic apparatus of the state would turn out to be the source of the "paralysis" of economic bureaucracy under the infiltration of strong forces of "rent-seeking" between 1974 and 1980.

The Third Five Year Plan was distinct from the previous two plans with its formulation of a "new strategy" for development. The strategy of the First Five Year Plan had been prepared on a 15 years basis which would cover three 5 year plan periods. The fact that the strategy of the Third Five Year Plan was prepared before the end of the Second Five Year Plan implementation meant in fact the abandoning of the 15 Year long-term plan strategy intrinsic to the First Five Year Plan.¹⁰² Among other factors like changing economic problems and the difficulties confronted in the realization of the targets of the first two plans, the fundamental reason set in the strategy document for the "new" strategy was reaching the income level and economic structure of one of the Common Market countries within a perspective of 22 years.

The level of income and economic structure that was desired to be reached within 22 years of time was that of Italy in 1972, i.e. the least developed among Common Market Countries at the time. At the end of the 22 years, Customs Union with the EEC would be realized with the elimination of all controls over commodity and factor movements. New priorities on national income and production targets were to be determined taking this external factor into consideration or more explicitly, "development via accelerated industrialization" was directly linked to this "anchor". However, the determination of these priorities was based on the "normative" dictation of economic bureaucracy under the 1971 regime. In fact, it was stated in the plan that it was not the potential target growth rates of the overall economy and different sectors to reach the level of income and economic structure within 22 years, but the rates at which they should grow which was determined.¹⁰³ The inadequacy of such a "normative" imposition into the new plan strategy from the economic point of view has been evaluated by an economist as follows : "The principal concern of the New Perspective Plan (NPP) is the expected integration of Turkey with the EEC by 1995 . Despite this, the NPP *does not provide any detailed quantitative or qualitative analysis of the process of integration as well as any analysis of the changes required in the structure of trade and production, and policies which would bring them about.* Ironically, at the end of the Third Five Year Plan (1973-1977), which is the first segment of the NPP, Turkey faces a dramatic economic crisis stemming from severe balance of payments difficulties and the relations with the EEC are planned to be frozen in the Fourth Five Year Plan (1979-1983), the second segment of the New Perspective Plan."*(italics mine)* ¹⁰⁴

The injection of such a "normative" dimension into the strategy 'from above' reflected the shifting context of Turkey's locus in her geography which indirectly accounts for the external dimension of the political economy of the 12 March 1971 military memorandum. In his introduction to the Third Five Year Plan , Prime Minister Ferit Melen explicitly revealed this reality. "...The geopolitical location of Turkey necessitates her industrialization. Our neighbors are moving fast on the path of industrialization. As you also know, our general security has necessitated to say in the Western alliance. All this necessitated the making of the choice of participation of Turkey in the European Economic Community ten years ago."¹⁰⁵ The linking of accelerated industrialization to integration with EEC in the absence of detailed research on the transition mechanisms from the closed economy framework can rather be explained by the security concerns of the military plus the political norms of economic bureaucracy of the period. In fact, Aytür stated that the Third Five Year Plan was based on three major sources which were namely the Constitution, Ankara Treaty and the program of the Melen government.¹⁰⁶ Rather than a mere commitment to political authority, the strategy expressed the views of the military expressed through program as well as the "pro-European establishment". The effect of Melen government program which concentrated on security issues was seen in the strategy of the new perspective plan as the first cited principle of development policies. "A systematic link will be established between the provision of the material and equipment necessitated by the national defense facilities at a sufficient level and the efforts for national industrialization."¹⁰⁷ More explicitly, " an integration of industry and defense" is targeted in the plan strategy as part of the overall industrialization

drive. In fact, the former practice of State Planning Organization where the allocation of investment expenditures to the Ministry of National Defense had been reduced was subject to criticism by army officials and the demand for increasing the investment allocation of the Ministry of National Defense was legitimated in a S.P.O document prepared for receiving the thoughts of state institutions before the preparation of the Third Five Year Plan as follows : "The issue that a project oriented towards the development of war industry also plays a role of increasing national income via developing the national industry is so evident that the reverse can not be defended." ¹⁰⁸

The interests of the "military-industrial" complex as complementing the interests of industrial capital and war industry originally guided the principal axis of the Plan strategy. The planners operating under the above constraints of the 1971 regime made the "mistake" of not foreseeing the changing security and economic context both at the domestic and international levels could make the "new" strategy void as the unfolding of the international and domestic context showed clearly. It reflected as a whole the "vision" of economic bureaucracy within the constraints posed by the 1971 regime. The punctuation over the external factor, i.e. integration with the Common Market was rather a normative consolidation of the pro-European stance of the traditional alliance between the Ministry of Finance and Ministry of Foreign Affairs backed by the military where the role of the planning cadres under the political domination of Memduh Aytür was subordinate to this normative axis. It can be said that the absence of coherence inside the overall bureaucracy on the way of signing the Additional Protocol has played a prominent role in linking the mode of industrialization to the legal promise in the protocol with the new perspective plan strategy. The dilemma would reveal itself when the time came in 1976 to fulfill the

obligations of the Additional Protocol to pull down the customs barriers where Turkey refused under the constraint of the industrialization strategy of the Third Five Year Plan. It should be recalled from the previous chapter that the State Planning Organization in the Özal decade had played a "regressive" role in the enhancement of the relationship with the EEC inside bureaucracy in general. The plan strategy was then an anchor text for the consolidation of the traditional alliance between the military-fiscal-foreign affairs bureaucracies in terms of the penetration of the domestic and foreign objectives of security and industrialization. Looked at carefully, the normative appeal towards integration with the EEC reflects the "pro-European" orientation of economic bureaucracy at the time in the formation of the new plan strategy. Özal circle tried to manipulate the deficiency in this decision later when they wanted to prevent another European anchor now in a different form than the strategy of Third Five Year Plan. The views of State Planning Organization Yıldırım Aktürk and Turgut Özal on the subject in 1981 were as follows : "The Ministry of Foreign Relations always wants to set the time before its date. We will eventually participate when we come to the position of participation. It is a mistaken view that economic problems would be managed afterwards.(Aktürk)We have to be without prejudice. Decisions have been taken with prejudice till today, one group being "pro" one group "against" them, being in the middle was not accepted. The Common Market is not our basic problem today. The Common Market is the principal target, but we must not act with prejudice, we can make mistakes if we act with prejudice.(Özal)"¹⁰⁹ In fact, the return of Özal cadres in 1980 meant the fusion of the security and economic spheres in the absence of a pro-European strategy under the neoliberal wave of policy reforms. The traditional bureaucracy , this time, came into conflict with Özal circle

which found its support basically from the international financial community and indirectly from the military whose security concerns overwhelmed the formulation of any "developmentalist" concern aiming for an integration with the European Economic Community. Still circumscribed by the "goal-orientedness" of the legacy of post-27 May 1960 reform episode at least in form, the 1971 regime had linked the power of the planning organization to the despotic restructuring of the state as the office of legitimating the equation between the external geopolitical locus and the domestic rising social opposition. The role State Planning Organization in the absence of any reformist guidance had been subordinated to the preparation of this anchor reflecting the despotic state autonomy of the traditional bureaucratic alliance. The traditional alliance inside the state fused the American (NATO)-based security concerns of the military with the pro-European concerns of economic bureaucracy which would not be the same after 1980. The solution of the equation in favor of the first after the 12 September 1980 military intervention would in fact seem to explain also why the dismissed Turgut Özal and his circle after the 12 March 1971 memorandum would be accepted by the military regime to continue with the structural adjustment program. ¹¹⁰

Reflecting the aforementioned political and security concerns, the Third Five Year Plan was envisaged to realize ambitious industrialization targets where the division of labor between the public sector and industrial capital had taken a more clear shape within the 'new strategy'. In contrast to the Second Five Year Plan, the new strategy and the Third Five Year Plan called for the establishment of a 'center of gravity' in industry where % 49 of all investments between 1972 and 1995 would be realized. The so called center of gravity would be in sectors producing intermediate

and investment goods. Defense industry would be given priority in the development effort which in fact was the principal reason for the demands of the separate establishment of a 'Ministry of Heavy Industry' prior to the establishment of Ministry of Industry and Technology.¹¹¹ The strategy and the plan considered the establishment of consumer goods industries as a structural deficiency of the previous decade and explicitly opted for the allocation of resources towards sectors producing intermediate and investment goods.¹¹² Aytür, (as then being the Undersecretary of S.P.O) rationalized the strategy as follows responding to the critiques which claimed that private sector investments have been underestimated in the plan. "The private sector can handle the consumer industry and even some intermediate and investment goods. Hence, you will take in your hands those tasks which *the private sector does not do and having no possibility that it can do.*" (italics mine)¹¹³ In other words, such a division of labor which had been existing since the 'etatiste' years came to a new threshold under the Third Five Year Plan. The realization of high cost-low profit heavy tasks in sectors like iron-steel, petroleum, energy, etc. which are detrimental to the accumulation of industrial capital are left to state monopoly under the plan.¹¹⁴ In fact, this was exactly what was demanded by the first hand spokesmen of industrial capital immediately after the 12 March 1971 memorandum. Chairman of Istanbul Chamber of Industry, Ertuğrul Soysal said : "The State should give emphasis to infrastructure with all its force, heavy industry and mines should be managed by the state."¹¹⁵ Such a seemingly despotic 'from above' strategy was criticized in a number of respects. First, it was argued that this was a mono-preference industrialization strategy based upon an 'unbalanced' concept of development. Excessive emphasis

was given to industry and services at the expense of agriculture and to the production of investment and intermediate goods at the inter-sectoral level. Demirgil was pointing towards the limitations of continuing with IS industries in rigid forms in the plan disregarding the possibilities of export-orientation : "The % 11,3 growth target in the Third Five Year Plan is beyond being a realist figure. It is because the first ten years of import-substitution should be considered as easy for having fulfilled a vacuum. The speed of development of the established IS industry exhibits slowdown. New import substituting industries are very limited. On the other hand, a large part of those industries built via import substitution are operating with high costs and can not provide export possibilities due their scales and unproductiveness." ¹¹⁶ Encouraged also by the increased flow of foreign exchange, the strategy made the open but fatal choice of continuing import substitution without enforcing industrial capital to handle difficult tasks. Under such a division of labor, conceptualization of mercantilism as planned ISI in its rigid form thus contributed to the rapid accumulation of now mature and monopolized industrial capital under the still expanding domestic market for consumer goods industries.

The "despotic" state power envisaged in the Third Five Year Plan is more easily observed if a comparison is made between its strategy and the strategy of the First Five Year Plan. Although the label "new" is given to the strategy of the new perspective plan with its commitment to long-term integration with EEC, it sharply differs from the First strategy with its understanding of industrialization which show the variation between limited-infrastructural autonomy associated with the first and despotic autonomy associated with the "new" strategies. As has been noted in the second chapter, the strategy of the First Five Year Plan did not envisage a

deterioration in the given income distribution structure in the process of capital accumulation (increased savings). The new strategy in its section of "social justice" reversed this commitment of early planners and surrendered the distribution of income, employment and social policies to industrialization targets. "The policies pursued for the increase in employment opportunities, the extension of social security and the amelioration of the distribution of income will be developed at an equilibrium that will not decelerate the rate of industrialization". ... "The adoption of the principle of balanced development will not hinder the objective economic criteria to be valid in national scale investments."¹¹⁷ Moreover, while the "center of gravitation" i.e. industrialization dismantled the reform- redistributive dimension of the First Five Year Plan Strategy, it explicitly related itself to the EEC objective and the "geopolitical context" as discussed above. The heart of the new strategy in relation to the dismantling of the reform function and social planning as distinct from the First Five Year Plan Strategy is found in the section of "Obligations Imposed in Relations with EEC". The "sacrifices" necessary for the "anchors" imposed by the bureaucratic alliance as well for satisfying the demands of industrial capital is explicitly stated as follows : "The alternative of gathering of resources on such a center of gravitation necessitates *the acceptance of serious and disciplined sacrifices in the short term on certain economic and social rights* without violating their essence. These sacrifices will be the guarantee of the realization of the *ideal of national exaltation* on one hand and the realization of the economic and social duties of the state at a sufficient level on the other."¹¹⁸ These lines clearly indicate the abundance of "reform" as distributive function and social planning at the expense of "accumulation" in the Third Five Year Plan Strategy . The plan strategy envisaged the increase of domestic

savings from a level of %19.6 in 1972 to a level of % 25.5 in 1977 (the figures indicate the share of savings to national income in the respective years) with an unrealistic marginal propensity to save as %38.8 for the plan period.¹¹⁹ The working classes were assumed to be the important source of "disciplined sacrifice" by these figures to raise savings that would finance large scale investments given the declaration of Prime Minister of Ferit Melen that there would be no new taxes in the Third Five Year Plan Period. Close inspection of the macro figures of the plan revealed the "costs" of the delayed reforms in the beginning of the planned development period. Those classes who had been assumed to complement themselves under the guidance of the institutional kernel of the "Second Republic" were separated from each other in the Third Five Year Plan. The plan discipline in the Third Five Year Plan was closely related to the demanded labor discipline especially from manufacturing sectors. However, declining real wages in 1971 and 1972 started to rise in 1973 even before the exit from the 1971 Regime. The political base of the Third Five Year Plan was subject to resistance even from its early days from labor whose organizational challenge would take a more militant shape than the labor movement of late sixties.¹²⁰

Major political parties declared their discontent with the Third Five Year Plan during the plan negotiations in the parliament. However, their main points of criticism on the plan differed sharply from each other. Justice Party opposed the plan with the claim that it contained a heavy "etatiste" dimension. Its cadres were thinking that Ecevit and Republican People's Party would defend the plan since there was considerable emphasis on the role of the public sector in the plan. They thought that they could benefit from such a defense of the plan by Republican People's Party in the

1973 elections.¹²¹ However, Ecevit made a sharp criticism of the Third Five Year Plan in contrast to the expectations of Justice Party cadres. His criticism concentrated on the dismantling of the social planning and social justice/income distribution aspects of the plan document. The planners had given information on income distribution in the original plan document. But, Melen government canceled those sections of the plan before its negotiations in the parliament. Ecevit argued that presence of the severe inequality in income distribution would be contradictory to the plan strategy. The dismantling of social planning was considered as against the 1961 Constitution. Rapid industrialization in the absence of social planning and sound reform would cause its breakdown with the rising social opposition. "If that is the case, there is only one way to carry out this plan in harmony with its underlying strategy : A regime of dictatorship And not a dictatorship on the side of people, a dictatorship where big commercial and industrial bourgeoisie would have more weight as political power.... This plan can not be implemented if democracy is not given up. If one insists on its implementation, then I am afraid it causes social explosions. This plan is a plan rejecting not only social justice but also social planning certain issues remaining aside."¹²² The other important point of Ecevit's criticism focused on the division of labor between the public and private sectors in the plan in relation to the composition of investments. Large scale investments with high risk and low profitability are left to the public sector whereas easy and highly profitable fields of investment remain in the domain of private sector economic activity. The so called emergence of "people's sector" as a third sector in the political discourse of Republican People's Party was based upon such a reaction to the Third Five Year Plan which only favored industrial capital and the public sector bureaucracy . The idea of "People's Sector" which

became the economic keystone of Ecevit's 1973 election campaign would challenge such an understanding of industrialization with the proposal of channeling "people's savings" to this sector and close the "gap" of neglected social justice and planning.¹²³

It was seen that those who expected the defense of "etatisme" from Ecevit in the plan negotiations had surprisingly seen the rise of "populism" in his discourse. The gap of "social planing" in the Third Five Year Plan as the incomplete legacy of reformist early planners in the regulatory sphere of economic bureaucracy have transformed itself to the "political domain" via the populist discourse of Ecevit. While the Third Five Year Plan represented the "death" of the concept of planning of early sixties, it also represented the birth of Ecevit's "populism" towards the end of the 1971 Regime.

The despotic / technocratic-isolationist character of the Third Five Year Plan was clearly seen in the attitude of the government and Aytür's planning team. The ratification of the Third Five Year Plan in the parliament was imposed by the Melen government as the precondition to the transition to political democracy given the strong opposition in the parliament.¹²⁴ Even though Justice Party was against the etatization of strategic mines, the government initially insisted on their original status in the plan document which presumed public control over them. Given that Justice Party was ready to give an approval vote on the plan , the government made the concession that while the strategic mines would be under state control, they could be withdrawn from the "strategic" category with the offer of State Planning Organization and the opinion of Ministry of Energy and Natural Resources. Demirel was aware that they would not be bound with the dictates of the plan after the elections and the Justice Party group voted for its approval.¹²⁵ The absence of any form of cooperation

and collaboration on the preparation of the plan made it clear that the alliance between traditional bureaucracy and industrial bourgeoisie committed to rapid industrialization did not want any open discussion outside the parliament on the mode of this drive under the 1971 regime with the fear that pre-memorandum cleavages and demands from labor could change the substance of the plan. For instance, a meeting for the discussion of the plan by the City Planning Chamber of Architects & Engineers was scheduled in Ankara. Marshall Law administration did not give the permission to the meeting with the reason that there was no necessity for the discussion of the plan outside the parliament.¹²⁶ On the other hand, the planning bureaucracy under the control of Aytür revealed its hesitation on participating to any conference on the plan prior to its ratification in the parliament. Economic and Social Studies Conference Board in Istanbul had been willing to organize such a conference prior to the ratification of the plan but it was postponed since Aytür and his team had been persistent on pursuing an isolationist attitude on the preparation of the plan.¹²⁷ When the conference was organized at the end of 1972 (after its ratification) where the plan was heavily criticized by academic circles and former bureaucrats, Head of the Economic Planning Department, Hikmet Çetin felt it necessary to state that the choices in the strategy were explicitly political choices. They reflected the values of political cadres. He was implicitly pointing towards the fact that if the planners had brought their own values into the plan, then the Third Five Year Plan Strategy would have structural conflicts in it. In other words, the planners did not inject their own "values" into the plan so that the "structurally consistent" outcome reflected the "dictates" of the 1971 Regime, not the preferences of the planners themselves. Çetin made this statement after the ratification of the plan and Aytür's resignation from the

Organization. It was clear that there was no coherence inside the planning cadres during the preparation of the Third Five Year Plan. Given the strong criticism of the plan especially from Ecevit, the planners themselves were also aware of the fact that the plan would be subject to significant changes by annual programs after the transition to political democracy.¹²⁸

New Draft Law for Incentive Implementation and the Ministry of Industry and Technology

In line with the chosen ambitious strategy of industrialization in the Third Five Year Plan, the scope of encouragement measures was enlarged to realize the targets as had been manifestly declared by Ferit Melen declaring adjacently the key role of the Ministry of Industry and Technology inside the economic apparatus of state in 1970s. The implementation of encouragement measures had been “frozen” for 9 months during the First Erim government but after the establishment of the Second Erim government, the old practice was resumed again in the absence of a unifying legal framework mainly resulting from the pressures from industrial capital. New decrees were prepared by the government to revitalize the “old” practice and it was stated that critical incentives of the Özal decade would be in effect till the new incentive implementation law. However, this would be realized now under the institutional “umbrella” of the Ministry of Industry and Technology. It is recorded that, after the abolishment of Ministry of Foreign Economic Relations, the utilization of the industrial projects from the decree on “nullification” of Customs Tax Rates decree in 1972 -prepared by the 4th Department after the annulment decision of the Constitutional Court on certain articles of Law. No.933. in November 1969- was five times more than its level of utilization before 12 March 1971. This in fact clearly

indicated the predominance and power of industrial bourgeoisie in the 1971 Regime. It was also recorded that the investment decisions by the industrialists were taken "in advance" to benefit from the reintroduced critical decree of the Özal decade which harmed the health of the projects. ¹²⁹

Economic bureaucracy indeed started to prepare a new legal basis for incentive implementation starting with the Second Erim government . Given that there was no more a possibility of annulment as had been the case for Law No.933 prepared by Turgut Özal and his disciples in the initial days of the ratification of the Second Five Year Plan, a new "Authorization law" was prepared in the initial months of 1972. The political authority was not constrained any more with the limitations of the 1961 Constitution on the deliver of the legislative power of the parliament to itself on different encouragement measures. In fact, when Ferit Melen became the Prime Minister after Erim, a major promise in the government program was the preparation of this law ready for negotiation in the parliament. ¹³⁰ Although there was no political constraint anymore on the ratification of a law on incentive implementation, there appeared now a conflict on its content inside economic bureaucracy. Branches concerning investments of Incentive Implementation Department (Project Evaluation , Customs Reduction and Investment Allowance) were transferred from the Ministry of Commerce to Ministry of Industry and Technology after only a short period of time after the cancellation of Ministry of Foreign Economic Relations. ¹³¹ Industrialists and their representative in the government, Mesut Erez, Minister of Industry and Technology were skeptical on power concentration in the hands of Talu, Minister of Commerce close to commercial

circles.¹³² State Planning Organization did not want to be the center of incentive implementation as had been the case during the time of Turgut Özal. However, planning cadres were aware of the power the part of economic bureaucracy would achieve in the implementation of incentives. Therefore, they used their institutional power at best to shape the content of new regulation for incentives. Given the situation inside economic bureaucracy as such, there appeared three different drafts for the new law prepared by Ministries of Commerce, Ministry of Industry and Technology and State Planning Organization respectively. The basic conflict was between the State Planning Organization and the two other ministries on the subject. The difference between the drafts was that the ones prepared by the Ministries of Trade and Industry & Technology were defending a project-based incentive implementation whereas the one prepared by State Planning Organization proposed an open "generalized" system of incentives as basically a "reaction" to the experience of the previous Özal decade. Furthermore, the draft prepared by the Ministry of Industry and Technology relied upon the reference to Decrees in Law which was opposed by the State Planning Organization which argued that all issues could be specified in the "Law" to be prepared. The draft law accepted by the government was the one prepared by the State Planning Organization but it could not have been ratified by the Parliament and it became a "de facto" decree based "annual program" version of what the Ministry of Industry and Technology was proposing in the final analysis. The practice of incentive implementation in 1970s turned out to be an "amalgam" of the sectoral "generality" proposal by S.P.O. instead of "project-based" proposal by the Ministry of Industry and Technology. However, S.P.O proposal became subject to "decree-based" alterations in the absence of a unified legal

framework which the S.P.O was willing its proposal to depend upon. The tensions inside economic bureaucracy was immediately felt before the end of the 1971 Regime. The General Incentive Table of 1973 Annual program was changed with another list 5 months later stating that the Ministry of Industry and Technology would use its discretionary powers on the utilization from incentives which obviously was undermining the original starting point of S.P.O to eliminate "arbitrary" implementation as had been the case during the period of Law. No.933. The institutional power of Ministry of Industry and Technology was thus strengthened during these institutional fights before the end of the 1971 Regime which became vulnerable to political infiltration after the 1973 elections. Such a situation of the absence of a "unified law" also suited the interests of political parties, especially the N.S.P , during 1970s which avoided the "fixing" of the institutional and legal space for the interests of big industrialists. Its implementation was "feudalised" in the absence of a unified legal framework under the 1971 Regime and then was "politicized" during the coalition governments after 1974. After Turgut Özal and his circle reconquered the State Planning Organization before the 24 January 1980 austerity measures, their initial institutional alteration was the recentralization of overall incentive implementation. ¹³³

The draft envisaged "openness" and "generality" in comparison to the previous incentive implementation. It was then necessary to take particular or more precisely "ad hoc" decisions on each project and sectoral issue which in fact "crowded" the agenda of State Planning Organization as the responsible institutional body of implementation. A "Graded and Stepped General Incentive Table" would solve the inherent problem intrinsic to the incentive implementation during the Second Five

Year Plan. To what extent each incentive measure will be applied to a particular project will be understood from this table depending upon its different aspects i.e. size, location, the number of workers to be employed etc.. This general incentive table would be published separately along with the Third Five Year Plan. However, the generality of the incentive table as part of the plan became spoiled throughout the practice of seventies and the table was revised annually in the annual programs reflecting the political preferences of the governments in power. For each project, the particular investor would apply to the related ministry (i.e. manufacturers making their applications to Ministry of Industry & Technology, tourism investors to Ministry of Tourism etc.) and will determine the project's location in the General Incentive Table. What was meant by "openness" as against the logic of preferential incentive implementation during the Özal decade was that each firm would interpret its "potential" incentive status itself. In the end, an "Incentive Location Certificate" would be given to the investor. The draft law eliminated the primary inspection on the project's encouragement. It was assumed that investors were emancipated from the discretion of bureaucracy in charge of incentive implementation and there would be need for separate decision-making for each item of encouragement. However, the draft law did not specify the type of investments that would benefit from the encouragement measures. This vital issue was left to the decision of Council of Ministers. What type of advantages would be supplied to which investments became an issue of Council of Ministers decree. Under this general principle, the scope of ongoing encouragement measures was extended. Exemption from customs tax and other import duties would be determined by the Council of Ministers by a list for the commodities involved. Installment would apply to those commodities which were not

included in this list. Most importantly, investment allowance was permitted up to %100 and profits out of investments could be exempt from corporate or income taxes up to a period of ten years.¹³⁴ The institutional process of implementation was diametrically opposite to the "Bureau" period of Özal. Each project was to be submitted to a different ministry according to Draft Law for evaluation with respect to the General Incentive Table. Since primary inspection was not specified for the applications, the audit of the utilization from incentives would follow the initiation of the project. The draft law assumed that the inspector boards of related ministries , authorized audit units of the Ministry of Finance and High Audit Council of Prime Ministry as the organs of inspection of the incentive implementation. The inspection power recognized to the Ministry of Finance on private sector projects besides the related ministries was critically questioned by planning experts.¹³⁵

The draft law summarized above which was accepted in the Council of Ministers became subject to intensive discussion both inside the state and business circles and was subject to revisions in 1972 . What was implicit in this form of regulation of incentives was that larger-scale investments would be encouraged in comparison to the Özal decade given that there was now an open shift from bureaucratic to political responsibility. Even after the revisions, the draft was not ratified in the parliament in the presence of strong conflicts over its preference on large scale investments given that the inherited industrial structure at the end of sixties consisted of small and medium size firms. There was also severe conflict inside economic bureaucracy on the final shape of the draft law. The conflict inside economic bureaucracy was an early "prototype" of its fractionalized status after the 1973 elections. The despotic-orientation of the 1971 Regime moved onto the path of

"deconstructing" the economic apparatus of the state rather than its unification. However, the General Incentive Table was integrated to the annual program of 1973 with a Council of Ministers Decree in the absence of a unified Law on incentives in lieu of Law. No.933 which quickly was also altered during the Talu government as we noted above.¹³⁶ Not being given a legal content as a "law" under the 1971 regime, the successor coalition governments also found it in their own benefit not to bind themselves with the unification of practice but used political discretion on the "General Incentive Table" in the annual programs. The starting point of "generality" under the 1971 Regime ended with political "particularity" with coalition governments in the rest of 1970s. Assembling incentive implementation in a different political context in the tradition of Law.No.933 would be the task again of the Özal circle prior to the implementation of 24 January 1980 measures.

The fundamental dilemma concerning the new regulatory draft for incentives was closely related to the strategy of the Third Five Year Plan. The Third Five Year Plan strategy was based on the continuation of import substituting industrialization in intermediate and capital goods which in turn necessitated the encouragement of large-scale enterprises. Since this meant largely the public sector and big capital firms, low concentration sectors found themselves in natural conflict with the two. In fact, they were against the sectoral general incentive table based upon the "declaration" of the investors but rather preferred the previous "project based" encouragement. Since the General Incentive Table reflected the interests of the two aforementioned economic forces complementing each other, they wanted to change the new regulatory scheme for incentives in their own direction. Mature industrial capital was aware of the difficulty of accommodation of the demands of all economic forces by the

government and pushed forward for incentive implementation by threatening the government with "not entering into industry" from the early days of the preparation of the draft law. On the other hand, non-monopolized fractions of capital criticized the function of the Ministry of Industry and Technology as the follower of big business affairs being not content of their "pie" of state support relatively to big business.¹³⁷ In fact, Prime Minister Ferit Melen's metaphor on industrialization as "pain" and the cure for that "pain" being incentive implementation as the "door to be opened till its end" is meaningful in this context.¹³⁸ The pain emerged from reconciling the interests of all fractions of capital where the medicine was being responsive to the "rent seeking" pressures via expanding the base of incentives. The drive of industrialization as formulated in the Third Five Year Plan intensified the conflict between different fractions of capital and the state found itself unable to regulate the demands of these fractions on state resources. Indeed, Minister of Industry and Technology, Mesut Erez openly declared in the beginning of 1973 that 310 projects amounting to 27 billion TL were given incentive certificates within 9 months (i.e. after the beginning of investment encouragement in the Ministry of Industry and Technology as of March 1972) making the comparison with the previous decade (1968-March 1972) where 10.5 billion TL investment was tied to incentive certificates.¹³⁹ It became apparent that the choice of industrialization strategy in the Third Five Year as concentrating in capital goods industries was paralyzed even before the start of its implementation. Economic bureaucracy, far away from having a coherent and cohesive status, did not have the capacity to regulate the rather "difficult" stage of import substitution. On the contrary, its fractional status became more apparent on the draft law for incentives.

The conflict inside economic bureaucracy was in fact reflecting the tensions between different fractions of capital and between them and the "extractive" part of economic bureaucracy cautious on the loss of state revenue due to the expanding base of incentives. Before the draft law was submitted to the parliament, it had been subject to intensive debates among major ministers (or ex-bureaucrats) responsible for economic affairs. The evidence for such a diversity of opinion was the "double" signatures of the "pro" ministers in lieu of those who opposed it. It could be understood that Prime Minister Ferit Melen had signed the decree also in lieu of Haluk Bayülken, Minister of Foreign Relations who was "abroad" at the time of approval by the Council of Ministers. However, Minister of Commerce, Naim Talu did not sign the decree and it was Mesut Erez, Minister of Industry and Technology who signed the decree twice. The underlying reason for Talu's "withdrawal" can be found in his close links with the banking sector he had developed throughout his Central Bank governor days. Besides the incentive law, there were also pressures for a capital market law by big industrialists during the 1971 regime period. The reason for this was to emancipate from the "eclipse" of banking capital. Along with the draft capital market law, the incentive law had articles favoring the industrialists which would issue stocks. This was in contradiction with the interests of the banking sector used to dictate its financial monopoly power over the industrialists in 1960s. Erez insisted on financing the industrialists with low credit via paying the interest differential from the budget. The political economy of "financial repression" at the time was oriented towards breaking the power of the banking sector over the industry.¹⁴⁰ The conflict between Talu and Erez was indirectly reflected in a report prepared by the Minister of Commerce that the industrialists were not using the

incentive certificates taken from the Ministry of Industry and Technology.¹⁴¹ The diversity of opinion on the issue was such that Erez was against the draft proposal prepared by the State Planning Organization since the proposal prepared by his own ministry was arguing for project-based implementation. Furthermore, Erez was against the power of Ministry of Commerce related to industry on many issues like Foreign Direct investment. The branches left after the separation of Incentive and Implementation Department were considered as the integral part of the Minister of Industry and Technology, i.e. Foreign Investment and Export, Investment Quota, Urgent Quota Branches. Similarly, Erez wanted the Ministry of Energy and Natural Resources which was in charge of a major proportion of public investment to become part of his own ministry.¹⁴² Erez thought that the necessary changes on the draft law would be made in the Assembly since Justice Party as the majority was in favor of project-based incentive implementation. He was against the "generality" criteria proposed by the State Planning Organization and accepted in the Council of Ministers for the fact that it could abuse the incentive domain by encouraging all applications. On the other hand, the basic philosophy of the draft law was revolving around the confirmation of the idea that "the industrialists do not pay taxes" which was not accepted by the Minister of Finance, Ziya Müezzinoğlu for the considerable loss of revenue to be generated. It was State Minister, Zeyyat Baykara who signed the decree twice also for Müezzinoğlu.¹⁴³ The "technocratic" and isolationist attitude of the planning cadres under Memduh Aytür on the design of the new draft law for incentives were supported by Prime Minister Ferit Melen and partially by Mesut Erez, Minister of Industry and Technology as part of the Third Five Year Plan strategy, but

was even opposed at the level of economic bureaucracy. The planners had the assumption that encouraging large-scale investments which only big industrialists could afford would contribute to a more "production-oriented" rapid industrialization path denying the political resistance from the segregated industrial structure outside the sphere of big capital represented in majority by Anatolian Chambers of Industry as well the Union of Chambers Headquarters where merchant interests were still dominant. Despotic power based technocratism of the planners would be much more criticized among these business circles in general for both being excluded from the sphere of industrialization and supporting monopolization as if it would be "production -oriented" and not generate "rent-seeking" consequences. However, while the planners were aware of the "need" to push the big industrialists towards large-scale capital-intensive industries, it should also be noted that economic bureaucracy was suspicious of their willingness and capacity to play such a role in the hard phase of import substitution. The idea was to decrease the "public cost" of encouragement of the consumer goods production knowing that a large amount of private resources would still be allocated to this sector. In fact, there were attempts to differentiate the pricing of basic commodities in favor of capital and intermediate goods sectors.¹⁴⁴ It is why for instance production of "engine" had become a critical issue before the ratification of the Third Five Year Plan. The center of the controversy was whether it would be the private or public sector that would initiate engine production. The private sector has been reluctant to enter engine production during the First and Second Five Year Plan periods since the rents from assembly industries for different firms which had their own import-quotas were preventing the emergence of such an incentive where each firm had its own limited segment of the automotive

market. As noted above, the Third Five Year Plan expressed its discontent of such a development during the Second Five Year Plan period. Incentives which encouraged high profits in the import-dependent horizontally-expanding assembly industries during the Second Five Year Plan period without the “synchronic” delivery of key tasks to the private sector in the production of investment and capital goods, the planners were left with the historical necessity of “deepening” industrialization with the “leadership of the public sector”. In other words, the absence of the relational autonomy of the State Planning Organization in the second half of sixties to push the private sector to prepare itself the to “hard” stage of ISI now became a constraint in front of planners willing to move on to this stage as quickly as possible. An economist observed it at the time as follows : “It is obvious that, in a country where import-dependent industrialization is so profitable, the building of intermediate and investment goods industries is impossible in a system dependent on the profit mechanism.”¹⁴⁵ Henceforth, The preconditions imposed by the Koç group for private production was quite remarkable and reflect their desire to loose their “unrisky” position in the already present automotive-assembly industry and to control the strategic locations of Turkish industry for the future in the starting episode of “deepening” ISI in capital and investment goods industries . Can Kırac from Koç group said : " Let it be done by the private sector. Let %100 Customs exemption be allowed for the imported inputs, investment allowance given and the necessary credit be provided by the state. It would be a waste if the state enters into the engine industry....." ¹⁴⁶ It was eventually decided in the plan that engine production would be undertaken by the public sector. This brought the public sector as a major partner along with different fractions of capital in terms of benefiting from the incentive

measures. It is not then by coincidence that the "politicization of economic bureaucracy" between 1974 and 1980 became centered around the Ministry of Industry and Technology which National Salvation Party sought to "capture" the most since it became the principal bureaucratic institution of implementation during the Third Five Year Plan period.

The industrialists were divided on the draft law. In the first place, Istanbul and İzmir Chambers of Industry representing large scale industry investors were defending it while other Chambers of Industry like Eskişehir, Kayseri, Adana etc. where relatively small and segregated industry was represented opposed it.¹⁴⁷ Eskişehir Chamber of Industry was the most significant among these business associations. With their manifesto entitled as "Declaration of the Society-Oriented Industrialist" just before the 12 March 1971 memorandum, they were criticizing the "dependent" assembly nature of industrialization and its economic and political consequences.¹⁴⁸ The content of the manifesto was a call for major reforms investing for infrastructural power. Eskişehir industrialists were explicitly demanding a full-fledged land reform, calling for the reorganization of the banking system and taxation of financial and commercial earnings as a source of industrial development criticizing the "dependent" assembly industries developed for consumer goods. They wanted the investments for luxury/consumer goods to be out of the incentive domain. In fact, Eskişehir Chamber of Industry became the institutional voice of a "national industrialist" group outside the social base of the Justice Party in which the "dependent" industrialists could not defend the aforementioned measures. Still in the same spirit, big industrial groups which reached a level of maturity along "dependent" assembly lines on consumer durables were criticized by overthrowing all risky undertakings to the state

and seeking incentives for the expansion of the base for the production of consumer durable goods. On the contrary, Turkish Association of Industrialists and Businessmen (TÜSİAD), the representative association of top big industrial groups was arguing that the Third Five Year Plan was encouraging enterprises at a capacity enforced by the world and Common Market technology. Hence, creating small scale enterprises would end up with misallocation of resources and have inflationary consequences. Encouraging large scale enterprises has a side-industry effect. It would be inappropriate therefore to make a differentiation between "big" and "small" industry given the fact that the plan was encouraging large capacity production of investment and intermediate goods. However, the type of the "investment goods and capital goods" was not specified in the declaration of TÜSİAD.¹⁴⁹ Kayra summarized the emerging picture as a "private sector divided into two." He noted that given the floor of investment value as 3-5 million TL, the number of firms in Turkey that can invest with such an amount is between 250-300 firms where the rest is "de facto" excluded from the domain of state support. Hence, the "generality" assumption concerning the draft law is absolutely misleading where the criteria should be the provision of an equivalent basis for the operation of both the "big" and "small" industrialists.¹⁵⁰ More explicitly, the draft law was assuming the increased monopolization in the Turkish economy by increasing the ceiling of state support for small scale industry.¹⁵¹

The draft law was criticized by both Justice Party and the Republican People's Party in the parliament from different perspectives. Similar to Kayra's argument, Ecevit defended the view that the draft law would serve for the enrichment of a few number of big industrialists. On the other hand, Nuri Bayar from Justice Party who

would become the Minister of Industry and Technology made the objection that the dismissal of the "project-based" incentive implementation would enrich individuals rather than projects in the name of "generality."¹⁵² It was natural for the Justice Party to defend the project-based incentive implementation since it was its political owner during the time of Second Five Year Plan. It wanted "flexibility" in the incentive law by emancipating it from predetermined bureaucratic anchors which certain parts of economic bureaucracy, namely the planning organization backed by Prime Minister Ferit Melen wanted to impose with the memory of the Özal decade. Given the strong opposition in the parliament on the draft law, Chambers of Industry of 6 cities (Adana, Ankara, Kayseri, Istanbul, Denizli) including the Istanbul Chamber of Industry (excluding the Aegean Chamber of Industry) made a common declaration that the differentiation between big and small industrialists were discriminatory. They also defended project-based incentive implementation and requested rearrangement of the General Incentive table. Hence, they combined both the JP and R.P.P criticisms against the draft law. Eskişehir Chamber of Industry was influential in organizing other Chambers in such a "collective action". What was "abnormal" was the participation of the Istanbul Chamber of Industry in the declaration since it was known that Chairman Ertuğrul Soysal had been strongly defending the draft. The reason for this change for this would be understood soon since Chairman Ertuğrul Soysal would be an MP candidate from Republican People's Party and be accepted in the "close" circle of Bülent Ecevit.¹⁵³ On the other hand, it is important to note that this declaration of industrialists coincided with the meeting of the Union of Chambers on the same issue where the second called for a united declaration with the first. The

industrialists refused this proposal and opted for an independent declaration.¹⁵⁴ The opinion of the Union of Chambers on the draft law was put forward by its General Secretary, Yilmaz Ergenekon in harmony with the view of Justice Party on the subject. He emphasized only the superiority of project-based implementation as had been the case in his time in the State Planning Organization. Since the draft law was based on the declaration of the investor at the stage of submission of the project, exemption from customs taxation would be determined with respect to this declaration entitled as "openness." However, the project-based system had been providing the bureaucracy a possibility of choice among the projects and the ability to determine the limits of encouragement.¹⁵⁵

The draft law was not accepted in the parliament in the presence of such intra-state and intra-business conflicts. Political parties in the parliament, not like the Third Five Year Plan which was dictated as the precondition for the elections to take place by the military backed Melen government, have blocked the draft law. They were aware of the fact that the realization of the plan was contingent upon annual programs which they considered as "changeable" more conveniently itself rather than the plan document. Put in broad terms, the politicians found it much more suitable to shift the content of the plan via annual programs rather than the Third Five Year plan document and its strategy for their short-term benefits. The plan prepared on a "despotic" basis was reflecting the "high-echelon" bureaucratic preferences of the "1971 Regime" on the path of economic change as found in the "new strategy". Even after the formation of coalition government, there was no attempt to change the plan itself on behalf of Republican People's Party as well as National Salvation Party. In fact, Ecevit who severely criticized the Third Five Year Plan in the parliament during

the plan negotiations and made the promise of its change an important tool of his election propaganda changed his attitude after the elections. When the absence of this issue in the coalition government program was asked by a leading figure in his party, Süleyman Genç whether they gave up to make the necessary changes in the plan or not, Ecevit astonishingly replied as follows : "You are right.....*This is a dangerous issue.* (italics mine) We can change the development plan with the annual programs." ¹⁵⁶

Hence, the "conjunctural" alliance between the Republican People's Party and the Justice Party on the blocking of the ratification law was oriented towards gaining more discretionary powers over industrial policy in the aftermath of 1973 elections. Inspecting carefully the annual programs and the changes in the general incentive table between 1973 and 1979 provides satisfactory evidence for this underlying intention. There would be no substantial drive towards the formation of a unifying legal basis for the incentive measures between 1973 and 1979 at the level of "law. Annual programs have worked as a legal "substitute" for the manipulation of the Third Five Year Plan in accommodating the shifting demands of business clientele of political parties in coalition where the structure of the General Incentive Table also became subject to alteration depending upon the intensity of "rent-seeking" struggles. The "political" sphere could not change the "pillar" of the Third Five Year Plan whereas the "bureaucratic" sphere of the 1971 regime could not be able to "impose" the ratification of an incentive law favoring only the big industrialists to the parliament. The political economy of Turkish industrialization after the transition to political democracy and the conditions of world economic crisis rested upon such an

"equilibrium" which was no doubt far away from the context of early planning days where the politico-economic space was not "narrow" as of 1974.

Politicization of Economic Bureaucracy under Coalition Governments

The "perverse" restoration of reform in the beginning of "1971 regime" had hoped to restore the autonomy of the original idea behind planning i.e. disciplining of industrial capital towards long-term economic change under a different form. However, the "1971 regime" ended with the "feudalization" of economic bureaucracy both in the spheres of formulation and implementation. The "feudalization" of economic bureaucracy as such in the absence of direct infiltration from political cadres did not cause significant problems for industrial capital under the 1971 Regime. It was even preferable to have a relationship with a "deconcentrated" economic bureaucracy under military backed governments in the absence of "reformist" pressures. However, the situation changed in the aftermath of 1973 elections and the beginning of the period of coalition governments had easily transformed this ready "feudal" structure easily into a "politicized" one.

The "sui generis" conditions of "1971 regime" and the inability of bureaucratic-technocratic cadres to regulate the discontent of the masses indirectly created an unprecedented mass support for the Republican People's Party of Ecevit whose political discourse reflected basically strong elements of satisfying populist demands of these masses. In fact, the proposal of the "third" sector, i.e. "People's Sector" was an implicit search by the Republican People's Party to contain the demands of the working masses and peasants who have not been able to reap the benefits of rapid industrialization.¹⁵⁷ But, for our own purposes, the "excluded" working classes from the productive coalition under the "1971 regime" had provided

the discursive material for populist mobilization by the two parties of the first coalition government in the beginning of 1974. However, such populist discourse was reflected in the government program without a significant challenge to vested interests. Indeed, Ahmad evaluates the program of the R.P.P-N.S.P Coalition as follows : `It was a moderate program designed to appease industry by leaving the profitable light consumer industries in private hands while the state assumed responsibility for the infrastructure. The generals welcomed the government's promise to create a national arms industry and the landlords were relieved to see that the government was talking about co-operatives and the efficient marketing of goods shelving the contentious issue of land reform." ¹⁵⁸ The coalition had to strike a balance between the rising demands of its supporters and the principal beneficiaries of the 1971 regime. It was not easy as Ecevit noted above to alter rapidly those preferences reflected in the Third Five Year Plan. The solution to this tension was found by the coalitions after the 1971 regime in the parcellisation —thus politicization- of the state apparatus which became the `norm` till the end of 1970s. Each coalition partner now began to use those ministries under its control for the provision of patronage for their supporters leading to the absolute dissembling of the state apparatus at the end of the decade.

The conflict between different fractions of capital reemerged following the end of the 1971 regime after the October 1973 elections. It should be noted that National Salvation Party was always present in the major coalition governments between 1974 and 1980. It was this time not an "institutional" resistance to the hegemony of industrial capital through the Union of Chambers whose effect declined in 1970s but a "political" co-existence with it in the distribution of "rents" as reflected also in the government program. It was again not incidental that ministers from National

Salvation Party occupied the seat of Ministry of Industry and Technology in the coalition governments as well as Erbakan being the Vice Prime Minister responsible for the coordination of economic affairs. As Barkey notes : "This combination of influential posts enabled National Salvation Party and Erbakan, in particular, to have a substantial hold on the Turkish political economy. Most importantly, the further elevation of Erbakan exacerbated the politicization of state-business relations, primarily because it now raised the stakes of the intra-private sector confrontations by introducing them into the inner workings of the state." ¹⁵⁹

The intra-business cleavages after the formation of the R.P.P-N.S.P coalition was sharpened with the retransfer of the import license (and price approval) authorization back to the Ministry of Commerce which had been delivered to Union of Chambers in the last days of Talu government.¹⁶⁰ It was noted above that the authorization was removed from the Union of Chambers in the First Erim government. This authority of distribution of import licenses amounted to 200 million USDs which was empowering those business circles close to the command center of Union of Chambers. It is in this context that Vice Prime Minister Erbakan was severely protested in the opening of the General Council of the Union of Chambers who was behind the proposal of centralization of import licenses under the Ministry of Commerce.¹⁶¹ What was paradoxical was that while Erbakan had been defending the privileges of Anatolian commercial and small business under the institutional framework of Union of Chambers in late sixties, it was now displaced to the level of 'inner workings of the state' with a concern to strike a balance between these segments of business and big industrial capital. But, the difference was that Anatolian

business started to be subject to be split in itself with the old commerce based segments and those who wanted to move in manufacturing and reap the benefits of ISI. In fact, the elimination of the Union of Chambers in the import-license distribution mechanism was a shift towards the latter segment of capital which wanted to challenge also big monopoly capital. The opposition emerged out of those segments who would be deprived from the political distribution of rents in the ISI setting in mid-1970s. It is why Gevgilili talked about the presence of 'Two Erbakans' in front of the 'Anatolian bourgeoisie'.¹⁶² The advent of rapid industrialization in 1970s shifted the locus of rent-distribution towards the inner apparatus of the state for manufacturing capital at large after the transition to coalitional politics.

Both the Ministry of Finance and the State Planning Organization were rather subject to 'paralysis' after the formation of coalition government whereas the Ministry of Industry and Technology and the Ministry of Commerce were gaining significant importance. The alteration of the traditional structure of the Ministry of Finance was a subject-matter of the coalition negotiations. What was demanded by the National Salvation Party was that the Treasury would be separated from the Ministry of Finance and be organized as a separate ministry thus being under the control of itself. Such a proposal was not initially refused by Ecevit's close circle but was not accepted by Ecevit himself and National Salvation Party retreated from this stance.¹⁶³ On the other hand, it was during this government that non-career bureaucratic appointments were made to the top echelons of the Ministry of Finance. One of the interviewees of this study has made the observation that it was not with Özal but rather with the

R.P.P-N.S.P coalition that the structure of the Ministry of Finance began to be eroded with this kind of arbitrary appointments.¹⁶⁴

On the other hand, the State Planning Organization was almost out of sight during the R.P.P-N.S.P coalition government. It is recorded that there was only one High Planning Council meeting during the R.P.P-N.S.P coalition government with no significant discussion related to major economic policy decisions concerning the course of the Third Five Year Plan.¹⁶⁵ It has been noted above that R.P.P had the idea to make changes to the Third Five Year Plan with annual programs rather than changing the plan itself. In other words, the political authority had rather taken the Third Five Year Plan prepared by the bureaucracy under the 1971 Regime as almost given. There was no new appointment to the organization but the institution was subject to a status of 'inertia'. This situation has been described at the time as the 'Winter Sleep of Planning' by a planning expert who belonged to the 'leftist-statist' fraction of S.P.O. The metaphor depends upon the analogy of bureaucracy as the blood circulation of political power. Since there has not been sufficient blood circulating since 12 March 1971 when an authority crisis had started, it was primarily the planning organization that had been mostly affected from this development. In line with the 'stagnant' nature of the Third Five Year Plan we have elaborated above, Ürünlü noted that the post-12 March 1971 cadres of Planning (i.e. Aytür and his team) which rather reflected the concerns of traditional bureaucracy had been successful in minimizing the functions of planning by daily changes in money, credit, price policies plus by the overgeneralization of program-budget. More importantly, since the internal consistency of the plans depended upon stable world prices and the price level in Western economies had started to change upwards, the internal

consistency as such was spoiled.¹⁶⁶ Hence, Ürünlü described the "winter sleep" of the planning organization in the beginning of 1975 as follows : "The need for the revision of the Third Plan remained only a need, the gap of political authority necessitated this plan to be taken as the base for the 1975 program. A ruling clique which emerged inside the Planning Organization as the '12 March 1971 cadres' has proved itself to be of a 'flexible' status to serve every government even though many governments have passed and it also demonstrated the ability to convince those many in political power that the planner's multiple shifts in multiple lines is more scientific rather than some shifts on one line. As a result of this success, the mutual exchange of ideas, free discussion environment inside the organization has left itself to a single view, a single behavior, a single adoption , dependence on a single authority has become the fundamental principle."¹⁶⁷ What is observed along these lines is that the State Planning Organization has achieved a "sclerotic" and dysfunctional institutional status after the during and after the preparation of the Third Five Year Plan. Having confirmed the short-term predominant interests of the military and industrial capital plus the public enterprise bureaucracy, the planning organization was deplaced to a status of 'inertia' where political parties were rather concerned about accommodation of their socio-economic bases through the manipulation of annual interests without making any effort to change the plan itself. In fact, paradoxically the most stable period —the Özal decade between 1966 and 1971 excluded—for the 'high echelon' bureaucracy inside the S.P.O was between the years 1972 and 1977 which should have been the reverse in fact under such a politically chaotic environment in the aftermath of the 1971 regime.¹⁶⁸ The discomfortable effects of such a rapid

deterioration in the former "autonomy" of S.P.O under frequently changing governments was even testified by Ertuğrul Soysal, the former Chairman of Istanbul Chamber of Industry. Soysal's views give significant clues about the orientation of the export-manufacturing industrialists after 1970 since he had been the figure before and after 12 March 1971 among industrialists presenting their more export-oriented segment. Since substantial export performance was observed between 1970 and 1973 in the economy in manufacturing items, Soysal's observations implicitly describe the absence of the "coordinating power" of S.P.O to convert the anti-export bias in the ISI setting contradictory to what he said after 12 March 1971 memorandum on the "complementary" role of the state.¹⁶⁹ Neoclassical economists have truly argued that the 1970 devaluation was also to be explained by political factors beyond the presence of a foreign exchange shortage before the devaluation. As Kruger said ; "the fact that a foreign exchange shortage had continued for so long meant that it could also continue longer."¹⁷⁰ The political reason was explained by the need of surpassing the low-level capital-capacity utilization in different branches of manufacturing industry that would have had negative effects on labor. Devaluation served the purpose of eliminating the stagnation in these industries not only for the purpose of shifting output to external markets for long-term "strategic" goals but for primarily fueling the price level up so as to limit the effects of wage increases in collective bargainings. Devaluation was an instrument for manufacturing capital to gain a political advantage vis a vis labor in the short-term.¹⁷¹ That political advantage could not be have been pursued under JP-rule but rather under the 1971 Regime. This was accompanied by the increases in salaries of officers to create demand for consumer goods producing firms which might also explain why manufacturing industrial bourgeoisie was tolerant

for a while as discussed above to a bureaucratic rhetoric on "administrative reform" till the perverse restoration of reform exceeded its pre-set limits during the interregnum of Ministry of Foreign Economic Relations. However, even if that was the case, S.P.O had not possessed the "coordinating" power to shift the "myopism" of potentially exporter-manufacturing capital from this short-term goal to a strategic one even "the need to start exporting manufactured products was strongly felt by policy makers" as Derviş and Robinson had rightly pointed out.¹⁷² It was not because that S.P.O was stuck with an inward-oriented industrialization strategy but rather the declined limited infrastructural power that did not evolve into "coordinating" power to forge industrialists towards export-oriented "tasks". Such a complex state of affairs required actually a "coordinating" agency to redirect the ISI to its further stages as pointed as above much later by Soysal with doze of a complaint of its absence and wise awareness of the "natural" consequences of the "instinctual" short-term orientation of industrial bourgeoisie in its absence.¹⁷³ In the absence of such a "coordinating" power, the anti-export bias in the ISI setting was reintensified again in the economy after 1974 and the gains from the 1970 devaluation evaporated with the return back to the pre-1970 devaluation "overvalued exchange rates" and the political economy of resistance to a "flexible" sharing of the burden of the impact of the world economic crisis for rival segments of capital as well as militant-labor. The implication of the political explanation of 1970 devaluation was that -again- critical segments of industrial bourgeoisie should have been be arrested in conditions of "stagnation" and crisis -as had been the case before the 1970 devaluation- in the direction of "irrevocable" export-orientation discipline so as to make a shift to "strategic mercantilism" of the East Asian type. However, that had required the

presence of an economic bureaucracy having built its “relational autonomy” in time in the course of late industrialization. Given that it did not evolve in that direction and was first “feudalised” under the 1971 regime -where the Third Five Year Plan evolved on a “unbalanced-rigid” basis- and then “politicized” during the coalition governments, it is not difficult to predict the short -term “rent-seeking” consequences to dominate in the ISI setting as Krueger has portrayed resulting form as if “distorted incentives”.

It seems that apart from Soysal , İdris Küçükömer as a socialist economist was significantly aware of these dilemmas at the end of the 1971 regime just after the October 1973 elections. Not surprisingly within the conceptual context of this study, Küçükömer was hoping R.P.P victory in the elections to end up with a “Third Democratic Republic” and celebrated it as such with the expectation of another “infrastructurally fertilized Staatsbildung” but now with a democratic component incorporating labor in itself in the late industrialization process of 1970s. In the mercantilist setting of ISI in early 1970s, what would correspond to this “Third Republic” was a “democratic national mercantilism” again justifying our core historical concept inherited from the German Historical School, i.e. “mercantilism as Staatsbildung”. He presumed that the end of the 1971 Regime brought the possibility of a re-state building now with a strong support from the working masses which was absent in the previous waves of “State-building”. His conceptualization as such incorporated the basic elements of an East Asian type of developmental state -but pillared on a democratic basis of participation from working classes- and what we termed as “strategic mercantilism” previously. In other words, export-orientation in manufacturing industry, increasing labor productivity, centralization of decision

making - read it as "coordinating" state power- based upon a plan linked to democratic politics are the major elements of this "strategic mercantilism" under the "Third Republic". However, Küçükömer's ingenious program missed a crucial point that we brought attention in the theoretical chapter of this study and clarified in our analysis of the "perverse restoration" of reform under the 1971 Regime. Industrial capital should be arrested for discipline and infrastructural interaction long before it matures up so that the "institutionalized statism" of a developmental state can convert its short-term interests to a contribution to long-term economic change. In the absence of such a "memory" of state-building after 27 May 1960 and enhanced "coordinating power" of central agency as S.P.O, the possible altitude of such a "national democratic mercantilism" was lost as we portrayed in this study.¹⁷³

Given such a context where the State Planning Organization was "paralyzed" in terms of its functions, politicization of economic bureaucracy found its seedbed in the Ministries of Industry and Technology, Commerce, Customs and Monopolies and not surprising in historical retrospect, the Ministry of Finance as well during the First Nationalist Front government. The small parties inside the Nationalist Front government had accumulated disproportionate power inside the government in comparison to the number of seats they possessed in the assembly. Especially, National Salvation Party was given the control of the Ministry of Industry and Technology which by then became the institutional base of implementation of investment encouragement measures.¹⁷⁵ National Salvation Party was defending the realization of large-scale public investment along with small-industry projects as part of its populist agenda. Hence, the control of investment incentives was of primary importance for this party. During the N.S.P-R.P.P government when the 1975

Program was prepared, the practice of the donation of incentive certificate was changed. Since 1969 till the end of 1974 , the practice was that there would be a certain limit (10 million TL) for projects approved as worth for encouragement. With the 1975 Program Decree, this restriction was canceled and all projects considered as "worth" for encouragement were given the required Incentive Certificate.¹⁷⁶

Likewise, a set of new measures related to overall incentives was prepared as a draft for a new law of implementation eventually by the Ministry of Industry and Technology after the foundation of the First Nationalist Front government . An important element of this draft law was reversing the practice of "Generalized Table of Incentives " which lifted the requirement of consent of the related bureaucracy and that the sole agency now would be the Ministry of Industry and Technology. The three sub-industrial sectors (1.agriculture, energy, mining and investment and intermediate goods in manufacturing sector 2.other investments producing intermediate goods, transportation, tourism 3. light-consumption goods industries) were classified in the General Incentive Table according to minimum "economic capacity", double-minimum economic capacity and above, less developed regions and regional multi-partner companies. The determination of the criteria for "minimum economic capacity" -below which no investment would be encouraged- was left to the Ministry of Industry and Technology depending upon the nature of investment project to be encouraged. The General Incentive Table would be declared in the Plan document to be partially modified by the Council of Ministers. Reflecting the economic orientation of N.S.P where it seems that they now indirectly supported the original S.P.O position on "generality" assuming that being anchored to the plan document, the prospectively ratified law could not be changed in the future if they

drop-off the government. On the other hand, there were also proposals by some bureaucrats responsible for incentive implementation in the Ministry of Industry and Technology for the “re-centralisation” of Incentive Implementation Department incorporating also its equivalent in the Ministry of Commerce as linked directly to the Prime Ministry which had been the case during the period of Law.No.933 next -not in- to the State Planning Organization.¹⁷⁷ Even though the draft law was seemingly a “broad-jacket” one directed towards ‘striking a balance’ between the demands of big capital and small-medium scale industry, it was not ratified by the parliament so that the “annual program decree” still remained the “legal basis” of implementation. While the National Salvation Party was more concerned with the channeling of investment incentives under the institutional domination of Ministry of Industry of Industry and Technology , big capital was pushing forward towards the increase of the volume of export-tax rebates through the JP-dominated Ministry of Commerce.¹⁷⁸ The expansion of resources to accommodate the demands of rival fractions of business was the fundamental political economy dilemma of the Justice Party-led Nationalist Front government. Big industrialists started to reveal their discontent towards this coalition-based politicization of bureaucracy where they could not have been able to arrest state resources themselves at large for their own short-term accumulation requirements in the ISI setting.

We have pointed out towards the conflict between the State Planing Organization and the Ministry of Finance that led to the overall incohesiveness of economic bureaucracy in the early 1960s. Even though the Ministry of Finance had not wished to share its traditional powers on the determination of the public expenditures and investments, S.P.O became the critical authority in the determination

of their limits. The tension between the two over the issue was now revitalized but with the difference now that it was not an “institutional conflict” but a political one where Justice Party-controlled Minister of Finance wanted to remove intra-bureaucratic opposition from S.P.O on the goal of expanding the expenditure limits. Not surprisingly, it was Yılmaz Ergenekon (Justice Party-MP from İzmir) who was appointed as the Minister of Finance in the First National Front government who wanted to ‘capture’ the ministry for political ends of lifting these brakes over the transfer of state resources. With a governmental notice, the determination task of the limit of public savings and expenditures was transferred to the Ministry of Finance.¹⁷⁹ On the other hand, the subsequent introduction of partisanship inside the Ministry of Finance was also serving to lift the conventional institutional constraints on the fiscal system. The traditional cadres Ministry of Finance was keeping its traditional ‘guardian’ status over the loss of revenues resulting from incentives. As part of this agenda, we learn that Ergenekon started to appoint the major inspectors of the ministry to other cities with different posts and to alter the corporate hierarchy of the ministry with direct political intervention. It was recorded in press that this was the first time in the history of the “Board of Fiscal Inspection” (Maliye Teftiş Heyeti) that a political power started to exert pressure over the institution. Özal’s closest friend during the implementation of Law No.933 was seeking to complete the “unfinished project” of political containment of the traditional economic apparatus of the state which would in fact be completed later by Özal himself after 1983.¹⁸⁰

While such developments were taking place in the domestic arena, IMF representatives started to visit Turkey. The famous figure of IMF in relation to Turkey, Sturc, who had been actively involved in the preparation of 1958 and 1970

devaluations arrived and a mini-devaluation followed his arrival.¹⁸¹ Minister of Finance Yılmaz Ergenekon was in constant clash with Vice Prime Minister Erbakan on the issue of mini-devaluations who resisted their realization from the beginning of the Nationalist Front government. It has been noted that Erbakan has been acknowledged about the first mini-devaluation during the Front government from the "Official Gazette" as a normal citizen which means that Justice Party and Minister of Finance Ergenekon were trying to exclude National Salvation Party on critical economic policy decisions in addition to the political conquering of bureaucracy. Ergenekon was responding to the critiques that this was not a "devaluation" per se so that the Ministry of Finance used its legal authority without any need for a Council of Ministers decision. While Ergenekon was concerned about avoiding the formation of a "dual market for foreign exchange" under conditions of decreasing foreign exchange reserves allowing speculation-based high profits, Erbakan was concerned about the negative effects of these mini-devaluations on the economic constituency of the National Salvation Party which would be increasingly subject to the increasing monopolized power of big capital. Even though Demirel was concerned about the political repercussions of the initiation of these mini-devaluations in and outside the government, i.e. being manipulated by the opposition and Erbakan, Ergenekon was insistent about the start of the process saying that the "real" exchange rate is much more important and giving concession to opposition would produce more negative effects and thus convinced Demirel.¹⁸² Ergenekon was in fact defending, if indirectly, the interests of big industrial capital which was in favor of these mini-devaluations. Chairman of TÜSİAD at the time, Feyyaz Berker was explicitly defending such a position. In compensation of the losses that would result from these mini-

devaluations, big capital was pushing for increased export tax-rebates and “export-insurance” in export-activity that was prepared by the Ministry of Commerce which was controlled by a minister from Justice Party (Halil Başol).¹⁸³ In fact this was the position of big industrialists during the whole Nationalist Front government period. Berker would reiterate the same views in mid-1977.¹⁸⁴ What is also important to observe in this context in historical retrospect is that Özal who was the architect of 24 January 1980 measures and the historic devaluation at the time was not also defending IMF type of “radical” stabilization measures in this decade and was in favor of achieving high growth rates financed from abroad. ¹⁸⁵

It is seen that rival fractions of capital had been penetrating the state apparatus majorly through the parceled economic bureaucracy where big industrialists were rather exerting pressure over the JP-controlled Ministry of Commerce vis a vis the Ministry of Industry and Technology controlled by the National Salvation Party. While in the “easy” stage of ISI, the conflict inside economic bureaucracy was limited mainly to S.P.O. and Ministry of Finance as discussed above, its institutional space of conflict in 1970s now included the Ministry of Industry and Technology and Minister of Commerce in its “difficult” stage. The visible legacy of the collapse of limited infrastructural autonomy was that that there were now two separate Departments of Incentive Implementation in the institutional corpuses of these ministries invaded by the “political sphere”. It was observed that the Ministry of Industry and Technology was not encouraging those foreign capital involving investments which were permitted by the Ministry of Commerce and -even- by the State Planning Organization. Similarly, those commodities which were strongly encouraged by the Ministry of Industry and Technology -where the precondition for their

encouragement was its possession of export-potential and they could only be exported by tax-rebates- were not included in the export-tax rebates lists or included with low rates by the Ministry of Commerce.¹⁸⁶

The reason for such a “conformist” climate can also be understood by the “willingness” of the international financial system to continue to finance Turkey’s import-capacity via the “Convertible Turkish Lira Deposit-CTLD” mechanism, initially introduced in 1967 to attract workers remittances, but reactivated by the First Nationalist Government under the institutional control of Minister of Finance Ergenekon on a more extensive basis. In essence, foreign banks were opening CTLDs in a domestic bank which the domestic firms utilized as Turkish Lira at a certain interest rate through the mechanism. However, the exchange rate changes as “loss” to the firms were guaranteed and compensated by the Central Bank of Turkey vis a vis the foreign bank. It is known that most important industrial holdings (e.g Sabancı, OYAK) also benefited from the mechanism.¹⁸⁷ The extensive usage of the mechanism reflected the anxiety of the government and thus the industrialists on the continuation of the expansion of the economy for the inward-oriented industrial capacities which were fairly “new” and “highly profitable”. The results of such an expansion is very well known. Coupled with not adjusting the prices for SEE products to world prices for populist motivations and the continued overvalued exchange rate policy as a chief anchor of protection, the results are declining exports, increased fiscal deficits and fueling of inflation and the eventual drying up of foreign exchange reserves in a rapid way by the beginning of 1977. The governments started to intervene in the prices of key commodities of most of SEE products via the “Price Control Committee” as a “defensive” mercantilist institution formed just before the 1973 elections which

would be extensively used by the Ecevit government later in 1978-1979.¹⁸⁸ Lowering the growth rate by even “proto-stabilisation” measures -e.g. mini-devaluations- was politically disliked and was “mutually” against the interests of both the strong anti-devaluatory coalition intrinsic to ISI where its “import-lobby” did not want to lose the high rents derived from foreign trade and the international financial community willing to finance Turkey’s expanding import-volume. In that respect, there seemed to emerge such a “myopic” alliance for short-term basis in the years of 1975 and 1976 where the “asset” of the alliance belonged to the international financial system and the “debit” to the mercantilist-development path of Turkey as culminating in the “seemingly” balance of payments crisis. As will be explained below, the issue will reach the level of a political “scandal” in 1978 where the Ministry of Finance and the Central Bank clashed on the issue when it was understood that “void checks” were floating in the international banking system in the absence of adequate reserves. The fact that most private and public banks including the Central Bank itself was forced to resort to the mechanism without respecting the international banking rules has been interpreted as a sign of the heavy pressure off-springing from the vested interests of the “import lobby”.¹⁸⁹ The other side of the madalion has been brilliantly observed by Artun and others during the heyday of the CTLD-based financing of Turkey’s imports ; “Certain financial centers of the international system, while exporting the financial capital they have to Turkey with the method of CTLD, primarily provided the non-restriction of their own export-outlets. To put it in another way, the goal is to provide import possibility for Turkey. It is natural that the realization of this goal becomes transformed into an instrument in the hands of international financial capital. Whether the Turkish economy will exit as “beneficiary” or “harmed” out of this target-

instrument relationship is dependent on time as well as being controversial. However, the objective conditions in Turkey requires the acceptance of FDC accounts as a figure of dependency independent of time.”¹⁹⁰ This requires a through analysis of the shift of institutional and thought orientation of these “certain financial centers” of the world economy within such a short period of time to cease financing the high-growth directional s culminated in the early 1977 foreign exchange crisis. A significant question which emerges is on the attitude of international financial and economic institutions (IMF, World Bank and OECD) between 1974 and 1977 to Turkey. What should be investigated is whether the “world economic bureaucracy” as such was not united on the continuation of the growth strategy. Once it was clear by 1977 that back-payment of accumulating debt became out of control, IMF obviously began to intervene in the “sovereign” economic-decision making of the country followed by the World Bank later on the “destiny” of public-sector projects on the 4th Five Year Plan. However, in the light of what Artun and others observed, it is legitimate to ask the question of whether it was so far away for these institutions to foresee the limits posed to the high-growth-ISI orientation in 1974 in the beginning of the world economic crisis. It is legitimate because they did not intervene as reflecting certain interests which they frequently did later calling for “restructuration” after 1977 again reflecting the same interests in the international economic system. Türel argued that OECD was significant besides IMF and World Bank in terms of its “warnings” on the necessity of “stabilization-adjustment” before entering a serious crisis that would end with the abandonment of the strategy. Memduh Aytür, who left the State Planning Organization in 1972 later was appointed to OECD Permanent Delegation of Turkey as Ambassador. Türel said that Aytür was observing the emergence of the concept of

“structural adjustment” inside OECD and sending messages to S.P.O. that they should abandon old style working with solely Keynesian tools because the conceptual axis was shifting.¹⁹¹ S.P.O, however, was “paralyzed” after the completion of the Third Five Year Plan and no innovative element as discussed above was being developed to adopt to the changing conditions in the “sliding on the inclined plane” status of economic bureaucracy subject to increasing politicization. But, S.P.O was at the same time highly tense and anxious about the increasing volume of FDCs at the end of 1975 being aware of the fact that it could create serious “bottlenecks”.¹⁹²

The tension between Ergenekon and National Salvation Party escalated during the Front government as the demands of rival fractions of business came into conflict in the “expanding” ISI setting where big industrialists were put on a more privileged basis in terms of reaping the benefits of high economic growth in the domestic market. Feeling themselves as the political “partner” of the concentration of capital in a few hands in the horizontally expanding framework of industrialization, National Salvation Party started to reveal its discontent about its status which made the political basis of the government more fragile. In addition to altering the hierarchy of the fiscal apparatus of the state which would pave the way for a more relaxed fiscal policy, Ergenekon started to interrogate the macro-aggregates of the Third Five Year Plan in relation to investment and import projections. The fragile coalitional basis of the JP-led Nationalist Front government was forcing it to accommodate the demands of rival segments of business despite the pressures from the world economy under an increasingly acute foreign exchange constraint. It is why Ergenekon, in his budget speech in the assembly, said that “Turkey in 1976 does not fit to the aggregates of the Third Five Year Plan.”¹⁹³ In fact, there were serious changes in the 1976 Program by

the government in its approved version in the High Planning Council publishing the changed version as if it was the one approved in the High planning Council. This was obviously done to avoid the opposition from planners on the additional allowances for investment and import expenditures.¹⁹⁴ At the end of 1976, National Salvation Party started to reveal its discontent about its "partner" status in the industrialization process as such which made the political basis of the government more fragile. A "memorandum" was given to the government by the N.S.P Board of General Administration saying that "N.S.P can not be instrumentalized in the "importer-assembly" direction" accusing big capital's monopolized status in horizontally expanding highly protected consumer industries.¹⁹⁵ In response, National Salvation Party embarked on politically motivated "heavy industry" public investment projects given its political control over the Ministry of Industry and Technology and thus Investment Encouragement Department. The High Planning Council meetings after mid-1976 were dedicated to the debates on these projects. N.S.P having the control of The Ministry of Industry and Technology politically opted for the formation of "SAN" named "engineering industries" directed towards the production of investment and capital goods in 1975 and 1976. These projects were defining a more advanced technological stage in "engineering" industries and the deepening process of ISI. However, it can not be said that these projects were based on sound project criteria, cost-benefit analysis, human resource constraints, financment principles etc. and their applicability as such has been regarded as a misfortune for the "deepening" of ISI in Turkey. It has been pointed out by Türel that a real political will in such a direction was absent behind the drive and the high-echelon bureaucracy inside the Ministry of Industry and Technology, Ministry of Finance and Machinery Chemistry

Industry Institution abstained from the new roles these advanced industries would deliver to them in the absence of such a political will. Following the politically ambitious speeches made by N.S.P. members of the government, reactions emerged from JP side of the coalition and the "leap forward" as such also became subject to caricaturization in the public opinion by the big capital-supported press. Big industrial capital seemed rather disturbed about the allocation of state resources on a large scale for these projects and in fact their "special" legal status outside the public ownership allowed the Justice Party to disregard them.¹⁹⁶ In addition, the incentive certificates donated to projects in western areas were suspended by the Ministry of Industry and Technology.¹⁹⁷ It is understood that Ergenekon and Justice Party were enforced to expand the fiscal base of public investment expenditures for 1977 thus surpassing the investment targets of the Third Five Year Plan. Even though the Department Heads of State Planning Organization were against new appropriations to the budget in the High Planning Council, additional appropriations were made in the 1977 budget as had been envisaged by Ergenekon.¹⁹⁸ The promulgation of the 1977 Import Regime was also delayed due to sharpening conflicts between the two parties which did not allow firms to receive their import permits. While the government was busy with how to legitimize the delay, National Salvation Party transferred the authority of issuing permits from the JP-dominated Ministry of Commerce to Ministry of Industry and Technology. This move institutionally allowed National Salvation Party to seek to "minimize" the foreign exchange-consuming "rent-seeking/assembly industry" activities of big capital.¹⁹⁹ More critically, Erbakan was insistent about not permitting the public expenditures to be made without his signature that intensified the conflict between the National Salvation Party and the Justice Party inside the Front

government.²⁰⁰ This was a critical turning point in the history of the Front government and Ergenekon made his criticism explicit on the “heavy industry projects” of National Salvation Party and said that they “would not let anybody to spend money by “name projects”.”²⁰¹ The Justice Party did not seem anymore tolerant to co-exist in a government where a partner like the National Salvation Party (as well as to Nationalist Action Party for other reasons) was playing a critical role “over and above” its representative power in the parliament. Demirel was already convinced by December 1976 about the necessity of a general election to emancipate himself from the constraints posed by his partners, especially National Salvation Party for the aforementioned economic reasons. Big industrialists were explicitly calling for elections under these “latent” conditions given the “manifest” reason of the inflationary consequences of wheat price supports that both JP and N.S.P were trying to manipulate for their own political goals. ²⁰² The orderly elections were to be held in October 1977 but J.P and R.P.P voted together in the Assembly to hold it on 5 June 1977 despite the strong objections from N.S.P.²⁰³ The Nationalist Front government thus “toppled itself “ in the presence of high politicization of economic bureaucracy and the parcellisation of the state apparatus that did not allow Justice Party to represent the accumulation requirements of industrial capital in the nearly exhausted- ISI setting originating from the acute balance of payments crisis. Hence, the “self-toppling” of the First Nationalist Front government seemed to coincide with the increasing dose of “conditionality” imperatives of the International Monetary Fund. It is from that point onwards that the mercantilism of 1960s and 1970s started to surrender to the neoliberal orbit in a more rapid way. The state seemed now not only starting to lose the altitude in its “autonomy” sharply vis a vis domestic interests but

also vis a vis the international financial institutions that were seeking the implementation of the neoliberal agenda at the end of the national-developmental experiment.²⁰⁴

The political space, however, for a different response to the “stalemate” was not promising. After an unsuccessful try by R.P.P to form a new government ending with no vote of confidence in July 1977, a Second Nationalist Front government was resumed in contrary to the expectations of industrial capital seeking a broad coalition of Justice Party and Republican People’s Party. The tensions implicit in the First Nationalist Front government were still there but with seemingly less intensity since N.S.P lost its previous popular support in 1977 elections as reflected in the assembly. However, Erbakan was retaining his critical position in the economic policy decision-making process and the Ministry of Industry and Technology was again dominated by N.S.P.²⁰⁵ In the first High Planning Council of the government in August 1977, the major controversy was over whether to continue a high growth rate policy for the next year or not. Erbakan was in favor of such a policy whereas Demirel was “silent” on the subject where the S.P.O members were arguing that this would not be possible since the availability of foreign exchange was extremely limited. Erbakan remained persistent on his claim for a higher growth rate being confident that they would be able to find the required foreign exchange resources. When the JP members of the government and the technicians seemed to opt for being receptive for an IMF-loan which obviously would be “conditional” upon another prospective devaluation, Erbakan immediately resisted and said that he would block such an initiative. Thus, %10 devaluation of the Turkish Lira vis a vis the US Dollar in September 1977 was initiated by the Treasury without having been approved in the Council of Ministers.²⁰⁶

Both Justice Party Group in the assembly and industrialists -the industrialists were still complaining about the promulgation of the 1977 regime- outside were convinced that sustaining the credibility of a Second Nationalist Front government further under these conditions would not be viable. In such an atmosphere, the support of 11 MPs from Justice Party as "independents" to R.P.P to form a new government closed the chapter of Nationalist Front governments in Turkey.

Historically, strong resistance to devaluations has been the fundamental characteristic of all major economic interests in Turkey including bureaucracy. Kurdaş explained the historical reasons behind such a position by comparing the power of vested interests which were "consuming" foreign exchange rather than "producing" it. He argued that the first generation of industrialists in Turkey have made the transition from the "importer-commissioner" status to the status of "industrialist-license representatives" thus forming an historically strong "import lobby" resisting devaluation. Later, this was joined by "assembly" industries that were dependent on the importation of raw materials and semi-finished goods. Fixed income bureaucracy and urban "rentier classes have also been part of this lobby due to their luxurious-consumption patterns dependent upon imports. Even though there were export-orientation in some sectors, these sectors have been at the same time involved in business which incorporated an industrial activity that would be harmed by devaluation.²⁰⁷ It is understandable in this context why big industrialists accepted mini-devaluations and to be compensated at the same time by "export-tax rebates" when the coalition governments were decisive on the issue and why the "small-scale" industrialists and commercial capital as represented by N.S.P were severely resisting the attempts by JP-controlled Ministry of Finance. Rather than a sharp devaluation,

mini-devaluations were preferred by the “lobby” as delaying the date of the radical “earthquake”. Mini-devaluations reflected in fact the political saddle-point between the increasing concerns of IMF on the deterioration of Turkey’s balance of payments and the domestic resistance to a rapid devaluation with different intensities from rival segments of business. The conflict between the two would only be resolved in favor of the first in 24 January 1980 when the rival fractions of business surrendered their “sovereign” interests to a minority government formed by Demirel externally supported by the National Salvation Party given the strong resistance from organized labor and acute shortages in basic commodities that was threatening “law” and “order”. It is at this historical point when there was no further interest in terms of reaping the benefits of the domestic market for big industrial capital. It was accepted to be “restructured” towards an outward-oriented accumulation pattern in which labor’s share in the distribution of national income necessitated a rapid decline.

From the 4th Five Year Plan to the “Surrender” of the State Planing

Organization : Dissolution of the Remnants of ‘Institutional’ Autonomy

Encountering a Joint Chorus

The preparation of the 4th Five Year Plan in its origin seemed to be carried out in an “isolated” environment as if it was independent of the above political struggles over the control of economic bureaucracy and economic policy-making process. However, this was not the case. The 4th Five Year Plan had found its genesis in a more dense milieu of institutional conflicts inside economic bureaucracy in addition to the rising tensions of the decade. It was in the final analysis an “unlived” plan since its implementation was ruptured with the introduction of stabilization cum structural adjustment policies in the direction of neoliberal restructuring of the

Turkish economy. On the other hand, the institutional and political conflicts over this “unlived” plan sheds light on the decay of state power as reflected in economic bureaucracy and how they made their impact on the subsequent ordering of the economic apparatus of the state -beyond the above discussed historical precursors in late sixties- in Turkey during the first half of 1980s as is the agenda of the next chapter of this study. It remained as a document where the real content of the crisis of late seventies was understood by the policy-makers while industrial capital and international financial institutions directly and indirectly coalesced to resist its implementation at the political level. In fact, as a result of this “coalescence”, the “Özal circle” would take over the economic apparatus of the state and pushed for a recentralisation of economic bureaucracy in the direction of liquidating the remnants of institutional “autonomy” to be replaced by a politically centralized economic apparatus of the state. If there would be a solution to the crisis of late seventies , it would now be through the enforcement of an anti-planning framework.

The preparation of the 4th Five Year Plan became a subject of controversy both within and outside of the State Planning Organization starting from early 1976. Business in general was extremely concerned “blockwise” with the rising real wages in the Turkish economy beyond the acute foreign exchange constraint and was calling for its “control” in the 4th Five Year Plan. 1976 was the climax year in the history of real wages in the industrial sector and distributional pressures were beginning to unite different segments of business while at the same time intense rent-seeking struggles were taking place.²⁰⁸ The predominant concerns of planners were quite different however. The State Planning Organization in mid-1970s was composed of those “left-oriented” planners who were against the imposition of the clause of “integration with

EEC” in the Third Five Year Plan. They were controlling foreign capital activity with the authorization given to the State Planning Organization during the Law. No. 933 decade.²⁰⁹ They were rather skeptic with a “defensive” view about the contribution of foreign direct investment on the economy interpreting the potential threat of its monopoly creating status as had been indicated in the plan. Domestic firms would have been encouraged to enter into those areas of production under the monopoly of foreign capital. ²¹⁰ The “leftists” in the Organization were thus anti-EEC and anti-foreign capital at large. In the first place, it was thereby natural that the perspective “new strategy” of the Third Five Year Plan discussed above would be questioned in an international environment of worsening Turkey-West relations on both financial and political grounds. The “E.E.C” anchor in the Third Five Year Plan would in fact be accused in the final strategy of the 4th Five Year Plan document as a major factor causing the increasing balance of payments deficits.²¹¹ On the other hand, the “leftists” in the Organization were concerned about the political declaration of large production plants in the absence of a sound project before the determination of the macro-equilibria of the plan which was obviously the manifestation of the “populist” rhetoric over high-growth. As Head of Social Planning Department , Börtücene said ; “Everybody is after an “heavy industry” according to his own preferences. It is impossible to give it up but the structural constraints are above all. To overcome them is not the business of the Fourth Five Year Plan, but lies in the nature of political power in the future.”²¹² On the other hand, planning methodology solely based on determining the investment requisites to reach a set growth target was also considered as “archaic” in terms of “social welfare” when the model of the plan was opened for intra-organizational discussion. ²¹³ The “leftist” planners were aware of the fact that

the destiny of the plan to move away from being a “populist” instrument was rather an issue of political will. It was in such a context that the “leftist” fraction inside the State Planning Organization clashed with the “conventional” cadres of S.P.O -appointed after the preparation of the Third Five Year Plan where Hikmet Çetin was appointed as the Head of the Economic Planning Department- on the structure of the 4th Five Year Plan which would not incorporate “social” aspects of development.²¹⁴ It was later rightly asserted that “Even though it seemed that the debate on the model was as if revolving around the framework of the model , the given impression was that it originated from different approaches to the “plan” phenomena.”²¹⁵

The political authority was not responsive to these intra-organizational debates due to mounting pressures of the precipitated foreign exchange crisis and the daily paralysis of the political order. 1978 would be the first year of the Fourth Five Year Plan Period and the plan should have been approved by the parliament by the end of 1977. However, no initiative emerged from the government (Second Nationalist Front) in this direction and with the absence of any political direction as such, the task of preparation the final structure to the plan and plus the 1978 program was suspended. Even though the S.P.O executives warned the government on the issue several times, the government remained silent on the issue. However, the government was now confronted with the legal obstacle of disregarding the constitutional imperative on the plan once it was clear that the plan would not be prepared on time for ratification. In this situation, the government sent another new draft law to the Parliament willing to be authorized for a “One Year Transition Plan” after which the initial year of the 4th Five Year Plan would begin in 1979. Moreover, S.P.O would be ordered by a “decree” to prepare another plan depending on the

prepared strategy of the 4th Year Plan.²¹⁶ But this created another legal and institutional crisis which had not been encountered before during the planned development phase. The government was initially authorized to prepare the transition plan and the 1978 program depending strangely on the strategy of the Third Five Year Plan with an additional article in the 1978 Budget Law. However, the problem was that without the plan and the annual program, 1978 Budget law could not have been ratified as well. The government felt itself not bound with the obligations of the foundation Law No. 91 of State Planning Organization which stated that annual programs were to be taken into consideration in the preparation of the budget. The 1978 budget was prepared in the absence of the annual program and this situation was considered as unconstitutional.²¹⁷ In fact, it was due to the concern of finding a legal basis for the 1978 program as such that the High Planning Council meeting was held on 11 November 1977 where some S.P.O Heads of Departments were dismissed from the meeting by the new appointed Deputy Undersecretary of S.P.O and experts from the Ministry of Finance and the Central Bank dealing with IMF were allowed to be present in the High Planning Council meeting which was in fact unconstitutional. The Social Planning Department was openly resisting to the arbitrary approach of the government to the State Planning Organization and the preparation of the Plan and the Budget. To avoid his participation in the High Planning Council meeting, Head of Social Planning Department İcen Börtücene was removed from office just before the meeting. The plan strategy submitted to the High Planning Council had been prepared outside the realm of the State Planning Organization against which there was strong opposition from the Social Planning Department. In the High Planning Council meeting, it was recorded that the Central Bank and the Treasury executives were

against the ambitious growth target of % 8.5 knowing that it would not be easy to finance it from external sources. Moreover, the strategy was later changed without the consent of N.S.P where the rate of growth determined in the High Planning Council was lowered. It seems that the government (i.e. JP and close bureaucracy) was thinking of breaking the potential resistance from S.P.O and as well as N.S.P in case it sits for a serious "loan" agreement by IMF which demanded a less ambitious growth target in the Fourth Five Year Plan. The High Planning Council was turning out to be a "committee" to deal with IMF relations rather than a state organ to discuss the Plan strategy and the Plan.²¹⁸

Once the Second Nationalist Front government was over by the very end of 1977, the 4th Five Year Plan was retaken into consideration along with the change of the Undersecretary of the State Planning Organization -Associate Prof. Bilsay Kuruç from Faculty of Political Sciences - in the newly formed Ecevit government. It is understood that certain fractional pressures inside the Republican People's Party has been decisive on this new "outside" appointment to the State Planning Organization which made the planning cadres discontent about the "from above" nature of this appointment. Ecevit himself also did not seem to be content with this appointment.²¹⁹ However, despite the initial frictions within the planning organization and inside the government, the new government, contrary the former, seeked to "centralize" the economic policy-making process under S.P.O where this centralization obviously concentrated on "how to get out of acute shortage and crisis". To this purpose, three new boards (Board of Basic Goods and Services, Board of Balance of Payments and Board of Foreign Economic Relations) were established in lieu of the previously established "Interministerial Economic Council" in 1974 where all of them would be

linked to the State Planning Organization. While the former Nationalist Front government was trying to find extra-S.P.O mechanisms on responding to the crisis, S.P.O again was becoming the institutional unit endowed with extra-planning duties. Other additional institutions during the Ecevit government in relation to exports were the "Export Coordination Council" and facilities easing the export-orientation of industrialists. Exporter-industrialists were for the first time allowed to borrow directly from foreign banks with this regime.²²⁰ Industrialists were against the representation of agriculture in the Export Council and pushed forward only for the presence of Chambers of Industry in the Council which the government was positive to their demands.²²¹

Once the State Planning Organization resumed a power domain in the economic policy-making process, the Ministry of Finance started to oppose its status as such. Since external economic relations were traditionally under the domain of the Ministry of Finance (Treasury) and the settling of the relations with IMF were of an urgent character in order to receive new credit, the Ministry of Finance started to resume a powerful status inside the economic policy-making process.²²² The "uncoordinated" efforts to find loans abroad with a program prepared by Minister of Finance, Ziya Müezzinoğlu to be submitted to IMF was interpreted by S.P.O as contradictory to the institutional set-up of economic policy making under the supervision of S.P.O itself. S.P.O considered the relations with IMF as needlessly "compromising" and carrying a danger of breaking the alliances of the "social-democratic" government with the working classes with the new tax measures. While the Ministry of Finance was now becoming the defender of "stabilization" oriented response to the crisis, S.P.O was insistent on the need of pursuing an high-growth

strategy as would be reflected in the 4th Five Year Plan. In fact, Ecevit was “trapped” with balancing but not being able to command the diverging orientations inside economic bureaucracy from the early days of his government where the “trap” in fact represented the conflictual political economy of external financing and the domestic distributional concerns. The Ministry of Finance, in line with its key role in IMF relations, came also into conflict with the Central Bank governor of the period. It was recorded that void checks were written during the period of Central Bank governor, Cafer Tayyar Sadıklar who had been appointed to that post during the First Nationalist Front government which damaged the credibility of the state vis a vis international financial institutions. The issue would not have exploded if the initiative of a debtor international firm for an “CTLD” to confiscate the real estate and account of the Central Bank representative in Zurich had not come up to the scene. Since these accounts were opened to the private sector by the guarantee of the Central Bank, the firm could not have collected its credit from the Central Bank which had run out of reserves. The Central Bank resorted to “overvalue” its balance sheet as if it had borrowed from the Bank for International Settlements so that it possessed the reserves to fulfill its obligations. Even though it was a natural operation which all Central Banks did, the problem was that this was damaging the credibility of Turkey seeking new foreign exchange resources abroad in the midst of a foreign exchange crisis. Sadıklar, on the other hand, made statements in the initial days of the R.P.P government that a contractionary monetary policy would be pursued in 1978. He accused the government for having forced the Central Bank to exceed the credit limits agreed with IMF and thus resorting to deficit financing of “support pricing” in agriculture. Not accepting these views, Minister of Finance Ziya Müezzinoğlu did not

want to work with the governor who wanted to act "independently" from the government. Sadıklar was removed from office and the issue became an issue of Court of State but lost its significance after the fall of the R.P.P government. The Central Bank has traditionally been a "vassal" of the Treasury in Republican history till the crisis of late seventies when monetary management was not primarily on the agenda. The problem now was actually the resistance of the Ministry of Finance to accept the Central Bank's "independent" moves from this "vassal" status in external relations with IMF.²²³ The Ministry of Finance thus was willing to be the "single" authority in the monetary and financial field in relation in the context of the "balance of payments" crisis. In fact , after the 11 June 1979 devaluation, the Ministry of Finance was authorized to determine on its own the value of Turkish Lira without any need for a Council of Ministers decision.²²⁴

The 4th Five Year Plan was prepared by S.P.O and its discussions began in the High Planning Council in mid-1978. The new strategy was approved in 23 August 1978 with the cancellation of the one prepared during the Second Nationalist Front government. Still reiterating an ambitious growth rate as % 8.2 annually, the plan was not prepared with a "central" concern of integration with EEC as had been the case in the Third Five Year Plan. Kayra noted that there was not a unanimous consent inside the government and the bureaucracy which also was reflected in the Plan document itself .²²⁵ However, there was considerable emphasis on increasing exports over % 18 annually at the same time.²²⁶ The planners were defending the sustainment of a high growth strategy as a way out of the crisis. Kuruç later explained the reason that it was not till 1977 that a trade-off between stabilization versus growth emerged in Turkey because no context for such a dilemma was observed previously.

He argued that their choice in favor of "growth" in the 4th Five Year Plan Strategy was perhaps motivated by an "intuitive" dimension that had been shaped by the inherent belief to the strong record of the past twenty years. However, the fear of decelerating growth for Kuruç was also derived from an anxiety on the accompanying social problems to emerge in an environment of rapid urbanization primarily unemployment.²²⁷ The formerly rival fractions of capital now were harshly against the strengthening of State Economic Enterprises in the Plan and continuation of high growth strategy by increasing public-sector investments. In fact, it is why they started to blame the plan as a "socialist" plan. S.P.O cadres were openly blamed for its explicit "statist" character even though there was certain punctuation over the need for "export-orientedness" in the plan document.²²⁸ The background of the "bloc" opposition from the private sector seemed, however, to rest upon the elimination of certain "rent-seeking" channels through state action. Apart from other "austerity" measures, the cancellation of "CTLDs" in the early months of the Ecevit government²²⁹ and the enforcement of industrialists and importers to find the necessary foreign exchange through the state, limitation of import-credit, the prevention of "iron-steel" speculation and the etatization of steel importation, tax-laws delinking holdings from the banking system were primary examples for the "etatiste" moves of the Ecevit government that annoyed the business circles at large which was soon followed -not surprisingly- by TÜSIAD's political war against the government. Being used to easy profits and having even declared that 1978 was a "golden" year in terms of profitability, the private sector disliked the government's attempts to control the private sector's "unrisky" means of access to scarce foreign exchange. The rationale behind blocking the governments' attempts to find new resources from IMF

was precisely this element where the bourgeoisie "en bloc" did not want an exit from crisis with external financing coupled with domestic "statist" disciplines.²³⁰ In fact, this also makes clear why different channels of "rent-seeking" were demanded in the aftermath of neoliberal structuring with a visible outward-orientation component. For the short term, however, the critique of the 4th Five Year Plan as if it was of a "socialist" character also makes sense in this context.²³¹ Under severe conditions of crisis where "rent-seeking" started to become extremely painful for them plus the strong labor opposition in factories and streets, the real aspiration of business was to eliminate the political and economic framework of mercantilist-ISI structures which were somewhat expected to be revitalized by the cadres of the Ecevit government not proposing any "positive" policy proposal. Both industrial and commercial capital were now allied as can be understood from the speeches made by their spokesmen above that the rent-seeking struggles between rival fractions of business would be suspended -at least for a while- to assure the new political and economic structuration to provide a "predictable" environment devoid of statist-bureaucracy and strong opposition from labor. It was not coincidence that the expectations for a military government by the industrialists were rising in the same decade. Later events would prove that this was in fact the case. "With this bold challenge TÜSIAD managed to upstage both the TOB and the Chambers, and established itself as the private sector's most important spokes group. It was duly rewarded, when, in 1981, the military rulers upgraded its status and conferred it with legal standing and legitimacy."²³²

In fact, the conflicts between the State Planning Organization and the Ministry of Technology and Industry and between the Ministry of Commerce and Ministry of

Finance which became explicit in the beginning of 1979 make sense in this context. The externally supporting "independents" in the foundation of the Ecevit government wanted to control key ministries themselves where they would avoid the interferences from the planners. Orhan Alp from this group, in fact, became the Minister of Industry and Technology in the foundation of the government.²³³ During his time, incentives were attempted to be provided a unified legal basis with additional criteria where they had been scattered to annual programs during the N.S.P-dominated implementation in Nationalist Front governments.²³⁴ With the absence of N.S.P from the government, the newly legal basis of incentives has been somewhat oriented towards favoring large scale-capacity investments and encouraged old investments that would be integrated to each other. The search for a solid legal basis seems to have been oriented towards favoring big capital in the absence of National Salvation Party in the government. In the former practice during which N.S.P dominated the Ministry of Industry and Technology, linking of investment incentives to the commitment of a certain export performance ratio of firm output was not an imperative in annual programs. An investment item found in the General Incentive Table would be linked to such a criteria if the Ministry found it as necessary.²³⁵ The practice changed from the beginning of 1979 and the aforementioned article of previous annual programs was disregarded where the export-commitment precondition was imposed on all investments to be encouraged. This would legally announced later by the approved provisions in addition to the 1979 annual program which became a major controversy between the Ministry of Technology and the State Planning Organization. In those regions (Istanbul, Kocaeli) where there had been restrictions on the encouragement of investments previously, the new condition for

lifting the restrictions was that investors would declare a commitment of a minimum % 50 export potential of their annual production for five years and this would be found as appropriate by the Ministry of Industry and Technology. It is worth noting that these investments were entitled as "non negligible scale" besides being "economic" in one of the articles of the additional provisions to the 1979 annual program. ²³⁶ Acting as a somewhat JP-representative of industrial capital -now slowly preparing itself to external markets- inside the Ecevit government which Ertuğrul Soysal testified in the above lines, ²³⁷ Alp came into sharp conflict with S.P.O on the "implementation" of incentives in such a context where S.P.O was resisting such a policy of incentives directed towards capital concentration. Alp resisted to the declaration of the 1979 annual program prepared by S.P.O in the High Planning Council which postponed the declaration of the General Incentive Table for 1979. He did not want the Ministry of Industry and Technology to share the institutional-bureaucratic space for the orientation of incentives with any other institution inside the economic apparatus of the state.²³⁸ He openly announced to business community that they should not take into consideration the 1979 annual program prepared by S.P.O. and said the following : "I am your minister. I have come to listen to your complaints. Do not take into consideration the report (i.e. the 1979 annual program. H.B.) prepared by S.P.O. If you have any problems, get into dialogue with our ministry."²³⁹ The 1979 General Incentive Table was not prepared along with the annual program and its announcement was postponed for 3 months to be published on 11 March 1979 as against the previous practice along with the additional provisions. It was noted that Alp's strong resistance to S.P.O power was partly explained by the continuation of state-control of engine production in the 4th Five

Year Plan and the resistance to his public-participation involved "holding projects" from Hikmet Çetin, Vice Prime Minister to whom S.P.O was dependent.²⁴⁰

The conflict between the Ministry of Finance and Ministry of Commerce emerged rather as an internal fractional struggle inside the Republican People's Party. Ziya Müezzinoğlu, Minister of Finance and Teoman Köprülüler, Minister of Commerce were both from the Republican People's Party. However, the two Ministries clashed on the issue of the increase of the export tax-rebate ratios. The Ministry of Commerce was more accommodative to the demands of industrialists on the increase of the least figure as % 5 previously applied to a figure of % 15. However, the Ministry of Finance, not openly declaring "Treasury" concerns, put forward the argument that exports were not sufficiently stimulated with the increase of tax-rebates and more importantly IMF was opposing in principle to the increase of these rebates and was willing the rebates to be abolished. The conflict between the two institutions were resolved only after the 11 June 1979 mini-devaluation where the tax-rebate rates were lowered from a ceiling value of % 35 to % 20 in parallel to the demands of the Ministry of Finance and IMF.²⁴¹

It is clear that industrial bourgeoisie sought new outlets to solve the crisis long before the Özal circle took over the economic apparatus of the state in its hand at the end of 1979 which is also in harmony of the phasing of stabilization efforts starting from 1978 or even before. In fact, 1978-1979 period is considered by economists as the first phase of the set of stabilization efforts spanning from 1978 to the post-1983 period drawing a line of continuity between the successive government policies during and after the crisis of late seventies.²⁴² The key to understand the response of industrial capital to the crisis of late seventies seemed however was not centered

primarily on whether a successful stabilization could have been pursued or not to resolve the crisis in the short-term within the context of this study. It was rather centered upon the anxiety of industrial capital at first hand to surpass the crisis synchronic with an accompanying restructuring of the state apparatus. What seems to lie in the background of the criticism of the stabilization efforts pursued by Ecevit government as “half-heartedly adopted just to please the IMF” points to this paradox.²⁴³ The other “half” was necessitating the need for a restructuring of the state which Ecevit government was not in a position to accomplish by definition because of its composition. The economy was administered by the “traditional” cadres of economic bureaucracy who did not share the same vision with industrial capital in terms of what would be expected from a “successful” stabilization program in the final analysis. It was in fact why the initial efforts by Minister of Finance, Ziya Müezzinoğlu to receive financing from IMF would have been based on a program prepared by the government but was blocked by the industrialists.²⁴⁴

The emergence of an indirect-joint “chorus” against the Fourth Five Year Plan between the international financial institutions and industrial capital after its ratification in the Parliament makes sense. The anxiety was that its initiation would strengthen the “hand” of the statist cadres within the “inner circle” of economic policy-making in conditions of crisis. Apart from criticizing the attempts of the government to stimulate exports through the increase of tax-rebates and was calling for a substantial devaluation instead, IMF and World Bank were criticizing the public-sector induced high growth strategy of the 4th Five Year Plan and the 1979 annual program in parallel to the views of TÜSİAD-led business community. TÜSİAD was now officially criticizing the 4th Five Year Plan and the 1979 annual program which

had started during the preparation and approval stage of the plan strategy.²⁴⁵ We learn from Kuruç that the World Bank was so insistent to learn the details (investment priorities, projects) of the Plan before it had been finalized, ratified and made known in the Turkish public opinion. Kuruç explains the attitude of the World Bank as follows : “ Primarily, they do not like our investment priorities. The World Bank wants us to give priority to light industry, agriculture, service sectors, to support animal farming etc. They told us to withdraw from key sectors in manufacturing industry. There were expressions like “leave these areas slowly, do not allocate huge amount of money to large scale projects, there are some excesses in some sectors in the world : shipping, iron-steel etc, cancel these, you can buy fertilizers from abroad. Stop substitution in intermediate goods, do not enter in investment goods, cut all possible public projects on manufacturing.” This was not something which we liked. We would in any case discuss on this issue but why would we have accepted to discuss this in our own kitchen ?”²⁴⁶ It seems that the World Bank was uncomfortable with what the planners seriously were thinking on the organizational form of deepening industrialization via State Economic Enterprises. One of the novelties of the Fourth Five Year Plan was to restructure the State Economic Enterprises in a limited number of “sector institutions” similar in essence to holding-organizations in the private sector that would be foci of responsibility for sectoral planning and strategic decision-making in industrialization. It was believed by the planners that the private sector was not in a position to enter into advanced sectors in manufacturing in the absence of high-protection. But, it would be convenient to consider the SEEs as high-cost low-profit as a “center of gravity” in the allocation of resources towards these industries with an appropriate division of labor with the private sector in priority

sectors. It was because even though advanced-ISI industries were not founded on a strategic basis thanks to the irrational investment projects by N.S.P, the planners were thinking that they could have gained a “footstep” towards progression in the substitution process in investment-capital goods industries by focusing and “redressing” the project stock under hand. It is due to such an optimism on the possibility of such a task that a high-growth path was considered as viable by the planners. Learning from the mistakes was not an handicap but a means towards deepening industrialization. Unfortunately, most of the projects developed in this direction as part of the 4th Five Year Plan were canceled later as one of the key preconditions imposed by the SAL program of the World Bank. Later, the official policy in the public sector in 1980s was based on benign neglect of this project profile-stock developed in mid-1970s.²⁴⁷

The historical inflection in the early days of 1980 where the re-takeover of the Özal circle in the State Planning Organization would thus be the real proof of the political calculus of this chorus. Not surprisingly, it has been noted that the views expressed by Özal on the solutions to the crisis after 1978 were closely parallel to those expressed in TÜSIAD Reports.²⁴⁸ Ecevit was in fact aware of the political dangers of a serious commitment to the Fourth Five Year Plan vis a vis both international financial institutions and industrial capital starting from the date of its ratification in the parliament. It was because decision-making required daily adjustments rather than long-term solutions irritating an emerging power coalition against the government both externally and internally. An important verification of his “signaling” for his political “flexibility” to ease the emerging alliance against the “plan” but in essence to the government was that even though it had been a tradition

for Prime Ministers to write a foreword in the previous three plan documents, the 4th Five Year Plan document was published without a foreword by Prime Minister Ecevit. It was also stated that before its ratification in the parliament, the strategy of the Plan was rewritten by Ecevit himself.²⁴⁹ Henceforth, the “inner circle” of the Ecevit government perhaps with similar political stance was not unified vis a vis the emerging power coalition.²⁵⁰ The traditional cadres of economic bureaucracy -with no unified status among themselves also- were resisting the dictates of the power coalition to solve the crisis in their own framework and forcing the politically responsible authority to be trapped by a “half-heartedness” to accommodate the now converging demands of industrial capital and international financial institutions. Those converging demands were necessitating a different kind of state apparatus liquidated from the “brakes” formed by the traditional cadres of economic bureaucracy who were willing to solve the crisis without sacrificing the institutional-mercantilist orbit of planned industrialization as exemplified by the “last” plan of the 1960-1980 decade. The following lines by the Head of Economic Planning Department of the period, Oktar Türel as a quasi-answer to the critiques of the 4th Five Year Plan -written in October 1979 just at the time when R.P.P. would live a major electoral defeat in partial Senate elections- expressed the “resistance” inside the planning organization to the forthcoming “earthquake”. “The gist of the debates over “restoration” in 1980s is and will be on a concept and institution that is a so close matter of concern for us. This concept and institution, is the concept of planning and the planning institution *If Turkey is forced to change the Fourth Five Year Plan, the direction it will go by the legitimate right of self-defense will not be an open economy, but a closed one.(italics mine)*”²⁵¹ The return of the Özal circle after the foundation of the JP-

minority government would in fact be the historical choice made by the joint chorus of domestic industrial capital and international financial institutions to avoid such a direction.

With the establishment of the JP minority government externally supported by National Salvation Party and Nationalist Action Party, Özal was on the agenda of the new government to direct a prospective program to move the economy out of the crisis. He was initially offered the position of the governor of the Central Bank by Demirel for the second time given the necessity that external relations with IMF was urgently on the agenda to reach new external resources. In fact, he was thinking to remove the Central Bank governor in office, İsmail Hakkı Aydınoğlu who had been appointed during the Ecevit government in lieu of Cafer Tayyar Sadıklar. However, Özal expressed his view that Central Bank governor was not that much effective in Turkey and argued that the governor *worked even below the General Secretary of the Treasury. (italics mine)* Having pointed out the “vassal” status of the Central Bank vis a vis the Ministry of Finance, he argued for a recentralisation of economic bureaucracy like the one in 1970 devaluation which necessitated the reestablishment of the “Money and Credit Board” and the “Coordination Board”. He was willing now to become the Undersecretary of the Prime Ministry and act as the Deputy Undersecretary of the State Planning Organization. Demirel did not like the idea of a “dual” function as such, but learning that there was no legal constraint on it, Özal was appointed as the Undersecretariat of Prime Ministry and the Deputy Undersecretary of the State Planning Organization. What was quite striking about the written note he submitted to Demirel in the aforementioned “bargain” on the organizational agenda of

the prospective program was his demand of “the transformation of the Incentive and Implementation Department to its first status in in Law No.933.²⁵²

The liquidation of the remnants of the “traditional” cadres inside the State Planning Organization and the “re-take over” of State Planning Organization by Özal and his circle was decisive over the “speed” of the preparation and implementation of the 24 January 1980 austerity program. It was not because that the State Planning Organization would have been the “institutional” pillar of the prospective measures, but rather the elimination of “traditional” cadres would remove potential resistance on the course of economic liberalization. Since the prepared austerity measures needed to be approved in the High Planning Council, institutional opposition should have been eliminated. After Özal was appointed as the Deputy Undersecretary to the State Planning Organization besides his Vice Prime Minister status, Oktar Türel, Head of Economic Planning Department left the organization and returned back to his chair in the university. Algan Hacaloğlu was removed from office as the Head of the Coordination Department by a decree of Prime Ministry. He was considered as “close” to Ecevit in his orientation.²⁵³ The Head of Social Planning Department then was Timur Erkman who was not removed from office immediately. Özal wanted to “check” whether he was a figure with which he could work together before giving a decision to “liquidate him”. Erkman’s explanation of how he was removed from office gives important clues about Özal’s concept of “governance” in economic bureaucracy that would shape the economic policy formation till the end of 1980s. The conversation between Özal and Erkman is also reminiscent of what Kansu said on his “private sectorism” in late sixties. “Turgut Bey called me. He told me how lively the private sector was. He mentioned with eagerness about textile factories and

their dynamism he had seen in Istanbul. I was wondering why he was telling all about this to me. He then shifted the subject to the issue of the burden of SEEs on the state, restraining decrees, the incomplete implementation of liberalism etc. This is happening before 24 January, at the end of December (1979.H.B). Moreover, he talked about things like the transfer of these SEEs and the like. I told him that these were political issues and whether I agree or not they could be realized but in order to do them we had a plan in front of ourselves. Opposite things are told in the plan and also in the program. In terms of its procedure, we have a plan ratified by the parliament. New regulations are needed to be made concerning this. He did not like these words. He was right from his point of view, i.e. taking the plan to the parliament, putting the changes in the annual program etc. He said that "these things are time consuming". Oktar and others had already left while this conversation took place. I told him that if we wanted to protect the discipline of the plan, we had to do them. We left each other. Two days later, my decree of appointment to Consultancy came out."²⁵⁴ It was known that Özal had developed a certain degree of hostility towards the "left-oriented" planners from his early days. The developments in seventies have sharpened his view as such. Indeed, his application to State Planning Organization in 1976 for a Japanese investment on a jeep factory was rejected since it was indicated in the Third Five Year Plan that automotive industry belonged to the realm of the public sector. He accused the "Leftists in the Planning Organization" that were blocking foreign investment in engine production.²⁵⁵ It is mostly because of such an hostility that Özal even attacked the lower echelon specialists in the State Planning Organization. Erkman's observations on the second arrival of Turgut Özal to the State Planning Organization in December 1979 are illuminating. "It is said that there was a difference

between the first Turgut and the second Turgut in the Planning Organization. He was much more cooperative, inclined towards understanding others in his first S.P.O period. But in his second arrival, he came with a “dark eye” to a great extent considering certain cadres as an opposition to him and removed a group of 30-40 people blaming them as “leftist”.He returned back with a spirit of revenge after having been removed from office on 12 March 1971.”²⁵⁶

It was indicated in press that the Fourth Five Year Plan was considered as “statist” in orientation by international financial circles with its accent on the continuation of public sector investment projects. Özal and his circle changed the already approved 1980 program in the High Planning Council which had been severely opposed by Türel, Hacaloğlu and Erkman, i.e. the three “statist” department heads of the Planning Organization. The changed 1980 program was in fact the abandonment of the 4th Five Year Plan by the Özal circle and the government. In fact, Demirel made it explicit in the last High Planning Council with the “statist” cadres that some necessary measures to be taken would not be in accordance with the annual program.²⁵⁷ After the removal of department heads inside S.P.O, the contracts of 36 specialists were also canceled. Hence, the liquidation of “statist” cadres inside the planning organization was complete just before the declaration of 24 January measures. In reality, the episode of planning was finally over in Turkey by the elimination of these cadres.²⁵⁸

The historical conditions of 1971 and 1980 were obviously quite distinct from each other which made Özal to be removed from office in 1971 and to be called back to office in 1980 respectively. Even though Özal was called back to office by the minority government formed by Demirel to remedy the severe and unbearable

conditions of economic crisis in the beginning of 1980, his expectations were quite different than Demirel on the 24 January 1980 measures. While Demirel was planning to revise the austerity measures in accordance with the prevailing economic structure of Turkey, Özal was considering it as only a "intermediate" target where the "final" target would be the restructuration of the Turkish economy along with the restructuration of the state apparatus.²⁵⁹ Özal, depending upon his historical experience of late sixties, was conscious of the fact that if the power of the economic apparatus of the state of the Republican-mercantilist era would not be broken and dismantled, short-term remedies to surpass economic crisis would only contribute to the "reincarnation" of the old conditions due to the overdominance of traditional economic bureaucracy and its mentality. It is why his uncompromising attitude towards the old cadres in the State Planning Organization makes sense. Hence, the reconquering of the State Planning Organization at the end of 1979 was the initial step towards the dismantling of traditional economic bureaucracy. The second and the most radical one would be the establishment of the Undersecretariat of Treasury and Foreign Trade after the 6 November 1983 elections that would end the power of the Ministry of Finance-Treasury that remained almost intact in all phases of Republican history. The elimination of the potential resistance from the State Planning Organization was completed before the 24 January 1980 measures thus also representing the end of its institutional history as began after 27 May 1960. The final target now would be the power of the Ministry of Finance which would be challenged during the military regime but would be subject to a "radical" alteration after the elections in 6 November 1983.

CHAPTER VI-CONSOLIDATION AND DISSOLUTION OF NEOLIBERAL

“CENTRALISM” AS “POLITICAL DESPOTIC AUTONOMY”

“DPT’de batıya direnenlerin tasfiyesi tamamlandı.”

Cumhuriyet, 18 January 1980

“Bence, Hazine birliğinin parçalanması devletin temellerini sarsacak bir karardır.”

Nazif Kocayusufpaşaoğlu

“Bu ilişkilerin rasyonelleştirilmesi, kolay sanılan yönetim tarzı merkezîyetçi pratiktir. Ayrıntı, sözde liberal propaganda bir yana bırakılırsa, bu bana biraz tarihi Fransız Merkantilizmi’nin kurucusu Colbert’i anımsatıyor. Colbert, Merkantilizm ile sanayileşme politikasını sayısız kararnamelerle yürütmek istemişti ; Adam Smith ise sistemini kurarken, Colbertizm’in eleştirisine ağırlık verir.”

İdris Küçükömer

“Neoliberal Centralism” : A Despotic Restructuring of the “State” Autonomy in the Political Sphere

It should by now be clear that our detection of state power in Turkey after 27 May 1960 with respect to the internal conflicts of the economic apparatus of the state has principally targeted to understand the variation in its “infrastructural-despotic” power mix from a limited infrastructural status to a more despotic one in time. The loss of altitude from a higher degree of infrastructural autonomy starting from the early days of “rational reformism” and the foundation of S.P.O to a more despotic form at the end of the “national-developmental” era characterizes the underlying evolution of the institutional politics of economic bureaucracy during the decade under inspection. It is thereby possible to observe this evolution in a way that the exhausted space of “infrastructurally-institutionalised statism” at the end of 1970s would eventually give way to what might be called “despotic-de-institutionalised statism” in early 1980s. In other words, since the institutional structures of the

previous era were now "dysfunctional" to push forward a state-directed economy into the neoliberal logic of global capitalism, those structures were to be dismantled so as to be restructured with respect to the new but still short-term demands of capital in need of surpassing the crisis of late seventies anchoring to this logic. As against the presence of "sectoral politics" as was the case in East Asian industrialization which concentrated on the organizational representation of different sectors vis a vis the state and allowed the developmental state to preserve its autonomy, the orientation of state power towards more despotic forms contributed to the rise of class conflict and "fractional politics" after the transition to coalitional politics following the 1971 regime. Sectors like newly emerged automotive etc. carried their interests under the overall "fraction" of industrial capital. Once confronting a strong opposition from labor, "fractional" not sectoral interests dominated the political agenda under the before the 1971 regime and its aftermath in 1970s. With the transition to coalition-led governments, "fractional" (intra-capital) and "class" (anti-labor) politics went together till the end of 1970s. While rival fractions of capital were seeking the still existent state resources in the ISI-setting throughout the coalitional episode, they were also facing a strong organized labor opposition which in fact was reflected in the highest real wages achieved in labor history in 1976.¹ Not surprisingly, Frieden similarly discussed the pattern of capital-labor relations also in the context of Latin America where strong opposition from labor opened the necessary political space for governments to implement market-oriented policies. The confrontational character of labor militancy moved fractional interests of capital to a secondary status while at the same time allowing the governments, now "independent" of sectional interests, to carry out "disciplinary" neoliberal policies over labor. Frieden argued that the more

confrontational capital-labor conflict is, the more stronger the demands will be for the transition to neoliberal market-orientation and labor discipline. He also made the interesting observation that neoliberal market based policies emerging out of class conflict imposing labor discipline strengthen liquid-asset holders, while sectoral policies have a reverse effect and empower fixed asset holders. "Governments in societies with major class cleavages will pursue more-market based policies, while governments of societies without significant labor-capital conflict will pursue more sectoral policies. Over time, market-oriented policies will strengthen liquid asset holders, while sectoral policies will have the opposite effect."² Conditions of crisis in Turkey less in the beginning and more at the end of 1970s have created a similar environment for different fractions of capital. But the substantial difference was the still non-exhaustion of the rents accruing from high levels of protection , reserves in the form of remittances and outlets of external debt-building. The panorama changed after the severe foreign exchange crisis causing a deadly arteriosclerosis of the pursued industrialization strategy. Being used to enhance their fractional interests in the traditional rent-seeking terms under import-substitution, the threat from strong labor opposition at the end of 1970s to distributional regress have created a bloc surrendering their sectional interests on a temporary basis to a "minority" government now having a political space to implement the January 1980 stabilization cum adjustment policies as an inflection point in the economic history of Turkey. Such an observation in fact foresees the findings on the short-term achievements of the "premature liberalization", the export-promotion drive and the associated rent-seeking orientation in the economy at the end of 1980s.³ "The 1980 program differs from the others fundamentally in the sense that while the first two were attempts

simply to unblock the bottlenecks in the process of capital accumulation, this represented an attempt to change the existing forms and means of intervention for the unblocking of bottlenecks. Because of this, the changes envisaged by the 1980 program went beyond simple alterations to economic policy- successful implementation necessitated political and legislative changes.”⁴ Boratav also forcefully argued further that “changing and redefining the policy parameters regulating and shaping income distribution against labor in general was a major goal of the structural adjustment program of the 1980s.”⁵ Rival fractions of capital were now free from a militant labor opposition and big industrial capital affirmed its position in a sound way vis a vis other economic interests. Some authors have argued that the state gained its “autonomy” as such after the military intervention similar to the bureaucratic-authoritarian restructuring in Latin America as a response to the “crisis of ISF”.⁶ Our claim is that a certain kind of “autonomy” was “restored” but only with a “despotic” substance serving once again the short-term requirements of capital crystallized around surpassing the conditions of economic crisis of late seventies. More openly, the “despotic restructuring” of the state have solved the paralysis of economic bureaucracy of 1970s but for a temporary period.⁷ This was achieved at the expense of dismantling step by step the traditional economic apparatus of the state which totally eliminated the institutional and constitutional legacy of early planning days. A politically-centralist bureaucracy at the expense of traditional economic bureaucracy seemed to fit better to the short-term requirements of capital accumulation in the absence of former “brakes” we have sketched above. However, once the crisis as such was over, the rival fractions of business were now harshly seeking to infiltrate the “autonomy” of this politically centralist bureaucracy. The “politically centralist

autonomy” as such was not institutionalized towards long-term economic change but created the seedbed of the stagnation of neoliberal experiment by surrendering the state apparatus to more infiltrating rent-seeking pressures. Thus, the claim that the state gained its autonomy after 1980 misses the very argument of the broad theoretical backdrop of this study. Despotic autonomy-building actually weakens the state thus is associated with a “weak state” hindering long-term economic change. Neoliberal Centralism in early 1980s incorporating both the military regime and the early Özal government decades has thus been oriented towards a “despotic” restructuring of the state directed towards serving the short-term requirements of industrial capital. However, after the liquidation of the remnants of traditional economic bureaucracy, this restructuration ended with a “weak“ state since certain segments of capital became more powerful enough to “capture” now the state apparatus and thus commanding the state-resources for anti-production oriented ends where the magnitude of rent-seeking surpassed its predecessor under the mercantilist-ISI framework albeit in different forms. Contrary to neoliberal presumptions, the economic apparatus of the state had reached the bottom end of the inclined plane in its capacity to intervene effectively where now ; “The very process of rent-seeking emanates from the bourgeoisie, not from the state per se and this is a well known characteristics of the Turkish scene which only academic liberals ignore. This is why nobody was surprised to observe businessmen of apparently dogmatic liberal creed deeply involved in recent economic scandals in their dealings with the state.”³ The institutional and legal matrix which was prepared by the “proto-neoliberals” in late sixties in the implementation of Law. No. 933 was reincepted again by them as being the political brokers of neoliberal reforms now in the absence of any significant

political and institutional opposition. It is now this critical episode between 1980 and 1986 as the final historical bracket in this study which laid the institutional ground for the emergence of such a “state of affairs” as the 1980s unfolded -and subsequently in 1990s- that we will try to detect in detail .

Recentralization of Economic Bureaucracy as part of 24 January 1980

Austerity Measures

After the elimination of the “statist” cadres inside the State Planning Organization, Özal and his close circle carefully moved onto the recentralization of the economic apparatus of the state that would “minimize” the potential resistance to the implementation of the prospective economic austerity measures and to centralize the decision-making process under their own control. Initially and not surprisingly, the Incentive and Implementation Department which was split between the Ministry of Industry and Technology and the Ministry of Commerce in 1970s was now reassembled as a united Department directly linked directly to the Prime Ministry and administered by the Undersecretariat of the State Planning Organization. Ekrem Pakdemirli who later would become the Undersecretary of the Undersecretariat of Treasury and Foreign Trade in December 1983 and would be named as “tacit minister” was appointed as the Head of the Incentive Implementation Department. Not surprisingly , Özal was insistent on the authorization of the government to issue decrees in the encouragement of investment and exports in his presentation of the 24 January 1980 measures in the Council of Ministers.⁹ Similarly a Foreign Capital Department was also organized under the same status eliminating the “authority” and “duty” residing in State Planning Organization and other ministries in 1970s.¹⁰ The two boards would be administered by the State Planning Organization which was now

invaded by the Özal circle. These boards were given substance by Özal by critical appointments who had worked close to Özal in the 4th Department in late sixties. In this way , Özal was reestablishing the institutional networks of the “4th Department” of late sixties in the economic apparatus of the state. After an interim period for Mahir Barutçu who would be in charge of the less critical Coordination Department, he appointed Yıldırım Aktürk as the Economic Planning Department who would later in fact be the Undersecretary of the State Planning Organization after the military intervention when he Özal would now become the Vice Prime Minister in the Council of Ministers. Although he was primarily thinking Vehbi Dinçerler for the Incentive and Implementation Department, Ekrem Pakdemirli was appointed to this very critical post after Dinçerler’s refusal to be in charge of it. His close family associate Hüsnü Doğan was appointed as the Head of the Foreign Capital Department. Özal further strengthened his position by appointing Hasan Celal Güzel as Vice Undersecretary of Prime Ministry next to him. Güzel would play the significant role of the “traffic police” in terms of controlling the internal correspondence and the flow of key decrees between the ministries before and after the 24 January 1980 measures.¹¹

However, the recentralisation initiative in economic bureaucracy as part of the 24 January 1980 austerity measures was not confined to the return to the institutional basis of incentive implementation of late sixties. The crisis conditions of 1980 required rapid decision-making on various critical issues e.g. relations with IMF , the terms of borrowing from abroad and monetary policy in general with minimum opposition from other ministries. To this purpose, Özal revitalized the “Money and Credit Board” and “Coordination Board” which were introduced in 1968 to balance

the power of High Planning Council in economic-decision making but remained ineffective during the period. The scope of these boards were highly enlarged where their powers were concentrated in the hands of the Undersecretariat of Prime Ministry, i.e. Özal himself. The reasons for the establishment of the "Coordination Board" was stated as "providing the high-level coordination in areas concerning more than one ministry, determining the principles concerning the regulation of export and import regimes and quotas, providing the coordination in foreign economic relations, supplying the need of the coordination of important projects and programs and advising the High Planning Council in case it is necessary." Similarly, the reasons for the establishment of the "Money and Credit Board" were stated as "providing the coordination in the implementation of money and credit policy, safeguarding the distribution of credits in accordance with plan and program principles and the elimination of financial difficulties, advising on support prices, following the developments in balance of payments and taking the necessary measures."¹² As understood from the broad spectrum of the duties of the two boards controlled by Özal himself, it is clear that there emerged a serious effort of centralization of decision-making in the establishment of these two boards to surpass the powers in the hands of the Ministry of Finance and other ministries as well. The reintroduction of the Money and Credit Board and Economic Coordination Committee were so important that Yavuz Canevi, a bureaucrat who had started his career inside the ranks of the Ministry of Finance in 1970s and who later became very active in the financial liberalization component of neoliberal policy reforms in 1980s as Central Bank governor and Undersecretary of Treasury and Foreign Trade recently made the following testimony : "The most conspicuous characteristic of the 1980 economic

program was its accurate diagnosis that one of Turkey's scarcest resources was neither foreign exchange, nor savings, nor labor, but rather an efficient mechanism for making macroeconomic decisions. The efficiency, speed and flexibility imparted to the previously inert policy making by such institutions as the Money and Credit Board and the Economic Coordination Committee go a long way toward accounting for the program's success up to 1985-86."¹³ It was clear that the reintroduction of these institutions which had not been effective in late 1960s were detrimental to the "successful" implementation neoliberal policy reforms at large. What lied behind this institutional set-up was of course to eliminate the potential resistance that would have emerged from the traditional cadres of economic bureaucracy. In that respect, they can be considered as the early drive in 1980s towards the establishment of political "neoliberal centralism" that would consolidate itself with the breaking of the power of Ministry of Finance with the establishment of the Undersecretariat of Treasury and Foreign Trade. However, after the elimination of the obstacle of Ministry of Finance, this institutional set-up would serve as the legal corpus of the "narrowed cabinet" of decision-making close to the Prime Minister that excluded the participation of other ministries.

Özal definitely knew that the Ministry of Finance cadres should have been in his close control for the effective implementation of the 1980 program. It was difficult for the circle to enforce the government to change the cadres in office rapidly with the ones they had preferred. The route followed by Özal was to form strong personal alliances among the cadres of the Ministry of Finance that digested the philosophy of economic liberalization to a certain degree. The General Secretary of Treasury Kaya Erdem who had been appointed to this post during Ecevit government and Tevfik

Altınok who was the Director in the Treasury responsible for State Economic Enterprises became the personal alliances of Özal in the Ministry of Finance before the preparation of the 1980 program. Other cadres of Ministry of Finance who would be dismissed by the minority government remained in constant opposition to Erdem's collaborationist stance with the Özal circle. In fact, the details of the 24 January 1980 program were only known to those figures where the price adjustment in the public sector was analyzed according to the new dollar exchange rate (70 TL) by Altınok himself. Other cadres of Ministry of Finance and the Central Bank governor including the Minister of Finance İsmet Sezgin were ignorant about the details till the declaration of the measures. Such a state of "exclusion" initiated hostility among the other Ministry of Finance cadres towards the "uninstitutionalized" alliance between Özal and Erdem and they will succeed in June 1980 to convince the government to dismiss him from Office and be replaced by Nazif Kocayusufpaşaoğlu who belonged to the team which inspected the operations of the 4th Department in 1971. It was noted later in press confirming the alliance Özal formed with them that Tefik Altınok and Kaya Erdem who contributed to the initial election of İsmail Hakkı Aydınöğlü to the post of Central Bank governor in lieu of Cafer Tayyar Sadıklar now were supporting the efforts of the government to topple Aydınöğlü from the post.¹⁴ Aydınöğlü strongly opposed the financial and foreign exchange liberalization that Özal circle initiated after 24 January 1980 and continued to struggle against the Özal circle during the military regime also. This was disturbing for Özal because of the incoherent status of economic bureaucracy in front of the executives of IMF and other international financial institutions that could have put into danger the external financing of the stabilization program. It was difficult to remove a Central Bank

governor in normal conditions since his status and term of office was “protected” by a special law. Özal and his circle would only be able to remove Aydınöglu from office in January 1981 after his opposition to the continued austerity program became publicized in local and international press.¹⁵

Özal obviously could not be able to control the resistance emerging from the Ministry of Finance and the Central Bank during the minority government even though he had been able to form close alliances in the former. There was opposition to his tactical search for building personal alliances inside the Ministry of Finance and this showed itself by the persuasion of the government on the removal of Kaya Erdem from the General Secretary position inside the Ministry.¹⁶ Moreover, this opposition became more visible after the significant leap forward towards financial liberalization in July which lifted the administered status of interest-rates in the banking system. However, the “coup” and its aftermath would alter the intra-bureaucratic conflict in favor of the Özal circle vis a vis the Ministry of Finance cadres.

The Path towards Neoliberal Centralism in Early 1980s : Tensions inside

Economic Bureaucracy during the Military Regime

It had not been difficult for the Özal circle to “invade” the planning organization and eliminate the “statists” since a considerable number of cadres existed there at different echelons from late sixties and he was appointed as the Deputy Undersecretary of the Organization. However, no similar penetration was possible for the Ministry of Finance and especially the Treasury which played the pivotal role in debt rescheduling and loan negotiations with International Monetary Fund. Beyond that, the Treasury was traditionally endowed with extraordinary powers inside the Ministry of Finance including the preparation of the foreign

exchange regime. Secretary of Treasury was the “implicit “ power inside the Ministry of Finance who was able to control the flow of state expenditures at all levels. Özal faced the strong resistance from the Treasury and other Ministry of Finance cadres on most of the issues concerning the implementation of 24 January 1980 measures till his resignation in mid-1982 from the Ulusu Cabinet of the military regime. He was quite sure that the “resistance” to the implementation of the austerity measures from the Ministry of Finance would slow down the speed of economic policy formation in the context of economic liberalization. In fact, the Treasury cadres had resisted to the austerity measures from the early days of its preparation and implementation. Özal had tried to “enclose” the power of the cadres of Ministry of Finance and Treasury by forming “personal” alliances among the Ministry of Finance bureaucrats during both the JP government and the military government. The resistance from the traditional bureaucracy of Ministry of Finance, however, was still limiting and it is due to this reason that the formation of Undersecretariat of Treasury and Foreign Trade after 6 November 1983 elections was the primary institutional “move” in order to eliminate the resistance of Treasury cadres.

It is due to these concerns that Özal, when offered by the National Security Council to work with the military government, had made the excessive demand on assembling all the key ministries in own ministry. Realizing that the army was decided on continuing the austerity program that guaranteed western support for Turkey, Özal wanted to control the Ministry of Finance and the Ministry of Commerce besides being the Vice Prime Minister.¹⁷ It is not by coincidence that he was insistent also on the Ministry of Commerce besides the Ministry of Finance. It seems that the idea of forming the Undersecretariat of Treasury and Foreign Trade was already evident in

his mind when he made such an offer to the National Security Council. Özal knew that it would be difficult to take rapid decisions in the context of further liberalization if these ministries were controlled by the members of traditional bureaucracy. In fact, Adnan Başer Kafaoğlu, Zeyyat Baykara, Kemal Cantürk were the members of traditional bureaucracy who were considered by the National Security Council as the candidates for these posts. It was Turhan Feyzioğlu, the Head of the Republican Reliance Party who was trying to orient the National Security Council to form a cabinet with these figures. In fact, Adnan Başer Kafaoğlu was willing to be the Minister of Finance under the premiership of Feyzioğlu and he rejected the post of Minister of Commerce when he was offered by the Council. Özal and his circle did not like the idea of working under the premiership of Feyzioğlu and lobbied for the premiership of a "soldier" prime minister which they themselves could manipulate on economic matters. Özal gave up linking the Ministry of Commerce to himself but he was insistent on the Ministry of Finance. It is due to this complex lobbying activity of Özal that Bülent Ulusu formed the first Cabinet of the military regime where Feyzioğlu and Kafaoğlu did not take any responsibility. Özal, not being able to link the Ministry of Finance to himself had persuaded the National Security Council for appointing Kaya Erdem to become the Minister of Finance who had been an active supporter of his views on economic liberalization from the initial days of the JP minority government.¹⁸ Another precondition of Özal was the preservation of the Money and Credit Board and the Coordination Board which he had established during the JP minority government as the Undersecretary of the Prime Ministry. The two boards continued to function again where Özal now was the only minister among

their members. The institutional context of further liberalization under the military regime was set up close to the design in Özal's mind.

The first year results of stabilization efforts were promising in terms of surpassing the acute balance of payments of crisis thanks to the rescheduling of debt and the availability of new loans conditional upon the consistent continuation of the stabilization program.¹⁹ High interest-tight monetary policy respecting the ceilings of monetary expansion imposed by IMF led to the contraction of domestic demand coupled with the wage discipline with a significant drop in the three digit rate of inflation of early 1980. Given the situation as such, industrialists were now considering export markets as more profitable than the domestic market coupled with the reintroduction of encouragement measures on an expanded scale. However, a serious recession was also on the agenda which was causing the bankruptcy of a considerable number of firms in the economy. High-interest competition in the banking sector after financial liberalization was especially hurting small and medium size industrial companies who did not own their own banks as in the "holdings" of big industrial capital thus being the victims of "crowding out" effects of financial liberalization. Özal was especially criticized in these circles of business circles who were deprived of such a financial compensation mechanism in their organization. These circles started to blame Özal and his circle for enhancing the interests of big industrial capital since financial liberalization was serving the concentration of capital in a few hands. Murtaza Çelikel was the outstanding spokesmen of these segments of business who opposed financial liberalization during both the minority government and the military regime and directly attacked Özal on the early results of the austerity measures. He even proposed that the banking sector should be nationalized to prevent

the uneven effects of high-interest competition on non-monopoly capital. His proposal as such on the etatisation of banking sector in a forum of Istanbul Chamber of Industry was extremely disliked by the banking circles and big industrialists. Financial liberalization thus became the basic issue of conflict inside capital in a short period of time having political repercussion effects. It was recorded that TÜSİAD and Istanbul Chamber of Industry began a fight with each other due to the critiques on the latter on the increased concentration-monopolization effects of financial liberalization effects.²⁰

Due to the increased concentration of economic affairs in the hands of the Özal circle , military leaders were rather uncomfortable with being informed only from one "single" source on economic developments. Its seems that they were also effected by the contradictory views of fiscal bureaucracy on the outcomes of austerity measures. Hence, another "Board" called the "High Coordination Council for Economic Affairs" was established under the chair of the Prime Minister Bülent Ulusu without informing Özal on the issue.²¹ The old "Coordination Board" was now linked to this newly formed Council. Özal responded to this "exclusionary" strategy by frequent reference to the "Money and Credit Board" on critical issues which had been under his own control. He avoided referring to the "Coordination Board" on critical issues which would now be linked to the Prime Minister.²² A similar but inconclusive arrangement which was prepared to control the excessive centralization of information in the hands of the Özal circle was the "State Information Center." The Center would be located in the State Planning Organization to which Özal and Yıldırım Aktürk was opposing. National Security Council and the Prime Minister wanted to receive rapid information which was primarily flowing to them from the State Planning Organization. However, the State Planing Organization was in the

hands of the Özal circle and they were doubtful with the partial status of information given to them. The initiative remained inconclusive due to the opposition and maneuvering of Yıldırım Aktürk.²³ It was understood that Yıldırım Aktürk, Head of the Economic Planning Department was now more engaged in the sphere of incentive implementation and foreign capital in assistance to Ekrem Pakdemirli (Head of Incentive Implementation) and Hüsnü Doğan (Head of Foreign Capital Department) rather than preparing the plan and the annual program. ²⁴ The Özal circle had rapidly transformed the State Planning Organization to the role of the “4th Department” in late sixties. It is why they resisted to such an interference by Ulusu. However, Prime Minister Ulusu was not always receptive to what the Özal circle had been dictating to the government. Moreover, Özal was not able to control the reporting activity of those experts who were directly connected to the National Security Council. This reporting activity was especially focused on the prospective status of State Economic Enterprises on which Özal was making explicit declarations that there is no potential for these enterprises to be “reformed” to operate efficiently under public property.²⁵ On the other hand, Özal was not comfortable with the fact that economic issues - especially support pricing which was distorting the monetary ceilings imposed by IMF- were brought to the agenda of the Council of Ministers which he could not control as he wished. He revealed his psychology in those days to his close circle as follows : “ How comfortable we were during the period of Demirel ! He (*i.e. Prime Minister Ulusu H.B.*) hears something from somewhere and he asks it to be explained to him. We are in a position as if we are always accountable. I feel that they do not trust me. The atmosphere is as if I am a foreigner and I have to be examined always... Sometimes I feel myself being judged in front of the court. I can not work

comfortably...We can not take decisions as we like..... The have tied up our hands..."²⁶ Özal's only ally in the Cabinet was the Minister of Finance, Kaya Erdem via whom he was trying to check the cadres of the Ministry of Finance to a certain limit. The Ministry of Finance bureaucracy had been uncomfortable with the appointment of Erdem as the minister. The ministry was divided between those who supported Özal and his circle and those who resisted to the agenda of the neoliberal fraction. It was especially Nazif Kocayusufpaşaoğlu, the General Secretary of Treasury who was openly criticizing the Özal circle and he had been personally in conflict with Erdem in the ministry for a long time. Kocayusufpaşaoğlu belonged to the team of inspectors who was appointed in 1971 to investigate the results of the encouragement measures implemented by the 4th Department. Özal was anxious about the resistance of these cadres even though there was no problem at the ministerial level. As a significant example, Özal was initially able to persuade the Council of Ministers on a lower corporate tax rate as % 40 in lieu of the % 50 which the General Director of Revenues was proposing. On the approval stage by the National security Council, their lobbying with the National Security Council proved to be more effective than the they made. On the other hand, the tensions with IMF in 1981 started to concentrate on State Economic Enterprises. The Ministry of Finance was in charge of the figures concerning State Economic Enterprises and there was conflict on how to deal with IMF between the State Planning Organization and the Ministry of Finance cadres. Those in the Planning Organization were willing the cadres of the ministry of Finance to bring the figures on SEEs to them prior to the negotiations with IMF since those cadres were less compromising on the issue of State Economic Enterprises. The same problem appeared on who would be chairing

the relations with IMF in Washington D.C. We also understand that there was also a conflict between the State Planning Organization's Foreign Capital Department (Hüsni Doğan) and the Foreign Capital related Directory of Treasury (Hikmet Uluğbay) on foreign capital permits concerning the opening of new banks. The Ministry of Finance was considering foreign bank permits not as a foreign direct investment issue but as linked to the banking regulations defined in the institutional realm of the Treasury. Hence, they were considering themselves as the responsible state agency on the preparation of the related decrees to be submitted to the Council of Ministers. The State Planning Organization was carrying out the technical investigation on the permission of operation and they were arguing that what was left to the Treasury was only to obey the rules of the foreign exchange regime and not engage in any further investigation. Treasury Directors were appointed by the Minister of Finance to new posts without the permission of Nazif Kocayusufpaşaoğlu as the General Secretary of Treasury which was not possible according to Law. Kocayusufpaşaoğlu was a classical Ministry of Finance bureaucrat who was not used to "surpass" the set regulations of the state in all fields of economic and fiscal administration. His critical position as the General Secretary of Treasury made his own understanding of the state as such more "rigid" against violations of administration and bureaucracy. In fact, Yıldırım Aktürk would testify this point as follows even he was the chief figure of the Özal circle during the period as the Undersecretary of State Planning Organization. "Nazif likes to say "No" by nature. However, this is a property that must be present for a General Secretary of Treasury. He is a successful Secretary from a certain standpoint. He even knows to say "No" to soldiers in case it is necessary." ²⁷ It was only in the beginning of 1982 that Nazif

Kocayusufpaşaoğlu was withdrawn by Minister of Finance Erdem with the excuse that “he was somebody fighting with everybody inside the bureaucracy” to be followed by Tevfik Altınok as the last General Secretary of Treasury and International Economic Cooperation Organization. Kocayusufpaşaoğlu would later declare that the basic issues of struggle between himself and Özal were on the “status of bankers, deposit certificates and the subjective implementation of export credits.”²⁸ In the area of export incentives, other ministries were rather skeptical about the “frictionless” implementation without a through inspection of whether the cases promoted were considered as adequate for encouragement, i.e. which goods were to be considered as “industrial goods” to be allowed in corporate taxation (Ministry of Finance), whether the incentive certificate was of priority in terms of foreign exchange allocation, (Ministry of Commerce) and whether the export-credits defined in the Incentive Certificates were “above” what was required or not (Central Bank).²⁹ Minister of Commerce Kemal Cantürk made even the statement that the tax-rebate system had nothing to do with the “Japanese Model” which Özal circle was in essence inspired in origin and linking the tax-rebate system to a certain export-ceiling value was a significant part of the organizational drive towards the establishment of large-scale Foreign Trade Companies.³⁰ It seems that Cantürk was against the reincarnation of the model of the 4th Department of late sixties - which under his undersecretariatship in 1970s dropped from that role- where the State Planning Organization had resumed the role of implementation where Özal was controlling with his close associate Yıldırım Aktürk.³¹ In retrospect, these areas of intra-bureaucratic conflict provides significant clues about how the economic apparatus of the state would be structured after 6 November 1983 elections where the formation of the Undersecretariat of

Treasury and Foreign Trade would be the institutional “core” of this structuration. The economic apparatus of the state became the arena for the intense struggle between the traditional and neoliberal fractions of economic bureaucracy. Its outcome would no doubt be decisive on the speed and effectiveness of further economic liberalization. It is why Özal has called for an urgent regulation in administration at this juncture. He knew that the speed of economic liberalization would slow down after the transition to party politics one and a half years later.³² “Administrative regulation” meant the inter-ministerial connection of the economic apparatus of the state that would provide the most “frictionless” bureaucratic decision-making mechanism on the course of policy reforms. Özal and his circle tried their chance to decrease the power of the Ministry of Finance by reducing the General Secretary Status for Treasury to the status of General Directorate as part of the re-regulation of administration in February 1982.³³ Such an attempt was harshly opposed by the Ministry of Finance cadres and they succeeded in persuading Prime Minister Uluşu not to change the status of the General Secretariat of Treasury as the most dominant segment inside the Ministry of Finance. The unfolding of the events in 1982 would lead Özal to proceed with neoliberal reforms in the context of party politics which would allow him to restructure the economic apparatus of the state in the next decade

The apparent “trigger mechanism” for the decline of the Özal circle and the institutional power shift to the Ministry of Finance during the military regime was the unfolding of the so called “Bankers Crisis” at the end of which Minister of Finance, Kaya Erdem and Özal resigned.³⁴ We observe that the “institutional politics” of the crisis between the neoliberal and traditional cadres of economic bureaucracy evolved

so as to strengthen the decisive role of the Ministry of Finance cadres not to postpone the bankruptcy of the major bankers any further which had fueled the competition in the financial sector. In other words, in such speculative climate, Özal circle could not and did not initiate a rescue operation for the major banker institutions that were indirectly contributing to the increase of voluntary savings in the financial sector. In this context, the Ministry of Finance cadres had not missed the opportunity to consolidate their own institutional power as the crisis evolved and sharp measures became necessary to emancipate the financial sector from more chaotic consequences.³⁵ The banker crisis was not the "latent" reason for Özal's resignation but it catalyzed the process where the conflict between the Özal circle and the traditional cadres of economic bureaucracy was becoming a visible handicap for the speed of the economic liberalization process. However, Özal was also hesitant about the consequences of such a ruthless liberalization of interests and he said that they could not liberalize them as they wished till 1988 after resuming political power in late 1983.³⁶

It is in this context that Adnan Başer Kafaoğlu resumed power inside economic bureaucracy as the Minister of Finance after the resignations of Özal and Erdem. When the military government was formed, he did not accept the offer of being the Minister of Commerce. This was because he himself would be less powerful in a government where the Özal circle controlled the Ministry of Finance at the ministerial level. However, he later became the Consultant to the Head of the State Evren in the beginning of 1981. He was inspecting the draft laws and decrees arriving to the National Security Council from the government and assisting th Council on the changes considered as necessary. Özal would later confess that foreign capital

decisions which returned back from the National Security Council as disapproved played a significant role in terms of effecting his decision to withdraw from the government.³⁷ The “cold war” which started between Özal and Kafaoğlu in late sixties continued during the military regime after 1980 as well and was solved in favor of the latter with the manifest reason being the “Banker’s Crisis.” Kafaoğlu made it implicitly clear it to Head of State Evren that he would now accept being the Minister of Finance with the condition that the ministry would be the ultimate authority in terms of determining economic policy. In other words, he was criticizing the status of Kaya Erdem who did not work as an independent minister but as an officer of Turgut Özal. This meant that he wished to accept being the minister of Finance in the absence of intervention from anybody else than the Prime Minister which signaled for Özal his liquidation from the government.³⁸

After Kafaoğlu became the Minister of Finance , we observe the traditional ministry of Finance cadres seeking to reconsolidate their position inside the economic apparatus of the state. Eventually, the implementation role of the State Planning Organization was expected to be transferred to other ministries. Kafaoğlu wanted to control the Foreign Capital and Incentive Implementation activities inside the State Planning Organization that these activities have become “extremely liberal” and “loose” respectively. Hence, what was on the agenda was the relinking of the Incentive Implementation Department to the Ministry of Commerce and the Foreign capital Department to the Treasury. In fact, the pressure from the cadres of Ministry of Finance forced Kafaoğlu to restrict the rapid expansion of export-oriented incentives to more “selective” areas to avoid their abused utilization.³⁹ However, business circles, afraid of a cease of the momentum of economic liberalization in this

milieu, wished to “contain” such a development by demanding more regulatory flexibility in the context of the foreign exchange regime that they were considering as an obstacle to their outward-orientation. In fact, the issue can be said to have been brought on the agenda to test to what extent Kafaoglu’s arrival would be a “retarding” factor for the path of economic liberalization. It is why Kafaoglu made an open declaration as a response to rising business demands on the issue where he satirically said ; “We are not removing the Law on the Protection of the Value of Turkish Currency to protect the industrialists.”⁴⁰ As the issue of the “relaxation” of the foreign exchange regime started to be debated, the internal conflicts inside economic bureaucracy was reintensified. In essence, the Ministry of Finance cadres were aware of the fact that introducing more flexibility in the “Law on the Protection of the Value of Turkish Currency” was necessary but its “timing” and “speed” being under their own control since they have been in charge of the foreign exchange regime that had given them extraordinary powers inside the state apparatus. In the committee prepared for reevaluating the regulatory framework of the foreign exchange regime, while the Ministry of Finance was defending an adjustment introduced on partially flexible terms that would not alter the pillars of the regime, the State Planning Organization and the Ministry of Commerce were considering the prospective changes to be made in accordance with the needs of overall export-orientation and liberalization of foreign trade.⁴¹ The Ministry of Finance resisted to changes that would alter the old restrictive pillars of the foreign exchange regime in a “quick-solution” framework as was insisted by the Özal circle. In fact, it is clearly understandable in this context why Özal and his circle primarily introduced radical changes altering the traditional basis of the foreign exchange regime after the

elections. It rather reflected their decisiveness to break the power of Ministry of Finance above anything else to clear the institutional path of further economic liberalization.

It would be a mistake to consider Kafaoğlu's arrival as the "cease" of the momentum of economic liberalization. It should rather be considered as the "reparation" of the hazards of especially the financial liberalization component of the overall neoliberal orientation as started in 1980. Kafaoğlu's priorities were not on incentive implementation and the encouragement of foreign capital. He could not neglect the costs of financial liberalization on "industry" as it had been the case for the Özal circle which they considered certain bailouts in the market as a "normal" product of the logic of economic liberalization. The priority agenda was rather the reorganization of the financial system rather than outward-orientation. A new decree empowered the Ministry of Finance to regulate the legal status and financial structure of the Capital Market. This authority that had been originally invested in the Ministry of Finance was transferred to the Capital Market Board at the beginning of 1982.⁴² He rather concentrated on the new legal set up for the banking system after the financial turbulence and the tax system. In fact, spokesmen of industrial capital in Istanbul Chamber of Industry were revealing their discontent about the negative aspects of financial liberalization. They were considering the money-credit aspects of the 1980 measures as the least successful. On the other hand, those segments of capital having both influence on the banking system and were traditionally inward-oriented also started with the speed of the process as Özal envisaged it in terms of the elimination of those groups which can not adopt themselves to the new conditions of outward-orientation. It seemed that they wished to continue on the process of economic

liberalization after a "gestion" period. This was also considered as a major reason why Kafaoglu replaced Özal from the standpoint of all these segments of industrial capital. Nevertheless, the negative effects of high-interest/tight monetary policy could be "contained" by those groups with a major banking component as against those who were heavily dependent on the banking system which meant in fact the support for the pursued monetary policy from these segments of capital. In fact, Kafaoglu thanked the business community at large that they did not demand blocwise an expansion of credits which would obviously cause a relaxation of the anti-inflationary stance of the government. This was definitely in line with the continuation of the 1980 stabilization-adjustment agenda. Parallel to such a commitment at the domestic level, he assured foreign investors who were rather skeptical about the faith of economic policy orientation in Turkey that it would not change in essence.⁴³ However, Kafaoglu was explicitly talking about the bottlenecks in the channeling of investable funds to industry which needed immediate action beyond other policy outlets. However, TÜSIAD was also demanding reform of the financial system in favor of banks as the sole agents of financial intermediation. Given the strong opposition to the reregulation of the banking system from "pure" industrialists, the preparations for the capital market law as part of Kafaoglu's agenda would in fact serve to this purpose of easing the bottleneck in front of "pure" industrialists who could not reach low-interest investable funds.⁴⁴ Kafaoglu was rather playing the role of restoring the equilibrium between rival fractions of capital which was kept out of sight before Özal was removed from office.

The new draft law on the reorganization of the Ministry of Finance was also reflecting the efforts to reconsolidate the power of the ministry vis a vis other parts of

the economic apparatus of the state. Kafaoğlu would now chair the Money and Credit Board himself. What we observe is the swing of the pendulum of centralization from the Özal circle to the traditional cadres of the Ministry of Finance with the hesitation that the economic liberalization process had reduced and dysfunctionalised its classical roles. By attempting to resume a status of "Ministry of Economics", the Ministry of Finance wanted to reconsolidate its old institutional power in the new circumstances. What was significant in this new draft apart from the internal organization of the ministry was that it was authorizing the Ministry of Finance as the major state institution for the preparation of economic policy and its implementation where we observe the conscious effort to decrease the power of State Planning Organization and other institutions. Such a draft law envisaging an absolute concentration of institutional power in the Ministry of Finance was not approved by the Council of Ministers. Minister of Industry and Technology Mehmet Turgut said : "The draft has a substance which delivers the basic duties of the government to the Ministry of Finance....if this draft law is accepted, then what is left to other ministries related to economic affairs is just implementing the decisions taken by the Ministry of Finance."⁴⁵

Kafaoğlu thus was not able to consolidate the power of the Ministry of Finance as he wished given the strong opposition from the government itself. There were also "inner cabinet reasons" for why he could not have been successful in his project. Even though there was "de facto" support for his ministerial status from the cadres of Ministry of Finance, Kafaoğlu initially made "independent" alterations in the Ministry of Finance in order to form his own "team". However, he somewhat bypassed the Prime Minister in his alterations in the Ministry of Finance which in turn

formed an opposition to his status by the Prime Minister allied with the critical figures of the Özal circle. This alliance between the Prime Minister and the key cadres of the Özal circle in fact prevented their removal from office by Kafaoglu. ⁴⁶ It is why Aktürk and Pakdemirli kept their posts after the resignation of Özal in mid-1982 till a near-date to November 1983 elections which prevented the legal displacement of the Incentive Implementation Department from the corpus of the State Planning Organization even though there were pressures to do so. ⁴⁷

The fundamental implication of the institutional politics of economic bureaucracy during the military regime as such was that economic bureaucracy was subject to further disintegration. There were two major implications of intra-bureaucratic conflict during the military regime. First, the necessary institutional alterations inside the economic apparatus of the state became more clear in the mind of Özal in front of the path of economic liberalization in case his team would become the political brokers of neoliberal policy reforms. Secondly, the experience of Özal circle during the military regime has also shaped their consciousness on the “division of labor” between the so called “state elite” responsible for “security” and “order” and the “political elite” responsible for “economic” affairs. He respected this “division of labor” with ultimate respect which was not in conflict with but eased instead the path of further economic liberalization after the elections. Neoliberal policy reforms definitely required the constitutional backing of the military regime even though the transition would be made to political democracy apparently. Özal relied upon such a backing to go on with economic liberalization in the absence of any significant political and social opposition which had not been the case in his historical experience of late sixties as we have demonstrated.⁴⁸

The Formation of Undersecretariat of Treasury as the Core Bureaucratic Institution of “Neoliberal Centralism”

Özal has revealed the “old” preparatory background of the neoliberal reforms in the initial days of implementation of the government program after the 6th of November 1983 elections. He underlined their “planned” and organized nature saying that it was a program “on which there had been labor and preparations made for years” which strongly reflected the legacy of late sixties in historical retrospect.⁴⁹ His immediate problem after the elections was the absence of legal authorization necessary restructuration in the state apparatus. The solution found was the extension of the period of authorization law for the government to issue Decrees in the Force of Law given previously to the military government by the National Security Council till 18 June 1984.⁵⁰ This extended Authorization Law allowed the new government to “redesign” the Prime Ministry and the Ministries themselves by a Decree without the pressure of the necessity of a “Law” which was followed later in 1984. This was legitimate since the 1982 Constitution has shifted the power balance more in the direction of the executive from the legislative. The hidden link between the “despotic-strong” state “autonomy” after 1980 (and thus after the 1982 Constitution) and bureaucratic restructuring after 1983 was the dependency of the latter on the legal power base of the first. In other words, consolidation of “neoliberal centralism” as we discuss below to change the economic apparatus of the state was contingent upon the Decrees in the Force of Law based upon the extended authorization law of the National Security Council. The resort to such a legal pillar even in the presence of a considerable majority in the parliament was in fact a sign of the prospective “governance” structure of neoliberal reforms. It has been argued that the

strengthening of the executive vis a vis the legislative in the 1982 Constitution reflected in fact the need of formulating economic-fiscal policy in a "closed" network that would be much more able to adopt itself rapidly to the changing international economic and financial conditions. If this had not been the case, then it would have been difficult to introduce the necessary adjustments under a "slow" negotiation process as had been the case in the 1961 Constitution. In short, the establishment of the Undersecretariat of Treasury and Foreign Trade as well as the levying of extra-budgetary funds as the new pillars of economic policy implementation were also a product of this legal basis.⁵¹

As a result, the economic apparatus of the state had been rapidly changed towards what we here name as "neoliberal centralism" after the 6 November 1983 in an extremely rapid way. The new structure of delegation of authority inside different ministries had been finalized by simultaneous "decrees" from above. These decrees centralized and reorganized the state apparatus around the Prime Ministry.⁵² All previous state organizations whose institutional power space was defined for economic policy formation were now structured in a direct hierarchical dependency relationship with the Prime Ministry. The status of ministries were defined again reducing the number of State Ministries. The High Coordination Council for Economic Affairs and the Money and Credit Board -as well as the High Planning Council-S.P.O- were also present in the economic apparatus of the State designed by new decrees. However, the formation of the Undersecretariat of Foreign Trade and Treasury as linked to the Prime Ministry was definitely the most critical bureaucratic alteration in this "restructuring from above".⁵³ Özal defined this overall operation inside the state apparatus as the transition to the Anglo-Saxon system" from the

traditional French system which the Turkish administration was based upon throughout the Republican history. This was because the Prime Minister in Britain was presumed to be the “Chief Lord of the Treasury.”⁵⁴ The “historical consciousness” of Turgut Özal as such especially on the powers of Ministry of Finance as we portrayed in this study has shaped the organizational emergence of the Undersecretariat of Treasury and Foreign Trade. The power of General Secretary of Treasury in terms of controlling state expenditure flow should have been curtailed as was necessary for the reincarnation of the transfer of state resources to the demands of export-oriented segments of business as had been the case in the implementation of Law No.933 in late sixties. Knowing that fiscal authority should not be a further obstacle to further economic liberalization, Özal was originally concerned in his mind with “bringing the General Secretary of Treasury *to the closest point* (italics mine) he could work with.”⁵⁵

This meant that the original idea behind merging the “Treasury” from the Ministry of Finance and the Department of “Foreign Trade” from the Ministry of Commerce reflects the basic intention that opposition to the encouragement of export-oriented segments of capital via the transfer of state resources in various forms of incentive implementation would be eliminated. It is why the concentrated power of revenue collection and public expenditure was broken into two different spheres where the latter was linked directly to the political authority under the title of “Prime Ministry”. As part of this operation, the Board of Fiscal Inspectors of the Ministry of Finance who acted as “General Auditors” on all areas of state administration with immense powers was now abandoned and a new “Prime Ministerial Board of Inspectors” was installed replacing it. While intra-ministerial inspection was the

concern of each ministry previously, the new system empowered the Prime Minister to give the order to inspect a certain ministry. On the other hand, the Ministry of Finance was combined with the Ministry of Customs and Monopolies under the name of "Ministry of Finance and Customs" reflecting the declining "secondary" status of the functions of these ministries. However, it seems that the original intention of merging the "Treasury" functions with those of "Foreign Trade" in an extremely concentrated way seemed to be derived from the needs of outward-orientation where the Undersecretariat would solely draft the import-liberalizing/fund levying/export-promoting decrees where also the budgetary transfers would be channeled through it. In other words, the early "proto-neoliberals" of late-sixties have at the end liquidated the strongest pillar inside the state apparatus that they considered as the fundamental obstacle to the rapid accumulation of capital in Turkey. The new Undersecretariat became responsible on almost all areas for the implementation of economic policy with its new structure. In the first episode of Motherland Party rule, the new Undersecretariat thus would rather concentrate on "Foreign Trade" function including incentive implementation. However, the new undersecretariat seems to have been designed with the short-term concerns of export-orientation rather than a strategic focus of long-term export-oriented industrialization. This would have required the combination of "Industrial" and "Foreign Trade" strategy functions as was the case in MITI of Japan. However, that function was fulfilled in Turkey although in a controversial way in the politicized context of 1970s by the Ministry of Industry and Technology which the neoliberals eliminated and replaced with the Ministry of Industry and "Commerce", i.e. the "Technology" dimension was eliminated in the structure of the Ministry as a priority issue. Moreover, MITI is a "ministry" in Japan

with an almost “autonomous” status whereas UTFT had not been organized as a ministry but as an undersecretariat being a “dependent center” on the Prime Ministry as the overall political center of implementation.⁵⁶ Rival fractions of capital were aware of the fact that whoever was closer to this newly formed “center” inside economic bureaucracy would reap the maximum benefits from the export-orientation drive. Thus, one might argue that the core institution of neoliberal-centralism in the economic apparatus of the state was biased towards “export-rent seeking”⁵⁷ from the beginning due to the fact that there were no “checks and balance” force left inside the state apparatus to monitor effectively the conscious transfer of state resources to “incentive-hungry” export-oriented segments of capital.

It is extremely important to recognize in this context that Ekrem Pakdemirli, who had been the Head of the Incentive Implementation Department rather in a very “stable” way between 1980 and 1983 was appointed as the Undersecretary of Treasury and Foreign Trade with a status which was called at the time as “Undersecretariat above ministers”.⁵⁸ Moreover, he continued to chair this post which remained in the institutional landscape of the State Planning Organization. When asked why the Incentive Implementation Department was not linked to the new Undersecretariat, Pakdemirli said that the new government had found it much more proper to keep the Incentive and Implementation Department in the institutional corpus of the S.P.O since the UTFT had been already endowed with extra-ordinary powers in almost all areas.⁵⁹ It is why Pakdemirli was considered as the “secret minister” since he was endowed with unprecedented extra-ordinary powers. His decree-based powers were even extended to a status surpassing the independent power of the “judiciary” giving verdicts on the “forgiving” of those previous guilts

related to the Law on the Protection of the Value of Turkish Currency. This became an issue of "administrative conflict" between the Treasury and the Ministry of Justice. The Prime Ministry, however, remained silent on the legal objections from the same ministry.⁶⁰ However, there seemed to be a struggle between Erdem and Pakdemirli on the institutional linkage of the Incentive Implementation Department given that Pakdemirli was endowed with such powers. Erdem was uncomfortable with such a state of affairs and a non-negligible tension emerged between himself and Pakdemirli on the issue of "accountability".⁶¹ This was because the UTFT was connected legally to Erdem as the State Minister responsible for the Organization. However, the linkage problem of the Incentive Implementation Department was left unresolved since Pakdemirli was directly in charge of the related Department in S.P.O till the "institutional networks" with the "export-sector" were strongly established till May 1984 and İmdat Akmermer, a close and obedient member of the Özal circle carried the process of incentive implementation till Yusuf Bozkurt Özal's appointment to the Undersecretariat of S.P.O. Obviously, Pakdemirli himself was directly responsible to Özal during the decade. Incentive Implementation Department was more strengthened in S.P.O as the institutional basis of encouragement but being dependent upon the Undersecretariat of Treasury and Foreign Trade. Moreover, the new government did not reconsider enacting a unified law on incentive implementation and we observe that the legal basis was composed of different laws as we had discussed previously. Law No.933 was still an outstanding legal source which the decrees and communiqués concerning the encouragement of exports was making reference to. In fact, Özal did not hesitate to declare proudly that the system of incentive implementation was still the same system that had been established in

1967.⁶² The following conclusion thus can be made in historical retrospect on the role of the State Planning Organization after 1983. In the neoliberal era, S.P.O became precisely identical now to the formerly "4th Department" which the former "proto-neoliberals" were in fact aspiring to convert as such for a long-time. Without any unified law, articles of Law No.933 still continued to provide one of the powerful legal bases of incentive implementation primarily on exports as well as investments. All export items were to be encouraged but the scope of incentive implementation was largely changed in October 1984 from the former practices under both Law No.933 in late sixties and the General Incentive Table of 1970s but mostly sharing the same essence with late sixties. Like the import regime, the new incentive system did not specify those areas of investment to be encouraged. On the contrary, as if being a "negative list" as against the "positive list" under the General Incentive Table which specified sectors and products according to the type of encouragement, it specified those areas which would not be promoted by S.P.O. All other areas of were thus to be encouraged. We observe that such a regime was rather an extended version of the practice of late sixties because economic bureaucracy would not bind itself with certain sectors and gave ad hoc decisions as had been the case in the project-based incentive implementation under Law. No.933.⁶³

As the institutional power of public expenditure was removed from the domain of the Ministry of Finance to the new Undersecretariat of Treasury and Foreign Trade, the public revenue function of the same ministry also diminished as the "fund" system amounted to almost half of the budget revenues.⁶⁴ The seemingly original motive for establishing the fund system was derived from the inability of the government to generate adequate fiscal resources to the budget through the tax-

system.⁶⁵ However, inspected in the light of our discussion of late sixties, it is easily understood that the Motherland Party government resorted to the usage of these funds to have politically discretionary powers over the spending process in the absence of any significant political and institutional opposition. Henceforth, It became a well known fact that the parliamentary audit of funds was no doubt absent or extremely weak.⁶⁶ However, the audit power of other state institutions is also weak to monitor how they are used. According to the Constitution, the audit of all state estate, revenue, debt etc. is left to "State Audit Department" (Sayıştay). However, those funds levied by the new government on foreign trade (Price Stabilization and Resource Utilization Support Funds) were exempt from "State Audit Department" inspection whose administration was (is) under the control of UTFT. In two consecutive decisions in 1984 and 1985, the Constitutional Court did not find the left out status of these funds from "State Audit Department" inspection as unconstitutional when Bills of Action was submitted for the annulment of the Law Regulating Foreign Trade ratified in early 1984. In other words, State Audit Department was not considered as the sole state authority to inspect the transfer and usage of these funds. Furthermore, those related funds were obviously left to be levied by Council of Ministers Decree and not by law in the parliament thus being Constitutional. However, this was in fact one of the reasons why the article on the "Development and Encouragement" funds of Law. No.933 was cancelled by the Constitutional Court in 1969. Those funds were rather "intra-budgetary" in late sixties and we observe that it was rather "extra-budgetary" funds which were established by Motherland Party government to keep them away from legislative control in the light of their particular historical experience. The only option for audit of these funds was

ironically the “Oath-dependent Bank Inspectors” which became already dependent upon UTFT under the new administrative structure. Henceforth, we are rather confronted with a situation where the “users” of these funds are the same as its “auditors” which is contradictory by definition but also reveals the enormous power that UTFT absorbed in its corpus. What is striking in comparison to late sixties is that the Constitutional Court did not consider the formation of funds apart from the budgetary process as unconstitutional and defined it is the legitimate sphere of the “executive” which is rather a sharp contrast in the regulatory and constitutional frameworks of late sixties and 1980s. Economic public law in conformity with the dictates of the liberalization decade was compatible with the constitutional and administrative framework of 1980s. ⁶⁷

The centralization as such via pumping such a huge amount of resources through the fund system under the control of political authority was contributing to the party-building process of the political brokers of neoliberal reforms. Since they had not possessed the traditional networks like the Justice Party had had in the pre-1980 decade, Özal and his circle was constituting the fund system as a means of “reciprocal exchange” with a network of clientele trying to penetrate the state and to establish a “strong electoral base”.⁶⁹ In other words, “party autonomy” which we prefer to call here as “political despotic autonomy” was tried to be achieved at the expense of traditional “state autonomy” in the economic apparatus of the state. ⁶⁹ Such a “party autonomy” served at the same time to smoothen the criticisms from traditional segments of capital since now the centralization and expansion of the funds system was providing the political authority with the necessary tools of “rent-distribution” in a fairly “independent” way and to “guide” the rise of new business

groups supporting the party-build up process in the political setting.⁷⁰ In other words, the fund system as “centralized” in the hands of the political brokers of neoliberal reforms was “presumed to be the easy governance style” as İdris Küçükömer named it and gave an important tool for the “political despotic autonomy” under neoliberal centralism.

The formation and status of Undersecretariat of Treasury and Foreign Trade as such after the 14 December 1983 decrees have been criticized by the traditional cadres of Ministry of Finance for the basic reason that the “unity” of Treasury which had been historically intrinsic to the very existence of state in terms of its functions has been lost. In other words, one now talks about the genesis of different “treasuries” (i.e. extra-budgetary funds) as against this fundamental “unity” essential to macroeconomic management with the institutional mode of regulation imposed in 14 December 1983. Nazif Kocayusufpaşaoğlu showed his reaction to the collapse of this aforementioned unity of the Treasury immediately after the decrees on state administration came into effect. “.... the shattering into pieces of unity of Treasury is a decision which will shake the foundations of the state.”⁷¹ Tevfik Altınok who had been the last General Secretary of Treasury and International Economic Cooperation Organization before the historical inflection in the economic apparatus of the state after the 6 November 1983 elections has sharply put this dilemma as follows : “It is a reality that the function which we named as “Unity of Treasury” has been damaged today in our country. But in essence, the most important issue is to be conscious of economic management and tuning which emerges as a result of its function in its classical meaning and not to break this function into pieces. Otherwise, a day comes, those who think they do govern the economy understand that this control escapes out

of their hands. When they do understand this, the Treasury is not theirs this time. There have emerged new treasuries, the possibility to control the new treasuries which took over the Treasury to be used to govern the economy as the most important instrument. For this reason, as language unity, flag unity, race unity are fundamental to the existence of a nation, for us, the “financiers”, the pillars of Budget and Treasury unity should not be spoiled. If this pillar is spoiled, it means that there are splits on the fiscal side of being a state and today, it should be accepted unfortunately that the Budget unity and Treasury unity are both damaged.”⁷² He further argued that the current institutional structure of public finance in Turkey is both damaging the economy and fiscal balances. It is because the role of the Treasury is not only confined to the collection and spending functions in the sphere public finances. It should also be considered as the “unique account” from which the economy would be tuned in the fiscal policy sphere. The spoiling of this “unique account” is diminishing the power of state to perform this function.⁷³ One observes thus a fundamental paradox in this restructuration of the fiscal administration in such a pattern. While it was seemingly aimed at providing more “flexibility” and “speed” to the transfer of state resources for public and private ends by dismantling the “rigid” traditional basis of fiscal administration, what emerged under the extra-budgetary fund system as Altınok drew a vivid panorama in his own terms was rather the formation of various “satrabs” inside fighting against each other as Weber defined it.⁷⁴ “The funds were assigned to different ministries, usually according to their area of concern. Each ministry wanted to have one or more funds, for they were convenient ways to avoid the scrutiny of the budget process. A parliamentary law was necessary to set up a fund and to define the goods on which it could set levies, but after that, the amount of the

levy and the expenditure of the fund could be set by decree. *The variable levies were set by the appropriate deputy undersecretary for Treasury and Foreign Trade.*⁷⁵

The long-term effects of such a "satrabization" was quite phenomenal for the faith of state power as effecting economic change in Turkey. It has further weakened the economic apparatus of the state since it now opened the door in the "absence" of "controls" for the penetration of rival fractions-groups of capital inside the state apparatus for anti-production ends which was not so relatively easy and deep before 1980 even though there was an intense struggle for "rent-seeking" in the ISI setting. Boratav described the emergence of such a state of affairs as "the most primitive possible form of the hegemony of the capitalist class."⁷⁶ While there had been a hard-line guardian bureaucracy i.e. "General Secretary of Treasury" controlling public expenditure in accordance with the budget-plan-annual program nexus -even though it was not highly effective- along with the State Planning Organization in the mercantilist-ISI setting, there was no such a bureaucratic restraining force left inside the state apparatus that could have put significant brakes over the unprecedented expansion of the public sector to accommodate the demands of "political capitalism" as such.

Paradoxes of Neoliberal "Centralism" and its Dissolution

The "despotic" character of the neoliberal centralist framework imposed after the formation of the UTFT does not refer to the absence of relation with capitalists. The despotism is linked to penetration struggles of rival fractions of capital into the state apparatus for "myopic" ends. In other words, predatory political behavior rests on the despotic usage of state power for the short-term interests of certain fractions of capital vis a vis others thereby implying the fact that "despotic" state power does not

refer to the absence of relation with capital. It is the presence of relation as against “relational autonomy” in the infrastructural sense, that is, institutionalized collaboration with sectors and not with particular holdings as rivals to each other. It is perhaps why Özal did not want to confront TÜSIAD (as well as other business associations) as an “organized entity” in front of his rule since such a relation-formation could have undermined his “despotic autonomy” which was not autonomous in reality vis a vis particular capitalist interests on an unorganized basis as against others.⁷⁷ The following observations by Kalaycıoğlu, written though from the point of investigating the degree and mode of interest representation of business groups in post-1980 Turkey, sheds light to the clarification of our argument -as its “dual”- in terms of state power as defined “despotic” in the neoliberal-centralist context. “ The tone and style of Mr. Özal’s talks at these meetings, and his public speeches, indicate that he was more inclined to instruct interest groups than exchange views with them. The role of commercial groups in the economic policy-making process of the government is either minimal or non-existent. The major decisions concerning the economy , and even the structure of TOBB, were made without prior dialogue between TOBB representatives and the government. .. it seems the ‘I do it so it will be approach of the state constituted to be the pattern of the interface between commercial groups and the state.....To be sure , voluntary associations to represent commercial interests still exist. Their activities, however, consist of voicing grievances and demands of commercial groups often after the implementation of economic policies. Commercial economic interests have been of necessity quite successful in adapting to government policies...Intra-group relations and competition, under the auspices of the state and with a distinct feature of clientelistic networks tied

personally to the Prime Minister, characterized the post-1983 regime...The relations between single firms or commercial interest associations and the state have been developing along the lines of direct contacts with the top-level officials of the public bureaucracy and/or ministries, and sometimes with the Prime Minister himself.”⁷⁸ However, Kalaycıoğlu’s penetrating observations from the standpoint of “interest representation” becomes more meaningful if we decompose the Motherland Party rule in terms of to distinct phases of the “despotism under consideration” where the first phase (1983-1986) corresponds to what we call as the “consolidation of neoliberal centralism” and the second phase (1987 and after) as the “dissolution of neoliberal centralism” as the phase of “refeudalization” at the expense of the attempts for recentralization since early 1980. Thus, it is not sufficient to talk about the presence of “despotic-arbitrariness” as causing “uncertainty”. In the overall context , the question which needs to be posed is rather “when and for whom ?” which can make the existence of these elements more concrete in terms of the relationship between state power and economic change.

In the early decade of Motherland Party government, “neoliberal centralism” was “deinstitutionalized-political-despotic autonomy” where rival fractions of capital were rather in constant rivalry with each other to be much more closer to the center of decision-making which allowed the Özal circle to remain “autonomous” by decree-based maneuvering at a certain degree. It was reported that decrees concerning the trade regime were kept ready as “tabula rasa” which had been already signed by the Council of Ministers where the signatures of ministers were replicated. Their content were filled however the “close” network of the Özal wished in case it was necessary and came into force in the Official Gazette the next day without any need for further

negotiation. A reported example has been in the transportation of oil products where it was initially said in the decree that a 10 USD per ton would be deducted for the Housing Fund if these items were transported to "third countries over Turkey". However, it was said that those who possessed an Incentive Certificate from S.P.O *could be* exempt from paying the fund. This did not mean that they would be in reality. The "stick" behind the decree was first the "necessary" screening by the S.P.O incentive certificate system but being not "sufficient" at the same time. The final verdict on who had the eligibility to compete in the sector or not depended upon the "despotic-arbitrary" decision of the "closed circle."⁷⁹ Despotism over a particular capitalist/group meant the existence of relation with another one at the same time in the neoliberal-centralist framework. The government was now levying new funds beginning with the 1984 import-regime as the imports duties were removed and quantitative restrictions were reduced in order to penalize those firms which behaved against liberalization. In essence however, the creation of such funds (Mass Housing Fund, Price Stabilization Fund) following the significant liberalization of the import-regime empowered the government with more "despotic-arbitrary" powers which had been tied before by the annual import-regimes. In fact, the rationale for the despotism as such through the "fund" mechanism was legitimated by State Minister Kaya Erdem when he said that it was the "sword of Democles against monopolization".⁸⁰ Later developments showed that frequent changing of fund levy rates constituted "policy reversals" in the direction of concessions to demands for protection.⁸¹ This was rather due to the "penetration struggles" inside the state which was clearly observed in the frequent alteration of decree-based maneuvering of the government was rather one between those who had possessed the organizational ability to make the necessary

“adjustments” to the new conditions of outward-orientation and those who could not be able to do so due to their inward-looking organizational forms despite the rhetoric that the overall “business community” was effected at large. This was in fact the quasi-official stance defended by big capital-TÜSİAD in the beginning of 1984 who were forcing the non-exporter industrialists to “accept” the “stick” of the government in case it was “necessary”. This became apparent after the declaration of the 1984 import-export regimes. The new regime authorized the Undersecretariat of Treasury and Foreign Trade to make alterations among the lists to which imported goods belongs.⁸² As Ali Koçman, the Chairman of TÜSİAD at the time said in its General Council meeting -where its news was entitled as “Fractional Conflict between Businessmen” in January 1984- ; “ If there are similarities between the order that we have been defending for years and the order that came in front of us, but if it contradicts with our personal interests when this order is realized, we will show the *maturity to adapt and confront with sacrifice.*” In the same meeting he was replied by Halit Narin, a major figure in textile sector, where he interrogated why many industrialists were put aside as “secondary” and why the government did not trust the industrialists. Narin concluded his words as follows : “Will a couple of exporter firms emancipate Turkey ?” The apparent target focus of the critique at the time was obviously Şark Tara, the owner of construction-contractor group ENKA, who was the “closest” capitalist in the early days of the Motherland Party government and who had been critically vital for its foundation. He was arguing that the separation between the “industrialists” and “exporters” were rather artificial and since most big groups had one exporter company, the common goal should have been to increase the export volume. He was replied by Selçuk Yaşar, the Head of Yaşar Holding who

argued that he also had an exporter-company but setting a high ceiling for export performance as the basis of encouragement would contribute more to the fractionalization of the private sector since big exporters had already the organizational ability to continue with the export-orientation drive with their own resources even in the absence of state support. He also added that they were punished because they "played" openly.⁸³ It was obvious that Yaşar Holding was the most apparent "victim" of the decree-based despotism of the new government since they had openly campaigned in the elections in favor of the Nationalist Democracy Party.⁸⁴ Apparently, the new conditions were enforcing the future of the industrial groups to be dependent more on the "export-hierarchy" which was parceled in fact between the big industrialists. The explicit intention was to create a highly concentrated export sector based on a limited-number of large scale companies being in a position to reap the benefits of "scale economies", notably in international marketing, in order to have a competitive edge in external markets. Linking the payment of high tax-rebate rates to the criteria of a considerable export-performance in the previous year started to enforce concentration in a few large-scale companies but this was also altered once the complaints were heard that the set limits of export performance were too high and supplemented by further exchange rate depreciation. The fall in export volume has not significantly affected the share of big-exporters in terms of their "pie". Even though there were complaints on the "exporters" side as it had been for the 1985 foreign trade regime, the reality was that the degree of export-concentration of top Foreign Trade Companies had rather followed a "predictable" pattern which definitely favored "big" groups as had been analyzed by Öniş.⁸⁵ In fact, this was in conformity with the so called "vertical holding structure" in industry which

possessed these companies along with other domestic marketing networks and distinctively banks integrating its activities in all spheres of production, trade and finance. Apart from ENKA, contractor group which had formed special links as one of the chief “new rising business groups” with the new government, export-concentration in the following decade was observable in RAM (Koç), EXSA (Sabancı) and CAM (İşbankası), ÇUKUROVA (Çukurova) and TEKFEN etc, which have been affiliated to big capital in the “vertical” sense.⁸⁶ The apparent rivalry basically became concentrated on whether non-organized industrialists in the “cartelized” export sector would channel their export-outlets through this cartelized mechanism or not including those sectors like textiles who had had a traditional export-potential. It is why Halit Narin consistently opposed to “surrender” his corporation to such a mechanism even if his textile-corporation could not have been regarded as “small” scale. “These export companies will not bring us good, I do not see the end of those who support them, who take their responsibility as good. Thousands of exporters and industrialists are enforced to go through the channel of a couple of firms. I will not make myself pass through the channel of somebody else.”

⁸⁷ The constant shifting of decrees rather reflected the rivalry between particular capitalist interests to reorient the decree-based maneuvering inherent in the system to their own benefits trying to be closer to the “center”. In fact, there was also rivalry inside big capital itself apart from the conflict “big-vertical” versus “pure” industrialists described above as the decree-based export-promotion was coupled with import-liberalization. The Koç group in fact revealed its discontent with the “bureaucratic model” of “export-promotion” i.e. the centralized implementation in the hands of Undersecretary Pakdemirli. The implementation by the new Undersecretariat

was considered as “subjective”. It was significant to note that ENKA , the founder group of Motherland Party was against such a proposal of KOÇ group in the direction of the change of the “bureaucratic model.” A group of exporters headed by İbrahim Yazıcı (Director of RAM) visited Kaya Erdem and complained about the practices of Ekrem Pakdemirli. This was understandable since their business portfolio did not incorporate the old inward-oriented industries that would be effected by sharp import liberalization. In fact, certain critical decrees were rapidly passed only with the signature Pakdemirli that caused discontent about their “subjectivity.” State Minister Kaya Erdem satisfied the discontent of these exporters indicating that he was the sole authority as the minister. ⁸⁸ This was not the case in reality. Pakdemirli stayed in office with the full support of Özal almost in an unchallenged way in the critical years of “export-orientation” between 1983 and the end of 1986. Moreover, even though not at the organizational level, “TÜSİAD had ‘*organic links*’ to the new government” as represented by its ministerial cadres who previously had been TÜSİAD members at large.⁸⁹

Even though there were certain “frictions” emerging as complaints from the operational status of Pakdemirli’s “management” style which was directly connected to the Prime Minister, as above inside the “exporter-pyramid”, the non-competitive status of the export-oriented growth based on the incentive system favoring the vertical-big groups is clear from the decree-based discriminations in the foreign trade regime despite the liberal rhetoric prevalent at the time. This seemed to reduce the “intra-exporters” (vertically integrated-FTC owners and commercial-contractor-FTC owners) rivalry to a secondary status vis a vis the conflict between “vertical-big-FTC owners versus non-FTC owner industrialists.” ⁹⁰ Empirical findings on the increases in

the “mark-up pricing” ratios in export-oriented sectors following 1985 till 1988 also confirms the above observation that in the phase of “export-oriented growth”, “vertical” holding structures have benefited in a “predictable” way from the “neoliberal-centralist” power concentration in economic bureaucracy.⁹¹ They also constituted the “top” in the hierarchy of the so called “Moscow Club” which had been given the right to trade with the Soviet Union and Eastern Bloc countries as fulfilling the 50 million USD annual export requirement.⁹² Türkcan made an insightful comment on this paradox of “neoliberal centralism” as such in terms of the retreat of the state from the goal of industrialization in Turkey after 1980 with special reference to Foreign Trade Companies. “The state retreats. The private sector which is presumed to fulfill the vacuum left by the state is shaming on the “real liberals” via expecting more protection and is more timid. ...Foreign Trade and Foreign Contractor Companies that derive their power from decrees as were the Royal Chartered Companies of 16th century mercantilist Britain. On the other hand, the boundaries of the economy are enlarging. That is, both liberal and mercantilist at the same time. The dilemma is here.”⁹³

An “interim” comparison needs to be made here with late sixties. We showed that Özal was keen on encouraging “big” industrial projects over a certain value and used the “decree on nullification” as a weapon to enforce large-scale projects. The inherent arbitrary-despotism in favor of “big” industrial projects at the time now exhibited itself in the privileged status of big-exporter companies where the degree and magnitude of “ruling by decree” sharply increased. However, in the final analysis there seems to be a continuity in Özal’s credentials for big-industrial capital. However, to continue to “behave” big capital especially in the import-liberalization process also

necessitated a certain degree of “autonomy” from them which was supplemented by creating “new business interests” outside the realm of traditional big capital, ENKA being the primary example. Hence, it is why the “neoliberal centralist” framework incorporated its own pillar as “despotism in the presence of relation” which allowed the political brokers of neoliberal reforms to maneuver with “carrot” and “stick” policy in the sphere of state-capital relations.

It seems that “neoliberal centralism” as such worked quite well in the initial years of Motherland Party rule where big industrialists were rather comfortable to “relate” themselves easily to the Undersecretariat of Treasury , i.e. Ekrem Pakdemirli who from the beginning was radically in favor of an “economic Darwinism” working for the benefit of big exporters-industrialists that were able to organize large scale foreign trade companies in the export-orientation drive.⁹⁴ “Big” capital was in the final analysis behind the government and its “centralized” bureaucracy despite the existence of “secondary” frictions during this decade.⁹⁵ Symbolically, such a state of affairs was visibly seen in the public scene as well. In the opening of a Bank, Pakdemirli let Ali Koçman (Chairman Of TÜSİAD) and Ersin Faralyalı (Chairman of Aegean Chamber of Industry) sit next to his left and right respectively and said the following : “I take the two consultants of the state on my side. *I am the third consultant to the state.*” (*italics mine*) indicating the degree of penetration and form of the relation with big capital.⁹⁶ Hence, for the initial years , it is not easy to discern a certain form “uncertainty” in the neoliberal-centralist framework for the “big” industrialists. Pakdemirli was somewhat the ultimate authority in terms of “conflict resolution” in the final analysis. For example, this was clear enough in the conflict between the “exporters” and “producers” concerning the distribution of export-quotas in mid-

1986. Pakdemirli's stance is a clear indicator of the "neoliberal-centralist" despotism. When they were unable to find a resolution among themselves, Pakdemirli said ; "If you can not agree among yourselves till Wednesday, I myself will give the decision."⁹⁷ Hence, what characterized the neoliberal-centralist framework was despotic state power in the presence of de-institutionalized relations. A manager of a FTC revealed the same paradox in this context as follows: "Power resides in the "person in our case whereas it must reside with "office".⁹⁸ It was after Pakdemirli's leave of office from the Undersecretariat of Treasury and Foreign Trade when incentive implementation was now shifted to the control of S.P.O as not being now a simple "satellite" of UTFT when we observe some of the big industrialist-exporters being disturbed by the new authority structure in economic bureaucracy. Those who were content with the "carrot" side of the neoliberal-centralist framework now started to complain about its "stick" side which now seemed to account the "uncertainty" under consideration. It is worth quoting Sakıp Sabancı in this context who later complained about this "uncertainty" on export-incentives when the "centralist" framework was no more functioning as it had been in the beginning and a "refeudalization" of economic bureaucracy accompanied the "satrabization" of the "Treasury". "There was Pakdemirli before in the forefront. We were all going *separately*, getting the necessary information, carrying out the business. Good or bad, that is different , but there was *only one owner* of the affair. Today , it is different. The decisions are taken by the Treasury, implementation is made by Deputy Undersecretary of S.P.O Bülent Öztürkmen. Major efforts are made again but there is a dual-headedness in this situation. I feel anxious about the fact that this dual-headedness will create a gap of authority, a weakness of authority. Reserve figures for the last months were not

announced, we do not know whether things are going good or bad. It is not certain who we will *reward* if they are going O.K and who we will *keep as responsible* if they are going bad. There must be only one owner, only one drawee of an affair. (*italics mine*)” 99

It is clear that big industrialists were quite in harmony with the “neoliberal - centralist” bureaucratic framework when Pakdemirli was acting as a “secret minister”. The complaints from “uncertainty” in decision-making is thus rather a late phenomena for them under Motherland Party rule. It is after Pakdemirli’s leave of the Undersecretariat of Treasury and Foreign Trade that the penetration struggle as above intensified. Once the “old “type of incentives favoring export-concentration were again put into effect to surpass the low export-performance in 1986, there emerged a strong opposition from a segment of industrialists who were in favor of production-based export incentives. It is in this context that significant complaints about the economic apparatus of the state and especially related to incentive implementation started to be heard from “big” capital. It was majorly because industrialists who were excluded in the first phase of “neoliberal-centralism” now were also able to infiltrate the incentive implementation process visibly which became a matter of complaint for big groups as is evident from the above lines by Sabanci. These segments of capital were rather referring to the idea of “export encouragement in the production stage”. “The industrialists are trying to effect S.P.O which regulates incentives for the donation of export incentives in the production stage. The group which is against incentives in S.P.O believes that exports of manufacturing products is no more possible unless production is encouraged. Exporters insist that the incentives provided to them benefit the industrialists.” The period of “fluctuations” began in terms of

direct-monetary versus indirect-production based export-incentives as the struggle between “pure/medium” versus “exporters” plus exporter industrialists. In fact, the important Resource Utilization Support Fund -initiated in December 1984- as a direct subsidy to promote exports was also canceled in this conjuncture. The inception of this fund was a result of the governmental decision in 1984 to move away from direct export-tax-rebates.¹⁰⁰ However big groups were not eager to share the already “diminishing cake” with these segments of capital. Hence, economic bureaucracy became more vulnerable as above once the pressures mounted over more “export-oriented rent seeking”. The consequences of “decentralized-refeodalized” context of economic bureaucracy after 1987 where arbitrariness now started to turn against themselves started to become apparent as against the first neoliberal-centralist phase where the Undersecretariat of Treasury of Foreign Trade was the ultimate authority. “There is such a stick under the incentives that it will bring harm rather than benefit. (İbrahim Yazıcı, General Director of Foreign Trade Koç-RAM Foreign Trade.) .. “Not a market economy but an economy of law” (Ömer Dinçkök, Chairman of TÜSİAD) ¹⁰¹ Big capital started to reveal its uncomfortable status with the arbitrariness in decision-making directed to itself in the second half of 1980s as Motherland Party began to “maneuver” with mounting distributional pressures and rising macroeconomic instability in backing its political power and the overall macro-context of sustaining the supporting coalition. The climax of such a struggle between Özal and big capital would be reached in August 1989 when Özal wished to dictate his own terms to big capital in the area of radical import liberalization in key sectors such as automotive. It is significant to see TÜSİAD this time making the public announcement that “they themselves have named arbitrary rule as market economy”

where the pursued policies were “the best examples of command economy”.¹⁰² The changing priorities of the government as the policy constraints shifted, the fact that GATT subsidy codes necessitated the abolishing of direct incentives and the transition to overvalued exchange rates in the context of financial liberalization were the critical factors for the decline in the early *momentum* of export-orientation in late eighties.¹⁰³ The changing economic and political context was also reflected on the “refeudalization” of economic bureaucracy where the centralist decision-making process started to work against the interests of big capital significantly. The new outlet of “rent-seeking” was now in the financial sphere where the number of Foreign Trade Companies diminished to 22 in 1990 which had been 50 in 1986.¹⁰⁴ Political rationality once again did not overlap with the class interests of big capital in Turkey where the almost “safe heaven” of first half of 1980s under the military regime and early Motherland Party rule was largely destroyed as the distributional domain became more conflictual. In fact, labor would be able to catch back the lost ground of high wages in the same conjuncture. The distributional crisis coincided with the legitimacy crisis of Motherland Party rule which eventually would be toppled in 1991 elections where 1990s would however reveal a different path of political economy. Other business groups represented by different associations and parties would come to clash with big capital where its consequences would also reopen the debate over the fortunes of political democracy which were rather “frozen” inside the neoliberal “optimism” of 1980s.¹⁰⁵

Why did the “neoliberal centralist” framework dissolve as reflecting the export-led accumulation priority of the political brokers of neoliberal reforms? The answer seems to lie in the shift of institutional power inside the Undersecretariat of

Treasury and Foreign Trade towards more on “Treasury” functions as the political rationality arising from distributional pressures faced by the Motherland Party overwhelmed the export-led growth agenda. In other words, there appeared a conflict between the priorities of the export-led accumulation and the politically induced populist-“at all cost” growth frameworks. Increasing high public debt from the finance sector after 1985 was a reflection of this contradiction since an expansionary “investor” state in infrastructure in the absence of adequate tax-basis could only accommodate the rival demands from various socio-economic groups via resorting to such a scheme. This was in fact reflected by the appointment of Yavuz Canevi to the Undersecretariat of the Organization. Initiating the Treasury auction/public-debt mechanism in the pressing context of increasing public sector borrowing requirements seems to have motivated Özal to shift Canevi from the Central Bank governor post to the Undersecretariat of Treasury and Foreign Trade. Canevi, having powerful contacts with banking circles indeed was important in terms of building the institutional basis of domestic-debt mechanism for the banking system. This was in conformity with the expansionist macroeconomic strategy of the government to “sustain” the coalition it was supported by. Pakdemirli had been in close connection with the big-“exporter” industrialists whereas now Canevi would be much more closer also with big-“bank” owner industrialists.¹⁰⁶ In the new division of labor which the big industrialists were complaining, the realm of “public finances” in the form of linking the state more with financial markets was left to the Treasury whereas actual incentive implementation resided with S.P.O even though the “decree-authority” concerning the foreign trade-foreign exchange regimes resided with the Undersecretariat of Treasury of Foreign Trade. It was recorded that lifting

Pakdemirli's authority on incentive implementation and shifting it to S.P.O now under the control of Yusuf Bozkurt Özal where Bülent Öztürkmen became the Deputy Undersecretary responsible for Incentive Implementation was decided by Özal himself after a speech by Pakdemirli confessing the existence of "fictitious exports". It seems that the rumors and rising political opposition on "fictitious exports" have played a critical role in this decision. In its more "deep" background, however, it was also recorded that Pakdemirli was keen on finding out the "fictitious-exporters" who previously supported the Nationalist Democracy Party before the elections but the big-exporters who were also engaged in rent-seeking through fictitious exports were uncomfortable from Pakdemirli's initiatives which Özal was careful about not making "marginal" examples as "public" from the beginning. Hence, the export-lobby was seeking to find out a more suitable name who would be inspecting their activities "less". Bülent Öztürkmen was the name found for such a post.¹⁰⁷ On the other hand, it was not by coincidence when Pakdemirli left the post, all major bureaucrats inside economic bureaucracy had welcome this decision by Özal since they would now be more free to act independently. The Ministry of Finance and State Planning cadres used the opportunity to exit from the control of the Undersecretariat and Treasury and Foreign Trade which used them as its "satellites" during the period 1983-1986 period when "neoliberal centralism" was explicitly oriented towards cartelized export-concentration in the outward-orientation. In another respect, Pakdemirli's removal from office represented the end of the re-centralization drive in incentive implementation which began at the end of 1979. Özal testified later the fact the removal of Pakdemirli was a critical turning point in terms of the retreat in export-orientation which allowed other segments of bureaucracy to seek power for

themselves against the “neoliberal centralist” framework. ¹⁰⁸ However, this did not mean that the encouragement of exports came to an end in the beginning of 1987, on the contrary, the scope of encouragement was enlarged. What happened was that the “centralist” institutional framework under UTFT came to end as a result of these developments. It is in this decade that the “clientelistic networks” between the Incentive Implementation Department and exporters achieved an unprecedented form. While the export-hierarchy was respected during Pakdemirli’s period, the scope of incentive implementation was enlarged to such a scale that export-oriented rent-seeking was “randomized”. Yavuz Canevi openly criticized this decade- i.e. period after Pakdemirli- later confessing that the “excess” implementation of incentives had accelerated “fictitious exports” adding that the retreat from bureaucratic control was another factor in this acceleration. ¹⁰⁹

It is therefore legitimate to inspect the history of economic bureaucracy during the Motherland Party government in two phases. Our target in this study has been to demonstrate the existence of a “neoliberal-centralist” framework in its first phase where the Undersecretariat of Treasury and Foreign Trade was the ultimate authority both in theory and practice. At the end of 1986, this power concentration has been altered by Özal himself due to shifting economic and political constraints and the politicization of the issue of “fictitious exports”. Obviously, there is no clearcut historical demarcation between the early and late Motherland Party rule and the centralist-framework since the ultimate authority resided in Özal himself. However, we can argue that there was a dissolution of neoliberal centralism given the dissemination of institutional power towards previously subordinate-economic bureaucracy (S.P.O, Central Bank) as the center of gravity of economic policy-

formation diverged from outward-orientation to “fiscal expansion-inflation stabilization” in due order. Henceforth, there emerged a bureaucratic structure whose internal prerogatives were diverging from each other.

It is not the aim of this study to detect the “neoliberal-refeudalization phase” as such where the ultimate authority of the Undersecretariat of Treasury and Foreign Trade was now challenged by the State Planning Organization and the Central Bank where a “triangular” structure of economic bureaucracy came into existence in the second half of 1980s. However, certain highlighting features of the post-1987 decade are commented below to make the necessary clarifications. In this period, Özal had chosen the path of forming an “inner cabinet” significantly composed of bureaucrats who rather did not have a significant state experience background “who acted as extensions of the political class”.¹¹⁰ However, as Heper noted, these figures were inclined to see “power as absolute” in their technical field of expertise without feeling any need to take into consideration the political constraints they were subjugated. The fact that they considered their “institutional power” base as of ultimately determinant for the course of economic policy obviously aggravated the dissolution of the “neoliberal centralist” framework but only within the context of the shifting priorities of the government in late 1980s. He made an interesting comparison between the early planners and the young bureaucrats of the Özal decade. “When the post-1980 bureaucrats are compared with their pre-1980 counter-parts , one does observe a change ; the former essentially based their self-attributed importance on a self -defined modernizing mission while the latter justify their presumed indispensability in terms of their expertise. But there is also a continuity; both categories of bureaucrats display bureaucratic elitism and tend to reject political constraints as inputs in policy making.

There is no difference between an Ali Tigel or a Rüşdü Saraçoğlu who show impatience with their political superiors, and the principal technical advisers who worked at the S.P.O in the early 1960s who resigned collectively because the government wished to dictate the plan to them.”¹¹¹ In fact, during the period Ali Tigel was the Undersecretary of S.P.O, the incentive implementation department was officially linked to UTFT to “contain” this “refeudalization” and to return back to the “centralist” framework which paradoxically led to the resignation of Tigel from office.¹¹² For a planner, the removal of the 4th Department from the interior of the State Planning Organization and its “assembling” with somewhere inside the economic apparatus of the state should have been received with an absolute welcome. It is because it suits to the original point of departure of S.P.O. This did not happen because it represented a “bailout” from the “feudal” power game played inside economic bureaucracy. Incentive Implementation was a real power space inside economic bureaucracy in all respects.

The retreat from the “neoliberal centralist” framework as exemplified by the alteration in the top bureaucracy at the end of 1986 -even though there were still “inner struggles” before - after almost a three-year relative “stability” between end of 1983 and of 1986 seems to have emerged as a response to the pressing “distributional pressures” on the Motherland Party rule which eventually spoiled the basis of “centralism”. It was said that “..starting in about 1986 macroeconomic instability, reflected in accelerating inflationary pressures, has been the Achilles heel of the reform program.”¹¹³ It has been argued that the short-term political rationality of the Motherland Party government required the formation and consolidation of an electoral coalition based upon rapid growth via the expansion of the public sector to

ease this distributional pressures which were reflected in accelerating inflation. Waterbury observed the contradiction of "Etatisme under Özal" as follows ; "Özal's politics has two faces : on the one hand, it aims to enhance economic efficiency and public-sector finances ; on the other hand, it relies on the traditional mechanisms of "coalition maintenance through state patronage".¹¹⁴ Committed in origin to the rhetoric of fiscal restraint through cutting public expenditure as the international general framework dictated, the neoliberal government pursued an expansionist program in heavy investment for infrastructure (energy and transportation) that had surpassed the related figures even of the planned development phase. Yıldırım Aktürk who was a major figure in the Özal circle from the beginning of 1980s pointed towards this dilemma in late eighties as follows : "Turgut Bey who started with the objective of making the state smaller has chosen the path of growth via the state itself."¹¹⁵ Hence, resorting to domestic debt-building in state finances became the principal instrument of the government to "balance" the conflicting objectives of socio-economic groups. It is also critical to observe in this context that a large part of these public investments was also financed through the extra-budgetary fund mechanism - even if pricing policy had been deregulated for SEEs- thus providing the linkage for the political motive of sustaining the growth-based coalition of interests in the absence of low-level of private investments still legitimating the operation of SEEs under the "soft budget constraint".¹¹⁶ It thus confirms the view that the funds did not create additional public revenue since all funds were extracted out of GNP, but changed the transfer mechanism of resources to the public sector via different forms and procedures mainly targeting the escape from legislative control.¹¹⁷ Consequently, the overall claims of the "populist-center-right" coalition that the

Motherland Party rule should have been based made it difficult to finance high public deficits solely by relying on capital markets not to mention the inadequate tax-base. This put also severe pressure on Central Bank's resources in the form of increased short-term advances to the Treasury making monetary programming highly difficult for the Central Bank. Starting from late eighties, the major tension inside economic bureaucracy emerged between the Treasury and the Central Bank. The attempts of breaking the organic link between the Central Bank and state finances however has been largely ineffective. ¹¹⁸ In fact, as fiscal degeneration and subsequent macroeconomic instability increased, the role of the Central Bank in the economic apparatus of the state also increased on determining the equilibria between the sensitive parameters of interest rate-exchange rate-inflation especially after the "mini-crisis" following the November 1987 elections culminating in the February 1988 austerity measures to introduce fiscal discipline. ¹¹⁹ Hence, what emerged was a panorama under increased public sector borrowing requirements was an "inflation lobby" as Rüştü Saraçoğlu as the Central Bank governor named it. ¹²⁰ With caution, one might infer from such a statement that as the channels of "export-oriented rent-seeking" relatively declined towards the end of 1980s, big capital now was seeking "supra-competitive" prices in financial markets as the major lender force to the state through its dominance in the banking system. This was because the "investor state" became dependent upon high public debt which resulted with what might be called as "administrative inflation." ¹²¹ As Yeldan put it, "the state emerged as the "pioneer of financial deepening" in Turkey." ¹²² Shortly, the state as captured by "political center" became an ally of financial capital in 1990s throughout the high-public debt process where both of them were partners in this "inflation lobby."

It has been suggested that the “predatory” behavior of contenders for political power has been the basis of the fiscal deterioration in Turkey in 1980s and 1990s where it is argued that the results of fiscal deterioration i.e. macroeconomic instability “hurts” everyone. Hence, what is expected from these contenders is to refrain from the excesses of fiscal expansion. It would be in such a way that the so called “governance” problem in Turkey would be resolved towards a “cooperative” outcome thus avoiding predatory behavior. Such a view disregards the fact that traditional fiscal bureaucracy was in fact liquidated for this purpose of building a “predatory space” where self-regulating markets would themselves solve the “cooperation” problem.¹²³ It is further argued that it is the state which “lags” behind the private sector which needs “reform.” Such a view escapes the view that “predatory” behavior is also confined to rival fractions of capital at the same time which are somewhat considered as if “benevolent capitalists” vis a vis “public interest” which developed a significant business culture in 1980s. The reality is that it is “reciprocal” and not one sided which means that “cooperative mechanisms” needs the disciplining of private interests and not only the self-adjustment of the state to develop “cooperative mechanisms” to send proper signals to private interests.¹²⁴ Hence, the reform of the state is also a problem of the “reform” in the structuration of capital. Adjacently, it underestimates the fact that not all lose from but some actually do gain in a zero-sum way from “predatory” consequences of fiscal expansion as a response to “distributional pressures” which is in fact the essence of the “myopism” injected into the system through the “despotic weakening” of the state apparatus. Thus, it is not a “political engineering” problem to initiate reform to send “correct” signals to the private sector. The problem is the degree of opposition to “reform” from vested

interests -as rival fractions of capital- who rationally wish to continue with the “de-reformed” state apparatus. Introducing political-despotic autonomy was not reform in the real sense of the word , but rather a short-term pragmatic solution to the crisis of capital discontent with the remnants of “institutional” autonomy” of the economic apparatus of the state as evolved during the Republican period till 1983. Replacing it with “political despotic autonomy” did not strengthen but weakened state power as effecting long-term economic change in Turkey even though it was conducive to the short-term accumulation requirements of capital. Through the high public debt mechanism, it is true that a more volatile macroeconomic environment emerged for market participants at large. However, big industrialists seemed to shift the orientation in “rent-seeking” towards more Treasury-related operations in this environment where the collapse of the “neoliberal-centralist” framework of export-incentive implementation of the early Motherland Party rule has been “refeudalized”. As Arat observed ; “..amongst the big industrialists , size differences were not irrelevant. The bigger industrialists could at least for some time afford to live with policies that were not particularly favorable for them, whereas the smaller ones could not. For example, in the 1987 TÜSIAD general assembly, Mr. Sabancı argued that the industrialists had to learn to live inflation , whereas Mr. Ömer Dinçkök was adamantly opposed to the suggestion.”¹²⁵ Hence, the contention made that an “uncertain” business environment characterized state-market relations makes only sense within the context of the intra-capital conflicts which reflected itself in the economic apparatus of the state as “an arena of conflict”¹²⁶ by the penetration struggles of rival fractions of capital to “capture” it for their short-term interests. In that respect, big industrialists who were theoretically envisaged to be the principal beneficiary from controlling inflation

became the principal beneficiaries from inflation itself since it was highly profitable to seek “rents” through lending to the state -via the financial capital they commanded- which was captured by the constant cyclical pressure of sustaining the broad coalition behind the government. The existence of “uncertainty” was not in contradiction with the direction of the concentration of capital via the expansion of the public sector and the inflationary-high-public debt mechanism.¹²⁷ This is quite in line with the perspective of the “fiscal crisis of the state” serving the expansion of monopoly capital where “the growth of the state is a both cause and effect of the expansion of monopoly capital.”¹²⁸ The same logic applies to the overall “crowding out” of industry effect of high-public debt in Turkey. Such overall “crowding out” did not hinder the concentration of capital in more few hands. In other words, what was irrational in terms of long-term economic change was perfectly “rational” from the standpoint of the short-term interests of “vertically integrated” capital. It is thus difficult to make a short-hand analysis that macroeconomic instability “hurts” everyone. It is true that high inflation-high public debt spiral contributed to divergence from industrial activity in the overall economic context. However, this is also what is expected from the domestic bourgeoisie at large in the new division of labor imposed by globalization. The major areas of economic activity rather shifted towards financial and commercial fields which definitely favors the short-term interests of big-holding structures at the expense of dropping out serious industrial objectives, thereby long-term economic change since their “vertical” organized structures allow them to make the necessary short-term adjustments. In the broad context, such a “neo-periphery” status was rather marked by “a return back to commercial capitalism”¹²⁹ under globalization in relative terms. Especially after the famous “Decree No. 32”¹³⁰ in 1989

which was the climax of financial liberalization in Turkey, this situation was intensified. In other words, the neo-periphery status where significant industrialization objectives were dropped out was not in contradiction with the short-term accumulation requirements of domestic capital. It is because it was not uncomfortable with the overall dependent-context of integration with the global finance-capital where any mercantilist-challenging industrialization objectives were discredited from the outset in its economic, political and ideological imperatives.¹³¹ The implications of such a paradox is clear enough with respect to state power. Despotic “restructuring” of the economic apparatus of the state as discussed above has not strengthened the effective intervention capacity of neoliberal reformers in terms of “market”-based long term economic change as they had envisaged in the beginning but on the contrary more weakened it to be heavily infiltrated by rival segments of capital which had fallen far away from contributing to long-term economic change themselves in the new global division of labor.

Economists seem to have a consensus among themselves with minor differences on the phases of economic liberalization in Turkey in the post-1980 period. Roughly, the 1980-1982 phase which actually started in 1978 during the Ecevit government is comprehended as the stabilization/adjustment phase responding to the acute balance of payments crisis of late seventies. The 1983-1987 phase was the “export-oriented growth” phase and the post-1987 as the phase of the so called “reform fatigue” in World Bank jargon -which was actually not the case- as retreat from “structural adjustment” where financial liberalization efforts predominated the policy agenda coupled with fiscal degeneration and persistent inflation.

Given the phasing as such, our detection of the politics of economic bureaucracy seems to be compatible with this broad pattern. The political economy of economic liberalization in Turkey necessitated the (re)centralization in economic bureaucracy after 1980 as against the politicized-feudal heritage of late 1970s. In the aforementioned first phase, the liquidation of the "statist" cadres inside the planning organization as closing the phase of planning -satisfying the demands of the "joint chorus" of international financial institutions and industrial capital on the 4th Five Year Plan- was the initial step towards such a recentralization. Consistent with the demands of the above alliance and surpassing the fractional conflicts inside capital, the early "proto-neoliberal" fraction inside the 4th Department of S.P.O in late sixties resumed institutional power to recentralize the economic apparatus of the state under the minority government formed by the Justice Party. However, the resistance from the traditional cadres of the Ministry of Finance remained a significant obstacle in front of this recentralization as effecting rapid economic liberalization during both the minority government and the military regime which secured the absence of significant labor opposition to the implementation of neoliberal agenda.

In the second phase, the establishment of the Undersecretariat of Treasury and Foreign Trade and ruling by decree constituted the "neoliberal centralism" in the economic apparatus of the state. Power was concentrated in the hands of the executive controlled by "proto-neoliberals" as political brokers of neoliberal reforms. Neoliberal Centralism corresponding to the phase of "export-oriented growth" eliminated the historical opposition from the traditional cadres of Ministry of Finance and ultimately constituted the last step of the "centralization" of economic apparatus of the state as demanded by industrial capital since late sixties. The principal objective

of amalgamating the "Treasury" and "Foreign Trade" Departments in the same institutional corpus was to ease the transfer of state resources to the needs of the segments of capital able to comply with the requirements of the new phase of "export-oriented growth" in the absence of significant opposition from traditional bureaucracy. However, this also meant the liquidation of the remnants of "institutional despotic autonomy" inside the state and a shift towards "political despotic autonomy" as the demarcation can be conceptualized. Neoliberal Centralism, though weakening the state more, did not conflict initially with the short-term objectives of big industrial capital given that there was a "predictable" environment for them in terms of reaping the benefits of "cartelized export-promotion" and that the neoliberal centralism safeguarded their privileged status in the fractional-conflictual domain of capital. Undersecretariat of Treasury and Foreign Trade remained at the heart of incentive implementation where S.P.O acted as its "implementation unit." However, as the priorities of the Motherland Party rule shifted towards political goals of sustaining its coalitional basis in the last phase, neoliberal centralism was subject to disintegration and the centrifugal tendencies inside the economic apparatus of the state by S.P.O and the Central Bank emerged challenging the "centralist" power concentration in the hands of the Undersecretariat of Treasury and Foreign Trade. It is in this context that the "neoliberal centralism" of the 1983-1986 phase started to be questioned by big industrialists since others were left more free to seek their own short-term objectives inside economic bureaucracy. This was a result of the emerging distributional pressures and the shift of the priorities of the Motherland Party government constrained by political rationality. There was a divergence from the export-encouragement role of economic bureaucracy to serve the needs of the expansion of

the state sector and its increasing borrowing requirements. In this context, there was no “brake” to refrain political authority from resorting to fiscal degeneration with inflationary consequences. The Central Bank tried to play such a role after 1988 in terms of seeking macroeconomic stability and forcing the political authority to refrain from deficit-financing of public debt but now a strong inflation-lobby organized majorly in the banking sector was allied with the objectives of Treasury, thus the political authority.

It is therefore legitimate to argue that despotic autonomy under neoliberal centralism was “weak autonomy” to serve long-term objective of economic change. In different terms, Öniş has sketched this situation as the “powerlessness and vulnerability of a highly centralized state. In The Turkish context, the “centralized” state appeared to be particularly vulnerable in terms of its ability to control export-oriented rent seeking, to generate tax revenues on an adequate scale, and to impose fiscal discipline.”¹³² However, this is precisely expected from an infrastructurally strong state seeking long-term economic change that develops historically in time, not driven by the prerogatives neoliberal political brokers of particular capitalist interests. Rather than sectoral ties, particularistic relations with rival capitalists provided a space of political despotic autonomy in the phase of “export-oriented phase” via ruling by decree. Far away from achieving the overall export-industrialization in the long-term as had been the case in East Asia, such a state of affairs was initially consistent with the short-term interests of particular capitalist interests, especially big capital. However, once the priorities shifted in the agenda of political brokers of neoliberal reforms due to conflicting economic versus political rationalities, the centralist framework started to disintegrate but this time the arbitrary-despotism under

“neoliberal refeudalization” in the economic apparatus of the state -being still under the control of Özal however, thus maintaining the despotic-arbitrary character- started to hit big capital itself precipitating to what again Öniş called as “populistic-clientelistic state” or what Boratav and Türel called as “bastard populism”.¹³³ Finding new outlets of rent-seeking in the financial sphere was the “rational solution” for big capital in lieu of “export-oriented rent-seeking” which produced however “irrational” results in terms of long-term economic change diverging away from industrialization. It is the very argument of this chapter that early “neoliberal centralism” as political despotic autonomy in the economic apparatus of the state served the further monopolization path of capital accumulation in the outward-orientation phase. However, this has further weakened state power in the direction of degeneration into the “populistic-clientelistic state” as the centralism dissolved due to the overriding concerns of political rationality. It is exactly why the neoliberal myth of self-regulating markets came to end in the Turkish context in terms of the unorthodox results it generated.

CHAPTER VII-CONCLUSION : FURTHER QUESTIONS AND RESEARCH AGENDAS

“Political economy regards economic ideas and behavior not as frameworks for analysis, but as beliefs and actions that must themselves be explained. They are contingent and problematic; that is, they might have been different and must be explained within the particular and social contexts. Historical political economy applies this approach to the study of the past..... What historical political economy shares with economic analysis is a reliance on “revealed” preference to help explain social choice whereas most history writing relies on a hermeneutic assumption, namely to recreate the intentions of the actors, historical political economy supposes that societies in some sense are what turned out to be. It bases its analysis on the premise that outcomes followed intentions and that the historian can talk meaningfully about “social choice” in terms of what happened.

Charles Maier

Studying the institutional politics of economic bureaucracy within the historical boundary in between the formation of the State Planning Organization in 1960 and the formation of the Undersecretariat of Treasury and Foreign Trade in 1983 has major implications for understanding the broad relationship between state power and economic change in Turkey. The aforementioned institutional parenthesis within the evolution of the economic apparatus of the state in Turkey has been detected in this study to explore the aforementioned relationship within an historically extended conceptual framework of comparative political economy. This conceptual framework depended upon the premise that the more infrastructural power states have accumulated in history, the more they have been able to facilitate long-term economic change. It is these kinds of states which deserve the label “strong” -contrary to conventional understanding- as against those endowed with “despotic” form of power which are actually “weak” in terms of producing economic and industrial transformation. The developmental states of the post-war context have been in fact

the most recent form of states endowed with infrastructural form power. The concept of embedded autonomy in fact refers to the crystallization of infrastructural power in its most recent form in developmental states of East Asia that have facilitated long-term economic change. With the presence of state institutions endowed with “coordinating” power to guide state-market symbiosis as the ultimate form of infrastructural power in history where the previous forms contained extractive, penetrative and negotiated dimensions, long-term economic change in this region have been realized altering also the economic hierarchy of nations inherited from the heyday of the rise of European capitalism. It has been also observed that infrastructural state power as such had been what potentially made the rise of European capitalism possible in its origin thus surpassing the dualism between early and late capitalist development as is largely common to most schools of economic thought. What made the difference in terms of economic change in different historical contexts was the degree with which states have accumulated such power vis a vis the degree of despotic-predatory endowments of power they possess. Our theoretical discussion in Chapter 2 has gone one step further and argued that such long-term economic change in the rise of capitalism and post-war late industrialization has followed a mercantilist logic of its own as neglected in the recent literature on comparative political economy. It tried to synthesize state power and long-term economic change in the Weber-List-Schmoller line of German Historical School at large and argued that early and late capitalist development depended upon the realization of this mercantilist logic synchronic with a particular “Staatsbildung” in different settings. In other words, those processes of “mercantilism as state-building” that invested for infrastructural-embedded state autonomy have generated long-term

/flexible economic change but those who have been trapped with despotic/predatory state power have been degenerated into rent-seeking, stagnation and rigidities. Hence, infrastructural-embedded autonomy of developmental state-building have been associated with a “strategic mercantilism” in the phase of post-war late industrialization but despotic-predatory accumulation of state power in the ISI framework have opened the avenue for neoliberal trespassing of the exhaustion of its non-strategic mercantilist nature. Hence, state-building is not a static process but should be subject to reincarnation in historical time - pinpointing precisely to what some has named as adaptable-catalytic states in the East Asian context- in order to avoid to be frozen in a despotic-predatory power space. The implications of such a theoretical stance lies in the fact at the heart of an historically extended conceptual framework of comparative political economy or a prospectively autonomous discipline of historical political economy proper. In other words, detection of the variation in state power and state autonomy in time in domestic contexts vertically complements the horizontal agenda of comparative political economy seeking to underline the compositional degree of the infrastructural-despotic power “mix” across various settings.

Given such a broad framework of an historically extended framework of comparative political economy, the study embarked on detecting the institutional politics of economic apparatus of the state in Turkey after 27 May 1960. The date has been considered in retrospect as the political inflection of the “Third wave of mercantilism as state building” in Turkey in the historical contour of “perpetuated state-building” and “ruptured mercantilism” since Tanzimat era which was the initial decade of modern “Staatsbildung” at the expense of a mercantilist logic under the

eclipse of the British free-trade doctrine. Hence, rational reformism-foundation of S.P.O and planned ISI after 27 May 1960 were in fact representing a geometry of “re-staatsbildung”-“neo-Listian mercantilism” in the direction of infrastructural state autonomy. Given the newly born industrial capital as the potential protagonist class of long-term economic change, the possibility of a “developmental-state building” to “coordinate” this change in a relational autonomy setting emerged. Under rational reformism and the accompanying emergence of State Planning Organization, the forces of long-term economic change in the history of “ruptured mercantilism” have for the first time intersected with the forces of a “developmental-Staatsbildung” in the history of “perpetuated state-building” for a long-term infrastructural fertilization. However, it is argued that this inflection produced a limited infrastructural state autonomy to be erased in time due to a set of structural and intra-bureaucratic reasons which we have underlined. Even though we have not studied here, it should also be noted that the intellectual and ideological limitations of the “radical” officers and the planners after 27 May 1960 have also played a critical role in their inability to transform their developmental will to a developmental coalition that would have sustained long-term economic change by a state-building based on “infrastructural fertilization” drawing on Michael Mann. The fertilization as above came out to be of a stillborn nature. Under such a weakly enhanced state-building in terms of economic bureaucracy, the Ministry of Finance and S.P.O did not share a coherent and cohesive bureaucratic space as the Weberian criteria required. The result was that, first, S.P.O could not have initiated a “coordinating” power role inside the state in the planned ISI setting to realize an infrastructural-embedded interaction with the newly maturing manufacturing industrial capital. Secondly, in the absence of such a relational

autonomy of the potentially “to be” coordinating S.P.O, industrial capital “free-rided” from plan discipline after the failure of rational reformism exemplified by the resignations of early planners. Limited infrastructural autonomy rested now upon the recognition of the privileged status of emerging big industrial capital in terms of the provision of key factors (scarce foreign exchange-low interest credit) at the highest politico-institutional level of decision making vis a vis other economic interests. Even though such limited infrastructural state autonomy produced substantial and unprecedented economic change/industrialization in the First Five Year Plan period, the horse-rider relationship between the S.P.O and industrial capital was initialized from the beginning in favor of the short term-interests of industrial capital and not towards the long-term rationalization of capitalism that required the “relational disciplining” of capital by the state. The failure to make the transition to such a relational discipline of capital for shared-collective ends was in fact the retreat from investing for full-fledged infrastructural state autonomy as began in the beginning of the “Second Republic” after 27 May 1960.

Industrial capital thus free-riding from long-term plan discipline had started to seek new institutional forms of representation inside the state after the political takeover of Justice Party in 1965 elections. It is in this context that the 4th Department inside the State Planning Organization (Incentive and Implementation Department) was introduced. The introduction of the 4th Department as such had further degenerated the economic apparatus of the state to serve for short-term interests of private industrial capital in the second half of 1960s till the 12 March 1971 military memorandum. Plan Implementation Law No.933 was the legal blue print of this process of degeneration of S.P.O from its earlier role. The practice of

the Law was foreseeing the intra-budgetary transfer of funds to private sector accumulation, the curtailment of the power of the Ministry of Finance to control state resources and the unbounded power of political appointment of staff to key institutional posts inside the state. This in fact represented the "proto" economic apparatus of "neoliberal centralism" of post-1983 period in Turkey. In other words, the formation and activities of the 4th Department inside the State Planning Organization represented the retreat from this limited degree of infrastructural autonomy prevalent during the First Five Year Plan period. Political dismantling of the institutional-economic apparatus of the state was not a direct product of neoliberal policy reforms but rather had been initiated long before the conditional imperatives of international financial institutions were introduced at the end of 1970s. State autonomy as emerged during the First Five Year Plan had been subject to a substantial loss of altitude thus legitimating our detection for the variation in state power in time in the opposite direction of long-term economic change in the context of Turkey. It is not the "absence", as some claimed but the retreat from or non-enhancement of the degree of stateness that implicitly accounted for the short-term/rent-seeking oriented and crisis-prone pattern of capital accumulation in late 1960s. Even though industrialization was visible during the plan implementation law, horizontal expansion of ISI - assembly industries were deviating to a non-strategic, non-long term, rent-seeking path. The discontent about this situation was revealed by the political (Turkish Labor Party) and institutional (Ministry of Finance, "leftist"-fraction of S.P.O) resistance to Law from both within and outside the state bureaucracy. Subsequently, the annulment of the critical articles of Law No.933 by the Constitutional Court shaped the historical consciousness of Özal and his circle on their

vision of governing the Turkish economy that later was observed in 1980s, i.e. ruling by decree with “speed” where no serious constitutional brake and serious political opposition existed.

It was not “rational reformism” but rather a “perverse restoration of reform” that defined the bureaucratic restoration after 12 March 1971. It was “perverse” because industrial capital has reached a mature stage where it would eventually and politically block any kind of discipline in front of its short-term requirements in the highly profitable expansion of ISI-setting as we showed it did. The short but important history of the structuration of Ministry of Foreign Economic Relations inside the economic apparatus of the state proves that in the absence of a prior history of infrastructural-coordinating autonomy fertilizing long-term economic change -or the shared goal of “deepening” of the neo-Listian mercantilism to its difficult stages in collaboration with industrial capital itself -which was subject to erosion between 1966-1971 , the chance of forcing industrial capital in its mature stage to move onto such an orbit had already been exhausted. In fact, the reintroduction of incentive implementation on a larger scale after the end of the “perverse” restoration of reform which initially moved Özal circle from power in S.P.O. is a strong evidence of this very political economy lesson.

The ‘1971 Regime’ had contributed to the loss of altitude in the infrastructural-despotic mix of state power in favor of the latter in a rapid way. The economic institutions of the state were more fragmented in a “frozen way” serving the monopoly segments of industrial capital in the absence of unrestricted political challenge from rival economic interests. However, this fueled later the institutional conflicts inside economic bureaucracy after the transition to coalitional politics. The

temporarily “frozen” institutional fragmentation laid the ground for parcellisation and politicization of economic bureaucracy after the end of the 1971 Regime. On the other hand, the Third Five Year Plan came out as a “despotic” product of the 1971 Regime reflecting the prevailing short-term interests of the so called military-industrial complex rather than a plan to push the mercantilist framework of import-substituting industrialization to a “strategic” direction like that of East Asian NICs possessing the “flexible-relational” networks to cooperate and coordinate under the turbulence of world economic crisis. The Third Five Year Plan has been a case where despotic autonomy of economic bureaucracy does not refer to the absence of relational autonomy but it was a “weak relational-institutional autonomy” in the beginning of 1970s as only forcing social resources towards industrialization but with rent-seeking pressures not being eliminated and mushrooming more intensely during the coalition governments. “Strong” relational autonomy as we have defined it before is actually embedded autonomy of the developmental state being able to deliver key tasks to industrial capital in late industrialization facilitating long-term industrial transformation. It is via such a fragmented and politicized economic bureaucracy that the tunnel of the crisis of late seventies were entered. The “weak” relational-institutional autonomy as such was subject to politicization and its remnants would be dissolved at the end of 1970s.

Neoliberal Centralism of 1980s would be the restoration of the “despotic-weak” autonomy in the initial stage but not in the “institutional” sense like 1970s but in the relational-political sense which in fact meant more “arbitrary” exercise of “despotic” power for those falling away from the political center of “rent-seeking.” Since the political center was now commanding a huge amount of state resources

through the extra-budgetary fund and incentive mechanisms, ruling by decree would serve to satisfy the “rent-seeking” demands of those fractions of capital closest to this center vis a vis their rivals. Since the Motherland Party had also the problem of sustaining the financial and class bases of its rule “vertically” beyond the “horizontal” social-coalitional base, the distances of these rival fractions of capital has been subject to alteration by the arbitrary-despotic power of the center. The “rent-seeking partnership” as such meant that neoliberal centralist power of the newly formed economic apparatus of the state narrowed the scope of economic activity to non-productive ends after the cancellation of the traditional economic apparatus of the state whose general “institutional autonomy” before 1980 was providing rents for non-negligible industrialization goals. In other words, neoliberal centralism in the overall policy reform decade would “de-institutionalize” the economic apparatus of the state and dismantle the remnants of its traditional autonomy by transferring the old “despotic” substance to the political center which in turn injected myopism to the orientation of capital at large. Economic history in general and institutional history of bureaucracy since late sixties shows that the short-term accumulation requirements of industrial capital could only have been sustained by the massive transfers of state resources to this end in both periods. Thus, the evolution of state power from limited infrastructural autonomy attained after 27 May 1960 towards neoliberal centralism after 1980 was in fact the history of the institutional politics of the economic apparatus of the state which reflected step-by-step the exhaustion of the potential for long-term flexible economic-industrial change. The political economy of vested interests in Turkey after 1980 inherited a considerable degree of state-centered geometry from the planned development phase of sixties and seventies. Looked at

historical retrospect, incentive implementation has been at the heart of satisfying the short-term requirements of industrial capital accumulation which politically and institutionally have become an issue of rivalry between its own segments and other economic interests in both ISI and economic liberalization periods. What happened during the economic liberalization episode was rather a reincarnation of the old centralized mechanism of incentive implementation on an extended basis initiated by the Özal circle and JP government with Law No.933 in late sixties. Big industrial capital which largely benefited from "investment incentives" in late sixties in building the inward-oriented capacities were now forced to restructure itself largely by "export incentives" among other economic policy instruments by the same cadres who initiated Law No. 933. The legal basis of incentive implementation could not have been established in 1970s due to the inability of industrial capital to consolidate its class interests in the political arena on its own but only in balance with the economic constituency of N.S.P. This was superseded by the 1980 "coup" and the subsequent political ascendancy of Motherland Party "bloc" which allowed the reincarnation of Law No.933 without significant political and intra-bureaucratic opposition after 1983. Beyond the rhetoric of "four tendencies", the "bloc" power of Motherland Party in its early days was actually a political melting pot for rival fractions of capital resembling the JP's role in 1960s with obviously differing domestic and international contexts. However, the orientation of incentive implementation to export-oriented segments of industrial capital exacerbated the conflict between these segments and those segments of industrial capital which could not have been able to make a shift in their organizational structures used only to operate in highly profitable domestic market conditions under the ISI setting. Like the implementation of Law No. 933

which allowed light-industry manufacturing capital to flourish in late sixties, the reincarnation of export-promotion incentives on a larger scale served the accumulation requirements of a few number of corporations. The establishment of Undersecretariat and Treasury and Foreign Trade and ruling by decree were actually serving and pushing these sectors into the global context of capitalism. "Despotic autonomy" of neoliberal centralism in the early years of Motherland Party government as emancipated from the institutional boundaries of the mercantilist late industrialization was hidden in the "Economic Darwinism" as such favoring a further stage of concentration of capital. However, in the absence of "institutional" coherence and cohesiveness of an autonomous bureaucracy but with the presence of a "politically" centralized bureaucracy exercising arbitrary-despotic power, this segment of industrial capital which was expected also theoretically to be the "engine" force of the so called "export-oriented industrialization" turned out to become the primary beneficiary of what has been called as "export-oriented rent-seeking." There lied an explanation of the paradox of the "unorthodoxy" of the neoliberal experiment in 1980s where the concept has been offered as a key to understand whether the pattern emerged during the course of 1980s was consistent with the original aim of building "self-regulating markets" or not. The presumption of the myth of the "self-regulating" markets was in contradiction with a politically centralist economic bureaucracy whose vacillating political -and not institutional- "autonomy" would be rapidly undermined by those fractions of capital in rivalry with each other to be closer to it. With no "autonomous" state power left forcing them towards a certain degree of competition or at least trying to check their degree of rent-seeking in the industrialization process as had been the case in 1960s and 1970s, rival fractions of capital have become much

more “myopic” in their short-term orientations and concentrated their “rent-seeking” activity to “capture” this politically centralist bureaucracy. The dismantling of the traditional economic apparatus of the state did not end with “self-regulating markets” independent of the state but on the contrary increased the power of vested interests more to “free-ride” from production-centered economic activity. It can be said that neoliberal policy reforms did not evolve in the direction of self-regulating markets but opened a different avenue for the continuation of “political capitalism” in Turkey whose roots are traced to the origins of primitive capital accumulation in 1930s. On the other hand, this made the power of the politically centralist bureaucracy more “despotic-arbitrary” per se. The domain of “despotic autonomy” was shifted to the office of the Prime Minister without underwriting the legal and institutional codes of “market-reform” but weakening also the state-based codes of market transactions of the previous episode. The more “despotic-arbitrary” the power of bureaucracy has become under neoliberal centralism, the more “myopic” has become the economic orientation of business groups. The “state” as represented now by “neoliberal centralism” has become somewhat a “Financial Leviathan” expanding through the fund and high public debt mechanisms. Contrary to the original neoliberal credo, political capitalism as such was generating an environment where rent-seeking emanated in multiple forms ranging from Treasury operations to state auctions. The state has become “alienated” to itself as Marx named characterized the “national debt” system of absolutist states in 18th century where the state deprived even from its extractive powers became dependent on the financial wealth owners of the day. The evolution of the Undersecretariat of Treasury and Foreign Trade and “ruling by decree” in the economic liberalization process were primary evidences for this shift

whose origins lied in the centralized-implementation of Law No.933 in late sixties. It would now even be difficult to talk about the “despotic autonomy” of the “state” in the institutional sense after the dismantling of traditional economic bureaucracy.

It should be clear that the conceptual reference to a concept like “mercantilism as Staatsbildung” as inherited from the German Historical School has considerable implications for the current discussions on role of the nation-state in Turkey. This study has only indicated towards establishing the link between state power and economic change in Turkey as reflected in the institutional politics of the economic apparatus of the state in the third wave of mercantilism in the twentieth century. “Strong-infrastructurel” state power still has not been able to replace “weak-despotic” form of state power in the direction of long-term economic change. On the contrary, state power in the early decade of planning in the beginning of 1960s started to slide on an inclined plane towards a more anti-infrastructurel form as time passed and was paralyzed in the neoliberal phase in terms of its capacity to effect economic change. The idea that past waves of “Staatsbildung” seem to have followed a “perpetuated” pattern resulting in “ruptured mercantilism” thus inhibiting the infrastructurel fertilization of long-term economic change by state power has crucial implications for the future of nation-state under the global logic of capitalism. The secret of rapid surrender to the “global-cosmopolitical” forces of Anglo-Saxon capitalism after 1980 seems to have its origin in this absence of such fertilization having legitimated the neoliberal eclipse at the ideological level. -In comparative terms, the recent Asian crisis will be in fact a real test for whether such a surrender will be that much easy in the context of strategic mercantilisms which have realized such fertilization between state power and economic change in the second half of

twentieth century.- We have only studied here the post-1960 episode for Turkey. This obviously necessitates two further research agendas. The first agenda would be a further detection of the "nutshell" above for earlier decades of mercantilism(s) also with its rupture decades as an historical political economy agenda as we did for the 1960-1984 period. Adjacently, the second should concentrate on trying to establish the intellectual, political and institutional bridges for a new strategic "mercantilism as Staatsbildung" inside the global logic of capitalism on a comparative basis. However, the previous openings of mercantilism have resulted to a great extent under conditions of political and military crises and by military-bureaucratic state-builders. The question of whether a new restructuring of the state in the direction of infrastructural autonomy reversing its dismantling process in the neoliberal decade is possible or not under conditions of political democracy, i.e. "normal times" depends on the future alliances of domestic and external politico-economic forces. Whether an alliance in such a direction is currently foreseen or not remains doubtful for the author of this study. Hence, addressing the implicit perennial question of the possibility of reconstructing an economic apparatus of the state endowed with extractive, penetrative and coordinating powers thus compatible with the terms of such long-term economic change in the age of global capitalism remains outside the scope of this study. On the other hand ; Evans' following remarks seem to catch the gist of the current problem about the "state" encountering the neoliberal ideological eclipse; "Preoccupation with eclipse distracts attention from serious ongoing shifts in the nature of stateness. It also inhibits exploration of more promising forms of stateness. Becoming mesmerized by the power of globalized production and exchange is equally counterproductive. Whether the future unfolds in the direction of a leaner, meaner

state or embodies more unlikely elements of state-society synergy does not depend on the economic logic of globalization alone. It also depends on how people think about stateness.”¹ Hence, the following points needs to be stressed for the future of the relationship between state-power and long-term economic change in Turkey in the light of the above historical detection as the final but cautious lesson to be drawn from this study : *The eighteen years old "retreat" from the "idea" of state should be reversed in the minds of those segments of the so called "civil society" whose interests reside in seeking long-term economic change vis a vis the current defenders of the "statusquo" who impose only a single type of integration to the global economic structure merely conducive to their short-term interests. Investing for a "high degree of stateness" i.e. an infrastructurally strong state is a must to cope with the forthcoming negative spillover effects of the global logic of capitalism as well as to reap the benefits of new possibilities emerging from the same logic - if there are any- for long-term economic transformation in the next millennium.*

NOTES**CHAPTER I-INTRODUCTION**

1. Williamson, 1993. The volume by Williamson ed. 1994 is a seminal manifesto of the canonization of "Washington consensus" with different country experiences under inspection. See Taylor, 1995 for a substantial critique of this canonization from a structuralist standpoint. It is worth noting that the underlining meaning of the political geography of this canonization had been explicitly indicated in the Economist magazine in the heyday of neoliberal policy reforms in 1984 in Turkey before it became an academic one later. "This policy was programmed, nurtured, and closely watched in Washington". The Economist, 6 November 1984.

2. The recent work of Stiglitz is highly representative for the shift of neoclassical turn on the role of the state. See Stiglitz, 1996, 1994a, 1994b. 1989, See also Posner, 1998 in a recent World Bank publication on the role of law for economic development. See Bruton, 1998 and Rodrik, 1998 on recent examples of re-evaluation of the "positive" legacy of ISI in the context of post-war late industrialisation.

3. The term belongs to both the title and the content of one of his seminal articles on the political economy of the neoliberal experiment in Turkey in 1980s. See Öniş, 1998, pp. 183-196.

4. See Boratav, Türel & Yeldan, 1994. and Öniş, 1998. pp. 217-238. as recent evaluations of the issue.

5. Barkey, 1990, 1989 seem to be the most visible representative studies of this position.

6. The concept of "stateness" originally belongs to the seminal article of Nettle, 1968 in the "state-society" literature. Evans, 1997 has provided the concept a new content within the context of the comparative political economy literature, i.e. it is those states with a "high" degree of stateness which were able to participate successfully in the globalization process and those "retreating" states with a "low" degree of stateness.

7. The literature seems to be abundant on this issue. Derviş and others, 1978. and Turkey, Industrialization and Strategy, 1982. appear as early significant evaluations from a World Bank perspective in this "conventional" framework. For a truly more balanced view, see Öniş and Riedel, 1993.

8. It should be noted from the outset that the terms 'developmentalist' and 'developmental' are not used interchangeably in this study: The term "developmentalism" corresponds to its Latin American equivalent 'desarrollismo' defining the ideological locus of the key role of the state over the industrialization process mostly espoused by structuralists and later received a populist connotation with redistributive leanings. See Sikkink, 1991 pp. 32-39 and Kay, 1989 p. 28 for a

further elaboration of the concept. The economic orientation of all “developmental” states which we consider as successful cases of late industrialization have been developmentalist in the post war context in terms of their orientation in the larger matrix. However, the reverse is not true. Not all cases of national developmentalism have attained the status of being “developmental” in the post-war context simply because the term “developmental” attained a specific meaning for especially East Asian NICs in the recent decade. See Chapter 2 for a detailed discussion of the meaning of the term “developmental” and its full implications in the comparative political economy literature. For the usage of the term “national developmentalism” with special reference to Turkey, see Keyder, 1993. Although stated from different standpoint, it is significant to note the following observations by Sunar as illuminating the agenda of the research problem in this study. “Liberal political regime, civil society and market economy are inconsistent and incomplete in Turkey because what shapes the regime profile of democracy in Turkey is not only the breaks with the past but also continuities. Despite the breaks, the residues of the past continue to exercise significant influence on the style of leadership, and *the nature of institutions and orientations.(italics mine)*” Sunar, 1996. p. 149.

9. See the next chapter for further details on the issue.

10.Ortaylı, 1983. pp.92-94. I would like to thank to Ziya Müezzinoğlu for reminding me the concrete historical ‘triumvira’ of the state apparatus in Turkey as such.

11.Ziya Müezzinoğlu says that the Ministry of Finance was actually designed as a Ministry of Economics in origin. Interview with Ziya Müezzinoğlu.

12. The efforts during the Demokrat Party period to restructure the economic apparatus of the state were not highly responding to the demands of industrialists in comparison to merchants and landed interests which was a critical factor why the newly emerging manufacturing capital implicitly supported the 1960 intervention. See Chapter 3 for further details on the issue.

13. The term belongs to Michael Mann, 1993. p.44.

14.Batur,1995 gives a brief historical sketch of the evolution of Treasury in the Republican era.

15. See Öniş, 1998. p.262 for underlining the need for such an orientation.

CHAPTER II- STATE POWER AND LONG-TERM ECONOMIC CHANGE : LESSONS FROM HISTORY

1. The literature on the East Asian developmental state is vast and is still proliferating. However, the following works can be cited as distinctive on the subject. Johnson, 1982 is the principal work to which the original usage of the concept of “developmental state” belongs. Kalder, 1993 is rather an authoritative “internal” critique of the Japanese developmental state with an emphasis on the role of private finance and other state institutions else than MITI . Johnson, 1987 is on the

differences between regime types of Japan and the East Asian NICs that legitimate the paths of accumulation. Wade, 1990 is a comprehensive and authoritative account on the subject challenging the neoclassical supremacy of "free markets" via a "governed markets" perspective. See Öniş, 1998, pp.197-216. for an excellent elaboration of the emerging literature in the beginning of 1990s with further comparative insights on the transferability of the developmental state as well as its close connection with the neo-corporatist states in Europe. Evans, 1993 is seminal in terms of providing the conceptual basis of the "ideal" developmental state with reference also to the differences between East Asian NICs and its "ideal" opposite "predatory" states. Evans, 1995 extends the work to other countries like Brazil and India and classifies them as "intermediate" cases between the ideal developmental states of East Asia and full "predatory" state forms. See also Aoki et al. 1997 for a recent collection of essays on the wide range of roles played by the state in East Asian development.

2. Evans, 1997. p.69.

3. See Evans & Stephens, 1988. p.761.

4. Mann, 1993.

5. Weiss & Hobson, 1995 is an excellent example of such emerging work on which the argument in this chapter draws extensively.

6. Heper, 1985 & 1971.

7. Weiss & Hobson, 1995. p. 18.

8. Krasner, 1988. p. 80.

9. Hall, 1986 (especially the chapters related to the rise and decline of planning in France) and Kalder, 1993. on the role of MITI in Japan are outstanding examples in the recent literature on comparative political economy written from such a perspective.

10. In fact, although from a different standpoint, Öniş, 1998. pp.285-303. compares the experience of Turkish planning with the experience East Asian NICs and indicates the necessity of a neo-planning perspective incorporating the lessons from their success.

11. Polanyi, 1957. I use the term "early" to differentiate it from the "late" critique which would challenge the neoliberal distinction of states and markets. See Granavotter, 1985 for a prominent example of the surge of the late critique.

12. See Appleby, 1976. and Chaudry, 1993. for lengthy discussions of this issue.

13. quoted in Evans, 1993 p.145. For an excellent analysis of the role of trust in market relations and the economic consequences of its absence, see Platteau, 1994.

14. For further aspects of this "historical re-embedding", see White, 1993.

15. Polanyi, 1957. p.140.

16. "Without the existence of a powerful motivational logic to constrain individual behavior in the direction of consistency with collective aims, the state would be unable to perform even its minimal rule as an enforcer of contracts. Even the minimal state requires that incumbents redefine individual aims in ways that motivate them to pursue corporate goals." Evans, 1994. p.87.

17. The literature on “rent-seeking” is highly diversified. Krueger, 1974 is the seminal article on the subject as applied to the monopoly rents accruing to importers from protection under the trade regime of developing countries. She carefully demonstrated empirically the high “losses to society” in a trade regime where quotas rather than tariffs play a significant part. Bhagwati, 1982 extended the work of Krueger to tariff-seeking, revenue seeking and other restriction-seeking activities which he named as Directly Unproductive Profit Seeking Activities. Public Choice theorists, Buchanan, Tollison and Tullock, view it as emanating directly from the political process. See Tollison, 1982 for a survey of their views. Colander, 1984 brings together the different strands on the subject under the rubric of the term “neoclassical (new) political economy”. It is rather the vested interests acting on a more broad institutional environment that account for “rent-seeking”. The fundamental difference between the two strands is that the latter considers state intervention as “endogenous” as reflecting vested interests. Mancur Olson, 1982 stands also in this line of thinking but with quite diverging inferences emerging from the ideal neoclassical credo on markets. Hence, the rubric of the term “neo-utilitarian” may not be viable to include Olson’s work easily. See below for the implications of Olson’s work. For a critique on whether the corpus of the literature constitutes a political economy of development or not, see Toye, 1993. The term “New Leviathan belongs” to Radosh and Rothbard quoted in Pierson, 1996. p.80.

18. See Levi, 1988. for the seminal work on this issue.

19. Colclough, 1987. p.7. Krueger, 1990. See Lal, 1987 for a definitive extension of this idea. Lal argues that the costs from not liberalizing surpass those of the benefits that would accrue from liberalization. In fact, this paradox for the neoliberals captures the essence of the maxim by Peter Evans in the introduction of this study.

20. Chaudry, 1993 develops the full implications of this argument for late developers.

21. Chaudry, 1993. p.233. Amedeo and Banuri, 1991 also make a similar claim with a more explicit tone: “Economic liberalization proposals typically recommend the liberalization of capital as well as labor markets. However, while the liberalization of labor markets is intended to weaken the influence of the workers vis a vis the state, financial liberalization has the opposite effect of increasing the influence of the financier class in economic and social decision making. Thus, the liberalization proposal, far from being neutral, is strongly biased in favor of groups whose commitment to the local economy is least secure.” p.38.

22. The term belongs to Evans, 1997. p.72.

23. Evans, 1993. p.145.

24. Evans, 1995. p.10.

25. Bardhan, 1990. p.6. is illuminating on this point: “It is of course, a paradox of liberalism that one often needs a strong state (far from the minimalist state of classical liberalism) to ensure the operation of dynamic competition”. For a more explicit elaboration of the point, see also Chaudry, 1993.

26. Weber, 1996 pp.290-324. Gershenkron, 1962. Hirschman, 1958. are the seminally cited works by Evans.

27. Peter Evans has elaborated the conceptual set up of embedded autonomy in a number of consecutive articles in the recent decade. See Evans, 1993, 1995. It should

also be noted that Öniş, 1998, pp.197-216. and Evans, 1995 extended the definition of embeddedness to incorporate labor besides industrial elites thus making the concept more comprehensive in its usage to incorporate also the cases of neo-corporatist states which rest also on the inclusion of labor in the economic policy formation.

28. Weber, 1996. pp. 290-324. It is clear that the "shared project" of the bureaucracy of the developmental state was quite synonymous with the Weberian "corporate goals". The difference is that the original autonomy of the state apparatus in Weber did not foresee its embedding in dense links.

29. The usage of the term belongs to Krueger, 1990, p.13 and 1993. pp.54-59.

30. The first part of the quotation is in Krueger, 1990. p.13. and the second part is in Krueger, 1993. p. 57. See Krueger, 1993. pp.54-59. for an overall criticism of the idea of the benevolent state. Note that Krueger explicitly generalizes "administrative pessimism" for developing countries : "the administrative capacity in many developing countries was far less than in the developed countries". Krueger, 1993. p.54.

31. Toye, 1993. p.136.

32. This section draws on an excellent critique of the neoliberal position on the benevolent state by Toye, 1993, 1989.

33. Toye, 1993. p.143.

34. Hall, 1986. p. 68 & 233.

35. See Steinmo, Thelen and Songstreh, 1992 which gives a broad picture of the literature, especially Chapter 1. "Historical Institutionalism in Comparative Politics" is an excellent introduction. See also Pontusson, 1995 for a critical survey of the literature. Levi, 1988, North, 1990 can be cited as prominent examples of the work in the "neoclassical institutionalist" cum rational choice framework.

36. Hall, 1989 is devoted to understand the varieties of the political dissemination of Keynesianism in advanced capitalist economies. It is also paradoxical in this respect that Anne Krueger has risen to the status of the Vice-Presidency in the World Bank in the last decade.

37. Hall, 1986, p.283.

38. Poulantzas, 1973 is no doubt the pioneering neo-marxist study on the subject.

39. Marx, 1976 p.144.

40. See Leftwich, 1994 p.373 for such a misinterpretation of "Bonapartism".

41. See Mooers, 1997. pp.109-114. for an excellent account on the issue.

42. Olson, 1982.

43. Surprisingly, there seems to be a close connection between Olson's work and the economic fundamentals of Lenin's almost one century old pioneering work on imperialism. Similar to Olson, but relying on Marx, Lenin argued that there is an inherent tendency in free-competition to end up with monopoly in the final analysis due to the concentration of capital in the accumulation process. Hence, his reasoning argued that the "free competitive forces" of capitalism which were "enhancing" the "forces of production" in early 19th century evolved into a stage of monopoly capitalism where now powerful trusts, cartels and monopolies became "obstacles" in front of enhancing the same forces of production. Lenin, 1969. There seems to be

intimacy between them on the inherent tendency of market forces to move towards “rigidities” and not necessarily long-term economic change. Thus, it is difficult to generate “neo-utilitarian” results from Olson’s analysis. Their political antipodes, no need to mention, are extremely different however.

44. Olson himself tried to resolve the dilemma he posed by making reference to the efficiency-enhancing status of what he termed as “encompassing organizations.” See Olson, 1986. He argued that such an approach provided the micro-foundation of neo-corporatist countries that have been least effected from stagflation and world crisis at the end of the golden age of capitalism. Öniş, 1998. pp.196-217. and Evans, 1995 extended the definition of embedded autonomy to corporatist countries where the consensual mechanisms over economic policy formation resemble the state-business collaboration in the context of the developmental state. It must also be recorded that there is perfect equivalence between Olson’s “encompassing organizations” and the existence of a single-party in Japan Liberal Democrat Party since the end of the Second War as the “anchor” of stability of the developmental project. Hence, the existence of a developmental state need not be biased towards “authoritarian” rule as is conventionally presumed.

45. Weiss & Hobson, 1995, p.244.

46. The term belongs to Taylor, 1993. p.47. It is interesting to see that some neoclassical political economists are also aware for a certain kind of “recommitment” to avoid rent-seeking but they do not make any reference to a relationally disciplining state. “If political allocation is to be undertaken without giving rise to rent-seeking, then such allocation has to be done without creating differential advantages to some groups and, more important, a credible precommitment not to depart in future from such an allocation procedure needs to be given.” Srinivasan, 1985 p. 43.

47. The concept is in fact the title of Taylor (ed.), 1993.

48. Fuhr, 1994. p. 96. The article by Fuhr is an excellent account on the comparative experience of structural adjustment policies in such a politico-economic perspective.

49. Fishlow, 1990 p.66.

50. For further aspects of embedded autonomy with special reference to different developmental settings in Japan and East Asia, see Evans, 1993, 1994 and 1995, Chps. 2&3 respectively.

51. In fact, Evans, 1995 is dedicated to the analysis of this task.

52. Johnson, 1982 p.17.

53. Hecksher, 1955(1) p.2. The two volume treatise on Mercantilism by Hecksher has originally been published in 1931 as if being an inquiry of the rise of protectionism and economic nationalism with the onset of Great Depression. While he is recognized today as one of the architects of contemporary neoclassical theory of international trade aside with Bertil Ohlin, it is quite paradoxical that his monumental work on the historical origins of economic liberalism is only restricted to the intellectual domain of economic historians and historians of economic thought who have only particular interest on the subject.

54. For List, this meant the “nation”, i.e. the British. If one thinks carefully, a contemporary neoliberal economist should have logically named it perhaps as the

“Wealth” of “Individuals”. Even though mainstream economic theory evolved on the “Benthamite” line of utilitarianism running after the virtues of the market, it still continued to address the problems of unemployment, balance of trade etc. in the empirical domain of nation state inherited from Smith and mercantilists. For this point see, Gunnarsson , 1993.

55. “While historians tend to prefer a contextually specific definition of mercantilism with a rather precise meaning, social scientists prefer a general definition that can link different historical periods and provide a perspective that brings out the basic similarities between different historical situations.” Hettne, 1993 p.235.

56. “The positive and normative aspects of mercantilism have been so inextricably related to each other that Hecksher’s treatment of mercantilism was based on the “normative” goal of state-building inspired from the German Historical School , especially Schmoller while at the same time resting on the criteria derived from classical school”. Herlitz, 1993 p.88.

57. See Grampp, 1993. p.62 on self interest as a “fact” and a “standard” for judging behavior.

58. Grampp, 1993. p. 73.

59. The recent work of Wallerstein after the collapse of the Soviet Union comes directly to mind which might somewhat be considered as a “Left” version of the well known end of history thesis put forward by Francis Fukuyama. What emerges from his analysis is that starting with the French Revolution, almost all political struggles being left left or right (revolutions, national liberation struggles etc.) in their variety were “fought within rules established by liberal ideology”. Wallerstein, 1994. p.7 In a sense, they have served the Hegelian unfolding of the “realization” of liberalism as a “legitimizing geoculture” (1994, p.5) of world capitalism. Writing on national liberation struggles, he wrote : “The national liberation movements were thus protesting against the powerful, but they were doing so in the name of fulfilling the *liberal agenda* of the self-determination of nations, and the economic development of underdeveloped countries.” 1994, p.10. Such a view derives itself from the particular world-systems approach associated with the work of Wallerstein whose discussion is beyond the scope of this study. See Wallerstein, 1992, 1994.

60. Magnusson, 1994 p.23.

61. Roll, 1992. Chapter 2. “Commercial Capitalism and its Theory”.

62. It is important to note that mercantilist authors Thomas Mun, Gerard de Malynes etc. were “merchant mercantilists” in 17th century England i.e. ideas and interests coincided in their life activities. For a comprehensive discussion of the works of mercantilist authors, see Magnusson, 1994, especially Chapter 4 “The Birth of a Discourse of Mercantilism”. For a concise discussion , see also Roll, 1992 Chapter 2.

63. On mercantilism as rent-seeking, See Ekelund & Tollison, 1981. See especially Part 5. of Hecksher 1955, Volume 2. “Mercantilism as Conception of Society”(pp.267-358) on the second issue.

64. He treated the system-like features of regulative policies, economic doctrines and general conceptions of society without making clear the relationship between these entities.” Magnusson, 1994 p.34.

65. See Viner, 1987 for Viner’s seminal work on mercantilism.

66. This section draws heavily on the work of Magnusson, 1994 and 1993.
67. Joan Robinson was aware of the dominative significance of the "free-trade doctrine" since its consolidation and said : "It seems after all that the free trade doctrine is just a more subtle form of mercantilism. It is believed only by those who will gain an advantage from it." Robinson, 1978 p.212. Indeed, associating protectionism with mercantilism in Britain could not have had the same meaning as for Germany. While there was a problem of industrial competitiveness for Germany throughout her industrialization, Britain did not face a similar problem as the "starter". The "problem" for Britain was "internal". It should be noted that Ziya Gökalp, not surprisingly, made a sharp and similar comment on this issue long before Joan Robinson with respect to the impact of the British free-trade doctrine. "Everybody knows now that Manchester economics is not at all a cosmopolitan doctrine, that it is nothing but the national economics of England which stands for big industry and, thus, derives only benefit from the freedom of exchange abroad and suffers no loss from it." Gökalp, 1959. p.307.
68. Schumpeter, 1986 p. 376 .
69. "We agree with Smith's assessment that mercantilism is but a tissue of protectionist policies supported by merchants, but we go further and argue that unvarnished rent-seeking by merchants, monarch, and ultimately the masses represented by the Parliament explains most economic intervention, as well as a good deal of political-legal change." Ekelund & Tollison, 1981 p.72.
70. Ekelund & Tollison, 1981 p.7.
71. Appleby, 1976 p. 501.
72. Gomes, 1987 p.10. Gomes also said : "The mercantile system was animated by a 'spirit of monopoly'; monopolizing merchants successfully harnessed the power of the state to the pursuit of their own selfish goals to the detriment of overall economic development." Gomes, 1987 p.9.
73. For the historical details of the rise of mercantile regulation in England, See Hecksher, 1955 pp.221-324 and Ekelund and Tollison, 1980.
74. Ekelund & Tollison, 1981 p.66.
75. Hecksher called this period as "a Colbertism without Colbert." On Parliamentary Colbertism, See Hecksher, 1955(1) p.262.
76. For a detailed comparison of historical evolution of taxation in England and France with respect to the relative bargaining powers of states vis a vis their constituencies , see Levi, 1988 Chapter 5. "France and England in the Middle Ages and Renaissance" pp. 95-121.
77. Ekelund & Tollison, 1981 pp.100-103.

78. Ekelund & Tollison, 1981 p.108.

79. Ekelund & Tollison, 1981 pp.108-109.

80. See Rashid , 1993 pp.128-129 and Gomes, 1987 p.10. for this point.

81. The discussion here is inspired from Gunnarsson , 1993. Referring to Coase as the originator of transaction cost-economics, he says : "In line with Coase the mercantilist economy can be seen as a "super firm". Its aim was to widen the market by a reduction in transaction costs attained by limiting competition." p.42.

82. Gunnarsson , 1993. p.42.

83. Rashid, 1993 p.139.

84. Schmoller, 1931.p. 50-51.

85. In Weiss & Hobson, 1995. p.185. 'The Park Regime mobilized the nation with the ideology of the 'Renaissance of the Nation' through the building of Jarip Gyorgje (Independent economy). Ha-Joon Chang , 1994. p. 126. It is worth noting that the role of ideology has also been underlined as such for building interactive embedding between the developmental state and social interests. Grabowski has noted that the establishment of an infrastructural state , like Japan`s, also depended on its ability `to use the existing ideology to create a reputation that leads to long-run, developmental, cooperative solutions. This also involves states in reinforcing those aspects of ideology that are most helpful in achieving developmental goals.` such a process is argued to have emerged during the Meji period in Japan. Grabowski, 1994. p.16.

86. Gore, 1996 p.92.

87. List, 1966. The fact that List was also coined with the label "Economic Bismarck" precisely indicates the underlying idea of "mercantilism as Staatsbildung" in Schmoller`s work with no further need for comment.

88. For an illuminating discussion of the relevance of List`s work with special reference to "late industrialization" , see Senghaas, 1991. A similar note on Raul Prebisch -considered as the intellectual reincarnation of List in post-war development thought- has been dropped recently by Rodrik, 1998 on the misinterpretation of his concept protection. "Prebisch did not favour indiscriminate protection. He anticipated his later critics by recognising that trade protection on its own would not lead to increased productivity in manufacturers and might even result in the opposite." Rodrik, 1998.p.143. Hence, the List-Prebisch line of "mercantilist " thinking thus still needs closer inspection than the presumed vulgar and pejorative "closed-inefficient" economy argumentation ideologically sublimating the neoliberal case for "openness".

89. Senghaas, 1991 p. 56.

90. See Kiely, 1998, Pereira, 1995 on the conceptual inconsistencies of the World Bank stance of the role of developmental states in East Asian late industrialisation .

91. Schmoller, 1931. p.52 , 57.

92. Mann, 1993. p. 58. See also Mooers, 1997. pp.127-184. for further details on this subject.

93. Mann,1993. p.68.

94. On how planning commission in France confronted the conservatism of Ministry of Finance, See Hall, 1986. p.172. The same is also true for Japan. See Kalder, 1993 as the seminal critique on the monolithic status of the developmental state. Kalder makes the claim that specific state institutions other than MITI should also be analyzed to assess their impact on post-war economic evolution of Japan without overvaluing the “developmental state” concept. Neglecting the MITI-centric view, he addresses the conservative regulatory role of Ministry of Finance. The fact that MITI is not the whole economic apparatus of the state can not lead us to dismiss its “coordinating” capacity as the key autonomous institution in the formulation and implementation of industrial policy.

95. It is Cox, 1987 pp. 230-244 who uses the term in a general sense for the broad set of states of developing countries including NICs. One should note the difference between the concepts of “developmental” and “developmentalist” where the latter includes the first but not vice a versa.

96. Gunnarson, 1993. On “transaction cost” neoinstitutionalism , see the collected essays in North, 1990.

97. Gunnarsson, 1993 pp.21, 4.

98. It is interesting to note that North also gave the example of Spain as the outstanding case in European economic history which has not been able to produce ‘flexible political institutions’ viable for economic development. North, 1990 p.122. Hence, the close connection between the formation of flexible institutions and the varying modes of “Mercantilism as Staatsbildung” is established in the framework suggested here.

99. In harmony with the Bhagwati-Kruger argument that state involvement encourages DUP (Deeply Unproductive Profit-Seeking) and rent-seeking activities in the context of import-substitution, De Soto has truly (but in an eternal fashion) accused the ‘mercantilist state’ apparatus in Latin America for allocating rents between different distributional coalitions. De Soto, 1989. De Soto is right in naming the apparatus as such in line with the general argument presented here, but he falls in the neoliberal camp via generalizing the Latin american experiment as *the* mercantilism and attributing rent-seeking only to the ‘mercantilist state’ as if it solely emanates from it. Gunnarson rightly points out the fact that it was the non-mercantilist states of Europe which lost the pace in development as against the static view of associating the third world predatory states with mercantilist states. Gunnarsson, p.17. It also

provides a quasi-satisficing explanation of why East Asian States have been mercantilist states in their own setting. These mercantilist states were developmental and not predatory because of not solely due to a specific form of autonomy but is forced to build their national economies in a given domain of highly competitive nations. The so called Communist threat was definitely vital for this point. The more the threat arising out of rivals, the more the “developmentalist orientation” is.

100. Hirschman, 1968.

101. It was especially Gerchenkron, 1962 who engineered this idea most explicitly with his comparative analysis of first-generation late industrializers.

102. Weiss & Hobson, 1995. p.94.

103. See Kay, 1989 pp.25-57. for an excellent elaboration of the structuralist school in development thinking.

104. “A Theory of the Modern State”. Mann, 1993. pp.45-91.

105. Weiss & Hobson, 1995. p.17.

106. Pierson, 1996. p. 2. It is also worth noting here that Skocpol, 1979 has also rested her challenging historical sociology of revolutions in such the context of military rivalry indicating that states had a lasting history of coping with their geopolitical environment in their formation and evolution.

107. Tilly, 1975. p. 73. Not surprisingly, we should note here immediately that the beginning of Ottoman-Turkish early modern state formation starting with Selim the Third followed the same itinerary. Thus, it was not ‘sui generis’ or ‘superstructural’ as later critiques of the Ottoman-Turkish ‘modernization’ process proclaimed. The bias and illusion emerges from the fact that the European states had already enhanced their economic and hegemonic means to sustain their state power while Ottoman statesmen were starting to build up a strong army in the unequally defined system of states of late eighteenth century.

108. Pierson, 1996. p. 33.

109. See Ertman, 1997. pp.126-133. for further details on the subject.

110. Mann, 1986. p.135.

111. Mann, 1993. p.59. “Notions of “strong” and “weak” states are thus not as straightforward as is often maintained. As Mann tells us, the power of most modern states represents a combination of these two forms of power. One must establish the “mix” of despotic and infrastructural power exercised by a given state to obtain a true picture of its power.” Stanbridge, 1997. p.28.

112. See also Grabowski, 1994 for a similar point.

113. Gershenkron, 1970. pp. 95-96. Gershenkron, 1970 and Gershenkron, 1962. Chapter 6. pp.119-151. are the key texts in his work that are discussed below. The argument draws heavily on Weiss & Hobson, 1995. Chapter 4. pp.93-131.
114. Weiss & Hobson, 1995, p.96.
115. Weiss & Hobson, 1995, pp.111-112.
116. In Macmauley , 1996. pp.78-79. This section draws on this book and significantly on its third chapter "Thirties". pp.78-143. It is also significant to note that Wallerstein conceptualized the Soviet planning experiment as a "mercantilist semi withdrawal" from the world economy. "The Russian Revolution was essentially that of a semiperipheral country whose internal balance of forces had been such that as of the late nineteenth century it began to decline towards a peripheral status. This was the result of the marked penetration of foreign capital into the industrial sector which was on its way to eliminating all indigeneous capitalist forces, the resistance to the mechanization of the agricultural sector, the decline of relative military power (as evidenced by the defeat by the Japanese in 1905.) The revolution brought to power a group of state managers who reversed each one of these trends by using the classic technique of mercantilist withdrawal from the world economy. In the process of doing this, the now USSR mobilised considerable support, especially in the urban sector. At the end of the Second World War, Russia was reinstated as a very strong member of the semiperiphery and could begin to seek full core status." Wallerstein, 1979.pp.30-31.
117. Mann, 1993. p.391.
118. See Levi, 1988. pp.88-134. on this issue. "... the English tendency to tax trade led to the rise of parliamentary democracy and that the French tendency to tax fiscal assets led to absolutism." Levi, 1988. p.111.
119. Mooers, 1991. p.200.
120. Weiss & Hobson, 1995. p. 48.
121. Weiss & Hobson, 1995. p.130.
122. Killick, 1995. p. 18. The Killick ed. volume on different aspects of the concept and application of flexible economy gives an excellent panorama of the emerging literature on the subject.
123. See Chang, 1995 for an application of the concept of flexible rigidities to East Asian developmentalism. Gamble, 1998 might be considered in fact a forerunner of the idea of the dismantling of 'historical flexible rigidities' in the British case or the retreat from infrastructural power in the neoliberal era in a different "language". The British case under the neoliberal experiment is the denial of the co-existence of

flexible rigidities but rather the example of ultra-flexible market sustained by a 'rigid' state with diminished infrastructural or coordinating state power.

124. Petit, 1984. p.65. See Hall, 1986 p. 267 on the above point. For the political history of the foundation of the Fourth Republic in which post-war planning was initiated, see Rioux, 1989. pp.1-169.

125. Schmidt, 1996. p.76.

126. Seddon & Jones, 1995. p. 355.

CHAPTER III- 'STAATSBILDUNG' AS REFORM AND NEO-LISTIAN "NATIONAL POLITICAL ECONOMY" : THE LIMITS TO INFRASTRUCTURAL AUTONOMY AFTER 27 MAY 1960

1. Mardin, 1969. pp.261-262. Berkes, 1969. p.138. It is interesting to note what Berkes wrote on "absolutist-mercantilist" states in comparison to the Ottoman Empire indicating the shift towards infrastructural power: "*Devlet yine toplumun üstünde; fakat topluma kök salıyor.* Bu yüzden en önemli amaç, ticaret yolu ile anavatan olan üssü, ekonomik bakımdan güçlendirmek oluyor. Modern tarihin en önemli olayı budur ! Bu siyaseti güden devletlere "merkantilist" devlet deniyor. Berkes, 1970. p.76-77.....Servet biriktiren kitle ile süper sınıf arasında bir çıkar birliği kurulabilmesi için bu ikincinin devleti birincinin çıkarlarına göre yöneten yani, merkantilist ticaret , endüstri ve maliye siyasetleri güden kimselerden mürekkep bir yapı kazanması gerekir. Bu, aynı zamanda zırai ve sınai toplumu harekete geçiren bir siyaset olacak, dış ticaret muvazenesi lehe olarak kurulabilecek, ve para değeri korunabilecekti. Halbuki, ...süper-sınıfın gidişi bunun tam tersi bir gidiş olmuştur. Berkes, 1969. p.138.

2. Mardin, 1973.

3. See Divitçioğlu, 1981. pp.93-96. on the "circle of justice."

4. İnalçık, 1964. p. 49.

5. Ahmad, 1993 p.27.

6. Ertman, 1997. pp.318-322.

7. Avcıoğlu, 1979. pp.120-122. Other works that could be cited in the same contour are Cem, 1995, Küçükömer, 1994(2). Novichev, 1979.

8. Kasaba, 1989., Pamuk, 1984., Keyder,1982., Wallerstein & Kasaba, 1981., Wallerstein, 1980., Gülalp, 1994 can be sited as prominent works in this theoretical tradition as applied to the economic history of Turkey. See the penetrating introduction by Zafer Toprak to his Toprak, 1995 as an "enveloping essay" on how the aforementioned historical perspectives evolved in Turkey in 1960s and 1970s. See Hobsbawm, 1997. p.231 for the term "world-market marxists."

9. Weiss, 1997 p.7. also makes a similar observation on the 19th century “free trade-doctrine” basis of current globalisation but develops a “counter” argument in favor of the changing and increasing role for the nation-state. Öniş, 1998. pp.375-391 investigates the prospective role of the nation-state in terms of its effective strategic-interventionist capacity in the periphery from a similar standpoint in contradistinction to the premises of both the Neo-Braudelian school and the neoliberal orthodoxy in late development.

10. Keyder, 1997 in “Kapitalizm ve Azgelişmişlik ve Kalkınma İktisadının Sonumu ? İktisat Dergisi, No.366-367. p.7. “...Türkiye Devleti artık gerçekten bir burjuva devleti olmak mecburiyetinde. Globalizasyon, sermayenin dünya üzerinde birleşmesi, üniterleşmesi gibi olaylar, burjuvazinin artık burjuvazi olarak hareket etmesini gerektiren koşullar. Burjuvazi ‘de artık devletin verdikleriyle yetinebilecek durumda değil. Kendisi büyük bir arenaya çıkmak mecburiyetinde ve bunun için hukuki döneme ihtiyacı var, bunun için kendi söylediklerini söyleyebilme ihtiyacı var, bunun için serbest tartışmaya ihtiyacı var vb. Bu nedenden dolayı ulusal kalkınmacı Türkiye devleti, burjuva devletine geçiş döneminin krizini yaşıyor.” In Boratav, Aksoy and others, 1994 p.55. See also Keyder, 1993 for an extensive elaboration of the theme of the “crisis of national-developmentalism” and its socio-political consequences in the periphery.

11. Mann, 1993 p.40. One should note the common ground between Michael Mann’s and Joan Robinson’s observations –Robinson’s observation has been cited in the previous chapter- on the mercantilist nature of free-trade doctrine.

12. On a comprehensive discussion of the concept of “embedded liberalism”, see Keohane, 1984.

13. Keyder, 1987(c). p.298.

14. Ahmad, 1993. p.27. For the usage of the term “enlightened despotism” for Tanzimat statesmen, see Ortaylı, 1983. p.189.

15. Ortaylı claims that building the fiscal apparatus of the state was relatively underdeveloped in comparison to military and diplomatic spheres . Ortaylı, 1983 p.92. The failure of fiscal centralization during the Tanzimat era is also discussed by Findlay, 1989. p.29. For a comprehensive assessment of bureaucratic reform during the Tanzimat period, see Findlay, 1980.

16. See Toprak, 1995 for a penetrating investigation of the ‘national economics’ experiment during the Unionist period.

17. Ahmad, 1993. p.30.

18. See Toprak, 1995. on this issue.

19. Ziya Gökalp and Tekin Alp were the major nationalist thinkers of this era. See Parla, 1993 for a comprehensive account of Ziya Gökalp’s thought system. Parla

argued that “Solidarist-corporatism” was the principal ideological fountain of the Republican “Staatsbildung.” On a comprehensive assesment of the views of Tekin Alp- as well as those of Ziya Gökalp- see Toprak, 1995. It is seen that “national economy” was the accompagnying search for creating a national bourgeoisie to the process of “state-building” where both processes and their spheres of “ideas” were mingled with each other as one “whole” in the history of the foundation of the Republic. See also Parla, 1995 for the idelogical evolution of Republican-state building in 1930s in such a framework. See Keyder, 1976 for an assesment of the “theories of underdevelopment” effecting the intellectuals in 1960s.

20. quoted in Ahmad, 1993. p.44. See Georgeon, 1986 for a detailed analysis of Akçura’s views.

21. See Keyder, 1984 for the cosmopolitan-peripheral economic orientation in 1920s. It is the Kadro group who proposed “etatisme” as “third way”. See Küçük, 1981. p.79. for a criticism of this point. “Etatizmin bir “Türk Keşfi” olduğunu ileri sürmenin, salt gazete okuyarak beynini karartan geniş bir kütleden alkış toplama şansı çok yüksek; ancak bu görüşe bir bilimsellik kazandırabilmek için Fransız tarihinden Maliye Bakanı Colbert’i ve Rus tarihinden de Çar Büyük Petro’yu çıkarmak gerek.”

22. See Boratav, 1981 for an excellent analysis of the reasons for the policy shift from the protectionist phase (1930-1932) to the etatiste phase (1933-1939). Boratav, 1982 is no doubt the “classic” study on “etatisme”.

23. quoted in English in Günçe, 1967. p. 11. The article is reprinted in Coşar, 1995. pp.41-43.

24. Parla, 1993. p.91. I have my reservations on the usage of the term ‘neo-mercantilist’ for the period of “etatisme” because since Turkey had not had a previous mercantilist background in the Ottoman context, the usage of the term does not apply directly to its case which rather refers to the post-free trade “end of laissez faire/beggar thy neighbour” type of mercantilism among the advanced capitalist economies during the Great Depression years. The same concept is also applied to planned-ISI episode after 1960 by Sunar, 1996 p. 148. which enforces us to search for more sound conceptual classifications of Republican history within the context of “mercantilism” which is outside the targets of this study. On the other hand, Kepenek and Yentürk drops a footnote that etatisme has been considered by some authors as a “modern interpretation of mercantilism” in a pejorative sense degrading the achievements of the “etatiste” decade. Kepenek & Yentürk, 1994. p. 74. It should by now be clear that our conceptual apparatus in this study indicates just the opposite value of the concept. In that respect, a more structured historical catalogue of “Republican Mercantilism” remains a challenging task beyond the scope and goals of this study keeping in mind Hecksher’s reservations noted in Chapter 2 . Hence, the usage of the term ‘early Republican mercantilism’ seems to fit more accurate to define the ‘etatiste’ period as such. It thus allows us to reconsider the planned ISI episode as “late Republican mercantilism” as a more promising concept.

25. Küçükömer, 1994(2). pp.98. Marx dealt with the issue of primitive accumulation of capital in the twentieth section of Capital Volume III. Marx, 1978.pp.338-353. The difference with the West is that the emergence of industrial capital in Turkey still necessitated this primitive accumulation mechanisms in the "etatiste" episode which shaped its future evolution that relied still on state resources.

26. Uluatam & Tan, p.126. The establishment of some have been in fact based upon this law during this period.

27. Tasvir, 11 September 1946. quoted in Ekzen, 1980. p.7. See Ulutan,1970 pp.13-21. on the on the 1946 devaluation. Parla in fact noted that etatisme would be dropped out earlier in the "six-arrow" based-official ideology of R.P.P. Parla, 1995. p.42.

28. In fact, the so called "Vaner Plan" envisaging an import-substituting industrialization was on the agenda in 1947 but was put aside. Tekeli & İlkin, 1947.

29. Mihçioğlu, 183. p.230. Tan, 1984. p.81. Menderes talking on the 1958 Budget said : "Mütemadiyen plansızlıktan bahsederler. Plan meselesi yabancılarda yanlış zehap uyandırmak için ortaya atılmaktadır. Bu doğru değildir. Buna bir son vermek zamanı gelmiştir." Milliyet, 21 February 1958. On the formation of the Department of Appropriation and Distribution, see Mihçioğlu, 1998. pp.120-121.

30. Amelung, 1988. pp.49-51. Eroğul,1990. pp.169-174. "By 1960, not only the bureaucrats and intellectuals, but also Istanbul business circles rallied to the ranks of the opposition." Keyder, 1987(b). p.45. Belge's balanced observations from a marxist standpoint seem also to be worth noting in this respect in terms of explaining the fall of the Demokrat Party on 27 May 1960 : "Demokrat Parti yönetiminin , 27 Mayıs'la kapatılan son döneminde de böyle bir "iktidar-içi" kavranın en önemli rolü olduğu tahmin edilebilir. Ama Türkiye'nin tarihi ideolojilerinin de etkisiyle, bunun politik düzeye yansımaları farklı olmuştur. Örneğin, Menderes yönetiminin "Atatürkçülüğe" aykırı düştüğü ve bunun aydınları harekete geçirdiği ya da gene aynı sistematığın bir parçası olarak, Menderes zamanı kapitalistleşme sürecinin, yarattığı dengesizliklerle orta tabakayı yoksullaştırdığı ve bunun "asker-sivil aydın" zümreyi radikalleştirdiği gibi etkenler, asıl burjuvazi-içi kavgaya göre ikincil olmalıdır. *Olay bir kere politik düzeye taşırıldıktan sonra, bu zümrelerin orada etkinliği elbette ağır basacaktır. Ama bu politik yansıma, inisiyatifin bu zümrelerin elinde olduğunu göstermez.*" Belge, 1976. p.11. The observations of a journalist on the "milieu" after the intervention is rather illuminating also to justify the above analysis : "Ordu içinden gelmiş, bir anda ülkenin birinci sınıf insanı olan kişilere yedi ay süreyle övgü yağdırdı. *Hele İstanbul'un yararçı sınıfları, ihtilalcileri öylesine başka bir evrene sürüklemişlerdi ki, pek çok insan gibi, pek çok ihtilalci de, birdenbire, nereden nereye vardığını anlayamaz duruma gelmişti.*" Arcayürek, 1984. p.199. (*italics mine*) Belge's analysis is valuable in its political economy framework but it dismisses the autonomous action of the "State-Builders" and thus the collusion between the interests of the officers and the industrial bourgeoisie in their own particular domains, hence the reincarnation of "mercantilism as Staatsbildung" in its third wave. It is rather partial to consider the intervention as rather a reflection of the "autonomous" class interests of

manufacturing capital “in the final analysis” independent of the self-concerns of the “re-state builders”. It is also “crippled” to consider the 27 May 1960 inflection as “the last chain of the national-democratic revolution of the Turkish bourgeoisie.” Cem Eroğlu, “27 Mayıs Neydi ? Geride Ne Bıraktı.” *Cumhuriyet*, 3 June 1995. The phenomenon of “re-state building” is eclipsed by the reference to the term “bourgeois-democratic” revolution which, even though seemingly a marxist concept per se, shifts the essence of the problem to the “progressive versus regressive” diametry of the Kemalist construct of Turkish history. In fact, Eroğlu considers the movement as a “counter-coup” that pulls the center of the debate from the collusion of interests of the “State-builders” and newly born industrial capital to another axis. On the other hand, this point fact needs further elaboration to understand the 27 May 1960 inflection on a more sound and non-preferential basis - to the extent it is possible- in distance to current “relative” political stances towards the “reconstruction” of the past mostly inspired by the prevailing and dominant “democratization-civil society” aspirations whose political economy is mostly based on eliminating the obstacles -presumably- derived from state towards being part of the current “global heaven” that we are presumed to “adopt” ourselves at the end of the day. The problems emerging from rethinking the 27 May 1960 inflection thus provide also a perfect case study for how history should be written.

31. Keyder, 1987(a), Şaylan, 1981, Tüzün, 1981.

32. Tüzün, 1981. p.9. There emerges a close and consecutive complementarity between the “relative autonomy thesis” for the emergence of planning and the “absence of state autonomy” thesis in the course of ISI. See Barkey, 1989, 1990. for the latter thesis. Since “relative autonomy” in the final analysis precipitates to serve the accumulation requirements of capital and the “absence of state autonomy” is claimed to be the principal cause of ISI, the two views complement but contradict with each other at the same time. There is an implicit presumption in the first that the state would be “naturally” contained by the maturing capital in the final analysis and the second imposes the absence of autonomy to all phases of ISI without exploring the variation in its evolution. However, there is an implicit assumption in the latter that if state autonomy had been “present” without explaining why it lost such a potential in early days of planning, then the course of ISI would have been quite different. While the first view does not recognise the possibility of enhancing state autonomy and the state falls down to be “bourgeois” state as “an executive committee “ serving the class interests of bourgeoisie, the latter implicitly “complains” from this fact for having caused the crisis of ISI at the end. The perspective here is rather to find its changing locus between 1960 and 1980. It is claimed that the concept of “limited infrastructural autonomy”, having lost the potential for “embedded autonomy”, is more relevant as concept as effecting economic change in the first half of 1960s. In due order, it is not the absence of state autonomy but the loss of altitude from this limited infrastructural autonomy in time that empowered the powerful beneficiaries of ISI that blocked any flexible orientation in the course of mercantilism. As Pamuk observed, “.. the basic lesson to be drawn from the Turkish experience is that an ISI regime becomes difficult to dislodge owing to the power of vested interest groups who continue to benefit from the existing system of protection.” Pamuk, 1996. p.12. As had been discussed before, to prevent such a “neoliberal” picture of “rent-

seeking” as Krueger, 1974 portrayed it, the necessity of arresting industrial capital in its immature phase of development was detrimental to the emergence of the embedded autonomy of the developmental state. It is due to this reason that the early days of planning and the emergence of S.P.O. is crucial in terms of assessing the latter evolution of ISI along with the “ups” and “downs “ of state power.

33. “..the most important social structural condition favoring greater autonomy was the division of and stalemate in the balance of social forces within the dominant class, and it was in this context that the founders of Turkish planning were propelled into action. Yet as soon as the political unity of the bourgeois class was restored under the dominance of the internal-market-oriented consumer goods manufacturing group which was linked to foreign multinationals as major clients, the short Bonapartist episode in Turkish history was over.” Milor, 1990 p.5.

34. Milor, 1996 pp.283-284. Milor, 1990. p.326.

35. Keyder, 1987(a). p. 144.

36. Keyder, 1987(a). p.143.

37. See Karaosmanoğlu` s maxim in the beginning of the chapter.

38. Barkey, 1990. Amelung, 1988. Boratav, 1985. pp.94-118.
Boratav, Keyder & Pamuk, 1987. Keyder, 1987(a). 141-196.

39. Keyder, 1987(a). p.152.

40. See Maxfield & Nolt, 1990 p.50.

41. Maxfield & Nolt, 1990. p.50.

42. In Azcanlı, 1995 p. 100.

43. Yentürk, 1992. p.274.

44. The conceptual distinction between “defensive” and “offensive” protection belongs to Killick, 1995 p.387.

45. Şaylan considers the planning ideology as a reincarnation of the views of the Kadro magazine of early 1930s. See Şaylan, 1981. p. 201.

46. Attila Karaosmanoğlu gave the testimony on their relative “inability” to think import substitution on a more strategic basis at the time. Interview with Attila Karaosmanoğlu. A similar confession has also been made by Baran Tuncer. Interview with Baran Tuncer. It is also worth noting in this context that İdris Küçükömer praised the early planners as being the “first responsible knights of thought in Turkey.” Küçükömer, 1994/1 p.23. The literature on historical institutionalism seems to provide further insights on the relationship between ideas, institutions and interests

as we noted. "New ideas can cause group to rethink their interests." Thelen & Steinmo et. al. 1992. p.8. It was Oktay Yenal who argued that inward-looking policies were the result of the "activist" inclinations of policy-makers. Yenal, 1979.

47. Gourevitch, 1986. p. 47.

48. Seddon & Belton-Jones, 1995 p.355.

49. The term "resource-approach" belongs to Bulutoğlu with respect to Kaldor's proposal. Bulutoğlu, 1967. p.192. "During the late 1950s and 1960s, taxation of agriculture was one of the battle cries of the intelligentsia. Identifying themselves with a Saint-Simonian project of industrialization, and armed with a distorted analysis of the agrarian structure, they felt that agricultural taxation would respond to the problems of development that beset Turkey. The urban-industrial bias in this diagnosis was evident, and derived in large part from a technocratic reading of the Soviet experience." Keyder, 1987.p.157.

50. Keyder, 1987(a) p.156-157.

51. Avciöglü, 1990. p.689. It should be also noted that Nicholas Kaldor who came to Turkey in early sixties to analyze the land taxation question would testify the political power of landed interests even in 1969. In Ahmad, B.T. & Ahmad, F. 1976, p.374.

52. Migdal, 1994 p.10. See Avciöglü, 1990. p.689-700 on land reform in 1960s.

53. Milor, 1996. p. 285.

54. Keyder, 1987 (b) p.59.

55. Ahmad, 1993 p.127.

56. Aydemir, Şevket Süreyya, Devlet Planlama Teşkilatı Vatan, 26 Mayıs 1962 "27 Mayıs hareketinin devlet yapısına getirdiği en başarılı hizmet organının "DPT" olduğunu belirtmek bir gerçeği ifade etmek olur." For other important examples see, Dünya, 23 Mayıs 1961. Falih Rıfki Atay, Planlama Dairesine Dair. Doğan Avciöglü, Kalkınma Stratejisi. Yön, 14 Mart 1962, 13, p.3. Yalman, Ahmed Emin, Yeni bir akın Devrinin icapları. Hür Vatan, 27 Şubat 1962.

57. Gürsel, Cemal, 1961. "İkinci Cumhuriyet Anayasası ve Planlama". Planlama 1/1 p.7. See Also Forum, 1 Haziran 1960 "İkinci Cumhuriyet Anayasası ve Kalkınma". It is also striking to note that Gürsel expressed the "re-state building" goal in the initial days following the intervention he made in the Assembly as follows : ".....bu kötü idare neticesinde Devletin temelinden sarsılmış olan iç ve dış itibarını iade etmek, tehlikeye düşen milli varlığı kurtarmak, eskiyi tasfiye ederek *yepyeni bir devlet kurmak*, her milletini ve memleketini seven için bir mukaddes vazife olmuştur."*(italics mine)* In Tunçkanat, 1996. p.287-288. The motive to establish a new state was inspired by the very fact that the state as "First Republic" was perceived to be eroded by the domination of the State by the Party. Orhan Erkanlı, a leading member of the

“coup”makers, said interestingly the following in relation to 1950s: “The institution of the state was transformed into an apendage of the Party Organisation.” quoted in Ahmad, 1993. p.125. Heper interpreted the reaction to such a concept of state as follows : “The intellectual-bureaucratic reaction against the new oligarchy that emerged in 1950s was primarily a reaction to the new concept of state which in the last analysis was contrary to the bureuacratic-ruling tradition. For one thing, politics was no longer used to promote the interests of the nation as a whole, but were utilised to promote the ends of a few.” Heper, 1971. pp.277-278. It is perhaps the inherent “impotence” of the officers to reformulate an anti-corporatist ideological framework that would have transcended this “bureaucratic-ruling “tradition that led them to restore and restrengthen the “solidarist-corporatist” ideological basis of political-administrative framework in the corpus of the Second Republic as Parla underlined the official-ideological continuity during Republican political history. The limits to the emergence of infrastructural state autonomy can and should also be analysed as a further research agenda with respect to this ideological “eclipse” of the “radical” officers since this also shaped their relationship with R.P.P. Some of them were wise enough to consider its organic link to the socio-economic order as equivalent to that of DP. “İhtilalin sosyal ve ekonomik olabilmesi ve bu yolda başarıya erişmesi için doğuşundan önceki siyasal mekanizmayı temelden yıkmayı, sosyal ve ekonomik düzeni olumlu bir biçimde değiştirmesi, sosyal güçleri yeni bir dengeye ulaştırması gerekir. Geçmişteki sosyal ve ekonomik mekanizma devam ediyorsa siyasal mekanizma da devam edecek demektir. Yeni sosyal güçler örgütlenmezse, hiç değilse sosyal ve ekonomik yapı değişiklikleri yaratılmazsa önümüzdeki yıllar için karşı ihtilal alternatifi Türkiye’yi çok güç durumlara sokabilir. Geçmişin CHP-DP mekanizması değişmezse zaman tersine çalışacak, ihtilal o zaman tam bir çıkmaza girecektir.” These lines belong to one of the critical figures of the intervention, Numan Esin. In Hekimoğlu, 1975. pp.29-30. But, the known political itenary eliminated such weak “resistance”s to the cult of İnönü as the personal heir of “official ideology”. In fact, the original skeleton of the 1961 constitution is found to be in the “Declaration of First Targets” of the XVII. R.P.P Congress in late 1950s to rally the opposition against DP rule. See Kili, 1976. pp.161-164. on the “Declaration of First Targets”. The officers were to a large extent left to wear the “ready jacket” of R.P.P in the absence of a divergent consistent ideological framework and program whose possibility was obviously limited. Those officers who in fact later approached the “left” (Turkish Labor Party) were called by İnönü as the “confused about their mission.” In Arcayürek, 1984. p.199. This actually meant obviously that the intervention should by definition have followed the “official “path represented by him.

58. The State Planning Organization was established on 5 October 1960 with Law 91. The Constitutive Assembly assembled on 6 January 1961. I owe this point to Günçe, 1981 p.124. Keyder’s observation on the issue is highly supportive of our view : “The establishment of a State Planning Office (S.P.O). of chosen technocrats appeared to be the *original purpose of the military coup*, considering the tone of the debate around this new institution”(italics mine)” Keyder, 1987.p.148. See Sezer, 1981.p.73. , Mihçioğlu, 1983.p.233. and Forum 15 July 1960. No.161. “Korporatif Meclis ve İktisat Şurası Teklifleri” on the developments concerning the “National Economics Council”. The following lines in the above issue of Forum is significant why the State Planning Organisation was not materialised along with an Assembly of

National Economics : “İktisat Şurasına gelince, bu teşekkülü de , merkezi bir Planlama Dairesinin kurulması muvacehesinde, lüzumsuz bulmaktayız. Planlama Dairesinde meydana gelecek ihtisas grupları, taallük ettikleri sektörlerde, hususi teşebbüs, dernek ve sendikalar temsilcileri ile daima temas etmek imkanı bulmuşlardır. Böylece, kısmi planların yapılmasında, meşkur teşekküllerin reylerine başvurulacak, düşüncelerinden istifa edilecektir. Bunlar bir araya getirildiğinde, Plan Umum-i Heyetince müzakare edilerek, Parlamento ‘nun tasvibine sunulacaktır. *Plan umum-i heyet-i, teşekkülü itibariyle meseleleri zümreler zaviyesinden değil, milli ekonomi açısından göremek mevkiindedir. Bu planın muvaffakiyet şartlarından biridir.* Bu şartlar altında, müstakil bir İktisat Şurasının üstelik Anayasa Organı olarak kurulmasının, planlama hususunda iki ayrı yetkili organ meydana getirmekten ve uzun ihtilaflara yol açmaktan başka bir neticesi olmayacaktır. Planın hazırlanması zaten uzun zaman isteyen ve *efkârı umumiye tarafından benimsenmesi icabeden (italics mine)* bir iştir. Planın hazırlanması, müddetinin uzatılması ve hazırlık safhasında uzun ihtilaflara meydan verilmesi her bakımdan mahzurlu olacaktır.” p.7.

59. 11 Ekim 1960, Milliyet.

60. For the foundation law and other legislation on State Planning Organization, see Devlet Planlama Teşkilatı ile İlgili Mevzuat, 1996. Bayram, 1994 is a comprehensive source on the debates concerning the legal and regulatory aspects of the installation of the State Planning Organization in the general administrative structure.

61. First Five Year Plan Development Plan .S.P.O. 1963. p.76.

62. (Merkezi Hükümet Teşkilatı Araştırma Projesi) Berkman, 1981pp.212-214.

63. Torun, 1965. p.334. See Berkman, 1981 for a detailed discussion of the issue.

64. Aytür, 1972 p.37.

65. In Bener, 1991 p.174.

66. See Parla, 1993, 1992 for an analysis of the ideology of early Republican “Staatsbildung” as rooted in solidarist-corporatist framework.

67. The term “nationalism” present in the 1924 Constitution was converted to “national” in the text of the 1961 Constitution for various reasons but also taking into consideration the external constraint of integration with the Common Market where the “interwar” term “nationalism” might have constituted an impediment on that goal in 1960s. See Tanör, 1996 p.296 for this point.

68. See Kili, 1971 pp.64-145 for a lengthy summary of the Assembly Debates on the 1961 Constitution.

69. See the next chapter for further details on the issue. It is therefore mistaken to consider the planners as a monolithic whole in their political orientation. To be evaluated with caution, alliance between Republican People’s Party and the Ministry

of Finance was the limiting factor behind the “reformist” challenge of early planners as is seen below. It is therefore inappropriate to equate the rise of the neo-statist kernel with the political back-up of Republican People’s Party even though the need for planning was put forward in its struggle against the Democrat Party rule.

70. For the political stance of Turkish Labor Party in 1960s, see Belge, 1983. It is worth noting that an early publication of Turkish Labor Party circles was named “Social Justice”.

71. Indeed, the Tinbergen-Koopmans “Memorandum on the Organization of a Central Planning Bureau” did not contain any reference to “social planning” and concentrated on the disciplining of investments. See Mihçioğlu, 1983 pp.247-249 for the Tinbergen-Koopmans “memorandum”.

72. Mortan & Çakmaklı, 1987 pp.79-81, 96.

73. In Mortan & Çakmaklı, 1987 p.126. “Plancılar, Türk Toplumunda ekonomik kalkınmanın yapısal değişiklikleri gerektirdiğinin farkındaydılar. Bu nedenle, özel “Sosyal Planlama” Dairesi ile birlikte, “sosyal planlama”kalkınma çabasının yasal ve vazgeçilmez bir parçası oldu. Plancılar salt ekonomik açıdan düşünmüş olsalardı (böyle yapmak olanaklı olsaydı), işadamlarının ve toprak ağalarının desteğini kazanmış olabilirlerdi. Sosyal değişim ve sosyal adalet sözleri bunları adeta telaşa düşürdü ve onları sürekli geri durmaya ve işbirliğinden kaçmaya zorladı”. Ahmad, 1994. p.316.

74. Parla, 1993. p.196.

75. See Boratav, 1990b. p. 144 on the intellectual continuity between “national economics” and State Planning Organization.

76. Interview with Günel Kansu.

77. Keyder, 1987, p.149.

78. See Kıray, 1967 and Torun, 1967 on social planning and the social planning department during the First Five Year Plan. See Keyder, 1987(a). pp.148-150. on the concept of “as if” “social-democratic equilibrium” . Ahmad interpreted the position of industrialists as follows : “Such people could not comprehend why the republic was described as a “social state” in the Constitution, and why all sorts of rights were being given to the people. For example, they preferred a disciplined and tightly controlled work force (as under the Democrats) and believed that it was premature to give Turkish workers their rights to strike and bargain collectively.” Ahmad ,1993. p.133.

79. “Plan Hedefleri ve Stratejisi”.Kalkınma Planı Birinci Beş Yıl. (1963-1967),1963. p.526.

80. This “gap” of social planning , interestingly, would be filled by the populism of Republican People’s Party of Bülent Ecevit in mid 1970s with formulations of “people’s sector”.

81. Interview with Attila Karaosmanoğlu.

82. Milliyet, 18 Eylül 1962. "Kalkınma Planına en şiddetli tepkiler Odalar Birliği'nden gelmiştir.

- Özel Sektör'de hazırlanış anında yeteri kadar işbirliği yapılmamıştır.

- Özel Sektör, kendisine layık vechile önem verilmemiş olduğu hissine kapılmış böylece endişeye sevk edilmiştir.

- İç finansman için ihtiyaç hissedilen vergi artış nispetleri realist değildir.

-Devletçiliğin plana hakim olduğuna inanıyoruz."

83. Milliyet , 24 January 1963. "Başbakan Yardımcısı Ekrem Alican 1962 geçiş programındaki başarısızlığın sebebini teknik kadroların (mühendisler vs.) eksikliğine bağlıyor. İhtilafın planlama uzmanları ile bakanlar arasında olduğu anlaşılmaktadır. Plancılar, 1962 tatbikatının aksaklıklarının 1963 yılı programına yeni külfetler yüklediğini, bu yıl zarfında ulaşılmak istenen yüzde yedi kalkınma hızının gerçekleştirilmesi için iç finansman tedbirlerinin çok kesin ve tedbirli olması gerektiğini belirtmekte, hükümetçe düşünülen vasıtalı vergileri artırma yolu ile gereken iç finansmanın sağlanamayacağını ileri sürmektedirler. Plancılara göre mevcut tedbirler yerine köklü reformlar yapılmadıkça gereken ek gelirler elde edilemeyecek , ya kalkınma hızı gerçekleştirilemeyecek ya da enflasyona gidilecektir." Milliyet ,16 September 1963. "Özel Sektörün Haksız ve Haklı İstekleri", Milliyet, 23 July 1963. "Bakanlar Planlamayı İnönü' ye Şikayet Etti."

84. This is the famous epigraph in the beginning of İlkin , 1967.

85. Küçük,1985 p.91.

86. See Önder,1981 for a full text of the "Kaldor Report". "Asıl Çözülmesi gerekli olan ve henüz şimdiye kadar kimsenin tatmin edici bir çözüm getiremediği sorun ihtilal olmaksızın ihtilal olasılıklarını tümüyle ortadan kaldıracak bir güç dengesi değişikliğinin nasıl başarılacağıdır. Dış dünya, bu ülkelere iktisadi ve sosyal reformlarını tamamlamadıkça yardım görmeyeceklerini bildirip baskı yaparsa, acaba sorun çözülmü ? Ya da geri ülkelerin geri kafalı yönetici sınıflarını bir çeşit eğitime tabi tutarak bu sorunu çözebilir miyiz ? Tarihte bu sorunun çözüldüğü durumlar vardır ve fikrimce XIX. yüzyıl İngilteresi bunun en iyi örneklerinden biridir. İngiltere'de XIX. yüzyılın yönetici sınıfı, sosyal istikrarı sağlayabilmek için kendi arzularıyla imtiyazlarının pek çoğundan vazgeçmişlerdir. *Ama yönetici sınıflar böyle bir davranışa yanaşmazlarsa, yanaşmaya mecbur edilebilirler mi ?*" quoted in Mortan and Çakmaklı, 1987. pp.185-186.

87. The statement was made by Osman Nuri Torun to his colleagues to reveal his idea to resign from SPO. In Mortan & Çakmaklı , 1987 p.194.

88. Milliyet, 18 September 1962.

89. Interview with Attila Karaosmanoğlu.

90. Karaosmanoğlu records his interrogation by the National Unity Committee during the preparation of the S.P.O Foundation Law. The N.U.C members were wondering why they refused the offering of *a form of power* surpassing that of the government by them. He replied in the following way: "Then the so called planning organization will be the government itself. There is no possibility to accept such a regulation." In Mortan & Çakmaklı, 1987 p.293. Karaosmanoğlu repeated the same incidence in our interview also. He also added that some foreign experts have also declared their reservations on the "equal" sharing of power between the government members and planners in the High Planning Council. According to S.P.O Foundation Law No. 91 enacted on 30 October 1960 , High planning Council consisted of Prime Minister (or Vice Prime Minister), 3 ministers elected by the Council of Ministers, S.P.O Undersecretary and 3 Heads of Departments.

91. In Mortan and Çakmaklı, 1987 p.322 .

92. Milor, 1995. p.280.

93. Ahmad, 1994. pp.320-321.

94. See Haggard & Maxfield, 1993. p.310. for further details on the subject.

95. Öncü & Gökçe, 1991. pp.107-108.

96. Milor, 1995. p.363.

97. Türel, 1995. p.1053. Moreover , it should also be pointed out that the planners left the distribution of foreign exchange quotas among the industrialists-importers to the Chambers of Commerce without any selective enforcement as remained intact without any reorganization of this critical semi-public interest association.

98. Interview with Ziya Müezzinoğlu. It is worth noting here that Şefik İnan, Doğan Avcıoğlu, Mümtaz Soysal were also appointed as such from "outside" to the Constitutive Assembly. Müezzinoğlu notes that İnönü took the permission from his party to include this group in the Constitutive Assembly.

99. Mortan & Çakmaklı, 1987 p.196.

100. Interview with Ziya Müezzinoğlu.

101. It is extremely important to recall what Ferit Melen -who strongly opposed the reformist challenge of the planners- said during the Assembly Debates on the 1961 Constitution : "Even Germany developed with foreign aid. Let us not reject foreign aid because of chauvinism." In Kili, 1971 p.113. Özdemir's observation on the status of R.P.P during the Constitutive Assembly era is highly illuminating on the "conservative" wing of R.P.P and Melen inside it. "...Temsilciler meclisi oluşturulurken DP'lilerin dışlanmaları ortaya CHP'lilerin çoğunlukta olduğu bir topluluk getiriyor. Bu durumun Temsilciler Meclisi'nin eğilimini fazlaca belirlediği düşünülmesin. CHP'nin o zamanki yapısından gelen üyelerin çoğunlukta olduğu

mecliste bile, mülkiyet sahibi sınıfları temsil eden muhafazakarlar ile hedeflerine varmak için askeri bir diktatörlüğü savunan ve Türk Bonapartizminin hiçbir zaman iktidara gelemeyen kanadı, Sol-Kemalistler arasında keşkin ve uzlaşmaz ayrılıklar bulunuyordu.” Özdemir, 1995. pp.262-263. I agree with this insightful observation of Özdemir which contributes to my argument on the emergence of limited autonomy of SPO. However, my reservations remain as above on his usage of the concept of “Turkish Bonapartism.”

102. Müezzinoğlu here refers to state administration in different Ministries. Planning units were formed in different administrative entities.

103. Interview with Ziya Müezzinoğlu.

104. “Geri kalmış ülkelerde ilk devirlerde Maliye Bakanlığı yeniden örgütlenip arzu edilen bilimsel hareket seviyesine gelinceye kadar planlamada yeniden ve bağımsız bir teşebbüse girişmek ve bu örgütü Maliye Bakanlığı dışında, tercihan Başbakanlığa bağlı bir örgüt olarak kurmak yararlı olur. Böylece hiç olmazsa bu örgüt geçmişin tortularından etkilenmiyerek gerçek mantığı ve hızlı kalkınmanın gerekleri içinde kurulur ve öylece yürütülür. Bu suretle ekonomik politika alanında Maliye Bakanlığı’nı devamlı ikaz edecek, onun dışında bir heyet bulunur. Bu heyetin devamlı itiraz ve itmeleri ile Maliye örgütü ve ekonomik politikaya bilimsel ve mantıki bir nitelik verilir. Mantıki bir ekonomik politika yürütülmeye başlanınca -ki bu ancak politik bakımdan tatsız bir sürü zorlu tedbirin alınması ile mümkün olacaktır.- Maliye Bakanlığı ve Planlama Teşkilatıyla bu tutumun enaz iki ateşli savunucusu bulunur. ayrıca yeni bir kuruluş ve geçmişin günah ve sevaplarından bağımsız bir kuruluş olarak planlama kanalıyla normal olarak Maliye Bakanlığı’nın telkin ve hareketlerini kabul etmeyecek, kısaca Maliyeye karşı bir ön yargı ve çekingenliği olan Bakanlıkları ve Teşkilatları da sıhhatli bir görüşün telkini altında tutabilmek mümkün olur.” Kurdaş, 1979. pp.15-116.

105. See Uluatam and Tan, 1982. pp.29-43. and Falay, 1979. pp.181-182 for further details on the subject. Interestingly, Karaosmanoğlu said that they were extremely eager to learn on how the budget was prepared in the Ministry of Finance and made frequent visits to the ministry. Interview with Attila Karaosmanoğlu. See Saybaşı, 1976 on the share of investment expenditures during the planned development phase.

106. Şaylan, 1981 p.197.

107. The decree on the operation Ereğli Iron-Steel complex has been prepared by this Committee and outside the High Planning Council. Interview with Karaosmanoğlu.

108. Interview with Besim Üstünel.

109. These new cadres, Üstünel said, proved with their stock management analyses of SEEs that a considerable amount of investable funds were available. It was reported that an amount 1.8 billion TL S.P.O brought this finding to the High Planning Council and İnönü had called the managers of all SEEs to the meeting. He asked them what their stock management policy was. It was realized that most of the managers even

had not had such a concept. The following anecdote reveals what the “old” bureaucracy thought about the “new bureaucracy”. One of the managers complained about the planners to Prime Minister İnönü and said : “Pacha, these planners put politics into everything. Can there be any “politics” of stocks ?” This simple anecdote reveals how the traditional public sector had defended its status against the “new bureaucracy”. Interview with Besim Üstünel.

110. Günal Kansu and Hüsnü Kızılyalı were two of these cadres who were sent to Ph.D study by Kemal Kurdaş, Minister of Finance during the National Unity Committee government. See Küçük, 1985 p.303 for this point. The planners were interested from early days with how budget was prepared in the Ministry of Finance. Interview with Attila Karaosmanoğlu.

111. Interview with Besim Üstünel.

112. Mortan & Çakmaklı, 1987 p.1987.

113. In Mortan & Çakmaklı , 1987 p.202.

114. Cumhuriyet, 7 December 1970. “Zoraki Diplomatin Dedikleri”. “..boyuna taviz yapıyor. Planı berbad etti. Ekonomik planı berbad bir hale soktular. O Melenler, bilmem nelerin gerici iktisatçıların görüşlerine göreBu memleketi asıl yükseltecek şey, bütün ümit o planın noktası noktasına tatbiki idi. Ve o planı yapanların hepsini ekarte etti. Büsbütün uydurma, yürümeyen bir şey yaptı.”

115. Planlamada İhtilaf. Milliyet, 2 August 1962. Melen put forward the reason that there had not been a land registry study for the Kaldor proposal to be valid in Turkey. See Minister of Finance Ferit Melen’s speech in the parliament on the elimination of land reform from the First Five Year Plan, in Bozbeyli 1969b, pp.180-192.

116. Milliyet, 24 May 1962.

117. Cumhuriyet, 26 May 1964. “Tijnbergen İkinci Beş Yıllık Planda hedef bakımından değişikliğe ihtiyaç görmüyor.”

118. Küçükömer, 1994 (1). p.21.

119. Sunar, 1996 p.147.

120. “The officers who carried through the coup of 27 May 1960 were ideologically, the direct descendants of CUP, with perhaps a less clear idea what they were trying to accomplish.” Keyder,1987. p.46. The “last Young Turk” identification of 27 May 1960 intervention has also been interestingly noted in a recent series called “İhtilal İstanbulu” published in Türkiye Gazetesi, 27 May 1998. It has been recorded that the graves of Talat Pacha and Cemal Pacha, the two chief leaders of the Union and Progress Party, in the Hill of Monument of Freedom (Abide-i Hürriyet) were frequently visited after the 1960 intervention by low-rank young officers.

121. Milor, 1990. p.3.

122. Mardin, 1980. p.44. After the reform measures were withdrawn from the First Five Year plan text, İnönü made the following statement : “What can I do ? My power is not sufficient.” In Avcıoğlu, 1990. p.778.

CHAPTER IV- THE FORMATION OF THE 4TH DEPARTMENT INSIDE THE STATE PLANNING ORGANIZATION : THE END OF LIMITED INFRASTRUCTURAL AUTONOMY

1. In Öztürk, 1968 p. 628. It should also be noted that the High Planning Council did not meet for a long time before the elections of 1965 which was interpreted as a sign of the reduced power of the State Planning Organization. “Planlı Çalışma Baltalanıyormu” . Milliyet , 4 July 1965.

2.Cumhuriyet, 4 February 1966.

3.Press Conference, Ankara 5 March 1966. “Başbakan Süleyman Demirel’in On Basın Toplantısı”,1968 p.97.

4.Interview with Baran Tuncer. See also Milliyet, 5 April 1966. Açıklamak Gerek... “Hükümetin Planlama Teşkilatı ile sıkı işbirliği yaptığını gösteren herhangi bir belirti yoktur. Aksine planlama uzmanları ile hiçbir ciddi temasta bulunulmamakta, hükümetin plan ve programla ilgili olması gereken *icraatını başka çevrelere danışarak hazırladığı sezilmektedir (italics mine)*. İhtilalden beri üzerine titizlikle titirenen DPT altı ay içinde varlığı hissedilmeyen ve faaliyetine lüzum görülmeyen bir kurum haline getirilmiş gibidir.” Kemal Cantürk says that Özal functioned as a consultant to Prime Minister Demirel on issues related to planning from the end of 1965 till his definitive appointment on 31 January 1967. See Özsoy , 1994 p. 85. See also Çolaşan , 1989 pp. 34-40 on how Özal had moved into the State Planning Organization.

5.Interview with Günal Kansu.

6.Aytür, 1965 p.9.

7.Interview with Günal Kansu. See also Kansu, 1994 p.13-14 , Bener , 1991 pp.193-196 and Ölçen, 1996 pp. 171-175 for further details on the resignation of Memduh Aytür from the State Planning Organization. It was said in press that he would have been succeeded by Haluk Cillov or Memduh Yaşa. 2 March 1966, Vatan. Cahit Kayra, the notable member of “old” bureaucracy of Ministry of Finance wrote in a literal way as follows in relation to Aytür’s “enforced” resignation from S.P.O as follows : “ We do have an Ottoman tradition. The man who demonstrates himself, who demonstrates himself a lot, is damaged, is done away with. In old times, we were cutting the heads of vezirs and sadrazams. This was of course the sanction valid two hundred years ago. Now, we are removing the man from a place like Planning, State Planning *where continuity is very important (emphasis mine)* and making him Consultant to the Central Bank.” In Bener, 1991 p.193.

8. "Stratejinin Stratejisi". Milliyet, 4 July 1966. Also reprinted in Aytür, 1970 pp.22-28. See also Aytür, 1970 especially the section called "Kalkınma ve Kamusal Düzen" pp. 231-281 on the relationship between plan, law and administration.

9.Kansu, 1994 p.14.

10.Interview with Baran Tuncer .

11.Orhan Çapçı resigned as the General Directorate of "Vakıflar Genel Müdürlüğü" after 27 May 1960. He worked then as Director of "Kıbrıs Administration of Estates in Mortmain" prior to his arrival to the State Planning Organization. Cumhuriyet, 25 March 1966.

12.The appointment of Çapçı had not been easily "digested" by the planning cadres. Kansu says that after having worked with two undersecretaries like Ziya Müezzinoğlu and Memduh Aytür, the appointment of Çapçı was not acceptable by any means. Even though they considered Çapçı as a "gentle" person, they were sure that he was not the person to manage such a post. Çapçı was also aware of this fact and he always sat next to the desk of the Undersecretary instead of the chair itself. Interview with Sevil Korum. See also Ölçen, 1996 pp.180-182.

13.Cumhuriyet, 12 April 1966.

14.Cumhuriyet, 26 May 1966.

15."Cevdet Sunay plancılara "Siz hükümetin kurmaylarısınız" dedi." Milliyet, 26 May 1966.

16."Devlet Planlamada Çözülme başladı." 1 October 1966, Cumhuriyet.

17."Planlamada Hırsızlık" Akşam, 23 September 1966. İlhami Soysal, Planlama Rezaleti, Akşam, 24 September 1966.

18."Çapçı Planlamanın Raporunu Ortadan Kaldırdı." Akşam, 24 September, 1966. Ecvad Güresin, Planlamanın hali ve bir rapor, Cumhuriyet, 3 Ekim 1966.

19."Orhan Çapçı rapor için "Hükümetin müdahalesi yoktur" dedi." Cumhuriyet, 4 October 1966, "Planlama teşkilatında İstifalar devam ediyor. Gerekçe : Teşkilat kukla haline geldi." 5 October 1966, Akşam.

20."Plancılar Toplanmak için Demirel'den haber bekliyor." Cumhuriyet, 2 October 1966,

21.Tuncer resigned from office on October 4th, 1996.

22.Baran Tuncer told us that the "memorandum" had been lost during his extensive travel years. The information here is based upon my interview with him and news of

the period. See "İktisadi Daire Başkanı'da görevinden ayrıldı." Cumhuriyet, 5 October, 1966.

23. Interview with Günal Kansu.

24. Interview with Baran Tuncer. See also Baran Tuncer, "Teşkilat yapıcı gücünü ve dinamizmini kaybediyor.", Cumhuriyet, 28 October 1966. It was also recorded in press that Tuncer brought an opposition commentary to the strategy of the Second Five Year Plan for the fact that the issue of land reform was absent in it. Cumhuriyet, 18 November 1966. In our interview, Tuncer said that there was no such opposition from his side to the strategy of Second Five Year Plan.

25. Baran Tuncer, "Teşkilat yapıcı gücünü ve dinamizmini kaybediyor.", Cumhuriyet, 28 October 1966. Tuncer refers here to the "non official-planners" mentioned above, i.e. Turgut Özal and his close circle.

26. "Planlama Müşaviri İstifa etti." Milliyet, 4 November, 1966. It is worth noting what Ceyhan said in the meeting before he left the organization: "Planning institution is rapidly moving towards a collapse from the technical standpoint. From the other side, the prestige of planning institution is nullified besides other administrative institutions. No discipline of plan and program is left. Everybody can make the changes he likes in the programs."

27. See also Abdi İpekçi, "Planlama Çökertiliyormu ?" Milliyet, 5 October 1966 and Abdi İpekçi, "Hükümet ve Planlama", Milliyet, 7 October 1966 for an explicit account of this point from a journalist's viewpoint.

28. Cumhuriyet, 6 October, 1966. "DPT'de ki çöküntü iktisadi itibarımıza dokunur."

29. Press Conference, 15 October 1966, Ankara. In "Başbakan Süleyman Demirel'in On Basın Toplantısı, 1968. p. 278.

30. Cumhuriyet, 18 October 1966. "Planlamayı vekiller İdare ediyor."

31. See Akşam, 14 October 1966. "Kafese Konan Plan", and Akşam, 15 October, 1966. "Planlamanın Encamı."

32. Kansu says that it was Baran Tuncer who advised him to Orhan Çapçı to be the Head of the Economic Planning Organization. Interview with Günal Kansu.

33. A series of articles had been published by Erol Zeytinoğlu on the subject in Istanbul Ticaret Odası Gazetesi. "Plan ve Planlama", 14 October 1966. Hükümet ve Plan, 21 October 1966. Hükümet ve Planlama Teşkilatı, 28 October 1966.

34. Head of Union of Chambers Sırrı Enver Batur said : "Kalkınmamızın süratli yolu özel teşebbüsü teşviktir." 15 September 1966, Türkiye İktisat Gazetesi.

35. Vatan, 23 July 1966.

36. Milliyet, 18 November 1966. "Demirel'in isteđi ile Plan Stratejisinde deđişiklik yapıldı."

37. Milliyet, 20 November 1966. Süleyman Demirel, "Türkiye'de İktisadi Planlama"

38. Cumhuriyet, 1 November 1966.

39. The meeting notes of the first and second National Colloquiums have been published as a Special issue by the State Planning Organization. "Ulusal Kollokyum Hedef ve Strateji Toplantı Notları". Planlama Özel Sayı, November 1967.

40. Kansu says that the International Colloquium had been postponed two times previously for the reason that the technical preparations were not ready. Interview with Günal Kansu.

41. Milliyet, 22 November 1966. Vatan, 22 November 1966.

42. Interview with Günal Kansu.

43. The "U-turn" was reflected in the two declarations of Tinbergen. He initially made the statement after the 1965 elections that "the plan could not be changed outside the planning organization". After the resignations, "there can't be two captains in one boat" was the statement reflecting the "U-turn". For a severe criticism of Tijnbergen's "U-turn", see Osman Koçtürk, "Tinbergen'e Dikkat" Forum, 308. 1 February 1967 pp.11-13.

44. Milliyet, 24 November 1966.

45. Sırrı Enver Batur, "Devletçilik zihniyeti kökünden kazınmalıdır." Son Havadis, 28 October 1966. "İnönü hükümetlerinin 'kötü mirası ortaya konuldu'. Son Havadis, 9 November 1966.

46. The General Secretary of Union of Chambers, Necmettin Erbakan said : "İkinci Beş Yıllık Kalkınma Planının Sanayi Kanununu gözönünde tutarak kanunlaşmasını istiyoruz." Türkiye İktisat Gazetesi, 2 March 1967.

47. Akşam, 25 December 1966.

48. Vatan, 8 January 1967. See the appendix for the official dates of these appointments.

49. The plan strategy document was submitted to the High Planning Council on 26 October 1966 and was accepted by the Council of Ministers on the 17 January 1967.

50. Interview with Günal Kansu. Ölçen, 1996 pp. 184-191. Yalçın Küçük. "Sarı Planlama" Yön. V.6. No. 207. 10 February 1967.

51. Tijnbergen, 1967.

52. Celasun, Çınar, Ölçen, 1966 p.4.

53. "Az gelişmiş ülkeler için tek geçerli yolun aşamalı plan olduğu fikrinin savunulduğunu görüyoruz. Bunun doğru bir yargı olduğuna ait deliller zayıftır. Bir defa aşamalı plan yukarıdan aşağıya doğru yani makro model-sektör analizi-projeler tercihi istikametinde yapılmaktadır. İktisaden az gelişmiş ülkelerde ise en önemli darboğaz proje hazırlığı safhasıdır. İktisaden az gelişmiş ülkelerde plan hazırlamak proje yapmaktan daha kolaydır. Bundan ötürü, plan mekanizmasındaki çok tutarlı yatırım kararları yahut sektörler arası tercihler proje hazırlığının dar boğaz olması dolayısı ile gerçekleşmemektedir. Kanımızca aşamalı plan yapılacak ise bunun istikameti aşağıdan yukarı doğru olmalı, proje hazırlığı ve projeler arası tercih mekanizması ağırlık kazanmalıdır." Celasun, Çınar, Ölçen, 1966 p.10.

54. See Celasun and others, 1966. pp. 20-23 for further details on the alternative plan methodology.

55. "Kanımızca bir plan döneminde, planın başarısını yalnız milli gelir artışları ve yaratılan istihdamla ölçmek sakıncalıdır. Milli geliri arttırmak kadar, önemli bir diğer amaç Türkiye'nin sermaye stoğunu (üretim ve altyapı tesislerini) en müessir bir tarzda 1972'den sonra büyük üretim artışları sağlamak üzere geliştirmek olmalıdır. Bu ikinci tip amacı gerçekleştirecek yatırımların olgunlaşma süreleri uzun ve ilk yıllarda yaratacakları katma değerler küçük olabilir. İki amaç çatışmakta ve birbirinden fedakarlık gerektirmektedir." Celasun and others, 1966 p.22.

56. Interviews with Günal Kansu and Sevil Korum. See also Kansu, 1994 p.24.

57. Interview with Besim Üstünel. See also Ölçen, 1996 pp.218-220 on the subject.

58. Tuncer notes that Celasun had an "engineering" background which enabled him and Turgut Özal to talk the same "language" in the Organisation. Interview with Baran Tuncer.

59. This section draws heavily on my interview with Baran Tuncer.

60. Interview with Günal Kansu. Kansu says that he told about their conflict over "language" with Ministers to the Chief Consultant to the Organization, Tijnbergen. Tijnbergen was surprised and said: "Everywhere in the world, those who on the side of purification of language are "rightists", those who are nationalists, racists are rightists. Leftists are internationalists, i.e they do not give importance whether the language of a nation is purified or not, whether "foreign" words exist or not since they are internationalists." Kansu says that this made him surprised at that time. For our own purposes, it is not so surprising to see planners as "leftist", reformists and defending "purified" Turkish since both served the purpose of "Staatsbildung" as had been discussed above. The "Tijnbergen" anecdote reveals the "national" orientation of reformism after 27 May 1960 on seemingly "leftist" terms.

61. See Hirschman, 1979 on the relationship between the “accumulation” and “reform” functions in the process of economic development.
62. Interview with Günel Kansu.
63. For a discussion of this point, see Üstünel, 1966. pp.235-242.
64. The expression belongs to Uluatam & Tan, 1982. p.19.
65. The role of State Planning Organization with respect to encouragement of private sector economic activity has been described in Law 91 as follows :“Özel sektörün faaliyetlerini planın hedef ve gayelerine uygun bir şekilde teşvik ve tanzim edecek tedbirleri *tavsiye* etmek”
66. Official Gazette.No. 19 February 1963.
67. Official Gazette. No.11073 14 May 1964. “5383 Sayılı Kanununa Gümrük Kanununa Bağlı Giriş Tarife Cetvelinin Değiştirilmesi Hakkında Kanun”
68. Uluatam & Tan, 1982 p.171.
69. Uras, 1967.
70. “İhracatı Geliştirmek Amacıyla Vergilerle İlgili Olarak Hükümetçe Alınacak Tedbirlere Dair” : Official Gazette No. 27 June 1963.
71. İhracatta Vergi İadesi. İstanbul Üniversitesi Maliye Enstitüsü, 1969 p.15.
72. Decree No. 6/2453 Official Gazette No.11582, 5 December 1963 and Decree No. 6/3071 Official Gazette No.11712, 26 March 1964. Both decrees were entitled as :“ Bazı Mamullerimizin tevsik edilecek ihraç fiyatlarında vergi, resim ve benzeri tesirler icra eden sair mükellefiyetleri bertaraf etmeyi öngören usul ve şartların ihdası hakkında karar”
73. See Aygün , 1966 and İhracatta Vergi İadesi. İstanbul Üniversitesi Maliye Enstitüsü, 1969 for the different concerns of two decrees. See especially Şahin , 1966, 1967 for an analysis of how the tax rebate system operated according to Law No.261 and the related decrees.
74. The Commission was linked to the Interministerial Economic Council. Official Gazette. No.11889. 12 December 1964. Şahin ,1966 p.115.
75. See Rota, 1967 on how the “Commission” determined the rebate amounts and values.
76. İhracatta Vergi İadesi. İstanbul Üniversitesi Maliye Enstitüsü, 1969 p.17.
77. Şahin, 1966 pp.125-127.

78.For detailed information on the role of Central Bank and Ministry of Finance in the "Commission" tax rebate system, see Şahin, 1966 pp.127-131. See also İhracatta Vergi İadesi. İstanbul Üniversitesi Maliye Enstitüsü, 1969 pp. 20-21 for a good summary of the subject.

79.Şahin, 1966 p.139-140.

80.Official Gazette, No.12679. 21 August 1967. "Muhalefet Plana "kırmızı" oy verdi. İkinci Beş Yıllık Plan ; 221 lehte, 118 aleyhte ve 3 çekimser oyla kabul edildi". Cumhuriyet, 4 July 1967. On the legislative stages of final admission of the plan in 1960s and 1970s, see Uluatam & Tan, 1982 p.22.

81.Speech made at the Republican Senate on the Second Five Year Plan. 16 June 1967. Reprinted from Senate Minutes in Bozbeyli, 1969a p.153.

82.Official Gazette. No.12671. 11 August 1967.

83.Observations of the due Budget-Plan Commission meeting belongs to Erhan İşil. In Mortan & Çakmaklı, 1987 p. 270.

84.For the full text of the commentary by Neftçi , See Kalkınma Planı ve Devlet Planlama Teşkilatı ile İlgili Kanunlar ve Anayasa Mahkemesi Kararları. p. 89. It is also worth noting here that Coşkun Kırca and Emin Paksüt of "Republican Reliance Party" were the critical votes in the Constitutional Commission to attain the majority to send the Draft Law to the Assembly. See Ant, 18 July 1967 No.29 p.4. It is well known that these figures played a significant role in the constitutional and political turning points in later decades. For Gündoğan's criticism in the Senate on the draft law as well as the Second Five Year Plan, See Bozbeyli, 1969(b),pp.259-324. "Bu kanun, hani Maliye Vekaletinin, onun uzmanlarından şundan bundan Hükümetin diğer azalarından, bakanlarından filandan geçirilmeden hazırlanmış, Planlama Teşkilatına verilmiş, Planlama Teşkilatı tarafından,bir ismini şimdi hatırlayamadığım, Ergenekonmu ne bir şahsa verilmiş, gizlice o bunu hemen yazmış, getirmişki planda müzakere edilirken bunun çıkmasında temin edebiliriz gibi....." p.319. See also Vatan, 21 June 1967."CHP Genel Sekreteri Bülent Ecevit Hükümetçe Hazırlanan ve T.B.M.M. Bütçe ve Plan Komisyonunca Kabul Edilen "İkinci Beş Yıllık Kalkınma Planının Uygulanması Esalarına Dair Kanun Tasarısı" ile ilgili olarak bir demeç vermiş ve "Bu kanun tasarısı, Anayasaya, demokratik ilkelere aykırıdır" demiştir. Cumhuriyet, 26 June 1967."CHP Grubunda Plana Yoğun Salvolar". Cumhuriyet, 30 June 1967."II. Plan Üzerinde Mecliste Tartışmalar".

85.İşmen, 1976. pp.81-83,151. See the speech by Sadun Aren on 26 June 1967. Reprinted from Assembly Minutes in Bozbeyli , 1970b pp.323-346. See also Aren's article " İkinci Plan Döneminde de Sosyal Gerginlik Artacak." in Ant, 13 June 1967. Fatma Hikmet İşmen remained as a Senate member in the Parliament from Kocaeli for 9 years between 1966 and 1975 even the Turkish Labor Party was banned in 1971 after the 12 March 1971 military memorandum.

86. See Ant, No.29 p.4. 18 July 1967. "Siyasi Gangsterlik : Hazine Yağma Ediliyor." See also Forum, 1 July 1967. 318. p.2. "Yağma Hazırlığı". Forum, 15 August 1967. 321. p.2 "Taşıma suyu ile kapitalizm".

87. Kalkınma Planı. İkinci Beş Yıl. 1968-1972. p.167.

88. Kalkınma Planı. İkinci Beş Yıl. 1968-1972. p.618. However, it was also stated that the "assistance" would not be limited to plans and programs but would also contain "more special studies".

89. Kalkınma Planı. İkinci Beş Yıl. 1968-1972. p.620. The "Development Fund" mentioned here should not be confused with the "Development and Encouragement Funds" discussed below which are transferable from Treasury to private sector on the encouragement of investments and exports.

90. Planning. Special Issue. Consortium Report on the Second Five Year Plan, May 1968 p.105.

91. Fehamettin Ervardar, Kalkınma Planının Uygulanması Esaslarına Dair Kanun. Türkiye İktisat Gazetesi, 28 September 1967.

92. See the Appendix for a full text of Law No. 933.

93. 933 Sayılı Kanunun Uygulama Esasları. p.4. Additional appropriation to the budget which became a major issue of controversy between the planners and the Ministry of Finance was an integral part of the application of the law. "Bütçeye konulan ödenek ile sınırlanmamış olan ve *özel kanunlara göre harcama yapılabilen konularda* , yıl içindeki gelişmeler önceden tahmin edilerek bütçeye yeterli miktarda ödenek konulacaktır." (italics mine) The Ministry of Finance was considered as the "responsible" agency with a "permanent" duration of application. 1967 Yılı Programı İcra Planı. p.109.

94. See below for the details on the subject.

95. Uras, 1967. "Kalkınma Planının Uygulanması Esaslarına Dair 933 Sayılı Kanunda Öngörülen ve Teşvik Fonları ile Özel Teşebbüsün Sermayesine Kamu İştiraki Hakkında Uygulama Esasları" p.11.

96. 933 Sayılı Kanunun Uygulama Esasları. p.4.

97. 933 Sayılı Kanunun Uygulama Esasları. p.8.

98. Türkiye İktisat Gazetesi, 21 September 1967. 933 Sayılı Kanunun Uygulama Esasları. p.20. The following statement in the same document is worth noting : "Maliye Bakanlığınca tetkik işlemi yapılmayacağı gibi, yatırım indirimine müsaade edildiğine dair belgede verilmeyecektir." p.21.

99. Official Gazette No. 12700. 15 September 1967.

100.Planning. Special Issue. Consortium Report on the Second Five Year Plan, May 1968 p.105.

101.933 Sayılı Kanunun Uygulama Esasları. p. 18.

102.Bayram, 1994. p.115.

103.Interview with Günal Kansu. Kansu refers to Law No.933 in our interview. However, the law had been already put into effect in mid 1967. What was admitted was the 1968 annual programme and the introduction of the 4th Department inside S.P.O in May 1968 after their resignations in December 1967. See also Kansu , 1994 p.11.

104.Vatan, 2 October 1967. Tan, 1984. p.74. The "Money-Credit Board" and the "Coordination Council" would not be much effective in late sixties but they would be later revitalised after 24 January 1980 austerity measures. See Council of Ministers, Decree on the 1968 Annual Development Program of Turkey, Articles 54-57.

105.Interview with Günal Kansu. We observe that the material for "in" and "out" of S.P.O circulation on the issue had been prepared by Ergenekon. See S.P.O. Publications at the backlist of bibliography.

106.Türkiye İktisat Gazetesi, 24 October 1968. Ergenekon became the Head of the 'Bureau' on 1 July 1968. See the Appendix on the Heads of the Incentive and Implementation Department.

107.Planning. Special Issue. Consortium Report on the Second Five Year Plan, May 1968 p.105. It is also significant to note that a report on export conditions and possibilities in Turkey by USAID, Ankara considered the "Bureau" "as the institutional framework to act as the prime mover in an export drive." The views expressed in the report seem to reflect surprisingly the "spirit" of export promotion in Law No. 933. See Institutional Reforms for the Development of Turkish Exports. USAID-Ankara. June 1968.

108.Yatırımların ve İhracatın Teşviki ve Uygulama Sonuçları, 1971 p.11.

109.See "1318 Sayılı Finansman Kanunu" Article 67. Official Gazette No.13575. 10 August 1970 on the legal status of the 4th Department.

110.The activities of each of these "Directorates" are reported fully in "Yatırımların ve İhracatın Teşviki ve Uygulama Sonuçları" , 1971. The figures for staff cadres are as of 15 August 1970 and indicated in the Official Gazette No.13580 of the day.

111."Yatırımların ve İhracatın Teşviki ve Uygulama Sonuçları" , 1971. p. 11. Özal reiterated the same point later in a speech he made in 1970 to defend the implementation results of Law No.933 in front of the Budget-Plan Mixed Commission. See "DPT Bülteni. December 1970- January 1971. No 8-9 p.16.

112. See Council of Ministers Decree on the 1968 Annual Development Program of Turkey.

113. The overall exemption was for industries like Steel-industry, Ship Construction, Diesel Motor and the like. See Mumcu ,1968 and Ulusoy ,1968 for more details on the encouragement measures in the 1968 program.

114. For detailed explanations of these incentive measures, see İhracatın Teşviki ve Geliştirilmesi Esasları. Şubat 1969 : Başbakanlık Devlet Planlama Teşkilatı Müsteşarlığı. Özel Sektörün Teşviki Politikası. 1969 Yılı Programı İkinci Beş Yıl (1968-1972). 1969. Ankara : Türkiye Ticaret Odaları, Sanayi Odaları ve Ticaret Borsaları Birliği. Yatırımların ve İhracatın Teşviki ve Uygulama Sonuçları. (1971). Teşvik Uygulama Dairesi. Ankara : Başbakanlık Devlet Planlama Teşkilatı.

115. Hulki Alisbah, "2 Beş Yıllık Kalkınma Planı ve Yetki Kanunu". İstanbul Sanayi Odası Dergisi, 25(3). 15 March 1968.

116. Türkiye İktisat Gazetesi , 18 January 1968.

117. See Ergenekon, 1968(a), 1968(b).

118. See Ural Birand, "Devlet Planlama Teşkilatı toplantısı." 15 January 1968. İstanbul Sanayi Odası Dergisi. 2(23) p.2) on the İstanbul meeting of plan introduction to the industrialists and the questions of head of İstanbul Chamber of Industry.

119. Yatırımları ve İhracatı Teşviki ve Uygulama Sonuçları. pp.167-168.

120. Interview with Ziya Müezzinoğlu. See Abdi İpekçi, DPT Fonksiyonunu Yitiriyormu? Milliyet, 27 September 1968 for a serious account on the issue in press.

121. Interview with Günal Kansu. Kansu says that this quarrel with Özal on Law No.933 was the most important factor for him to leave Turkey after he resigned from the Planning Organization. Güngör Uras also portrays the "dictating" attitude of Turgut Özal "despotically" as follows in an anecdote when he was working in the State Planning Organization in those days : " Adanaya gittik. Yine Turgut Bey 'le beraberiz. Bossa Fabrikasında ben Sakıp Sabancı'yı ilk defa görüyorum. Bize fabrikayı gezdiriyor. O günlerde teşvik konusunda önemli bir tartışma var. Teşvik için DPT Fabrikalara 100 bin işlik baraj koşmuş durumda, Dokumacılar isyan halindedir, "25 bin iş olsun" diyorlar. Sabancı da "25 bin iş olsun" diyor ama elli bine razı gözüküyor. Turgut Özal'la pazarlık yapıyorlar. Fabrika gezisi sırasında da konu bu... Turgut Özal bir ara '100 bin işin altında olmaz dedi. Fizibl olması için mutlaka 100 bin iş olması gerektiği konusunda ısrar etti." In Arolat, 1996. p.32.

122. İkinci Beş Yıllık Kalkınma Planı, 1967 p.67.

123. Kepenek & Yentürk, 1994. p.136.

124. Türkiye İktisat Gazetesi, 27 June 1968. See also Özal and Celasun, 1967 for an analytical exposition of this argument.
125. Milliyet, 12 July 1969. "Planlama : Döviz Kurları Büyük Karlara Yolaçtı." For a comprehensive assessment of the assembly industry debate in the Turkish case, see Hiç, 1973.
126. See for instance, Vatan, 19 November 1968. Özel sektörle Hükümet anlaşamadı. Özel sektör ithalatın kısılmasını isterken Ticaret Bakanı "İthalat yapacağız" dedi.
127. Kepenek & Yentürk, 1994 pp.164-165.
128. See Hiç, 1973. pp. 35-338 for further details on the issue. See also Küçük, 1975 for a through assessment of the issue. It is quite interesting to note that Özal replied to the rising criticisms defending the benefits of assembly industries. See Özal, 1970b, 1970d. It is also interesting to note the parallel political attitudes of the "left" at large and the "Islamic" stances on the issues of assembly industry, EC and foreign capital. Both sides were resisting to institutional moves towards economic integration with EEC and the penetration of (Western) foreign capital through assembly industries. In an interview with Necmettin Erbakan, the defeated former General Secretary of Union of Chambers, the aforementioned point becomes overwhelmingly visible. When asked about whether his diagnosis of industrialisation of late sixties was converging to the left or not, Erbakan's striking comments were as follows : "We unite in the diagnosis...It is not sufficient however, to unite in the diagnosis. They have found the illness, we are also telling it, but we separate in the cure." Ant, N.144. 30 September 1969. p.16. "Prof. Erbakan Teşhislerde "Sol" ile birleşiyor." There was an inclination to consider the so called "Anatolian bourgeoisie" as a "national bourgeoisie" per se. See "Anadolu Burjuvazisi hangi niteliktedir ? Ant.10 March 1970. 15. p.67. Ali Gevgilili, Anadolu Burjuvazisi ne istiyor ? In Gevgilili, 1973. pp.111-113. However, being "national" seemed rather a function of its deprivation from the preferential encouragement measures vis a vis big industrial capital which obviously had close external connections. In other words, its discontent was derived from its inferior locus under the rapid industrialisation process, not to the logic of the process itself. We do not observe this business segment to be of a "true" (developmental/anti-rent-seeking") national class organised around shared collective goals as was the case in the East Asian sense. The term "national bourgeoisie" seemed somewhat a Republican but for the left a post-27 May myth where the absence of such a category necessitated the invention of "proxies" like "Anatolian commercial capital" to be considered near substitutes as such. In fact, the perfect adoptability of the segments of the so called Anatolian capital to the current conditions of "globalisation" is seen an historical evidence of their "old" aspirations i.e. to maximise state resources for their own particular accumulation that also has important implications for the political itinerary of 1990s. The issue needs further elaboration but it can be said in the light of comparative experience that no capitalist can be presumed to act on a "national" basis on its own in consideration of "collective-public" ends for long-term economic change. It is rather the power of a "coordinating" agency to enforce it to move into such a direction as we underline in this study. See Keyder, 1976. pp.100-109. for a

critique of the concept of “national bourgeoisie” as used by some segments of the Turkish Left in late sixties and 1970s.

129. See İşmen, 1976. pp. 97-100 and Sadun Aren, T.B.M.M. Tutanak Dergisi. 42. Birleşim. 16. February 1968. p.624.

130. The original copy of the bill is in the archives of the Turkish Labor Party present in the “History Foundation”, Istanbul. I have to express here my thanks to the executives of “History Foundation” for having given me the permission to use this document in this dissertation. The precise date of application to the Constitutional Court is not clear but its year is 1967. It should also be mentioned here that there was also a similar application by the 50 members of the Senate comprising the groups of Republican People’s Party and the National Unity Groups with the personal efforts of Fikret Gündoğan, Republican People’s Party Deputy Group Head. Fikret Gündoğan’s criticism on Law. No.933 in the Senate Debates are extremely worth noting here which are in closely parallel to Kansu’s observations above.” Şimdi bu kanun aslında Türkiye’de zorla bir insan yaratmak , bir iktisadi varlık yaratmak, pardon, bir iktisadi canlı varlık yaratmak anlamını taşıyor. Nasıl kanaatimizce A.P. bu planı yaparken, sanayileşmeyi özel sektör aracılığı ile yapmanın bir nevi ısrarını gütmüştür. Gütmüştür değil, planın her yerinde görülüyor, nisbetlerde görülüyor. Fakat bakmıştır ki, özel sektör diye nitelendirilebilecek ve meşhur ekonomist Schumpeter’in tabiriyle söyleyeyim, o hani yoktan varedici karakterde, bütün zor şartlar içinde ekonomik değerler yaratan müteşebislerin yokluğunu gören A.P. ısrarından vazgeçemiyor, illa özel sektör eliyle yapacağım diyor bundan vazgeçemiyor. Ne yapmalı ? Yok öyle bir adam. Yok olmuyor, olmuyor. Olmamasının sebebi var, gayet basit, geçen seneki bütçe konuşmamda izah ettim. Çünkü, çabuk, kısa dönemde çok para kazanmak varken, uzun dönemde az para kazanmak riske girmek elbette hiç kimsenin tercih etmeyeceği bir ekonomik faaliyettir. *Elbetteki merkantil kalacaktır.....* Hiçbir kesim diğer kesime zorla seni benden daha iyi yapacağım diye, hele kesimlerden birisi devletin Hazinesi ile iş yapan, diğeri kendi cebinden, kendi kasasından, kesesinden iş adam olursa , Devletin Hazinesinden kendi kesesinden iş yapan adama zorla , enjeksiyon usulü güç kazandırmak diye bir sistem yoktur. Böyle bir sistem yok dünya yüzünde, kapitalistler buna güler ve kapitalistler, inanmış hakiki, kapitalistler derlerki, Yarabbi kapitalistin nasıl doğduğunu, nasıl yaratıldığını, nemene nesne olduğunu bilirdik ama böylesini hiç görmedik. Ne olacak bu kanuna göre biliyormusunuz ? 3.5 milyar lira tutarındaki Devlet Parasını, bu kanun çıkarsa götürecek Ahmet’e Mehmet’e verecek, şartları vardır, yoktur, o şartlar yerine gelir, kontrol edilir edilmez, bahsi arar. Ama buna gerek nedir, gerekçe nedir ? Anladım , özel teşebbüse eğer, onun kendi kanunları içinde tekevünü, doğması, büyümesi gerekir. Bu bence şudur; Üç yaşında bir çocuk var elinizde buna büyük iş yaptırmak istiyorsunuz, sabah veriyorsunuz vitamin hapı, arkadan iğne öbür taraftan bilmem ne jimnastiği, o 3 yaşında çocuğu, daha o 3 yaşındaki ceninin müsaid olmadığı zamanda büyük dev bir adam haline getirmek istiyorsunuz, koca bir yükü onun eline veriyorsunuz, taşı bunu al diyorsunuz, korkma arkanda ben varım diyorsunuz. Yani aslında ismi Ahmet olan Devletçilik yapıyorsunuz, ismi Mehmet olan devletçilik yapıyorsunuz. Bu budur başka birşey değildir.....” In Bozbeyli, 1969b. pp.320-321. It will not be too early to notice that the philosophy behind the “enforcement” of an “export-oriented fraction” out of an inward-oriented industrial capital seems to have followed a similar logic in 1980s.

131. See Gözübüyük & Kili, 1982 p. 146, 147 and 191 for Articles 4, 5 and 126 of the 1961 Constitution respectively. "...kanun, 2. Maddesinin B fıkrasında iktisadi faaliyet sektörlerine göre kısmi ve tam vergi muafıkları sağlamak hatta alınmış olan vergi ve resimleri istediklerine, istedikleri ölçüde iade etmek için kararname çıkarma yetkisini Bakanlar Kuruluna vermektedir. Kimlere hangi şirketlere ne ölçüde ithal muafıkları tanınacağı belli değildir. Herhangi bir ithal malının yatırım mali olduğunu Planlama Merkez teşkilatına kabul ettirmek ondan sonra muafiyet miktarı veya iade edilecek vergi resim miktarı üzerinde pazarlığa girişmek gerekecektir. Böylece bütün vergi ve gelir mevzuatı birtakım şahısları icabında bşr anda milyonlar kazandırmak için, kanun çıkarmağa Parlemtentoda bu milyonluk muafiyet ve vergi iadesinin lüzumunu milli iradeye kabul ettirmeye lüzum kalmadan, istenilen şekilde yazılıp hemen imza ettirilecek bir kararname ile mümkün olabilecektir." See the appendix for the Bill of Action given by Turkish Labour Party on the quotations.

132. Official Gazette No. 17729. 19 June 1982. "Kamu Kurum ve Kuruluşlarının Kuruluş ve Görev Yetkilerinin Düzenlenmesi ile ilgili Yetki Kanunu."

133. Özal even talked about the suitable conditions the 1982 Constitution was providing them. It is interesting then to see also how the 1982 Constitution was indifferent to the "social" and "economic" functions of the state in comparison to the 1961 constitution favoring a rather different form of state power as effecting long-term economic change. See Chapter 6 on the issue.

134. See Abdi İpekçi, DPT Fonksiyonunu Yitiriyormu? Milliyet, 27 September 1968 and Cumhuriyet, 19 December 1968. "Üstünel, sıkıntının Planlama teşkilatının yozlaştırılmasından doğduğunu ileri sürdü". Besim Üstünel defined the situation as "planning without the plan". See also Yalçın Küçük, Yeni Ekonomik Düzen. Ant. 58, 6 February 1968. Küçük argued that "enforcement" and guarantee for "high profits" defined the basis of law implementation.

135. Yatırımların ve İhracatın Teşviki ve Uygulama Sonuçları. 1971. pp.144.

136. See Mortan & Çakmaklı, 1987 p.270. The "Triumvir" in economic bureaucracy refers to Turgut Özal, Undersecretary of State Planning Organization, Kemal Cantürk, General Secretary of Treasury and Naim Talu, Central Bank Governor. See Doğan, 1987 p.111 on the issue.

137. "Planlama Önemli Bir Rapor hazırladı. DPT'ye göre bakanlıklar yetersiz çalışıyor." Cumhuriyet, 5 August, 1969. "Bütçe dahilindeki fonların dayanağı olan mevzuatın tespit ve araştırılması konusunda Bütçe ve Mali Kontrol Genel Müdürlüğünce yapılan işlemlere ilave olarak Maliye Bakanlığı Teftiş Kurulu Başkanlığında teşekkül eden bir müfettişler grubunca yapılan çalışmalar henüz sonuçlandırılmamış ve yeni mevzuat çalışmalarına geçilememiştir. Bakanlıkça, konu çok geniş ve dağınık olduğundan araştırma faaliyetinin henüz bitirmediği bildirilmektedir."

138. The report was called "DPT Teşvik ve Uygulama Dairesi İşlemleri Dairesinin genel Değerlendirilmesi." A summary of the final audit report can be found in Cumhuriyet, 5 January 1973. See also, Cumhuriyet, 4 March 1976 for how the issue of tax-rebates were manipulated during Ergenekon's period in SPO. The issue was brought to public discussion when Ergenekon was the Minister of Finance during the First Nationalist Front government (1975-1977) who then was applying partisan policies towards the cadres of Ministry of Finance. See below the section on "The Politicization of Economic Bureaucracy during Coalition Governments" on the subject. Özal confessed his decision to enter to politics with the following "Sırf bu bürokrasiyi kırmak için politikaya atılacağım." In Doğan, 1994. p.32.

139. There had been two annulment decisions on Law. No. 933. For the 23-25 October 1969 dated and E.1967/41, K.1969/57 No. decision of the Constitutional Court with statement of reason on the application of Turkish Labor Party, see "Anayasa Mahkemesi Kararlar Dergisi", 8. p.44. Official Gazette No. 13776. 12 March 1971. As for the decision dated 25 October 1969 E.1067/42 concerning the application of 50 Senate members comprised of Republican People's Party and National Unity groups, see Official Gazette No.13804. 9 April 1971. The legal repercussions of the annulment is beyond the scope of this study. However, it should be noted that the annulment decision has caused the emergence of a considerable literature on the legal status of planning in Turkey. See Duran, 1977 and Tan, 1977 for a comprehensive coverage of the issue. It should also be recorded that Turkish Labor Party has made 50 applications to the Constitutional Court the figure being more than Republican

140. People's Party (43) between 1962 and 1971. Ünsal, 1980. p.153. Cumhuriyet, 26 October 1969. "Özel Sektöre Devlet Bütçesinden yardım yapılmayacak." Milliyet, 26 October 1969. "Anayasa Mahkemesinin Kararına Göre, bundan böyle, gelişme ve teşvik fonları teşkil edilemeyecek, yatırım indirimi uygulanmayacak..." Son Havadis, 26 October 1969. "Anayasa Mahkemesi Yetki Kanununun bazı maddelerini iptal etti." See also Milliyet, 27 October 1969, Abdi İpekçi, "İptal Edilen Yetkiler" Cumhuriyet, 27 October 1969, Ecvad Güresin, "Şimdi Ne olacak ?"

141. Akşam, 27 October 1969. "1.5 Milyar Liranın hesabı sorulacak". Republican People's Party Senate member Fikret Gündoğan made the strongest opposition also from an individual standpoint to the "Law" before it had been ratified. "CHP Senatörü Fikret Gündoğan "Anayasa Mahkemesinin iptal ettiği Yetki Kanunu hükümleri ile bir takım kimselere bütçe gelirleri sermaye olarak dağıtılacaktır" dedi ve AP iktidarını ağır şekilde itham etti.... CHP İstanbul Senatörü Gündoğan, "2 yıl içinde bu işler için bütçeye konan ve büyük bir kısmı harcanan 1.5 milyar liraya yakın paranın hesabının sorulacağını" söylemiştir." Akşam, 29 October 1969. "Yetki Kanunu talan Kanunudur." It was Prof. Mümtaz Soysal who labeled the "Authorization Law" as the law of pillage. Socialist circles also evaluated the decision of the court as a blow over "private sectorism". Emek, 3 November 1969. 14. p.11. "Özel Sektörcülük Bir Darbe Yedi."

142. See the decision of the Constitutional Court published in Official Gazette dated 12 March 1971 and 9 April 1971. For a summary of the annulled articles of Law No.933, see Uluatam & Tan, 1982 pp.169-171. On the change of Article 61 of 1961 Constitution in 1971, See Gözübüyük & Kili, 1982 p.165.

143. Cumhuriyet, 27 Ekim 1969. "Başbakan : Bu konu münakaşa edilecektir."

144. Milliyet, 27 October 1969. "Demirel : Son Karar Kalkınmayı Önlemez."

145. Son Havadis, 27 October 1969, "Özal demeç verdi. "Kalkınma hızı azalmayacak." Milliyet, 27 October 1969. "Geçen iki yıl yetki kanununun başarılı olduğunu gösterdi."

146. Milliyet, 28 October 1969. "İhracatta vergi iadesi yine devam edecek." Cumhuriyet, 29 October 1969. "Yatırım İndirim oranı en fazla % 50 olacak." Son Havadis, 29 October 1969. "Başbakan 933 sayılı Kanunla ilgili bir genelge yayınladı." Milliyet, 1 November 1969. "İptal edilen kararnameler ihracatla ilgili" 1 November 1969, Vatan. "Yetki Kanunu Kararname ile Yürütülecek."

147. Türkiye İktisat Gazetesi, 13 November 1969. Muzaffer Uyguner, "Anayasa Mahkemesi Kararı ve Yetki Kanunu." See Cumhuriyet, 6 November 1969. Sadi Tınaztepe, "Yetki Kanununun İptali" for the legitimacy of such a recourse by the government. Lütfü Duran, however, opposed to such a recourse since the annulment did not include the implementation before 25 October 1969 which meant that another authorization law was necessary for the continuation of encouragement measures. See the round table discussion chaired by Ali Gevgilili in Milliyet, 2 November 1969. "Yetki Kanunu ve Anayasa."

148. Cumhuriyet, 12 December 1970. Mustafa Çöl, "Özel Sektör ve Devlet Planlama Teşkilatı" Akşam, 28 March 1971. Mustafa Çöl, "Anayasa Mahkemesi Kararlarını reddeden Devlet Planlama Teşkilatı"

149. Council of Ministers Decree dated 28 October 1969. No. 6/12585. published in Official Gazette No. 13340. 1 November 1969. "Gümrük Giriş Tarife Cetvelindeki Nispet ve Hadlerin Değiştirilmesine İlişkin Usul ve Şartları Tespit Eden Karar." Similar decree-based maneuvering in the trade regime would be instrumental in terms of creating the required social base inside business for the firm consolidation of the rule of Motherland Party. I thank to Prof. Oktar Türel for this point. Türel also noted the negative implications of such a "political nullification" of the Customs Tax rates - which was already available as a decree issue in the programmes after 1967- over the domestic "new" engineering industries in 1970s in contradiction to the pursued strategy during the Third Five Year Plan period as follows : "Yatırım taleplerinin 1970'li yılların ikinci yarısındaki bunalım ortamına kadar canlı tutulması ve "büyüyen ekonomi" imajının korunması ilk bakışta mühendislik sanayiindeki yurtiçi üretime olan talepleri teşvik edecek bir unsur olarak görünmektedir. Ancak 1960'li yılların ikinci yarısından itibaren oluşturulan yatırım teşvik sisteminin yatırım mallarının sıfır veya ertelenmiş gümrükle ithalini öngören niteliği, "genç endüstriler" korunmasına belki en çok layık olan mühendislik sanayilerini korumasız bırakmıştır." Türel, 1981. p.579.

Özal later explained the reason why Kafaoğlu resisted to the implementation of this decree from his point of view as follows : “. Maliyeciler alınan vergiden kolay vazgeçermi ? hiç unutmam. Adnan Başer Kafaoğlu, o zaman şöyle diyordu. “Yatırım malı için gümrüğü sıfırlamayalım.... Planlama, yatırım malına getirilen teşvik karşılığında, gümrük bedeli kadar bir çek yazıp, ithalatı yapan sanayiciye versin.” Kafaoğlu o zaman Gelirler Genel Müdürüydü. Yani, gümrük vergisini alalım, bunu iade olarak geri versin planlama diyordu.” In Barlas, 1994. p.15.

150. See Son Havadis, 28 October 1969. “Odalar Birliği Genel Başkan Yardımcısının Yetki Kanununun iptali ile ilgili Açıklaması. “Projelerin üzerine Bomba Düşmüştür.” and Milliyet, 28 October 1969. “Özel Sektör “Yetki”nin İptaline Karşı” for the declaration of Sakıp Sabancı on the decision of the Constitutional Court. For the comment of Koç on the annulment, see Cumhuriyet, 28 Ekim 1969. “Yetki Kanununun İptali Karışıklık Yarattı.” For Soysal’s “harsh” remarks on the issue , see Milliyet, 29 October 1969. “Yetki kanunu yerine yeni tedbir lazım” and Son Havadis, 29 October 1969. “Kinlerini Boşaltmağı vesile sayanlar gaflet içindedir”. See also Muzaffer Uyguner, “Yetki Kanununun iptal edilen hükümleri”, İstanbul Sanayi Odası Dergisi, 15 January 1970, 4(47) pp.10-11 for a summary of the annulled articles of Law. No. 933.

151. Milliyet, 31 October 1969. “Turgut Özal : Yetki Kanunu önemini gösterdi.” Türkiye İktisat Gazetesi, 30 October 1969. (Özal) “Boşluk Tedbirlerle Doldurulacaktır.”

152. Son Havadis, 5 December 1969. “Plan uygulama kanununu yeniden meclislere sevkedeceğiz.” Akşam, 22 December 1969. Demirel “Bu ortamda kalkınma olmaz. Türkiye ‘de servet düşmanlığı ve özel teşebbüs düşmanlığı yayılıyor” dedi.

153. Cumhuriyet , 9 December 1969. It was also worth noting that Merih Celasun who was the Head of Economic Planning Department also left the Organization in these days. Cumhuriyet, 3 January 1970. “DPT İktisadi Planlama Dairesi Başkanı istifa etti.” Celasun’s early note in June 1969 on the preparation of the 1970 program was attracting the attention towards the need for incorporating the “transfers” to the private sector in the General budgetary system. Celasun, 1969. p.35.

154. Interview with Tevfik Altınok.

155. It should be noted that such a criticism on the usage of funds was consistently made from the beginning during the parliamentary debates on the Law. See İşmen, 1976. p. 84. The draft preparation for the establishment of the ‘Development and Export Bank’ and the draft changes in Law No. 933 can be found in the following SPO documents. “28 Temmuz 1967 Tarih ve 933 Sayılı “Kalkınma Planının Uygulanması Esaslarına Dair Kanun”a Ek Kanun Gerekçesi”, “28 Temmuz 1967 Tarih ve 933 Sayılı “Kalkınma Planının Uygulanması Esaslarına Dair Kanun”a Ek Kanun Tasarısı ve Gerekçesi”. For the finalised law, see “28 Temmuz 1967 Tarih ve 933 Sayılı Kanunun bazı maddelerinin Değiştirilmesine ve Bu Kanuna Bazı Maddeler Eklenmesine ve İhracat ve Kalkınma Bankası Kurulmasına Dair Kanun”

156. See "933 Sayılı Kanuna Ek Kanun tasarısı Hakkında Devlet Planlama Teşkilatı ile Maliye Bakanlığı arasında görüş ayrılıkları"

157. "28 Temmuz 1967 Tarih ve 933 Sayılı "Kalkınma Planının Uygulanması Esaslarına Dair Kanun"a Ek Kanun Tasarısı ve Gerekçesi" p.29. "Tek bir aracı kuruluş tayini ile uygulamada eşitlik ve adaletin daha iyi sağlanması, aracı kuruluş olan Bankanın konuya elverişli tarzda teşkilatlanması mümkün olabileceği gibi fonları idarenin de murakebesi kolaylaşmış olacaktır." "28 Temmuz 1967 Tarih ve 933 Sayılı "Kalkınma Planının Uygulanması Esaslarına Dair Kanun"a Ek Kanun Gerekçesi" p.10.

158. "28 Temmuz 1967 Tarih ve 933 Sayılı "Kalkınma Planının Uygulanması Esaslarına Dair Kanun"a Ek Kanun Tasarısı ve Gerekçesi" p.30.

159. "933 Sayılı Kanuna Ek Kanun tasarısı Hakkında Devlet Planlama Teşkilatı ile Maliye Bakanlığı arasında görüş ayrılıkları"

160. Cumhuriyet, 28 June 1970. "İhracat Bankası Tasarısı dün Meclise verildi." "Yetki Kanunu tasarısı da dün Meclise verildi." There was a combined law which came out as a SPO Document called as "28 Temmuz 1967 Tarih ve 933 Sayılı Kanunun Bazı Maddelerinin Değiştirilmesine ve Bu Kanuna Bazı Maddeler Eklenmesine ve İhracat ve Kalkınma Bankası Kurulmasına Dair Kanun". However, it was recorded in the press that there were two distinct laws submitted to the Assembly. "Kalkınma ve İhracat Bankası hakkında kanun tasarısı Genel Kurulun 23.6 1971 tarihli 118'inci birleşiminde geri alındı." Official Gazette No. 14245. 14 June 1972.

161. See the next chapter for the details on the issue.

162. DPT Bülteni. December 1970-January 1971. No.8-9. p. 18.

163. Interview with Naim Talu. Talu also said that there had been political opposition from the interior of the Justice Party, especially from Mesut Erez, the Ministry of Finance against devaluation. Even though Demirel had been convinced about the necessity of it earlier before the elections, it was consciously postponed to the aftermath of 1969 elections.

164. This section draws heavily from Birand, 1996. especially pp.187-250. The hostility between the two organizations is well documented in Birand's study. It is observed that Özal's views flourished parallel to those of National Salvation Party of Necmettin Erbakan on integration with EEC. It was recorded that Özal had been supporting Erbakan since the days of his early struggle for the Chair of Union of Chambers. Cumhuriyet, 20 May 1968. "DPT Müsteşarı Turgut Özal'ın dün öğleden sonra kongreye gelerek Erbakan lehine kulis yaptığı dikkati çekmiştir."

165. In Birand, 1996. p.187-188.

166. Birand concludes that both organizations have acted on a wrong basis and the protocols had been signed harming the interests of the Turkish economy in the long

run. It has also been recorded that Özal and his circle defended a similar position on the issue of Common Market even in 1981 in a briefing given to National Security Council. Gürün, 1995 p.251. Sevil Korum told us that Demirel clashed with Özal on the issue of harmonizing with EC Customs Lists. Interview with Sevil Korum.

167.Okyar, 1976.p.28.

168.15 February 1971, Cumhuriyet.

169.We learn that the gross salary of Turgut Özal as Undersecretary of SPO was 16.000 TL as of December 1968 whereas Osman Nuri Torun, the Undersecretary of the Organization in the initial days of the Organization, earned a gross salary of 5.000 TL. Cumhuriyet, 19 December 1968. This micro-comparison partially reveals perhaps somewhat the material base of the so called "petty-bourgeois radicalism" of left-oriented officers prior to the military memorandum of 12 March 1971. See Official Gazette No. 13929. 17 August 1971 "DPT Planlama Teşkilatı Yönetmeliği" on the presence of a member of Union of Members of the Planning Organization in the examination committee.

170.Cumhuriyet, 25 July 1970. "DPT'de görevli bazı uzmanlar bildiri yayımlayarak yöneticilerin kanunları çiğnediğini ileri sürdüler. "Hazine şeriatçı çevrelere akıtılıyor." "DPT ülkenin kalkınması için yapılması gereken bilimsel çalışmaları tamamen bir tarafa bırakmıştır. Plan ilkeleri ve kanunlarımız her konuda açıkça çiğnenmekte, yöneticiler ellerinde olan korkunç yetkilerle özel sektörü ve şeriatçıları bütün olanakları kullanarak zengin etmektedirler. Planlama kadrosu devamlı olarak yöneticilerin akrabaları torpillileri ve sağcı politik görüş sahibi kişilerle kasıtlı olarak doldurulmakta, ilerici ve vatansever uzmanlara bilyk baskılar yapılmaktadır. Araştırma fonları, vergi indirimleri, vergi iadesi gibi kavramlar tamamen dejenere edilmiş olup, devlet hazinesinin milyarlarca lirası haksız ve kanunsuz olarak torpilli özel sektöre ve şeriatçı çevrelere akıtılmaktadır." Akşam, 20 December 1970. "DPT Uzmanları bildiri yayınladı. "DPT Uzmanları dün bir bildiri yayımlayarak, 'DPT çember sakallılar ve onların muritleri ile bilinçli olarak doldurulmuş, devletin milyarları pazara çıkarılmıştır. Milyarlar kapanın elinde kalmaktadır.'" demişlerdir. A petition was given for assembly research by Selahattin Hakkı Esatoğlu (RPP MP from Nevşehir) in the parliament. Cumhuriyet, 26 July 1970.

171. Cumhuriyet, 15 December 1970. "Başbakana DPT"de ki atamalar üzerine soru soruldu. CHP Manisa Milletvekili Veli Bakırlı, Başbakan Süleyman Demirel tarafından yazılı olarak cevaplandırılması ile verdiği bir önerge ile D.P.T de ki bazı atanmalar hakkında bilgi istemiştir. Veli Bakırlı'nın Başbakan Süleyman Demirel'e yönelttiği sorular şu iddialara dayanmaktadır. "Yılmaz Ergenekon'un istifası ile boşalan D.P.T Müsteşar Yardımcılığına Uygulama Dairesi Başkanı Muammer Dolmacı getirilmiştir. Dolmacı'nın eski bir arkadaş ve iş ortağınız olduğu AP Genel Başkanı olmadan önceki müteahhitlik devrenizde aldığınız bazı ihalelerin şantiye şefi olduğu bilinmektedir. Muammer Dolmacı'nın ayrıca birkaç defa tezyidi sermayeye başvuran Goltaş Çimento Sanayi A.Ş ortaklarından ve idare meclisi üyesi bulunduğu hatırlatılmaktadır. Kardeşiniz Şevket Demirel'in ve açıldığı bizzat sizin tarafınızdan

yapılan ve yine sizin kardeşlerinizin ortağı bulunduğu Peraja'ya Planlama ve Uygulama Dairesi yoluyla 40 milyon Liraya yakın teşvik ve uygulama kredisi verildiği de ileri sürülmektedir." Ergenekon left the 4th Department in September 1970 after whom Dolmacı was appointed as the Head of the 4th Department. DPT Bülteni. September 1970. No.5. p.68.

CHAPTER V- PERVERSE RESTORATION OF REFORM AND BEYOND : ECONOMIC BUREAUCRACY ON AN INCLINED PLANE AFTER 12 MARCH 1971

1. Ahmad, 1993. p.133

2.The term belongs to the title of Gevgilili, 1973.

3. See Gürkan, 1985 on the details of the "9 March movement". It is significant to note the following concern of the high-command of the army to prevent another 27 May 1960 like intervention as expressed by Memduh Tağmaç, Chief of Staff at the time : "Biz Silahları Kuvvetleri nasıl ayakta tutacağız onu düşünelim..... 1961-1962'den sonra işleri rayına oturtmak için dört sene çalışıldı. 1968'ten itibaren sapma başladı. Sapma, bugün 1961-1962 de ki duruma gelmeye başladı..... Biz burada Türkiye'ye yayılan kıtalara nasıl hükmedebiliriz. Oturup arkadaşlarımızla bunu münakaşa edebilirsiniz tahmin ederim." Gürkan, 1985. p.171.

4. Ahmad, 1993. p.131. See Parlar, 1997. pp.85-104. on the evolution of the Army Mutual Assistance Fund. The observations of an active officer in the 9 March movement is significant in terms of our conceptual framework on the evolution of state power : "Muhtıra imzacıları, hangi düşünceden esinlenmiş, ne tür etkiler altında kalmış olurlarsa olsunlar ve ulşamak istedikleri amaç nasıl tanımlanırsa tanımlasın, o ünlü Muhtırayı vermekle, *koskoca bir devleti "demonte" etmişlerdir*. Hem de yeni baştan "montaj" işinin nasıl yapılacağı hakkında en ufak bilgileri ve de -asıl önemlisi hazırlıkları - olmadan giriştikleri bir demontaj.... İsbetli olup olmadığı hususunna bakmadan , *önü arkası yeterince hesaplanmadan, sadece 12 Mart gününün koşullarına yanıt vermekle sınırlı*, büyük ve gözüpek bir karar.....(*italics mine*). Gürkan, 1985.p. 87. Such a misunderstanding of the 12 March 1971 military memorandum was not unique to the 'bureaucratic forces' but was common to most of the social opposition. See Cem, 1993 p.346.

5. See Cem, 1993. pp.253-322 for further details on the external context of the reasons leading to the 12 March 1971 memorandum.

6. The documentary literature on the subject is fairly abundant. See, Batur, 1985. Gürkan, 1985. Koçaş, 1978. Altuğ, 1973. as primary examples. However, the same can not be said for a theoretical analysis of the event. For known examples , see Cem, 1993. Gevgilili, 1973, Eroğlu 1974. For an early serious marxist attempt in this direction, See Laçiner, 1975.

7. See Mumcuoğlu, 1980 for the details of labor movement in late sixties with special reference to the political activities of trade union movement. The number of unionized workers in 1965 and 1970 were 360, 285 and 2, 088, 215 respectively.

8.Official Gazette No.13575. 10 August 1970. See Tınaztepe, 1971 for 1970 "Financement Law".

9. "...vergilenemeyen sektör ve vergisini ödemeyen kişilere vergi verdirtmek, devletin baş görevi olmalıdır." (Ertuğrul Soysal, Istanbul Chamber of Industry) Milliyet, 2 March 1971.

10.Demirel transferred the right of quota distribution from the Chambers to the Ministry of Commerce which created discontent among the ranks of commercial capital which was supporting Erbakan against Sırrı Enver Batur, the candidate of industrialists. It was obviously more secure for the industrialists to have access to foreign exchange via the ministry. See Bianchi, 1984.pp.256-257. and Akşam, 5 June 1969."AP icinde Tüccarsal Cepheleşme" (Altan Öymen) for the details of the "Erbakan Affair" in the Union of Chambers. After naming the period of 1950-1960 as "succesfull", an important executive of the Union of Chambers at the time had not incidentally named the period 1960-1965 and 1965-1970 as "pause" and "crises" respectively. Şinasi Ertan, "Odalar Birliği'nin Bugünü ve Yarını". Istanbul Sanayi Odası Dergisi. 15 February 1970. 4(48).

11. See Çavdar, 1983. pp.2093-2094 on the split inside the Justice Party in 1969 and 1970.

12.Laçiner, 1975. p.31.

13.Gevgilili, 1973. pp.273-276.

14.See Cem, 1993. pp.325-382 for an extensive elaboration of these points in detail.

15.For comparison of the list of members of two "alternative" governments , see Erdilek, 1985 for the list of government members of First Erim Government and Arcayürek, 1985(a) p.355 for the list of the "secret" "Left Kemalist" government. See Gürkan, 1986 for the 9 March movement.

16. See Altuğ, 1973. pp. 39-42 on how Melen was chosen as a Cabinet member although it was known that he was not liked by the "reformists." Sait Naci Ergin belonged to the Yapı Kredi Bank's Board of Directors before he was appointed as the minister of Finance. The "reformists" were aware of the "perversity" from the beginning. "Kendimizi bir reform kabinesi olarak öne çıkarıyoruz. fakat aramızda, bankerleri temsil eden bir Sait Naci Ergin var. Kişiliğinin bizim reform anlayışımızla bağdaşması olankasız bir Ferit Melen var. O halde onlar kalsın biz gidelim." In Altuğ, 1973 p.21.

17.In Arcayürek, 1985(b) p.348.

18.See Ant, No.186-13. May 1971. "Reform ve Huzur Planının İçyüzü." p. 4. It is noted in the same article that Vehbi Koç was demanding in those days the division of labor in State Economic Enterprises between two-segment "commercial" and "public" service holdings where the latter referred to the army. It should also be noted that Koç was a member of the Board of Directors in OYAK.

19.Official Gazette. No.13803. 8 April 1971. "Reform Hükümeti Programı." The government programme was read in the parliament by Nihat Erim on 2 April 1971.

20. The term "internal cabinet" was used by Abdi İpekçi. Milliyet, 15 April 1971. "Karaosmanoğlunun Ortaya Koyduğu Tercihler" Akşam, 16 March 1971. İlhami Soysal, "Teknokratlar Diktatoryası". Yankı gives the information that it was labor circles inside TÜRK-İŞ who detested Karaosmanoğlu's declaration on the need to reconcile the wage increases with the rate of economic growth. The importance of the article of İlhami Soysal article is that it reflects the situation of the production coalition in 1971 and how counter-"interactive" labor became vis a vis the bureaucracy and vice a versa. See Yankı, 19-25 April 1971 8/6. "Karaosmanoğlu'nun ikinci hükümet programı".

21. See the section entitled "Devlet Kesiminin Yeniden Düzenlenmesi" in the government programme of First Erim Government. The observations of Vice Prime Minister Sadi Koçaş is also remarkable quoting in this context. "...idari Reform her reform hareketi gibi, hatta kısa vadeli düşünülünce diğer reformlardan bile fazla olarak, bazı zümreleri, bazı çıkarları tedirgin etmektedir. Üstelik idari reformla tedirgin olacak kişiler, çoğunlukla aydın, idarenin günlük yönetimine doğrudan doğruya etkili, kamuoyuna ve dolayısıyla iktidarlara baskı yapabilecek kişilerdir. Yani memurlardır." Koçaş, 1978. p.454.

22. Akşam, 1 April 1971. "Planlamada Yolsuzluk İddiası Üzerine Vergi ve Gümrük Muameleleri Askıya Alındı. Özel sektörün İşlemleri Durduruldu" "...Sözlü emir DPT Müsteşarı Turgut Özal'a verilmiş ve Planlama ile Özel sektör ilişkilerinin düzenlendiği, "Teşvik Uygulama Dairesinden evrak çıkışlarının" ikinci bir emre kadar durdurulması istenmiştir. Müsteşar Özal bu emri Teşvik ve Uygulama Dairesi Başkanı Muammer Dolmacı'ya duyurmuş ve adı geçen daireden evrak çıkışları durmuştur. Böylece özel sektöre ikinci bir emre kadar vergi indirimi, gümrük muafiyeti uygulanmayacak ve yabancı sermaye yatırımları da duracaktır..... Hükümetten Planlamaya bu emrin bazı yolsuzluk iddia ve dosyalarının Erim hükümetinin ilgili bakanlıklarına intikali üzerine verildiği ileri sürülmüştür. Bilindiği gibi, AP iktidara geldikten sonra, DPT'de ki kadro tamamen değiştirilmiş, çember sakallı şube müdürleri, işi Planlamanın alt katını mescit yapmaya kadar götürmüşlerdir. Turgut Özal'ın müsteşar, kardeşi Yusuf Bozkurt Özal'ın Araştırma Grubu başkanı ve kayınbiraderi Mehmet Yeğinmen'in müşavir olduğu Planlama teşkilatında en önemli dairelerin başına da Demirel'in yakın dostları getirilmişti. Planlama ile özel sektör ilişkilerinin yürütüldüğü Teşvik ve Uygulama Dairesinin şimdiki Başkanı'da, Demirel'in müteahhitlik yaptığı sırada şantiye şefi olan Muammer Dolmacı'dır. Isparta'lı olan Dolmacı'nın yakınları da Demirel kardeşlerin Terakki kolektif şirketinde çalışmaktadırlar." The journal Son Havadis, supporter of Justice Party, made a much more critical remark on the "cease" of incentive operations in S.P.O and rightly pointed out towards the liquidation of the Özal cadres in the Planning Organization. Son Havadis, 2 April 1971. "Program bugün okunuyor. Planlama Teşkilatı kadrolarında tasfiye bekleniyor." Cumhuriyet, 7 April 1971. "Planlama'da değişiklik bekleniyor. Müsteşarlık için Memduh Aytür, Erhan Işıl ve Baran Tuncer'in adlarından bahsediliyor." It is also worth noting that Karaosmanoğlu was extremely sensitive in those days on the appointment of Yusuf Bozkurt Özal, Özal's brother as the Head of the Research Group in the Planning Organization. Interview with Karaosmanoğlu.

23. For the evasion of the import regime , see Krueger, 1974. pp.168-171. See also Cumhuriyet, 9 Nisan which contains a news on an inspection made by authorities on the large extent of foreign exchange smuggling activities of Turkish importers and exporters with socialist countries. See also Hüseyin Avni Şanda, "Kota Ticareti" Cumhuriyet, 25 June 1965 for an early account on speculative activities arising from quotas prepared by Chambers.

24. See Gevgilili, 1973 pp.111-113. "Anadolu Burjuvazisi ne istiyor ?" on the underlying reasons of the "Erbakan Affair" in the Chambers of Commerce.

25. Cumhuriyet, 9 April 1971.

26. Türkiye İktisat Gazetesi, 22 October 1970. "Odalar Birliği Genel Sekreterliği'ne Behzat Tanır getirildi". Behzat Tanır had been the Chief of the Foreign Trade Department before he was appointed as the General Secretary of Union of Chambers. The official document "Ticaret Bakanlığı Dış Ticaret Dairesi-Kuruluş, İş Bölümü ve Görevleri" is useful to see how penetrated the Union of Chambers and Foreign Trade Department of Ministry of Commerce were with each other.

27. Official Gazette. No.13803. 8 April 1971. "Reform Hükümeti Programı." Article 117 of the 1961 Constitution was on the general principle of the fulfillment of public services by the officers of the state. See Gözübüyük & Kili, 1982 p.186.

28. Yankı. 90. 4-10 December 1972. p.11. See Official Gazette No.13791. 27 March 1971 for the institutional restructuring of Ministry of Industry and Commerce and the establishment of the Ministry of Foreign Economic Relations. See Cumhuriyet, 1 April 1971 for the idea of including the Treasury in the body of Ministry of Foreign Economic Relations. Karaosmanoğlu also confirmed their original intention for the divorce of the Treasury from the Ministry of Finance in our interview. See also Altuğ, 1973 pp. 49-50 and Koçaş ,1978 p.339 on how the division of ministerial departments has become a point of conflict between the two "reformists", Özer Derbil and Ayhan Çilingiroğlu who became the Ministers of Foreign Economic Relations and Industry and Commerce respectively. See the speech made by Özer Derbil on the Departments of the new ministry in Ankara Ticaret Odası Dergisi, "Yeni Kurulan Bir Bakanlık Dolayısıyla June-July 1971 No.5-6 pp.3-4.

29. The reason behind the increase in the number of the Planning Organization was explained by Müezzinoğlu from his own point of view is explained as follows. "While forming his own cadres ,the new Undersecretary at that time, hesitating to take "absolute" decisions, more precisely, without forming an opposition group against himself and keeping the "old" cadres in their places had preferred to form new cadres on his side. It is due to this reason that the number of cadres of State Planning Organization had increased suddenly. The "old" cadres who shouldered the plan in our time had been kept aside and made ineffective. This is the period when the "takunyacılar" in the Planning Organization had dominated the situation." Interview with Ziya Müezzinoğlu.

30. Milliyet, 15 April 1971."Keban Barajının maliyet artışları" Cumhuriyet, 15 April 1971. "Çıkarıcı zümreler rahatsız olacak." Vatan, 15 April 1971. "Karaosmanoğlu ekonomik durumu eleştirdi." Abdi İpekçi, "Karaosmanoğlu'nun ortaya koyduğu gerçekler" Milliyet, 15 April 1971. Another point of criticism was on the 10 August

1970 devaluation. He argued that the devaluation should have been made before but was made as a result of "external pressures" when foreign resources dried up. His most politically "sensational" comment, however, was on the Common Market which required 2539 years to "catch up". These points were subject to a frontal attack by the Justice Party group in the parliament. Vatan, 18 April 1971. "AP Karaosmanoğlu'na cevap verdi. 'Bizi başarısız gösterme gayretlerini yadrigamıyoruz.'" 18 April 1971, Akşam. "AP Karaosmanoğlu'na cevap verdi. Nizamettin Erkmen : "İddialar mesnetsiz , her yerde tartışmaya hazırız." See especially Yankı, 19-25 April 1971. 8/pp.4-6. "Karaosmanoğlu'nun ikinci hükümet programı" on the details of the press conference. It is understood that the Board of Inspectors and Tax Specialists of Ministry of Finance conducted their aforementioned audit of the activities of the 4th Department in this period which highly made Özal nervous about the issue. Karaosmanoğlu confessed however the fact that this inspection was not a satisfying one as is understood from the nature of the inconclusive polemics on figures relating to incentives between both sides. Interview with Karaosmanoğlu.

31. Yankı, 26 April-2 May. 1971. p.11 "Karaosmanoğlu'na Hücumlar".

32. Akşam, 17 April 1971. "Turgut Özal "Karaosmanoğlu yanlış bilgi verdi" dedi". Arcayürek notes that Özal also wrote an official letter to Karaosmanoğlu defending the economic performance of the Justice Party era. Arcayürek notes that Özal would later condemn the policies of this period in 1983 claiming that these policies were behind the "memorandum". See Arcayürek, 1985b pp.160-167.

33. Günal Kansu and Attila Karaosmanoğlu both confirmed the point that Özal wanted to work in the military government. Interviews with Günal Kansu and Attila Karaosmanoğlu. The Prime Ministerial Notice dated 19 April 1971 on Özal's appointment to the aforementioned consultancy was published in Official Gazette No.13822, 29 April 1971."Birinci derece olarak ihdas edilmiş bulunan Başbakanlık Mütahassis Müşavirliğine D.P:T. Müsteşarı Turgut Özal'ın 657 Sayılı Devlet Memurları Kanununun 1327 sayılı Kanunla değişik 68. maddesinin 3. ve 4. bentlerine müsteniden atanması uygundur."

34. Son Havadis, 17 April 1971. "Başbakan Yardımcısı Attila Karaosmanoğlu önceki gece Ankara televizyonunda "Devlet Planlama anlayışında, kendisinin ilk görev aldığı yıllardaki yönde değişiklik yapılacağını açıklamıştır".

35. Milliyet, 22 April 1971."Planlama müsteşarı görevden alındı...DPT müsteşarı Turgut Özal dün görevinden alınmış ve Erim hükümetince ihdas edilen Başbakanlık Mütahassis Müşavirliğine alınmıştır. Özal DPT mensuplarına bir veda mesajı yayınlamış ve bu arada hükümete bazı uyarılarda bulunmuştur." Son Havadis, 22 April 1971."Karaosmanoğlu gerçekleri bilmiyor." "Planlama Müsteşarı açıklama yaptı. Başbakan Yardımcısının "uydurma ve "mesnetsiz" konuştuğunu belirten Özal görevinden de istifa etti." The full text of Özal's leave message to S.P.O. is available in this issue of Son Havadis.

36. Cumhuriyet, 28 April 1971, "Devlet Planlama Teşkilatı Teşvik ve Uygulama Dairesi Başkanı Muammer Dolmacı ile bazı müdürler görevlerinden alınmıştır."

37. Interview with Ekrem Pakdemirli.. "933 sayılı Kanunun uygulanması ile, önemli ölçüde yatırım ve ihracat teşvik edilmesiyle bazı çevreler rahatsız olmuşlar, siyasi

platformlarda acımasız tenkitler getirilerek, 12 Mart muhtırasından sonra 933 uygulayanlar için soruşturmalar ve davalar ikame edilmiştir.”

38.The notice on the transfer of Foreign Trade Department to Ministry of Foreign Economic Relations and its approval was published in Official Gazette No.13796. 1 April 1971 and of the Incentive and Implementation Department in Official Gazette No.13836. 14 May 1971.

39.Official Gazette No. 13822 : 29 April 1971. The regulations on the details of the regime were published in Official Gazette No.13827, 5 May 1971.

40.It is also interesting to note that Derbil responded to Melen the same way he behaved and told him that he would not sign the decree on the Marshall Law. See Altuğ, 1973 pp.152-153.

41.Interview with Attila Karaosmanoğlu. On this issue, see also Derbils's declaration of the “balance sheet” of the policies of Ministry of Economic Relations in Yankı 48, 14-20 February 1972 p.5. Vatan, 16 June 1971. “Dışarıya döviz kaçırılmasını önleyen yeni kararlar alındı.”

42.Son Havadis, 30 May 1971. Türkiye Odalar Birliği İdare Başkanı Medeni Berk : “İhracatta takas sistemine dönülmemelidir.”

43.15 Nisan 1971. Türkiye İktisat Gazetesi. Taha Carım, “Özel Sektörün Sözcüsü Odalar Birliği”

44.Akşam, 10 April 1971. “Dış Ekonomik İlişkiler Bakanlığı'nın kurulması Türkiye'nin ihracat ve döviz müesseselerinin esaslı bir şekilde ele alınacağıının delilidir.” Vatan, 11 Nisan 1971. “Hükümet Programının en önemli tarafı batıya dönük ve demokrasi rejimine dayalı bir felsefeye sadık olarak hazırlanmış olmasıdır.”

45 It is interesting to observe the anxiety on the loss of the role of Chambers in the following lines of Ertan. “Biz, bu hizmetlerin geri alınmasına tepki göstermiyoruz, ancak Odalar Birliği böyle bir durum karşısında *bugünkü faal durumunu kaybedecek* ve bu da Türk ekonomisi için büyük bir güçlük doğuracaktır.” Vatan, 15 April 1971. “Tahsis Yetkisi Alınan Odalar Tepki Gösterdi.” See also Cumhuriyet, 5 April, 1971. “Odalar Birliği Hükümet Programına Karşı”

46. Cumhuriyet, 9 April 1971.

47.See the interview of Abdi İpekçi with Attila Karaosmanoğlu. “Yeni Hükümetin Ekonomi Politikası” Milliyet, 12 April 1971.

48.Cumhuriyet, 18 April 1971. “Teşvik tedbirleri ile ilgili açıklamada ayrıntılı bilgi verilmediğinden kamuoyunda yanlışlık olmuş, milyarlarca liralık vergi muafiyetine rağmen ne yatırımlarda ne de ihracatta beklenen artışın doğmadığı belirtilmiştir. Vergi muafiyetlerini özel sektöre atfet, ulufe gibi dağıtıldığı yayılmaktadır. Oysa sözkonusu teşvik ve muafiyetlerin 17'si özel sektöre 672'i kamu sektörüne uygulanmıştır.” Akşam, 18 April 1971. “Sanayiciler yeni vergilere tahammül edemez ve yıkılır.” Incentive implementation was frozen till the end of 1971 for almost 9 months. Bali, 1977. p.40

49. Milliyet, 21 June 1971. Ertuğrul Soysal, "İhracatı frenlemeyelim." For an explanation of the disciplines imposed by the Ministry of Foreign Economic Relations, see Yekta Ataman. İhracatta Tescil ve Fiyat. İstanbul Sanayi Odası Dergisi. 15 August 1971. 66.

50. Milliyet, 1 July 1971. "Dış Ekonomik İlişkiler Bakanı Basın toplantısı yaptı."

51. Cumhuriyet, 23 June 1971. "Sanayici Kotalarının tevziyatını bu sefer için Odalar Birliği hazırlayacak."

52. Official Gazette No.18384. 3 July 1971. Milliyet, 9 July 1971. "İthalatçı Belgesi Sanayi ve Ticaret Odalarından sağlanacak." Yankı. 26 July -1 August 1971. "Odalar Birliği ve 26. Kota." 1 / p.17.

53. Cumhuriyet, 19 July 1971. "Kota tahsislerinde hatalar tespit edildi." Dış Ekonomik İlişkiler Bakanlığı Türkiye Odalar Birliği tarafından düzenlenen 26 kotada, kapanmış bazı firmalarla, kapasiteleri olmayan firmalar döviz tahsisinde bulunduğu hakiki ihtiyaç sahiplerinin kotadan faydalanamadıklarını ortaya çıkarmıştır. Bu konuda da İstanbul Sanayi Odası "çok gizli" kaydı ile Dış ekonomik ilişkiler bakanlığına bir yazı göndermiştir. Yazıda, tahsislerde birçok hataların bulunduğu, kapanmış firmalara döviz verildiği doğrulanmıştır. Milliyet, 19 July 1971. "Hayali firmalar Ekonomi Bakanlığı ile Odalar Birliğinin arasını açtı." "...26. Kota talepleri Dış Ekonomik İlişkiler Bakanlığının kuruluşundan hemen sonra yeni bakanlığa bildirilmiş, Bakanlık da tahsis isteyen odalara tek tek sorarak kotaların yerinde olup olmadığını öğrenmek istemiştir. Bu arada İstanbul Sanayi Odasından gelen cevapta "Odalar Birliği'nin listesinin yanlış olduğu" ileri sürülmüştür." Cumhuriyet, 24 July 1971. "Odalar Birliği kota yolsuzluğu haberlerinin doğru olmadığını bildirdi."

54. The foundation of TÜSİAD was announced in press with a "manifesto" on 2 August 1971.

55. It is interesting to note that this point was also reflected also in the choice of a specialist who would manage the affairs of the association from a "top" level. The founder of the 4th Department inside the State Planning Organization, Yılmaz Ergenekon was chosen as a high level specialist to the newly born association of industrialists. Yankı. 16-22 August 1971. "Sanayici ve İşadamları Derneği" 25/ p.20.

56. Vatan, 3 August 1971. "İthalat ve İhracatta vergi kaçırınlar ağır para ve hapis cezasına çarptırılacak. Döviz kaçakçılığı ile mücadeleye hız verilecek" Akşam, 3 August 1971. "8 İthalatçı daha cezalandırılıyor."

57. Türkiye İktisat Gazetesi, 5 August 1971. "Raif Önger Başkanlığındaki Birliğimiz Heyeti Cumhurbaşkanı Sunay'a bir muhtıra verdi." "... herşeyden önce fertler ve özel sektör ile devlet arasındaki ilişkileri tayin ederken iktidarı elinde bulunduracak hükümetlere gereği üstünde yetkiler verilmemelidir. Çünkü iktidarın bu yetkileri kötüye kullanması toplumumuzu daha da olumsuz sonuçlara götürebilir."

58. Vatan, 8 August 1971. "Ankara Ticaret Odası Başkanı Cahit Aydoğan : "Milli Korunma Uygulanması reform adıyla sunuluyor." .."Ekonomide istenmiyen gelişmelerin ancak ekonomik tedbirlerle önlenebileceği gerçeği bu defa da ihmal edilmiş, ekonomik sorunlara hukuki tedbirlerle çözüm yolu alışkanlığı, bu tasarı

- dolayısıyla bir kez daha ortaya konmuştur. Halbuki bürokrasinin bu ezeli tutkusu yurdumuzda defalarca denenmiş, hiç bir sınavı başarı ile verememiştir.”
- 59.Cumhuriyet, 22 August 1971. “Erim, bakanlar ve işadamları ile toplandı”. It was important that the Coordinator of Koç Group, Hulki Alisbah put forward in this meeting the idea that a climate of inconfidence was created towards business circles .
- 60.Cumhuriyet, 9 September 1971. “Raif Onger, hükümetin almış olduğu ekonomik tedbirleri eleştirdi.” The full announcement of Onger is in Türkiye İktisat Gazetesi, 9 September 1971. “Oda ve Borsa Başkanları Toplandı”.
61. Milliyet, 15 July 1971.
62. Cumhuriyet, 16 September 1971. The above lines belong to Ertuğrul Soysal of Istanbul Chamber of Industry. It should also be noted that the conflict between the Ministry of Foreign Economic Relations and especially exporters emerged also in the context of international monetary turbulence of 1971 where the devaluation of the dollar was offsetting the benefits of 1970 devaluation for domestic products. Derbil sent a secret notice to exporters that it was not necessary to use the US Dollar in international transactions. Cumhuriyet, 15 August 1971. Derbil : “Dolar düşüşü karşısında ihracatçılara gizli genelge gönderdi. İhracatta dolar kullanılmayacak.”
- 63.Hürriyet, 3 October 1971. “12 Mart Ekonomiye hız ve huzur getirdi....Bu durumda işadamlarının yatırım kaçınmaları kolay izah edilebilecek bir şey değildir.Bu hem kendi çıkarlarına hem de yurdun çıkarlarına uygun sayılamayacak bir tutum olur.”
- 64.The importers were saying that Karaosmanoğlu was “frying them with their own oil.” Interview with Karaosmanoğlu. Türkiye İktisat Gazetesi , 11 November 1971.”Özel Sektör Yatırım Kotası bir yıl için 150 milyon dolara çıkarılıyor.” Türkiye İktisat Gazetesi, 2 December 1971. “Tanzim ve ihtiyat kotasına 100 milyon dolar ilave edildi.”
- 65.Milliyet, 16 October 1971. “Toprak Reformu Komisyonunda AP ve DP’liler Karaosmanoğlu’na hücum etti.” Akşam, 14 October 1971. “Karaosmanoğlu : Toprak Reformunu menfaat grupları engelliyor.” Vatan, 14 October 1971. “Toprak Reformu ön tedbirler tasarısı görüşülmeye başlandı. Karaosmanoğlu : “Tasarı amacı dışında tanıtılmaktadır.” See Avcioğlu, 1990.pp 696-700, 908 on the debates over land reform after 12 March 1971 and the “neglect” of the issue by industrial capital.
- 66.“1971 Türkiyesi ve Reformlar”, Forum, Milliyet 1971 Yıllığı p. 215.
67. See Milliyet, 19 September 1971. Abdi İpekçi. “Reformlar kararname ile olmaz ama....” and Milliyet, 25 September 1971. Abdi İpekçi. “Politikacının Çelişkisi” on the details of the subject.
- 68.Son Havadis, 18 September 1971. “AP Kararname Yolu ile reforma hayır dedi.” Son Havadis, 23 September 1971. “Temel meseleler kanunla halledilmeli”.
- 69.Article 64 of the 1961 Constitution was changed with Law 1488 on 20 September 1971. See Official Gazette No. 13964. 22 September 1971. It was stated in the new form of the article that the Assembly would authorise the government to enact decrees in the force of Law on certain issues. “The architects of the above mentioned “Draft

Constitution” prepared by Justice Party were Adnan Başer Kafaoğlu and Coşkun Kırca who later would also be in the background of economic and political changes after the 12 September 1980 military intervention. 1971 changes were largely inspired by this draft constitution prepared by Justice Party as was testified by Demirel. Arcayürek, 1985a. p.228. “Erim, değişiklikleri bizim hazırladığımız taslaktan almıştır.” Arcayürek, 1986 p.489a. “1969’da Kırca’yla Kafaoğlu’na bir anayasa taslağı hazırladığım doğru. Bu taslağın bir bölümü 1971-1973’deki anayasa değişikliklerine girdi.Yüzde 80’i.” See also Tanör, 1996. p.313-315. on the issue. It is worth noting that Kırca is known as the principal architect of the 1982 Constitution.Kafaoğlu was first the chief consultant of Kenan Evren and then the Minister of Finance during the Bülent Ulusu led military government. It should also be noted that the changed Article 64 of 1961 Constitution was the Article 91 of the 1982 Constitution

70.Cumhuriyet, 12 September 1984.

71. See Cem, 1993 p.451 on this point. “12 Mart’ın darbesini planlayanlar, Meclisleri ortadan kaldıracak gücü kendilerinde görmemişlerdir. Ya da, amaçlarının çoğuna meclislerle birlikte ve daha tehlikesiz olarak varabileceklerini hesaplamışlardır. Bir başka olasılık, 12 Mart Rejimini planlayanların, *darbenin harekete geçireceği bürokratik güçleri meclisler aracılığıyla dengelemeyi düşünmüş olmalarıdır.*” Cem, 1993 p.474.

72. See Altuğ, 1973 pp.215-216 on how Karaosmanoğlu left the land reform commission after the draft law took an ineffective shape.

73. Vatan, 5 October 1971. “Karaosmanoğlu, Amme İdaresi açılışında konuştu. ‘Uygulamadan politikacılar kadar bürokratlarda sorumludur.’ On early attempts for administrative reform after 27 May 1960, see Berkman, 1981.

74. See Koçaş, 1978 pp. 391-393 on this issue. However, the later SEE Reform Strategy in 1972 was partially based on the proposal of the reformists as such but linked the management of the “sector holdings” to the related Ministry. See also Aysan, 1973. “İktisadi Devlet Teşekkülleri Reform Stratejisi” pp.133-136. on the issue.

75. Cumhuriyet, 3 December 1971. “Mesut Erez, Devlet Bakanı ve Başbakan Yardımcısı oldu.” See Altuğ, 1973 pp.221-224 on the reasons why Erim appointed Erez as the Vice Prime Minister in the government.

76. Interview with Attila Karaosmanoğlu.

77. Interview with Naim Talu.

78. Karaosmanoğlu said that they were thinking of appointing Oktay Yenel in lieu of Talu after the emergence of the conflict between them. He also said that Talu was aware of this plan. Interview with Attila Karaosmanoğlu.

79. The “addressee” of the letter was of course Prime Minister Nihat Erim. For the full text of the resignation letter, see Altuğ, 1973 pp. 243-247. The 11 ministers who resigned were : Sadi Koçaş (Vice Prime Minister responsible for Political and Administrative Affairs), Attila Karaosmanoğlu (Vice Prime Minister responsible for

Economic Affairs), Hamdi Ömeroğlu (Minister of Interior Affairs), Osman Olcay (Minister of Foreign Relations), Şinasi Orel (Minister of Education), Özer Derbil (Minister of Foreign Economic Relations), Türkan Akyol (Minister of Health and Social Assistance), Attila Sav (Minister of Labor), Ayhan Çilingiroğlu (Minister of Industry and Trade), Selahattin Babüroğlu (Minister of Public Improvements).

80. In Altuğ, 1973 p.246. Most of the major newspapers included this section of the letter as part of their news on the resignations. Attila Sav who was the spokesman of the 11 ministers made the following comments. "Maliye Bakanlığı ve Merkez Bankası kadrosu hükümetin, köklü reform tedbirleriyle ilgili çabalarını baltalamaktadır. Bu kadroların tümünden değiştirilmesi gerektiği meydandayken bu yapılmamıştır." Altuğ made the following comment on the issue : " Kabine içinde 1. Erim hükümeti için reform yapma olanağının kalmadığına inananların sayıları kabarmınca, Mesut Erez olayı işi hızlandırdı ve kazanı patlattı." Altuğ, 1973. p.230. The political part of the resignation letter was actually a sound analysis of the real intentions of the bourgeoisie and significant quoting here : "Durumun kötüye gitmesinden türlü nedenlerle yarar umanlar ; hükümet değişikliğinde kendilerini iktidara alternatif görenler; faşizme kayabilecek bir yönetimin işbaşına gelmesinin kendilerine büyük çıkarlar sağlayacağını sananlar hükümeti düşürebilmek için yoğunlaşan bir cephe çalışması oluşturmaktadırlar." Altuğ, 1973. p.244.

81. Cumhuriyet, 6 December 1971. "Merkez Bankası Başkanı Naim Talu. Onbirlerin mali politikası enflasyon yaratacak nitelikte." Akşam, 6 December 1971."Merkez Bankası Başkanı Talu, 11'lerin istifa gerekçelerindeki suçlamaların Merkez Bankasıyla ilgili olan bölümünü cevaplamış, "istifa eden 11 bakan zaman zaman kamuoyunu tereddüte sevkeden beyanlarda bulunarak ekonominişn gidişine olumsuz tesirlerde bulunmuşlardır." Derbil's proposal was interpreted by the pro-JP newspaper "Son Havadis", 9 December 1971 as follows : "11'lerin Korkunç İktisadi Planı-Altın Rezerv Karşılığı 15 Milyar Para Basma." Son Havadis, 15 December 1971. (Raif Onger) "11'lerin istifası ferahlık yarattı." "Merkez Bankasında toplanan dövizlerin kullanılması için teşvik tedbirlerinin alınması lazımdır. Bu konu üzerinde A.P. hükümeti çok çalıştı. Ama ondan sonra gelen hükümet bu konuyu ele almak bile istemedi. Ve teşvik tedbirlerini tüm olarak ortadan kaldırdı. Bugün Türkiye'de arz ve talep kanunu ters işlemektedir.Eski hükümete güveni kalmadığından kimse bankalardan kredi almamıştır."

82. Milliyet, 18 December 1971. "Erim: Özel Sektörün kuşkusunu gidereceğiz."

83. See the Official Gazette No.14040. 12 December 1971 for the Presidential approval of the abolition of Ministry of Foreign Economic Relations and the related changes in the ministerial organization in economic bureaucracy. It should also be noted that the transfer of the Incentive Implementation Department to the Ministry of Foreign Economic Relations in the First Erim government transferred only the "duty" and not the "authority" of decision-making concerning Foreign Capital applications. This became a matter of complaint for the Ministry of Foreign Economic Relations since there was still an "implementation" function left inside the State Planning Organization. See Cebeci & Coşkun, 1972.p.123. However, by the Establishment of Ministry of Commerce, the "de facto" situation did not change and the State Planning Organization still retained its "authority" on foreign capital applications as inherited from Law. No.933 but the applications were made to the Ministry of Commerce in

1970s. It is also worth noting that the post of "Vice" Prime Minister for any State Minister was prevented in the Second Erim government with this presidential approval which was the opposite case for Attila Karaosmanoğlu and Sadi Koçaş being both State ministers and "Vice" Prime Ministers at the same time responsible for economic and political affairs respectively.

84.The industrialists opposed this later and the sections of the branches of ex-4th department concerning "investments" became an integral part of the Ministry of Industry and Technology. It should also be noted that the separation of the institutional sphere of commerce from industry was considered as a "retreat" from the "leap forward" of Ministry of Industry and Commerce of the First Erim government by Ayhan Çilingiroğlu. *Yankı*. 90. 4-10 December 1972. pp.11-12.

85."Ekonomik Felsefe ve Günün Şartları" *Yankı*, 48 14-20 February 1972 p.13 *Türkiye İktisat Gazetesi*, 17 February 1972. Talu : "İhracatta ön fiyat kontrolü yine Bakanlık tarafından yapılacak olmakla beraber, uygulama ilgili meslek teşekküllerine bırakılmış bulunmaktadır."

86.Official Gazette. 25 August 1973. *Cumhuriyet*, 9 September 1973. "Yeni Tedbirler vergi kaçakçılığını arttıracak. İthalatta fiyat kontrollerinin kaldırılması vergi gelirlerini azaltacak."

87.Öncü, 1980 p.470-471. This is an excellent account of the evolution of the role of Chambers of Industry in 1960s and 1970s. An executive of the Istanbul Chamber of Industry told Öncü the following in the year marking the end of import-substituting industrialization. : "We are no more than a post-office today. We were once very powerful. We used to distribute ten million dollars before 1971." p.470.

88.Fehim Adak was the Minister of Commerce in the coalition government with Republican People's Party. Abdülkerim Doğru was the Minister of Industry and Technology in both Nationalist Front governments. See the appendix for the precise dates of their stay in office.

89.Vatan, 2 July 1971. "Hepimiz başıboş davranışların bedelini ödemekteyiz.....Bütün bunların temel nedenini bizden önceki iktidarın plan anlayışına bağlamak mümkündür. Sorunlara temel çözümler getirmekten kaçınan keyfi bir gidiş ve hiçbir ekonomik kıstasa dayanmadan yapılan uygulama ve bazı kişilerin hiçbir ekonomik katkıda bulunmadan zengin olmalarını sağlayan çeşitli işlemler, Türkiye'de bir ekonomik kararsızlık ve hatta bunun ötesinde bir ekonomik anarşi ortamı yaratmıştır."

90."Ulusal bir kalkınma savaşına girilen memleketimizde özel sektörümüzün de toplum yararına uygun bir çalışma ve güven duygusu içinde üzerine düşen görevi yerine getirmesi ümit edilir." (Özel Derbil) *Ankara Ticaret Odası Dergisi*, "Yeni Kurulan Bir Bakanlık Dolayısıyla" June-July 1971. "İçinde bulunduğumuz dönem Türkiye'yi ileri götürmek isteyen bütün güçlerin ulusal kalkınma savaşına katkıda bulunmalarına fırsat veren bir sınav dönemidir." Ayhan Çilingiroğlu, "Sanayiinin ve Ticaretin Yapısı" *Ankara Ticaret Odası Dergisi*, July-August 1971.

91.Cem, 1993 p.453.

92.See Barkey, 1989 , 1990 for such a view which evaluates the history of the demise of ISI in Turkey with the "lack of state autonomy" as such.

93. Kansu, 1973. p.92.

94. Barkey, 1990. p.157.

95. Yankı. 39. 13-19 December 1971 p.9. Karaosmanoğlu was one of the founders of the "Socialist Cultural Association" responsible for research affairs in early sixties where other early planners like Osman Nuri Torun (Chairman) and Nejat Erder (General Secretary) in close relation to Doğan Avcıoğlu and his "Yön" magazine. See Çavdar, 1996. p.133. It is then not surprising why he was subject to intelligence investigation prior to his appointment in the government. It is interesting to note here that National Reliance Party and its successor Republican Reliance Party of Melen and Feyzioğlu played a critical role in both military interventions of 1971 and 1980. While Melen was the Minister of National Defense in the Erim governments and the third Prime Minister of the 1971 regime, Feyzioğlu was the priority candidate of the military for the Prime Ministry after 12 September 1980. Events, especially the hesitation of Vice Prime Minister Turgut Özal to work with Feyzioğlu necessitated a different solution. See Barlas, 1994 pp. 8-13 for further details on the issue.

96. See Bener, 1991. pp.209-220 and Koçaş, 1978 pp.67-68 on the details of Aytür's reappointment as the Undersecretary of the State Planning Organization.

97. Cumhuriyet, 24 May 1972. Kemal Aydar, "Melen Hükümeti"

98. See Yankı, 18-24 December 1972.

99. Ölçen, 1996 p.279. "Sekizinci Müsteşar, o bizim bildiğimiz adam değildi artık. Yıllar kişiliğinden bütün güven dolu yumuşaklığı alıp gitmiş, geriye peri bacaları kalmıştı. Sıcak rüzgarlarla kurumuş gibiydi. her gün yeni brim kuruluyor, uzmanlar bir birimden ötekine atanıyor, yetkiler alınıp yetkiler veriliyor, renkli kağıtlar masalara gelip, masalardan gidiyor, bürokrasinin çelik telleri örgütü sarıp sarmalıyordu. Bunlara egemen olan kuşkuysa sadece." (*italics mine*) Ölçen, 1996 p.273. Hikmet Çetin who was appointed as the Head of Economic Planning Department by Aytür calls attention to the fact that Aytür was called as "padişah" in the Organization. In Bener, 1991 p.233. Çetin's long commentary on Aytür's understanding of governance is illuminating on how the neo-statist kernel of early sixties was converted to a "prototype" of traditional buracracy.

100. One of the interviewees of this study has indirectly formulated the above view as follows : "1960'lı yıllarda 27 Mayısçıların etkisi zayıfladıkça, Planlama teşkilatının da etkisi zayıflamıştır." Interview with Ertuğrul Kumcuoğlu.

101. In Arcayürek, 1985b. p.305.

102. Müezzinoğlu says that the "rupture" during the Özal decade also contributed to its naming as such. Interview with Ziya Müezzinoğlu.

103. "Bu gelir düzeyine ve ekonomik yapıya 22 yılda erişmek için ekonominin tümünün ve ana sektörlerinin hangi hızlarla büyüebileceği değil ne hızla büyümesi gerektiği tespit edilmiştir..." "Yeni Strateji ve Kalkınma Planı. Üçüncü Beşyıl. (1973-1977)" p.128.

104. Yağcı, 1981. p.411.

105. Prime Minister Ferit Melen's introduction the Third Five Year Plan. See *Yeni Strateji ve Kalkınma Planı. Üçüncü Beşyıl. (1973-1977)*.
106. In an interview with Abdi İpekçi. *Milliyetten Seçmeler Dizisi*, 1972. p.178.
107. "Uzun Vadeli Kalkınmanın ve Üçüncü Beş Yıllık Kalkınma Planının Temel Hedefleri ve Stratejisi." p.997. In 'Yeni Strateji ve Kalkınma Planı-Üçüncü Beş Yıl'.
108. Cebeci & Coşkun, 1972. p.45. *Milliyet*, 27 October 1972. Ali Gevgilili, "Tepki Yaratan Üçüncü Plan."
109. See the presentations made by Vice Prime Minister Turgut Özal and Undersecretary of State Planning Organization in front of the members of the National Security Council and related ministers of Ulusu government in Gürün, 1995 p.250-253. Özal implicitly was making reference to their "defeat" in 1970 on the signing of the Additional Protocol when they were in the State Planning Organization. It seemed that the National Security Council did not put a decisive will on the issue but they were aware of the potential pressures on the agenda of democratization which is quite different than the case of 1971 regime. It is also important to note that the application of full membership to EU came out in 1987 almost at the end of the episode of neoliberal reforms.
110. Feroz Ahmad's interpretation of the issue is worth mentioning in this context. "People still ask why the junta did not ban the Motherland Party and permit only the two parties under the its control to fight the elections. It seems as though Western support for Özal, especially among the financial circles, saved him. *Retired General Alexandr Haig is said to have visited Evren during this period to inform him that the West had full confidence in Özal. (italics mine)*" Ahmad, 1993. p.189.
111. "Ağır Sanayi Bakanlığı ve Teknoloji Bakanlıklarının kurulması konusunda sorulan bir başka soruya da, bu Bakanlıkların halen zihinlerde yer ettiğini, bunları kurarken hata yapmamaya çalıştıklarını, istikbalin bu araştırmalarda olduğunu söylemiş, "Aşamaya ayak uydurmak mecburiyetindeyiz. Sanayileşmeye gitmek zarureti vardır, ağır sanayi kurarak montajcılıktan kurtulma zarureti vardır. Ağır sanayiinin temelini mutlaka atmamız." *Milliyet*, 24 March 1971.
112. "Yeni Strateji ve Kalkınma Planı. Üçüncü Beş Yıl. (1973-1977)" pp.19.
113. In *Milliyetten Seçmeler Dizisi*. 1972.p.180.
114. Gevgilili, 1973. P.304. "Kamu ve Özel Kesimde Bütünleşmeye Doğru."
115. *Milliyet*, 21 March 1971.
116. Demirgil, 1972. p.25. See Kurdaş, 1979. p.239. on the unbalanced character of the plan and the new strategy. In the "easy" phase of ISI to which the first two plan periods corresponded, it is understood from the above lines that industrial capital was not disciplined and prepared "synchronicwise" to the higher stage of ISI under "coordinated" SPO autonomy. In subsequent order, it is clear that the strategy of the Third Five Year Plan reflected this heritage. It is not the "vision" of the planners but rather the heritage of such an "undisciplined" maturing of industrial capital especially in the Second Five Year Plan period that later stamped the Third Five Year Plan. It might be said that the planners were aware of the "double-orientation" character of

industrial capital in the beginning of 1970s between the "maintenance" of IS" side under present incentives and "to be disciplined" side towards export-orientation". The Third Five Year Plan in fact stated ; "Türkiye'nin içinde bulunduğu bu sanayileşme aşamasında aşamasında ihracata yönelmiş sanayilerle ithalatı ikame eden sanayiler arasında kesin bir ayırım yapmak mümkün değildir." In "Yeni Strateji ve Kalkınma Planı-Üçüncü Beş Yıl". p.628. These lines obviously reject the antinomy present in the neoclassical critique of ISI and thereby reveal the advanced intellectual foresight of Turkish planning cadres to interpret the Listian "staging" of ISI in their own context in a what is named in our theoretical chapter as "strategic mercantilism". The problem lied in the non-enhanced "coordinated" power of SPO during the 1960s as we claim in general thus not having established a "shared" relation with industrial capital on a sectoral basis where the difficult key tasks are delivered to them but now concerned about the allocation of resources towards again 'predetermined' projects - as had been the case during the 4th Department - to be realised by the public sector under heavy protection. The complex political economy of vested interests under the 1971 Regime where the military also wanted to participate in the IS setting made the "choices" in the direction of continuation of protection.

117."Uzun Vadeli Kalkınmanın ve Üçüncü Beş Yıllık Kalkınma Planının Temel Hedefleri ve Stratejisi." p.1003 . In "Yeni Strateji ve Kalkınma Planı-Üçüncü Beş Yıl".

118. "Uzun Vadeli Kalkınmanın ve Üçüncü Beş Yıllık Kalkınma Planının Temel Hedefleri ve Stratejisi." p.980. In "Yeni Strateji ve Kalkınma Planı-Üçüncü Beş Yıl". The strategy document appeared in June 1972. The so called "inviolable" economic and social rights of labor were subject to revision in September 1971 Constitutional amendments and thereafter during the 1971 Regime.

119."Uzun Vadeli Kalkınmanın ve Üçüncü Beş Yıllık Kalkınma Planının Temel Hedefleri ve Stratejisi." p.1008. In "Yeni Strateji ve Kalkınma Planı-Üçüncü Beş Yıl".

120.Milliyet, 22 July 1972. "%5 Yıllık Planda Yeni Vergi Yok." Melen was aware of the potential difficulty of the sacrifice to be made from labor. "Önümüzde ki on yılda en büyük sorun iç finansman alanında belirecek." Milliyet, 16 September 1972. See also Ali Gevgilili, "İşçi Fedakarlığa Çağırıyor." In Gevgilili, 1973. pp.417-419.

121.See "Demokrasiden vazgeçmedikçe bu Plan uygulanamaz." Özgür İnsan. 6. November 1972. p.12. for this point.

122.In "Demokrasiden vazgeçmedikçe bu Plan uygulanamaz." Özgür İnsan. 6. November 1972. p.16. Reprinted from "T.B.M.M. Tutanak Dergisi. V.27-28. 19 October 1972."

123.See "Hükümet Programının Getirdiği Yeni Planlama Sorunları Semineri. Bildiriler. 5-6-7 Haziran 1974."

124. Tekeli & İlkin, 1985. p.1607. Cumhuriyet, 25 October 1972. "Plan reddedilirse hükümet çekilecek". Prime Minister Ferit Melen and Minister of State Zeyyat Baykara made the threat that if the plan was no accepted, they would consider such a situation as a vote of inconfidence for the government and resign. Yankı, 30 October-5 November 1972. p.13.

125.Yankı, 30 October-5 November 1972. 85. p.13.

126.Tekeli, 1974. p.236-237.

127.Yankı. 18-24 December 1972.

128.Cumhuriyet, 13 December 1972. "Eğer siyasi otorite ile teknisyenlerin değer yargıları arasında ayrılıklar varsa ve teknisyenler bu aykırı görüşleri stratejiye yansıtabiliyorlarsa, stratejinin yapısal çelişkiler taşıması kaçınılmaz hale gelir. Bu tür çelişkileri taşıyan bir stratejinin bir belge olma niteliğinden öteye gidemeyeceği ve uygulanamayacağı açıktır." Çetin's comments were immediately contested by political circles in the government and he "corrected" the meaning of what he meant "originally." Cumhuriyet, 15 December 1972.

129. See the maxim in the beginning of the this chapter for Melen's historically significant statement to understand the political economy of 1970s. It is also important to note that the Ministry of Industry and Technology later incorporated the "Department for War Industry Planning". The application of the decree (approved by the government on 28.10. 1969. 6/12585) on the "nullification of Customs Taxes" of the Özal period after the Annulment decision of the Constitutional Court for certain projects above a certain capacity was cancelled during the "reformist" government after 12 March 1971 along with other incentive schemes for 9 months till the end of 1971. There seems to be an uncertainty about the "arbitrariness" of the "nullification decree" which was resumed in practice again after the elimination of the Ministry of Economic Relations. It was resumed again with a decree (No.7/4368 Official Gazette. 30.4.1972.) for the condition that it would be cancelled as of 31.12.1972 to be replaced by the Council of Ministers Decree (No. 7/4079. Official Gazette. 21 .3.1972.) which specified the List of Changed Customs Tariff rates .However, the 1973 Programme cancelled this list and reintroduced the "nullification "decree without specifying a date of cancellation but saying that it would be in effect till a new Law in lieu of Law No. 933 is ratified in the parliament. The annual program stated that the decree would be applied to those investments present in the "1973 General Incentive Table." 1973 Yılı Programı Üçüncü Beş Yıl 1973-1977. The estimated total value of projects between 1968-1970 was 10 billion whereas it was 55 billion for the year 1972. See Orhan Bali, 1973 Programı ve ilgili mevzuat yönünden Gümrük Muafiyeti ve Uygulaması. İstanbul Sanayi Odası Dergisi. 15 February 1973. 84. and Orhan Bali, 1973 Programı ve İlgili Mevzuat Yönünden Gümrük Muafiyetinin Yürürlük ve Uygulama Meseleleri .15 March 1973. 85. p.41 for further details on the figures and regulatory details. See footnote No.149 of the previous Chapter for the details on this decree.

130.Milliyet, 9 January 1972. Erim : "Teşvik tedbirlerini ihtiva eden bir kanun tasarısını yakında TBMM'ne sunacağız." See Cumhuriyet, 15 March 1972. Turgut Tan, "Yetki Kanunu Hazırlanırken" for an account of the forthcoming new law with respect to the 1971 changes of the 1961 Constitution. See Official Gazette No.14207 6 June 1972 on the Government Program of the Third government of the "1971 Regime". "Kalkınma Plan ve Programlarına uygun yatırımların hızlandırılması ile mal ve hizmet ihracını geliştirecek Teşvik tedbirleri kanun tasarısını süratle T.B.M.M'ne sunmak kararındayız. Getireceğimiz tasarı, yurdumuzda şimdiye kadar bilinen teşvik

tedbirlerine ilaveten yeni ve etkili diğer tedbirleri de kapsayacaktır. Sanayileşmemizin bu konuda daha büyük bir hız kazanacağına inanmaktayız.”

131. Official Gazette No: 14051. 20 January 1972.

132. In fact, this would be confirmed by the leave of office of Mesut Erez when Talu became the Prime Minister in early 1973.

133. Türkiye İktisat Gazetesi, 18 May 1972. Orhan Bali, “Bakanlar Kurulunun Kabul Ettiği Teşvik Tasarısı.” See Official Gazette No.14253 2 May 1973 which changed the General Incentive Table in the 1973 Annual Program.

134. See Orhan Bali, Türkiye İktisat Gazetesi .18 May 1972 “Bakanlar Kurulunun Kabul ettiği Teşvik Tasarısı” and Köksal, 1973. pp.125-133. for further details on the content of the draft law. For a critical and detailed discussion of the measures introduced in the “draft” Law, see also Erhan Işıl, Teşvik Tedbirleri. İstanbul Sanayi Odası Dergisi. 15 July 1973. 89

135. Güngör Uras, “Teşvik Uygulamasında Dağınıklık.” Türkiye İktisat Gazetesi. 13 September 1973.

136. See “III. Beş Yıllık Kalkınma Planı. (1973-1977). 1973 Programı.” The General Incentive Table reprinted in this document was originally published in Official Gazette No.14385. 8 December 1972.

137. Milliyet, 21 March 1972. The following lines by Ertuğrul Soysal reflect the substance of the threat as such : “Teşvikleri uygulamak hükümetin insiyatifine kalmış bir lütuf ve ihanda değildir. Görevdir. Bu yapılmazsa kimse ekonomik çabaların en yıpratıcısı olan endüstriye girmez. *Bugün sanayicilerimiz projeleri ellerinde başvuracak makam ve teşvik düzeni aramaktadır.*” Cumhuriyet, 5 January 1973. Justice Party MP Abdurrahman Güler : “Teşvik tedbirlerinden, halka dayalı teşebbüsler değil, sayıları 200 ‘ü geçmeyen, talimli firmalar yararlanmaktadır. Bu bakanlık belli büyük firmaların işlerini takip bakanlığıdır.”

138. Vatan, 6 October 1972. Full quotation is the maxim in the beginning of this chapter.

139. Yankı, 29 January-4 February 1973. 98. p.14.

140. There was a similar financing mechanism initiated during the Özal period called the “Selective Credit Fund”. We learn from Erez that it had not been operational. Yankı, 29 January-4 February 1973. 98. p.14.

141. Cumhuriyet, 12 January 1973. It is worth noting here that Talu and Erez are still active in Akbank and Eskişehir Chamber of Industry respectively.

142. Cahit Kayra who became the Minister of Energy and Natural Resources in the Republican People’s Party-National Salvation Party coalition government in the beginning of 1974 called the ministry as “the largest investment machine of Turkey”. Kayra, 1995 p. 340.

143. See Yankı, 1-7 January 1973. “Teşvik Tedbirleri Üç Bakan Muhalif.” and Yankı, 12-18 February 1973. “Bakanlar Birbirine Karşı” for the details of the signature crisis and the diversity of opinions among the ministers.

144. Cumhuriyet, 22 January 1973. "Planlama Teşvik politikasında müteşebbisten taviz istiyor."

145. Kazgan, Gülten. quoted in Avcıoğlu, 1990. p.846.

146. In Aker, 1973 p.20. The unwillingness of the big industrialists to underwrite the "risk" involved in the completion of large scale projects in the beginning of 1970s was a crucial factor in the nearly ambiguous state-led character of the strategy build-up of the Third Five Year Plan. Türel's observations on the subject are worth noting in this context : " ..otomotiv sanayiindeki montaj faaliyetlerinin oluşturduğu temelden hareketle, bu sanayilerin başlıca ara ürünleri olan motor, dişli kutusu ve aktarma organlarının yurtiçinde imali konusu, 1970'lerin ilk yarısında güncel tartışma konularını oluşturmuş ; ancak bu tartışmalar kamu kesiminin bu alandaki "öncülük görevinin" ne olduğuna açıklık kazandırmamıştır.1970'li yılların başlarında bir yandan mühendislik sanayilerinde anlamlı bir gelişmeyi başlatamayacağına belirginleşmesi, öte yandan 1970 ödemeler dengesi krizinin ileride bu kez karşılanamayacak semaye malı ithal gereklerinden kaynaklanarak tekerrür edeceği yolundaki kaygılar bu alanda kamu kesiminin doğrudan yatırıma yönelmesi konusundaki eğilimlere güç kazandırmıştır." Türel, 1981. p.581.

147. Aker, 1973 p.29. Milliyet, 21 January 1973. Ali Mansur (Member of the Board of Directors of Istanbul Chamber of Industry) : "Sırf küçükler uğruna büyüğün gelişmesi önlenemez." Şinasi Ertan (Head of Aegean Chamber of Industry) : "Teşvik Tedbirleri muhakkak uygulanmalıdır. Teşvik Tedbirleri ülkenin geri kalmış bölümlerini canlandıracaktır. ... Hızlı ve dengeli kalkınma ancak teşvik tedbirleriyle olur. Bu tedbirler, yatırımların maliyetini düşürmek ve kredi ve diğer olanakları geri kalmış yörelere kaydırmak için gereklidir."

148. The manifesto was published in Eskişehir Sanayi Odası Dergisi, 2. pp.2-10. December 1970. For an elaboration of its significance, see Gevgilili, 1973. "Kaynayan Toplumun Önündeki Sorunlar ve Sanayi." pp.180-185. See also Zeytinoğlu, 1981 for a detailed view of "national industry" by the chairman of the Chamber in those days.

149. Yankı, 12-18 February 1973. 100 p.16. .

150. Cumhuriyet, 13 January 1973. "İkiye Bölünen Özel Sektör." Milliyet, 21 January 1973. "İstedığımız şey büyük müesseseleri cezalandırmak değildir. Büyük, küçük ve orta müesseseler aynı zemin üzerinde çalışabilmelidir." An investment value floor of 5 million TL at the time (given the average annual exchange rate for dollar in 1972 as 14.00 TL) amounts to 358.000 US Dollars.

151. See Aker, 1973. "Teşvik Yoluyla Tekelleşme". pp.17-35 for an account of the issue in the context of the debates of the period.

152. See the two articles of Abdi İpekçi in Milliyet, 7 January 1973. "Teşvik Tedbirleri" and 10 January 1973. "Teşvik Tartışmaları." for the position of the two major parties.

153. On the details of this "seemingly" strange entrance of Ertuğrul Soysal to Ecevit's close circle, see Ölçen, 1995. pp.56-59.

154.For the full declaration of the industrialists, see Cumhuriyet, 28 February 1973. declaration See Yankı, 5-11 March 1973 for the details of this event.

155.Yankı, 5-11 March 1973.

156.In Ölçen, 1995. p.639. In fact, it had been stated in the 1974 annual programme prepared during the Talu government (i.e. under the 1971 Regime) that the basic principle on Incentive Implementation would be the non-alteration of the General Incentive Table unless there would not be serious excuses . Starting with the 1975 annual program, the clause as such was not found in the annual programs prepared during the coalition governments. Alteration of general incentive thus became the "norm" of the practice under the politicisation of economic bureuacracy. See 1974, 1975 Annual Programs.

157.CHP Seçim Bildirgesi, "Ak Günlere", 1973 p.65.

158.Ahmad,1993. P.163. In fact, Kayra notes that there was no conflict between the two parties during the coalition protocole negotiations on the issue of "People's sector and regional development companies." Kayra, 1995. p.333.

159.Barkey, 1990 p.158.

160.Milliyet, 20 June 1973. "Yeni Ticaret Rejimi açıklandı."

161.Cumhuriyet, 5 June 1974. 'Odalar ve Hükümet" It should be noted that the Justice Party used the occasion to get the support of Union of Chambers.

162.Milliyet, 4 June 1974. 'Anadolu Burjuvazisi önünde iki Erbakan ve Sanayileşme".

163.Ölçen, 1995. p.52.

164.Interview with Tevfik Altınok.

165.Kayra, 1995. p.344.

166. "...klasik tutucu bürokrasi, program bütçe diye bir uygulamayı güzel dış nedenler göstererek genelleştirebilmiş, asıl neden olan planlamanın ana fonksiyonlarını azaltma çabası başarılı bir biçimde gerçekleştirilmiştir....tutucu bürokrasi para,kredi,fiat politikalarını her gün değiştirerek, hem planları ifna etmiş hem de planlamanın ana fonksiyonlarını günlük kararlarla azalttırmıştır.....yapılan planların ana teknolojisini fiyatlar teşkil ettiğinden ve Türkiye'de fiyatlar düzeyi Batı dünyasındaki enflasyona paralel ve hatta ondan daha fazla artış göstermediğinden , planların iç dengeleri bozulmuştur." Coşkun Ürnlü, "Planlamanın Kış Uykusu". This satirical note was written as a response to an article by Besim Üstünel in Milliyet, 5 June 1975, "Ekonomik Durum ve Gelişme Yönleri" who actually brought the metaphor of the "Winter Sleep of Planning".

167.Ürnlü, 1975.

168.Kemal Cantürk (Undersecretary) and Hikmet Çetin (Head of Economic Planning Department) remained in SPO during these years without being subject to political alteration.

169. Düşünenlerin Forumu. (Feyyaz Berker, İdris Küçükömer, Şerif Mardin, Ertuğrul Soysal) 26 Ekim 1975 (Ertuğrul Soysal) Politikacılar ellerini ekonomiden

çekmelidirler. her ne kadar politikaları onlar geliştireceklerse de bunların belirlenmesinde , Planlama teşkilatı gibi güvenilir bir teşkilat da etkili olmalıdır. Türkiye 'de bugüne kadar gördüğümüz en ciddi, en tutarlı araştırmaları yapan , hatta bir ara uygulamaya da girmiş DPT'nin bir yana itilmesi , uygulama bakanlıklarının politikacılar arasında bölünmesi tutarsız bir tavidir. Planlama Teşkilatı *Türk ekonomisinin sahibidir* ve Türk ekonomisini yönetmede de uygulamada da güvenilir ve yetkili teşkilatlar olmalıdır. Dört yılda altı defa değişen hükümetin politikacılarına , Türk ekonomisi teslim edilmemelidir." In Küçükömer, 1994(5). p.189.

170. Kruger, 1974a. p. 312. "The timing of the devaluation that occurred in August 1970 must be explained as much by political as by purely economic factors." Derviş & Robinson, 1978. p.39-40.

171. See Küçük, 1985. pp.334-341. Avcıoğlu, 1990. p.908. and for the political reason of curtailing labor power inside the 1970 economic measures. Prime Minister Demirel underlined the political reasons for the devaluation as follows ; " 1970 senesi aslında çeşitli sıkıntıları ihtiva eden bir senedir. Çünkü, bir derlenme bir derlenme senesidir diye konuştuğumuz zaman kafamızın arkasında bazı şeyler vardı. Her zaman kafamızın arkasında çok şey bulunmaz ama, iktisadi meselelerde 1970 yılına girerken bazı mühim maniaları aşmak mecburiyeti ile karşı karşıya idik." Türkiye İktisat Gazetesi. 19 November 1970.

172. Derviş & Robinson, 1978. p.40.

173. "Yatırım tahsislerini alırken, ihracat yapacağını beyan etmek, fakat mamülünü iç piyasaya dahi arz etmeden ithal yasağı talebinde bulunmak, bugünün alışlagelmiş yolu haline gelmiştir." (Ertuğrul Soysal) quoted in Avcıoğlu, 1990. p.867.

174. "Burada , söylenen hususları birbirine bağlayan demokratik milli merkantilist bir politika önerebilir. Japon ya da Alman mucizesi denen şeyin aslında mucize bir tarafı yoktur. Kendilerine özgü , fakat genel hatlarında bulunan bir merkantilist politika izlemişlerdir bunlar

Türkiye koşullarında yeni bir programın ana unsurları şunlardır :

Sanayileşmeye elbette öncelik verilmelidir, fakat sanayileşmede ortalama emek verimliliğini de yükseltmek suretiyle.. Sanayide emek verimliliği en yüksek ve ileri ülke, Japonyadır.

Sanayileşmede artık ihracata yönelmelidir. Devalüsyon merkantilizmin bir unsurudur ama yalnız başına yetmez. Bunun emek verimliliğiyle birlikte olması gerekir.

Demokratik milli merkantilizmin diğer bir özelliği süratle karar alabilmesi ve bu kararın mümkün olduğu kadar merkezileşmesidir. Bu da bir planla olur ve kuşkusuz planın demokratik politikayla ilişkisi kurulmalıdır. Bütün bunların olabilmesi, böyle bir kalkınma modeliyle elde edilen artık değer'in paylaşılmasının da demokratik olması yani bu bölüşümün demokratikleşme süreciyle halkın refah düzeyinin yükseltilmesi birbirinden ayrılamaz. Bunun sağlanması ise halkın sözcülerinin , ne yukarıdan ne de bir azınlık tarafından engellenmeden , politik arenada yer bulmasının sağlanmasıyla olur." Küçükömer, 1994. p.134-135

175. Abdülkerim Doğru of National Salvation Party was the Minister of Industry and Technology in both the RPP-NSP Coalition and the First National Front Government.

176. 1975 Program Decree. Bali, 1979. p.20.

177.Cumhuriyet, 3 July 1975.” Yatırım,Turizm, ihracat ve döviz kazandırıcı hizmetlerin teşviki için 23 tedbir getiriliyor.”..... `Yasa tasarısı yatırımlarla ilgili teşviklerden yararlanmak için yatırıma başlamadan önce müracaat edilmesi gerektiği ve teşvik tedbirlerinin tek inceleme ve denetim merciinin Sanayi ve Teknoloji Bakanlığı olacağı ilkelerini de getirmektedir.” For a detailed discussion of the new draft law, See Orhan Bali, Yeni Teşvik Kanun Tasarısı-I. Tasarısının Genel Yapısı-I. İstanbul Sanayi Odası Dergisi. 15 September 1975. 115. , Orhan Bali, Yeni Teşvik Tasarısı-II. Genel Teşvik Tablosu. İstanbul Sanayi Odası. 15 October 1975. 116. Orhan Bali, Genel Teşvik Tablosu ve Teşviklerin Ağırlığı. İstanbul Sanayi Odası. 15 Kasım 1975. 117. On the re-linking proposal of the Department of Incentive and Implementation to Prime Ministry, see Orhan Bali, Teşvikler için Tek Kanun ve Tek Uygulama Mercii. İstanbul Sanayi Odası Dergisi. 15 December 1975. 118.

178.Cumhuriyet, 19 August 1975. “Sanayiciler Demirel` e Muhtıra verdiler.”

179.Tan, 1981. p.154.

180.Cumhuriyet, 22 August 1975. “Cephe İktidarı Maliye Müfettişlerini çeşitli il ve görevlere naklediyor.” “Maliye Bakanlığında bu ay açılması gereken Maliye Müfettiş Muavinliği sınavının üç ay ertelenmesi, Bakanlık bünyesinde huzursuzlukların büyümesine yolaçmıştır. Bakanlığın yüksek yönetim kadrolarına Maliye Müfettişliğinden gelenlerin tek tek görevden alınmaları, ya da pasif görevlere verilmeleri , bazı maliye müfettişlerinin , düzenledikleri raporlar “beğenilmediği” için malmüdürü olarak taşraya atanmak istenmeleri, bakanlıkta kaygı ve huzursuzluk yaratmıştır. 96 yıllık maziye sahip “Hazine koruyucusu” Maliye Teftiş Heyetine karşı bir siyasal iktidarın, tarihinde ilk kez baskı uygulamasına giriştiği bildirilmektedir. (*italics mine*) Son olarak, Maliye Müfettişliği sınavının, gene bu kuruluşun tarihinde ilk kez üç ay ertelenmesi bardağı taşırın damla olmuş, Bakanlık içindeki huzursuzluk su yüzüne çıkmıştır. DPT Teşvik Uygulama Dairesi Başkanırken, hakkında, maliye Müfettişlerince soruşturma yapılan Yılmaz Ergenekon`nun Maliye Bakanı olmasından sonra tamamı Maliye Müfettişliğinden gelme birçok yüksek memur görevden alınmış, ya da pasif görevlere verilmiştir. bu memurlar arasında; Müsteşar Cahit Eren, Gelirler Genel Müdürü Erdoğan Koçak, Bütçe Mali Kontrol Genel Müdürü Nihat Tezer ve gene Bakanlık kontrolündeki kuruluşlardan birinin, DMO Genel Müdürü Nevzat Özkan bulunmaktadır. Öğrenildiğine göre gene Maliye müfettişliğinden gelme yüksek memurlardan Hazine Genel Sekreteri Ertuğrul İhsan Özol, Hazine Genel Müdürleri Bekir Peker ve Cafer Tayyar Sadıklar`da önümüzde ki günlerde görevlerinden alınacaklardı.” Cumhuriyet, 25 August 1975. “Maliye Bakanlığı Teftiş Kurulu Başkanı da (Hüsamettin Kılıç) görevden alındı, hesap uzmanları sınavı ertelendi. Ergenekon was the General Secretary of Union of Chambers before he was elected as an MP (İzmir) from Justice Party in October 1973 elections.

181.Cumhuriyet, 28 August 1975. “Türkiye`de 1958 ve 1970`de yapılan devalüasyonların hazırlayıcısı Sturc Türkiye`ye geldi.” For more information on Sturc, see Doğan, 1981. Cumhuriyet, 29 August 1975. “MC İktidarı liranın dolar karşısındaki değerini dördüncü kez düşürdü.”

182.Doğan, 1987. p.127. Erbakan, in a meeting of Council of Ministers told Ergenekon the following : “ Kur bizim muvakatımız ve icazetimizle değişir, aziz

kardeşim. Siz bunu böyle kendiliğinden değiştiremezsiniz. Değiştirirseniz, iki cihanda elimiz yakanızdadır.” in Doğan, 1987. p.126.

183.Cumhuriyet, 25 December 1975. “İşadamları Derneği Başkanı Berker büyük çaplı bir devalüasyona karşı çıktı. Berker “kısa dönemlerde devamlı kur düzeltmelerinin gerekli olduğunu söylemiştir.” Export-insurance was legalized in Official Gazette, 19 February 1976 and was compensating the losses of exporters by the state due to exchange-rate changes given the condition that exports were made. It should not be by coincidence that early rumors on “fictitious exports” before 1980s emerged in this era.

184.Cumhuriyet, 24 May 1977. “Biz TÜSİAD olarak başından beri, geciktirilmiş ve büyük oranlı devalüasyonlar yerine , gerektiğince küçük kur ayarlamaları yapılmasını savunduk. Böylece ekonominin orta ve uzun vadeli gelişimi açısından daha yararlı sonuçlar sağlayabileceğini söyledik. Çünkü, geciktirilmiş ve büyük oranlı devalüasyonların sağlıksız gelişmelere yolaçtığını daha önce gördük.

185.Milliyet, 25 May 1975. “Türkiye Gelecek On Yıl için Ne Yapmalı.”

186.Orhan Bali. “Mevcut Teşvik Sisteminin Aksaklıkları”. Istanbul Sanayi Odası Dergisi. 15 May 1976. 123. The abused domain of incentives in mid-1970s was portrayed in this article reflecting rather the political power of industrialists and the rapidly declining state autonomy : “Teşviklerin gayesi dışında kullanılması, şartlarının ihlali veya yerine getirilmemesi hallerinde uygulanan müeyyideler teşvik mevzuatında kısmen yer lamıştır. Bu sebele genel mevzuat müeyyidelerine başvurmak zarurieti vardır. Gerek *Teşvik ve gerekse genel mevzuatta yer alan müeyyideler ya çok ağır yahut hafiftir. Çok önemli bir teşvik tedbirinin ihlali halinde, sadece sağlanan menfaatler geri alınabildiği halde, bundan daha önemsiz bir teşvik tedbirinde temin edilen menfaatin misli ile tahsili mevzuatında yer almaktadır.* Teşviklerle ilgili müeyyidelerin, teşvik mevzuatı içinde ve teşvik esprisine uygun ve oranlı olarak bulunması gerekir.” See also Bali, 1977. p.331. on the same issue.

187. See Artun, Başbuğ and Ertuna, 1976. pp. 705-105. on the legal and regulatory details of CTLD mechanism. See Kafaoglu, 1986 on the impact of the mechanism on the Turkish economy with a list of its primary beneficiaries which involved significantly big industrialists. It was even satirically recorded that Özal also used the FDC mechanism which he criticised later after 1983 as the source of the foreign exchange crisis since he worked as a coordinator in Sabancı Group in mid-1970s.

188. See Biber, 1974 for the operational and regulatory status of the Price Control Committee. It is worth noting that its set-up was based on the Law on the Protection of Value of Turkish Currency with Decree No.19. Official Gazette No. 14676. 5 October 1973. The same agency was revived during the Ecevit government as “Price Determination Control Coordination Committee”. Official Gazette No.16407. 17 September 1978.

189.Kazgan, 1994. p.177.

190.Artun et al, 1976. pp.83-84. For the different views among economists about post-1973 crisis, see Kruger and Aktan, 1992. pp.24-33.

191.Interview with Oktar Türel.

192. "Cumhuriyet, 7 December 1975. "Devlet Planlama Teşkilatı, DÇM Hesaplarının, Türkiye için önemli darboğazlar yaratacağı görüşünü savunarak bu kanalla Türkiye'ye girecek dövizlerin belirli bir düzeyde tutulmasını istemiştir."

193. Türkiye İktisat Gazetesi, 19 February 1976. See also Üstünel, 1976 for a political critique of the 1976 budget and the different aspects of the deadlocks of the economic policies of the Front government.

194. Tan, 1981. p.155. Milliyet, 21 February 1976. Mümtaz Soysal, "Plancıyla Oynamak"

195. Cumhuriyet, 8 November 1976. "MSP Genel İdare Kurulu'nun Hükümete muhtıra niteliğindeki Bildirisi açıklandı. "MSP ithalci-montajcı gidişe alet edilemez."

196. See Türel, 1981 for further details on these developments during this period. For the full title and date of establishment decrees of these "SAN" industries, see Türel, 1981 and Sanayi ve Teknoloji Bakanlığı ve Kuruluşları ile İlgili Genel Bilgiler. 19 February 1981. Ankara : Mars Matbaası.

197. Barkey, 1990. p.160. The following clause was stated in 1977 annual programme concerning the constraint of the application of incentives to western areas : "İstanbul ve Kocaeli ili sınırları içinde kurulacak yeni yatırımlarla ekonomik ölçeğin üstünde tevsi yatırımları teşvik tedbirlerinden istifa edemez." In Bali, 1977. p.73. We have already noted above that Abdülkerim Doğru was the Minister of Industry and Technology during both the R.P.P-N.S.P and "Front" Coalition governments.

198. Cumhuriyet, 27 December 1976. "DPT Daire Başkanlarının karşı oylarına rağmen, 1977 bütçesine yeni ödenekler ekleniyor." The department Heads at the time in S.P.O were rather "left-oriented" figures. See the appendix on Department Heads of S.P.O for the above date.

199. Cumhuriyet, 11 February 1977.

200. Cumhuriyet, 10 March 1977.

201. Cumhuriyet, 26 March 1977. "Maliye Bakanı, MSP'ye çattı : "isim projeleriyle kimseye para harcatmayız." Türel observed the fact that the political deadlock on the meaningful "leap forward" in engineering industries can be understood rather as a reflection of the struggle between the rival fractions of industrial and commercial capital in 1970s. Türel, 1981. p.589.

202. Cumhuriyet, 16 February 1977. Sabancı confessed the fact that this was the first time they explicitly made a political declaration.

203. Ahmad, 1993. p.169.

204. The external context of this development with reference to economic bureaucracy is portrayed in length in Doğan, 1987. See Okyar, 1983 for a comprehensive assesment of IMF-Turkey relations in 1970s.

205. It was Oğuzhan Asiltürk in the Second Nationalist Front Government who became the Minister of Industry and Technology.

206. See Doğan 1987, pp.141-142 for a vivid picture of the September 1977 devaluation. It is worth noting that a 45 million USD loan by IMF was not donated even after the September 1977 devaluation which would have arrived as had been agreed between the government and IMF.

207. Kurdaş, 1979. 349-350. Gönensay brings a parallel argument by looking at the presence of high quantity restrictions in the protected ISI setting which make devaluation ineffective and thus unacceptable by industrialists producing consumer goods. See Gönensay, 1981. However, the explanation does not explain why restrictions were so "high" to make the effect of devaluation ineffective.

208. Cumhuriyet, 30 March 1976. "Ticaret ve Sanayi Odaları : Ücretler 4. Planda kontrol altına alınmalı." See Boratav and others, 1987. pp.134-138. for an evaluation of how the real wages in industry evolved during the ISI period.

209. "Committee for the Encouragement of Foreign Capital" which had been formed according to Law. No. 6224 on the Encouragement of Foreign Capital was abolished and its duties were transferred to State Planning Organization with Article 6 of Law No. 933. From then onwards including the whole period of 1970s, investigation of foreign capital applications were centrally processed through the State Planning Organization. However, certain formal duties were left on Ministry of Commerce which became the agency of direct application in 1970s. See Bali, 1977. p.206 and Uras, 1979. p.319-320.

210. "Yeni Strateji ve Kalkınma Planı. Üçüncü Beşyıl. (1973-1977)" p.895. A seemingly "neo-Kadro" economic nationalism towards foreign capital as such might not have only reflected their ideological preferences but also could have been shaped "conjuncturally" by the political roles played by multinational companies in developing countries "Allende" affair being the primary example in Chile. Uras, 1979. p. 269. To what extent such a "phobia" was relevant in the presence of an extremely low-level of foreign direct investment operating in the country since early 1950s needs other explanations. Keyder noted the fact that the issue of foreign capital should be regarded as one of an "implicit contract" between the bureaucracy and the bourgeoisie till the end of the planned ISI period. 1987(a) , p.183. His comments on the absence of a large a scale of foreign capital makes the above "phobia" irrelevant from a political standpoint. "...the absence of foreign capital on any significant scale was probably a contributing factor in the survival of democracy between 1950 and 1980. Without large investments and concentrated interests, the international bourgeoisie was not overly preoccupied with the exact character of the government as long as more general criteria concerning links to the capitalist system were met." Keyder, 1987(b). p. 45. Keyder also noted that high wages were also a deterring factor for foreign capital in the presence of more attractive alternatives. Keyder, 1987(a) p. 184. On the other hand, the Soviet-credit and technology based İskenderun Steel and Seydişehir Aluminum Plants were in fact was well accepted by the NF government in the adverse credit conditions after especially the Cyprus Affair indirectly uniting the planners and the government at the time on these projects. "Dördüncü Planın kaynağı yok. Bağımlı bir kapitalist ülke olma çabasındaki Türkiye 'nin Dördüncü Planı artık işçi dövizide bulamamakta. Sermaye sınıfı ile bağlarını yitirmiş bir siyasal güce güvenmemekte Batı. Bugünkü iktidarın niteliğine rağmen Sovyet kaynaklarına el atılmakta. Enerji alınmaktadır ; büyük rafineri tesislerine bu kaynaklarla girilmektedir

; altyapı tesisleri bu kaynaklarla sağlanmaktadır ; demir çelik tesislerinin temellerinin altında bu kaynaklar var. Aynı zamanda üretim güçlerinin de gelişmesine de yardımcı bu kaynaklar. Kötü de değil.” Cumhuriyet, 1 March 1977. “4 Planın Sanayileşme Açmazı.” The article was written by İcen Börtüçene, Head of Department of Social Planning of S.P.O at the time.

211. “Avrupa Ekonomik Topluluğu ile ortaklık ilişkilerimizde Türkiye’ye tanınan ayrıcalıkların yıpranması ve ortaklık ilişkilerindeki başka aksaklıklarında düzeltilememiş olması, ekonomik gelişmemizin güçlenmesinde ve dış ödemeler açığımızın büyümesinde bir ölçüde etken olmuştur.” “Dördüncü Beş Yıllık Kalkınma Planı. 1979-1983”. Dördüncü Beş Yıllık Kalkınma Planının Temel Hedefleri ve Stratejisi. p.653.

212. Cumhuriyet, 1 March 1977. “4 Planın Sanayileşme Açmazı.”

213. Cumhuriyet, 14 August 1976. (Coşkun Ürünlü.) “DPT Dışında Oluşan Bir Plan”

214. Milliyet 18 August 1977. “4 Plan modeli için DPT’de anlaşmazlık belirdi. Sosyal Planlama Dairesi, hazırlanan modelin kalkınma için yetersiz olduğunu öne sürerken , iktisadi planlama dairesi modelin yanlış yorumlandığını öne sürüyor.”

215. Orsan and Tayanç, 1981. p. 401. See “Dördüncü Beş Yıllık Kalkınma Planı Çözümleri Üzerine İrdeleme, Eleştiri ve Öneriler.” and “Dördüncü Beş Yıllık Kalkınma Planı Çözümlerine Yöneltilen Eleştirilerin Değerlendirilmesi” prepared by the Social Planning and Economic Planning Departments respectively on the conflict. Yağcı , 1981 is the outstanding work on the inadequacy of the 4th Five Year Plan’s technical framework responding to the crisis of the time. Yağcı defended a similar position like Ürünlü above and argued further that the planning framework adopted in Turkish planning contributed to the precipitation of the crisis.

216. Cumhuriyet, 8 November 1977. “Bir yıllık geçiş Planı için Meclislerden Yetki isteyen bir yasa tasarısı hazırlandı.”

217. Tan, 1981. p.152. Cumhuriyet, 27 Kasım 1977. “Planlı Dönemin Başladığı 15 yıldır ilk kez plana dayanmayan bir program hazırlanması eleştiriliyor. Bütçe ile program plansız hazırlandı.” The Constitutional Court annulled the authorization.

218. Cumhuriyet, 12 November 1977. “Planlama Kurulu Toplantısı Öncesi DPT Sosyal Planlama Dairesi Başkanı Börtüçene görevinden alındı.” Cumhuriyet, 15 November 1977. Cumhuriyet, 13 November 1977. “DPT’nin bazı yöneticileri YPK toplantısından dünkü toplantısından atılmışlardır. YPK toplantısından DPT’nin yöneticileri atılırken IMF ile 1 aydır ilişkileri sürdürmekte olan uzmanlar, planlama ile hiçbir ilişkisi olmadığı halde toplantıya alınmışlardır. Bu arada YPK’na DPT dışında hazırlanan bir plan stratejisinin sunulduğu öğrenilmiştir.” “Yüksek Planlama Kurulu 4. Plan döneminde Kalkınma Hızını yüzde 8.5 olarak saptadı. Merkez Bankası Başkanı ve Hazine Genel Müdürü, karara karşı çıkararak bunu gerçekleştirmek için finansman bulmanın güç olduğunu belirttiler. It should be noted that the Central Bank and Treasury officials were not members of the High Planning Council. Cumhuriyet, 29 November 1977. “AP, Plan Stratejisini MSP ‘den gizli değiştirdi.. YPK’ da belirlenen kalkınma hızı da Plandan çıkarıldı.” It is also significant to note in this context that that Turgut Özal was offered to be the governor of the Central Bank in lieu of Cafer Tayyar Sadıklar by Demirel in mid-1977 where the decree was prepared and Özal

accepted the offer. However, the rapid fall of the Second Nationalist Front government prevented such a critical appointment to be realized. It is obvious that Demirel thought Özal as suitable to run the relations with IMF from such a critical post where monetary management was critical in a prospective stabilisation effort as part of the conditionality for new loans. *Son Havadis*, 21 September 1977. "Turgut Özal Merkez Bankası Başkanı oluyor." DPT eski müsteşarlarından Turgut Özal'ın Merkez Bankası Başkanlığına tayini işe ilgili Hükümet Kararnamesi hazırlanmış ve Cumhurbaşkanı'nın onayına sunulmuştur." See also Çölaşan, 1984. p.43.

219. See Kayra, 1995, pp.530-531. on this point.

220. *Cumhuriyet*, 7 February 1978. "Komisyon 4. Beş Yıllık Planın Hükümete geri verilmesini kararlaştırdı. *Cumhuriyet*, 8 February 1978. "Ekonomide hızlı karar almak amacıyla Bakanlıklararası Kurul kaldırıldı. Onun yerine DPT Müsteşarlığına bağlı olarak görev yapacak üç yeni kurul oluşturulmuştur. Ekonomik kararları oluşturmak, öneriler hazırlamak ve bunları YPK'na sunmak, daha sonra bunların uygulanmasını izlemek üzere gerçekleştirilen kurullar şu konularda göreve yapacaklar. 1. Temel Mal ve Hizmetler Kurulu 2. Ödemeler Dengesi Kurulu 3. Dış Ekonomik İlişkiler Kurulu. Üç Kuruluşun oluşturduğu öneriler doğrudan YPK'na sunulacak ve orada karar haline dönüşecektir. Yeni düzenlemenin ekonomide "Hızlı karar almayı amaçladığı bildirilmektedir." For a lively evaluation of the meeting where Kuruç informed the leading cadres of R.P.P on "what is to be done" and declared the formation of the aforementioned boards, see Ölçen, 1995. pp.174-179.) On the foundation of the Export Coordination Council, see Official Gazette No. 20 April 1978. A foreign-exchange guarantee system and a import-fund in the service of the exporter-manufacturers were established with this regime.

221. Barkey, 1990. p.167.

222. We note that there were draft proposals for the reorganization of the Ministry of Finance as an embracing "Ministry of Economics and Finance" like its French counterpart. See Kılıç, 1978. and Tan, 1984. p.83.

223. *Yankı*, 21 August 1978. *Cumhuriyet*, 28 Şubat 1978. Hükümetin İçinde ve Dışında. *Cumhuriyet*, 24 Mart 1978. "Hükümetin İçi ve Dışı" *Milliyet*, 26 April 1978. "Sadıklar : İktidarlar Kendilerine bağlı , Maliye 'nin bir şubesi gibi çalışan Merkez Bankası istiyorlar." *Milliyet*, 12 August 1978. "Merkez Bankası Olayı". "Sadıklar : Hükümet beni Merkez Bankası'nın başından almak için yollar deniyor. A collection of press news is available in "Türkiye Cumhuriyet Merkez Bankası 'nın Tarafsızlığı ve Basın. Ankara : 1978. " which gives the daily evolution of the "Sadıklar Affair".

224. Official Gazette No: 16663. 11 June 1979. "18 Sayılı Karara Ek Karar".

225. "AET konusunda üç eğilim olduğunu düşünüyorum : Ziya Müezzinoğlu, Hasan Esat Işık (Minister of Defense) AET ile ortaklıktan yana idiler. Ama işleri öylesine başlarından aşkındı ki bu konuda politika geliştirilmesine engel olamıyorlardı. Dışişleri Bakanı ve Ticaret Bakanı karşıydılar. ekonomik konularda koordinasyonu sağlayacak olan Devlet Bkanı Hikmet Çetin ise bir anlamda "Tarafsız" kalıyordu. Planlama Müsteşarı Bilsay Kuruç başlangıçta ortaklığa olumlu bakarken daha sonra düşüncelerini değiştirdiği izlenimini verdi. Kasım 1978'de çıkan Plan'da çok değişiklik görüşler yer aldı : "... AET ile ilişkilerin kalkınmamızı ve sanayimizi engellememesi,

desteklemesi.. Türkiye' ye başka ülkelere verilenlerden daha çok taviz verilmesi gerektiği... Türkiye'nin bir süre AET 'ye olan yükümlülüklerinin dondurulması.. sağlanmış olan yükümlülüklerin yeniden incelenmesi, değerlendirilmesi...vb." Kayra, 1995. p.534.

226. "Dördüncü Beş Yıllık Kalkınma Planı. 1979-1983". Dördüncü Beş Yıllık Kalkınma Planının Temel Hedefleri ve Stratejisi. p.649. Kepenek & Yentürk, 1994. p. 140.

227. In Uygur, 1991. p.151.

228. Cumhuriyet, 29 July 1978. "TÜSİAD Plan Stratejisinde KİT'lere ve Kooperatiflere ağırlık verilmesini eleştirdi. (Ertuğrul Soysal-Istanbul Chamber of Industry) "4.Beş yıllık Planı vakti olan herkes okusun. Çelişkiler içinde hazırlanmış bir sosyalist plandır. Fakat , hükümetin içindeki küçük bir gruptan (11 independents. H.B.) ve dışardan gelen etkilerden dolayı yer yer rotüşlar yapılmıştır. Bu rotüşlar planın genel havası ile çelişki yaratmaktadır. Yer yer zig zaklar olmaktadır. Ama genel tema budur. ...Türkiye'nin başderrinin KİT'ler olduğunu söylemek gerekmektedir. KİT'lerden vazgeçerlermi geçmezlermi bilmiyorum. Görünen odurki vazgeçmeyecekler. Plana monte etmişler bunu." In Doğan, 1987. p. 164, 167. (Mehmet Yazar-Union of Chambers)"..ekonominin deneme tahtasına çevrildiğini belirten Yazar, 4 Beş yıllık Planı, "belli bir zihniyetin yazılı belgesi olarak nitelemiştir." These lines are also explicitly illuminating the preferences of business on the kind of economic bureaucracy to replace the "statist" cadres of SPO at the time.

229. Official Gazette. No. 16215. 1 March 1978.

230. See Barkey, 1990.p.165 for the details of why other quasi-legal representatives of business followed TÜSİAD in the "crusade" even though TÜSİAD had initiated the campaign on a unilateral basis.

231. Yalçın Doğan, "İktidardan Düşenler ve Kalanlar." Cumhuriyet, 21 February 1978. It is why Ecevit talked later on the issue as follows: "Bize IMF ya da Amerika oyun oynamadı. Bizim işadamlarımız oynadı. Komployu biz içimizden yaptık. İşadamları "bu hükümete kredi vermeyin" diye dolaştılar, onlarda bize nakletti bunu. Suçluyu içimizde aramalıyız, kredilerin gecikmesini içimizde aramalıyız." Arcayürek, 1985c, p.320.

232. Barkey, 1990. p.165. Demirel's sincere comments in those days on how these expectations were shaped is extremely illuminating : "Bu işler Brüksel'de başlar. Burada ziyafetler olur, kokteyl partiler.. Konuşulur burada, içinde bulunduğumuz kimi çıkmazlar. Esasen İstanbul'un iş çevreleri 'ordu gelse de rahat etsek' demeye başlamışlar. Bunların ABD ile 'endirek' yakın temasları var." In Arcayürek, 1985(c). p.450. Arcayürek's comments are also very highlighting in terms of the prospective political restructuring : "Kuliste yanan ateş, Ordu müdahalesinin kapıda olduğunun bir başka kanıtıydı. Bu ateş, Coşkun Kırca ve Adnan Başer Kafaoglu'nun "yeni anayasa modeli" ile başlamıştı, sürüp gidiyordu. Ama , henüz somut bir biçimde anayasa taslağı ortaya çıkmamıştı. Çıkacaktı. Asker kökenli Başbakan, Meclislerin bir süre tatile girmesi, *kararnamelerle devletin yönetimi*.... Sonra De Gaullist bir Anayasa.... Eyvallah işler tıklarında ! Ağırlık kazanan çevrelere göre durum buydu.

.....demokrasi “çerçevesine oturtulacaktı”..... *Sonradan Turgut Özal’ın başını buna benzer bir çerçevenin içinde görecektik.* Arcayürek, 1985(c). p. 288.

233. Alp originally wanted to become the Vice Prime Minister responsible for S.P.O and resisted to become the Minister. of Industry and Technology but was forced to accept the post later. Arcayürek, 1985(c). pp.255-256.

234. Yatırımların Teşviki Tebliği No. 8/2-32 Teşvik Uygulama Genel Müdürlüğü. 7, Official Gazette No. 16376. 13 August 1978.

235. All annual programs till 1979 since 1974 contained the following statement on the issue : “Sanayi ve Teknoloji Bakanlığı Genel Teşvik tablosunda yer alan bir yatırımın gümrük muafiyeti ile teşvikini ihracat garantisine bağlayabilir”. See Bali, 1977. pp.100-104 for further details.

236. See Bali, 1979. pp.41-53. for further details. 1979 yılı Programının Uygulanması, Koordinasyonu ve İzlenmesine Dair 7 / 16844 Sayılı Bakanlar Kurulu Kararlarına ek “Yatırımların, İhracatın ve Döviz Kazandırıcı Hizmetlerin Özendirilmesi ve Yönlendirilmesine İlişkin Hükümler”. In Bali, 1979. pp.371-379.

237. It is not coincidence that Ziya Müezzinoğlu, Minister of Finance called the “independents” as the “Troy horse” inside the Ecevit government. Interview with Ziya Müezzinoğlu.

238. Milliyet, 1 January 1979. “Yüksek Planlama Kurulu, DPT ile Sanayi Bakanlığı arasındaki sorunu çözemedi.” Sanayi Bakanlığı Teşvik yetkilerinin hiçbirinin başka bir kuruluşa devredilemeyeceği görüşünü savunuyor. Buğra interpreted the environment at the end of 1979 where the General Incentive Table and the annual preconditions were not announced as follows : “1978 yılında İstanbul Ticaret Odasında düzenlenen bir seminerde, işadamları, planlamacılar ve ilgili bakanlıkların bürokratları, *hala (italics mine)* teşvikten yararlanmak için gerekli olan yatırım belgelerinin alımında kullanılacak yolları tartışmakla meşguldüler. İşadamları başvurulacak mercinin DPT’mi yoksa Maliye Bakanlığı’ mı, yoksa Sanayi Bakanlığı mı olduğunu bilememe durumundaydılar.” Buğra, 1994. pp. 200. Such an interpretation seems to be partial since it skips the real problem where incentives were rapidly oriented towards capital concentration during Alp’s ministerial duration and both “small” business and SPO were resisting it. It is also interesting to note in this context that the meeting was held in Istanbul Chamber of Commerce.

239. Hürriyet, 27 January 1979. “Sanayi Bakanı sanayicilere “Planı boşverin gelin görüşelim” dedi.

240. “Başta Orhan Alp, bir kesim Bilsay Kuruç’u hedef seçmişlerdi. Orhan Alp, belkiş kimi ayrı nedenlerden, örneğin özel sektörün yapacağı motorlarla ilgili CHP’ye de, kamuoyunun belirli kesimlerine de ters düşen davranışlarına karşı çıktığı için DPT’den adeta tiksiniyordu. Başbakanın DPT’yi “koruduğunu” artık açıktan söylemeye başlamışlardı.” Arcayürek, 1985(d). p.129. “(Orhan Alp) “Ben DPT örgütünü muhatap almam, benim muhatabım DPT örgütünü temsil eden bakandır, Başbakan Yardımcısı Hikmet Çetin’dir. Sekiz on işim var ki hiçbirini yapmamaktadır. Mesela Çankaya Holding diye bir holding kurduk. Bu holdinge kamu iktisadi kuruluşları, bazı bankalar ortak oldular. Bir ilde -mesela Siirtte- bir fabrika kuruluşuna mahallinden sermaye gelmezse bu holding yüzde 90’la katılacak. Ya de İstanbul’da bir fabrika

yaparsak, sermaye gelirse dışardan yani halktan, işçiden , kuruluşlardan bu holding yüzde 10 'la katılacak. Ne var bunda ? Karma düzenin bir parçası değilmi değilmi bu ? Bir türlü DPT'den geçmiyor, Hikmet Çetin frenliyor. Bir buçuk aydır bekliyor, söylüyor ve ne DPT'den ne de Maliye 'den olumlu yazıyı alıp hükümete getiremiyorum.” Arcayürek, 1985(d). p.139.

241. Cumhuriyet, 30 April 1979. ”Dış satımda vergi iadelerinin artışı konusunda Maliye ve Ticaret Bakanlıkları anlaşamıyor. Cumhuriyet, 13 Haziran 1979. ”Dışsatımda vergi iade oranları Düşürülüyor.” Official Gazette No. 16663. 11 June 1979. ”18 sayılı Karara ek Karar”.

242. Öniş, 1998. p.16. It is also worth quoting Arcayürek who traced the beginning of the “phasing” to the September 1977 devaluation during the Second Nationalist Front government. ”24 Ocak 1980’de ki ünlü ekonomik önlemler, aslında Eylül 1977’de başlamıştı.” Arcayürek, 1985 (c). p.201.

243. Turkish Economy 1980. TÜSIAD.p.25.

244. See Okyar, 1983 and Kruger & Turan , 1993 for further details on this issue.

245. Cumhuriyet, 5 May 1979. ”IMF Heyeti : Bu gidişle bir yere varamazsınız. Ankarada ki IMF heyetinin Başkanı Woodward, 4 Beş yıllık Kalkınma Planı ve 1979 yılı programında öngörülen politikaları sert biçimde eleştirdi.” See the report by TÜSIAD ”1979 Yılına girerken Türkiye Ekonomisi” which started by the criticism of the 4th Five Year Plan. It is also worth noting that S.P.O , the Ministry of Finance and Central Bank were accused as being responsible for the financement policy.

246. In Uygur, 1991. 153-154.

247. Interview with Oktar Türel. Türel, 1985. p.113. Erol Çevikçe, ”Planlamanın Kaçınılmazlığı” Cumhuriyet, 28 April 1981. As an inconclusive attempt to restructure the ”coordination” of SEEs, the Ministry of Corporations was established in the foundation of the Ecevit government to channel the private resources for the joint investments that would accelarete industrialization. Such a financial discipline would be provided by the State Investment Bank. Official Gazette No. 16173. 18 January 1978. However, the ”independents” in the government deplaced from JP resisted to its functioning and the the ministry was abolished by the JP-minority government in November 1979. See Bulutoğlu, 1980: pp.96-135. for the details of this experiment.

248. Ulagay, 1987. pp.38-43. In fact, Özal was counting on this convergence before his appointment by Demirel to the critical posts after the formation of the ”minority” government. See also Özal, 1978 on what he thought the ”center of gravity” in the 4th Five Year Plan should have been foreseeing the prospective liberalisation besides stabilisation.

249. Cumhuriyet, 5 May 1979. ”Ankara’da ki gözlemciler 4. Planın Millet Meclisi Kararı olmasına karşın, hükümet tarafından benimsenmediğine işaret etmektedirler. Gözlemciler, Türkiye’nin uyguladığı daha önceki üç plan’ın hepsinin devrin başbakanlarının önsözleriyle yayınladığını hatırlatarak, ”Dördüncü Planda Başbakan Ecevit’in böyle bir önsözü bulunmadığına dikkat çekmektedirler.” Milliyet, 17 August 1978. ”4. Beş Yıllık Kalkınma Plan Stratejisi, Ecevit tarafından yeniden yazıldı.

250. See Ölçen, 1995. pp.216-220 on the disunited status of the “inner circle” in the preparation of the “Economic Rescue Programme” in March 1979. See TÜSİAD-Turkish Economy 1980 p.19 for the major components of the ‘Economic Rescue Programme’. See also Okyar, 1983. pp.539-540 for the same point from a broader perspective.

251. Türel, 1979. p.7. Bilsay Kuruç later argued that if Turkey had been able to convince the foreign financiers to finance its drive in key manufacturing industries with advanced technology “learning” substance as had been the case in Korea, it would not have been that much difficult to exit from the crisis. In Uygur, 1991. p.149.

252. Çölaşan, 1984. p.308. See Çölaşan, 1984. pp.46-50 and Doğan, 1994. p.39 for the details of Özal’s appointment by Demirel government.

253. Milliyet, 8 December 1979. “DPT üst düzeyindeki yöneticiler görevlerinden alındı.”

254. Interview with Timur Erkman.

255. Interview with Kemal Cantürk. Kemal Cantürk was the Undersecretary of the State Planning Organization in 1976 when Özal made this application . “Kemal, ben biliyorum bütün motor sanayiine karşı çıkanların çoğu kızıl solcular. Düşünceleri çok yanlış. Ama ben karar verdim. Siyasete atılacağım ve mutlaka onlarla politik anlamda savaşım canlarına okuyacağım.” Also quoted in Özsoy , 1994 p.87. Cantürk said that Özal had driven on that jeep when he was the Vice Prime Minister in 1981.

256. Interview with Timur Erkman. Günel Kansu also made a similar comment on this point. Interview with Günel Kansu.

257. Interview with Timur Erkman. Çölaşan, 1984. pp.53, 97-98.

258. Cumhuriyet, 18 January 1980. “DPT’de batıya direnenlerin tasfiyesi tamamlandı.” Devlet Planlama Teşkilatı Sosyal Planlama Dairesi Başkanı Timur Erkman dün görevinden alınmıştır. Erkman’ın görevden alınmasıyla, DPT’de Dünya Bankası ve OECD’nin Türkiye için uzun dönemli ekonomi politikaları saptama çabalarına direnen yöneticilerin tümünün tasfiyesi yönünde işlemler tamamlanmıştır.” Cumhuriyet, 19 January 1980. “Kamu Kuruluşlarında tasfiyeler yoğunlaştı.” “Devlet Planlama Teşkilatında Demirel hükümeti büyük bir kıyımaya girişmiş, 36 uzmanın sözleşmeleri feshedilmiştir. DPT’de iki gün öncede 20 uzman daha önce çalıştıkları kamu kuruluşlarına geri gönderilmiştir.”

259.(Demirel) “Eğer darbe gelmeseydi, yoklar sorununu çözdükten sonra 24 Ocak kararlarının bünyemize hangi noktalarda uyduğunu, ya da uymadığını yeni baştan gözden geçirecek, bu kararları yeniden düzenleyecektik.” In Arcayürek, 1986. p.172. (Özal) “Aslında 24 Ocak kararlarının bir ara hedefi vardı, birde nihai hedefi. Tabii bu nihai hedef hareketli bir hedeftir, şu tarihte, bu tarihte buna varılır demek zor. Ara hedef ekonomiyi içine düştüğü sıkıntıdan kurtarmaktı. Bu işin başında da ödemeler dengesini ıslah etmek, Türkiye ‘nin kredibilitesini düzeltmek, kıtlıkları yoklukları gidermek, ekonomide altüst olan dengeleri yeniden kurmak geliyordu. Bunların gayesi tabii esas hedefe vermek için bir sıçrama görevi yapmaktı..... Esas hedefi şöyle tarif edebiliriz : biz asırlardan beri , bilhassa son 150 seneden beri bir gelişmemişlik çemberi içindeyiz. Esas hedef, işte bunu kırmak. Tabii bunun için yapı değişikliği, zihniyet

değişikliği elzemdir....Biz tarihten gelen sebeplerle içine kapalı bir toplum haline gelmişiz. Muhim olan mesele, bu toplumu bütünüyle dışarı doğru açmaktır, bu da tabii zaman içinde olacak bir şey. Ben insanımızın kabiliyetine inandığım için bunu başaracağımıza inanıyorum. İyi bir organizasyon, iyi bir sevk ve idareyle bu meseleler çözülebilir.” In Ulagay, 1987.pp.70-71.

CHAPTER VI-CONSOLIDATION AND DISSOLUTION OF NEOLIBERAL “CENTRALISM” AS “POLITICAL DESPOTIC AUTONOMY”

1. Boratav,1990b.p.111.
2. Frieden, 1989. p.5.
3. It was Rodrik, 1991 who conceptualized the Turkish neoliberal experience as “premature.” Öniş, 1998.pp.183-196., 217-238. and Boratav, Türel & Yeldan, 1994. have principally focused on the rent-seeking aspects of economic liberalization.
4. Marguiles & Yıldızoğlu, 1988. p.143. The details of the 1980 programme and subsequent policies of economic liberalization in its aftermath will not be assessed as a separate section here since there is a well-established and proliferated literature on the subject analyzing its various aspects and implications on macroeconomic performance in 1980s. See Öniş, 1998, Sönmez, 1982, 1992. , Celasun and others, 1990, Kruger and Turan, 1992. Arıcanlı and Rodrik, 1990. Rodrik, 1991. Boratav and Türel, 1993. Boratav, 1995. , Boratav, Türel, and Yeldan, 1995. Kazgan, 1994. Yeldan, 1995. as perhaps the most outstanding works in this literature.
5. Boratav, 1990a. p.199. This is even also acknowledged candidly by neoliberals. “introducing liberalization depends upon a certain-politico-economic interaction where distribution of relative power among different economic groups must be pushed in the direction of economic liberalization itself” which indicated the necessity of the existence of the political will behind it . Krueger, 1993 p.353.
6. Barkey, 1990.pp.174-191.
7. See Öniş, 1998. p.247 for an indirectly similar view.
8. Boratav, Türel and Yeldan, 1994. p.62.
9. In Çölaşan, 1984. p.322.
10. Gonca, 1980. p.258. All references to 24 January 1980 measures including the approval of the Incentive and Implementation Department and other institutional changes are found in a systematic way in Gonca, 1980 which was the first volume of the collection of regulations on economic matters that were published by the Coordination Department of the State Planing Organization in 1980s.
11. See Çölaşan, 1984. pp.99-100 for further details on these appointments.
12. Gonca, 1980. p.258. It is worth noting that the bureacratic cadres of both organs were more or less composed of the same institutions inside the economic apparatus of the state.
13. Canevi, 1994. pp.191-192.
14. Cumhuriyet, 2 May 1980.

15. Dünya, 11 January 1981. Merkez Bankası Başkanı Aydınoğlu, Özal ile görüş ayrılığı nedeniyle istifa etti. Aydınoğlu'nun istifasına neden olarak, uygulanan "genel ekonomik politikalar" ile 13 Ocak'ta Londra'da yabancı bankalarla yapılacak toplantıda izlenecek politikalar konusunda Özal ile arasında beliren görüş ayrılığı gösteriliyor. See Çölaşan, 1987. pp. 137-142. for the details of the resignation.

16. Çölaşan, 1984. pp.232-236.

17. See Barlas, 1994. p.9 on this issue.

18. See Çölaşan, 1987. pp.45-80 for further details of these developments.

19. For the 1980-1982 stabilization-adjustment efforts as related to the external financing relations with the World Bank and the IMF See, Öniş, 1998. pp.125-148. and Okyar, 1983 respectively.

20. Cumhuriyet, 11 June 1980. "Özal'ın Holdinglerin sözcüsü olduğu kesindir." Dünya 18 July 1981. "Bankaların devletleştirilmesi isteği tepkiyle karşılandı." Halit Soydan ; (İSO Başkanı Murtaza Çelikel'in konuşması üzerine) özel sektörün kalesi durumunda olan odadan bankaların devletleştirilmesi görüşü çıkması yadırgatıcı ve şaşırtıcıdır. It was even recorded that Ali Koçman, Chairman of TÜSİAD complained about Istanbul Chamber of Industry which allowed figures like Murtaza Çelikel to speak "against" the interests of the private sector in letter written to the National Security Council. "İstanbul Sanayi Odası Meclisi sizin kapatmış olduğunuz Meclis'ten çok daha kötü ve berbat bir Meclis'tir. Derhal onu da kapatmanız gerek." In Çölaşan, 1985. p.103.

21. Official Gazette No. 17246. 9 January 1981.

22. Çölaşan, 1987. pp.143-144.

23. Dünya, 15 June 1981. "Devlet Durum Merkezi Teşkilatı kuruluyor." Ekonomik hayatta girilen büyüklü küçüklü darboğazları gidermek, bu amaçla devlet ve özel kesim kurumları arasında sürekli koordinasyon sağlamak için yeni bir teşkilat kuruluyor. Hazırlık çalışmaları başlatılan yeni teşkilatın "Devlet Durum Merkezi" adını alması düşünülüyor. Yeni teşkilat, Başbakanlığa bağlı olarak kurulacak ve müsteşar düzeyinde bir yetkili tarafından yönetilecek. Kurulacak "Devlet Durum Merkezi", özellikle, iç ekonomik faaliyetlerle Türkiye'nin dış ekonomik ilişkilerinde her türlü darboğazı önleyecek ya da ortadan kaldıracak çalışmalarda bulunacak. Yetkililer, bu alanda, mevzuat ve uygulamadan doğan aksaklıklar çeşitli kuruluşlar arasında *mevcut görev çakışmaları ve boşlukları* yüzünden Türkiye'nin hem iç ekonomide hemde dış ekonomik ilişkilerde hesaplanamayacak kadar büyük kayıplara uğradığını belirtiyorlar. Hazırlık çalışmaları başlayan "Devlet Durum Merkezi " bu kayıpları önlemek amacıyla ortaya çıkan darboğazlara anında müdahale edecek. "Devlet Durum Merkezi", aynı amaçla, kamu ve özel kesim kuruluşları arasında koordinasyonu sağlayacak, darboğazların önlenmesi ve ortadan kaldırılması için her türlü idari tedbir ve kolaylığı uygulayacak, gerekli görülen yasal düzenlemeleri tasarlayacak. Çölaşan, 1987. pp.112-114.

24. Çölaşan, 1987.p.155. On incentive implementation and its results during this decade, see Milanovich, 1986.

25.Dünya, 16 May 1981. "Turgut Özal KİT'lerin büyütülmesine karşı çıkıyor." Dünya, 22 July 1981- "MGK Komisyonu raporu ; KİTlerin dışındaki aksaklıklar bu kuruluşlara yükleniyor." Raporda KİT'lerin çalışmalarındaki aksaklıkların küçük bölümünün kendi bünyelerinden doğduğu, büyük bölümünün ise dışarıdan oluştuğu belirtildi. Dünya, 9 September 1981. Milli Güvenlik Konseyi Bütçe ve Plan Komisyonu Başkanı Hüsnü Küçükahmet KİT'lerin özel sektöre kiralanması yolundaki öneriye karşı çıkarak "KİT'leri özel sektöre kiralama ya da özel sektöre devretme bir aldatmaca gibi geliyor bana dedi."

26. Çölaşan, 1987. p.200.

27. In Çölaşan, 1985. p. 204. I draw heavily on Çölaşan, 1985, 1987 in this section.

28. In Çölaşan, 1985. p.211.

29. See Dünya, 18 February 1981. "İhracatta bankalardan bazı vergiler alınmayacak." Dünya, 16 June 1981. "Kredi yolsuzluklarını önlemek için İhracat Kredilerine sınır getirilmesi isteniyor." for the technical details of what Kocayusufpaşaoğlu was complaining about on export credits. Dünya, 13 July 1982. "DPT diğer kamu kuruluşlarıyla anlaşma sağlayamıyor." Teşvik ve Uygulama'nın belgeleri bakanlıklarca "yeterli" görülüyor. DPT/TUD'ca verilen yatırımı ve ihracatı teşvik belgelerine göre Maliye, Ticaret, Gümrük ve Tekel ile Sanayi ve Teknoloji Bakanlıklarında işlem yapılırken "yeniden işlem" yapılırken "yeniden incelemeler" yapıldığı, ayrıca Merkez Bankası'nın da Teşvik ve Uygulama dairesinin belgelerini "yeterli bulmadığı" belirtiliyor. TUD tarafından verilen yatırımı ve ihracatı Teşvik belgelerinde yer alan "gider vergisi" istisnası hükmünün zaman zaman Maliye Bakanlığınca uygulanmadığı belirtiliyor. Alınan teşvik belgelerinde "gider vergisi istisnasından yararlanır." hükümleri , bazı durumlarda Maliye Bakanlığı'nca ilgili vergi yasasına uymadığı gerekçesiyle geçerli kabul edilmiyor. Maliye Bakanlığı ile Teşvik Uygulama arasında kopukluk yaratan bir başka sorunda kurumlar vergisinde ortaya çıkıyor. Kurumlar vergisi kanununa göre vergi matrahından istisna edilebilen "sanayi ürünleri ihracından sağlanan gelirler" konusunda iki kuruluş arasında tanım birliğine varılamıyor. Teşvik ve Uygulama ile Sanayi ve Teknoloji Bakanlığı, Maliye Bakanlığı "sanayi ürünü" tanımında anlaşma sağlayamadığı için teşvik belgesinde sanayi ürünü kabul edilen bazı mallarda Maliye Bakanlığı Kurumlar vergisi matrahından indirimine izin vermiyor."

30.Dünya, 4 May 1982. (Kemal Cantürk) "Geliştirilen bu vergi iadesi sisteminin ileri sürüldüğü gibi Japon modeliyle ve de bu model geçişle bir alakası yoktur." On FTCs, see the penetrating study by Öniş, 1998. pp.217-238.

31.Dünya, 12 April 1982. "Danışmanlık yapmak üzere kurulan D.P.T "Uygulamacı Kurumlar arasına girdi."

32.Cumhuriyet, 15 May 1982. "İdarede düzenleme yapmak acil hale geldi. Önümüzde bir buçuk yıl var ondan sonra çalışma yapmak zorlaşacaktır."

33.Official Gazette, No. 17619 28 February 1982. "Bakanlıkların Yeniden Düzenlenmesi ve Çalışma Esasları Hakkında Kararname"

34. See Atiyas, 1990 and Çölaşan, 1985 on the details of the evolution of the "Banker's Crisis."

35. Dünya, 14 Eylül 1981. "Ödünç para verme yasası ile ilgili değişiklik. MGK 12 Eylül'de ödünç verme yasası ile ilgili bir değişiklik yapıyor." Bankalar kanunu'na tabi kuruluşlarla özel kanunlarına göre yetki tanınan kuruluşlar dışında, faizden para kazanmak için ödünç para verme işleriyle uğraşan ve menkul kıymetlerin satışına aracılık eden gerçek ve tüzel kişiler, Maliye bakanlığından ruhsat alacaklar. Bu ruhsatta, söz konusu gerçek ve tüzel kişilerin faaliyet sahaları, sermayeleri ve çalışma yöntemlerine uyacakları öteki şartlarda tespit edilecek. Maliye Bakanlığı, ödünç para verme işleriyle uğraşan gerçek ve tüzel kişilerin uygulayacakları faiz oranları ile alacakları öteki menfaat ve masrafların nitelikleri ile azami ve asgari miktarlarını belirleyebilecek ve gerektiğinde bunları kısmen veya tamamen serbest bırakabilecek. Değişiklikte, ödünç para verme işleri kanununun değiştirilmeyen bütün maddelerinde yer alan Bakanlar kurulu dışındaki bütün mercilere ait yetkilerde Maliye Bakanlığı'na devredildi. Kanun No : 2250 Kabul : 11.9.1981.

36. Barlas, 1994. p.17.

37. Çölaşan, 1985. pp.221-223.

38. Çölaşan, 1985. p.420.

39. Cumhuriyet, 17 July 1982. "Mali Bürokrasi'de Değişiklik Bekleniyor." Dünya, 16 July 1982. "Yeni ekonomi politikası tartışılıyor. Devletin düzenleyici etkisi artabilir." Dünya, 17 July 1982. "Ekonomik Örgütlenme Yeniden Biçimlendiriliyor." Dünya, 24 August 1982. "Teşviklerin Daraltılması Bürokratlar arasında görüş ayrılığı yaratıyor." Ekrem Pakdemirli and Yıldırım Aktürk were initially expected to resign from their posts but they were prevented from doing so for the reasons discussed below.

40. Dünya, 22 January 1983. Industrialist Osman Boyner summarized what the private sector was thinking on the issue and its bureaucratic origin. "...ithalat ve ihracat sırasında ekonomiye faydalı olmak düşüncesine istinaden küçük hatalar yapıldığında yıldırıcı cezalarla karşılaşılacaktır., bugün Türkiye'nin bürokrasi diye yakındığı konunun odak noktası Türk Parasının Kıymetini Koruma Hakkında Kanun mevzuatından kaynaklanmaktadır." Dünya, 6 June 1983. See Batur, 1995 for further details on the issue.

41. Dünya, 31 August 1983.

42. Ulagay, 1983. pp. 37-38, 70. Dünya, 6 Ağustos 1982. "Kararname Hazırlandı. Sermaye Piyasasını düzenleme yetkisi Maliye Bakanlığı'na verildi." Dünya, 9 August 1982. "35 sayılı Kararname yeniden genişletildi. Bankerlerle ilgili tüm yetkiler Maliye Bakanlığı'na verildi."

43. Cumhuriyet, 13 September 1983. "Seçime iki ay kala Kafaoğlu yabancılara güvence verd, Türkiye'nin ekonomi politikası değişmeyecek."

44. Cumhuriyet, 11 March 1983. "İş alemi ısrar etseydi, anti-enflasyonist politikayı gevşetirdik." Cumhuriyet, 11 December 1982. "TÜSİAD, mali aracı sistemde reform istiyor. Bankalara yönelik fonları arttırıcı önlemlere öncelik verilmeli."

45. Dünya, 20 August 1983. "Maliye Bakanlığı Teşkilat Kanunu, Bakanlar Kurulundan geri döndü." Dünya, 18 August 1983. "Maliye Bakanlığı Devlet Planlama'nın Yetkilerini üstlenecek." Dünya, 19 August 1983, "Maliye Bakanlığının

ekonomi yönetimindeki etkinliği iktidar eğilimlerine göre zaman içinde farklılık göstermiştir. Özellikle 24 Ocak kararlarının ardından Maliye Bakanlığı devletin kasadarlığı görevini yerine getirmiş, bu haliyle çağdaş maliye anlayışının dışında faaliyet gösterir olmuştur. Ancak bu tepki dönemi, olarak özellik arzetmiştir. Nitekim, Başbakan Yardımcısı Turgut Özal'ın görevden ayrılmasından sonra Maliye Bakanlığı 24 Ocak öncesinden de etkin hale gelmiştir.

46. Interview with Tefik Altınok. Cumhuriyet, 15 August 1982. "Mali Bürokrasi ve yeni gelişmeler." Doğan, 1986. p.201. See also Çölaşan, 1985, pp.215-216. on how Kafaoğlu behaved "independently" before being the minister of Finance interfering in the preparation of tax-laws.

47.Dünya, 6 June 1983. "Ticaret Bakanlığı'nın Başbakanlığa sunduğu Raporda, tüm ihracat işlemlerinin tek merkezden yürütülmesi öneriliyor." İhracatta yetkilerin ve yürütme gücünün tek merkezde toplanması önerisi, halen D.P.T bünyesinde yer alan Teşvik ve Uygulama Dairesinin Ticaret Bakanlığına bağlanması unsurunda içeriyor.

48.I draw on Heper, 1990 on this division of labor between the "state elite" and "political elite". A member of the Özal circle would define this division of labor in those days as follows when Özal was uncertain on how to behave on non-economic affairs. "Abi, sen bakanmısın yoksa memurmusun ? Önce bunun bir tarifini iyi yapalım. Aslında burada bir müsteşardan farklı olduğunu zannetme. Memur gibi çalışmak durumundasın. Kararnamelere imza atman sadece şekil olarak vardır. Bu işin pazarlığı baştan yapıldı ve sana ekonomik konularda yetki verildi. Böyle vali kararnamelerinde falan senin ortak sorumluluğun yoktur. Askeri idarede bazı konuları sana sormaları gerekmiyor. bunu bil ve kendini boşuna yıpratma." in Çölaşan, 1987. p. 92.

49.Cumhuriyet, 20 Aralık 1983. In fact, Özal would underline the same point later in the beginning of 1990s before his death. See Uras, 1993. p.166. The chief of "Industrial Projects Division" of the World Bank when Özal had been working there between 1971 and 1973 Hans Fuchs was asked whether he was surprised on Özal's entry into politics and winning the elections or not. His answer is illuminating in terms of the historical argument of this study. "No, he always had a feebleness towards politics. What he had done previously in Turkey is an evidence to this." Cumhuriyet, 30 November 1983.

50. Official Gazette No.17729 19 June 1982. "Kamu Kurum ve Kuruluş, Görev ve Yetkilerinin Düzenlenmesi ile İlgili Yetki Kanunu." This authorization became void in fact in 19 June 1983. It is interesting to note that the National Security Council extended it by a change in its 4th Article published in the Official Gazette No. 18240 3 December 1983. "17.6.1982 tarih ve 2680 Sayılı Kamu Kurum ve Kuruluşlarının Kuruluş, Görev ve Yetkilerinin Düzenlenmesi ile ilgili Yetki Kanununun 4. Maddesinin Değiştirilmesine Dair Kanun" Cumhuriyet, 3 December 1983. "Özal'a bakanlık sayısı konusunda yetki verildi." Milli Güvenlik Konseyi, yeni düzenlemelere imkan verebilmek açısından Bakanlar Kurulu 'nun yasa hükmünde kararname çıkarma yetkisinin süresini 19 Haziran 1984 tarihine kadar uzattı. ANAP Genel Başkanı Turgut Özal'ın kuracağı hükümete, bakanlıkların birleştirilmesi, kaldırılması

yeni bakanlık kurulması konularında yasa hükmünde kararname çıkarma yetkisi veriliyor.

51. On the problems concerning the Decrees in the Force of Law in Turkish Constitutional and Administrative Law, see Tan, 1995. p.1995. For a comparative discussion of the same issue, see Kuzu, 1985. On the economic basis of why the executive was strengthened in 1982 Constitution, see Evcimen, 1988. See Sencer, 1992. pp.186-201. on the redesign of the Administration after Motherland Party took power over in 6 November 1983.

52. These simultaneous decrees were published as a whole in the Official Gazette. No. 18251. 14 December 1983. "Bakanlıkların Kuruluş ve Görev Esasları Hakkında Kararname." Cumhuriyet, 16 December 1983. "Bürokrasi Özal'ın Modeline uyduruldu." Milliyet, 14 December 1983. "Özal, Bir dizi Kararname ve Yasayla Ekonomiye Müdahale Edecek."

53. The transitory legal framework of UTFT was drawn with the Decree No.188 based upon the aforementioned authorization law of the National Security Council. Official Gazette No. 18252. 14 December 1983. "Hazine ve Dış Ticaret Müsteşarlığı Teşkilat ve Görevleri Hakkında Kararname." See Tan, 1984. pp. 70-72 on the divisions of the new undersecretary. It should be recorded that the "decree" on the status of UTFT turned out to be a "law" only 2.5 years later. Official Gazette No.19088 25 April 1986. See Official Gazette No.18267 30 December 1983, Official Gazette No.18435 18 June 1984, Official Gazette No.18496 21 August 1984 for the decrees of the Money and Credit Board, High Planning Council-S.P.O, High Coordination Council for Economic Affairs in due order.

54. Yankı, 26 December 1983-1 January 1984. No.665. "Bürokraside "Anglo-Saxon Sistemine Doğru." p.7. In fact, Sait Güran pointed out the fact that the ministers in this system became the "secretaries" of the Prime Ministry which had not been the case following the 1961 Constitution. See "İdari Refom Sorunu" in Banka ve Ekonomik Yorumlar, January 1986 23(1). 7-33.

55. Interview with Tevfik Altınok.

56. See Özgen, 1990 and Batur, 1995 for the details of these "mergings" reflecting this status. See also "İdari Refom Sorunu" in Banka ve Ekonomik Yorumlar, January 1986 23(1). 7-33. for a detailed discussion of the problem of reorganization of the state as such by "decrees" in lieu of "law" from the standpoint of administrative law.

57. The concept belongs to Ziya Öniş. See Öniş, 1998.p.232.

58. Cumhuriyet, 16 December 1983. "Bakanlar Üstü Müsteşar." "Pakdemirli :Teşvik dairesinden Zirveye"

59. Interview with Ekrem Pakdemirli.

60. Cumhuriyet, 1 February 1984. "Kambiyo Suçlarında Af Yetkisi Yargının" The related authorization was given to UTFT by the Article 5. of the Decree No.28 of the Law on the Protection of the Value of the Turkish Currency as the Council of Ministers Decree No 83/7541. Official Gazette No.18266 29 December 1983.

61.Dünya, 26 December 1983. "Teşvik ve Uygulama Başkanlığı'nın Hazineye bağlanması için formül aranıyor. Bu konuda "hukuki" formül arandığı belirtilirken , Devlet Bakanı ve Başbakan Yardımcısı Kaya Erdemin anılan kuruluşun doprudan kendi denetimi altında faaliyette bulunması isteğinde olduğuda ifade edilmekte."Cumhuriyet, 4 July 1984. "Ekonominin zirvesinde İktidar Mücadelesi". In fact, Sait Güran adressed this problem and said that UTFT was in fact a "de facto" ministry since its legal status was not so clear. In "İdari Refom Sorunu" in Banka ve Ekonomik Yorumlar, January 1986 23(1). 7-33.

62.In "Başbakan Turgut Özal'ın konuşma , mesaj , beyan ve mülakatları.", 1984. p.546.

63.It is why the reorganization of the S.P.O in 1980s is out of the concern of this study. See Türel, 1995 for a detailed account of the issue. See Yıldırım, 1991. p.117-136 for a comprehensive evaluation of the legal basis of incentive implementation.It is also worth noting that S.P.O has not any regulatory power to issue 'communiques' which it did all along the export-orientation drive. See Official Gazette No.18545 14 October 1984 for the regulatory framework on incentive implementation that changed the previous practice. "1985 Yılı Programının Uygulanması, Koordinasyonu ve İzlenmesine Dair Karar." See Karakoyunlu, 1987 for the details of investment and export incentives as a summary following 1984.

64.Oyan & Aydın, 1987.p.132. Oyan & Aydın, 1991, 1987 are the chief resources on the fund sytem published till today. For an "official" document , see Evgin and Cangöz, 1991.

65.Öniş, 1998.p.188.

66.See Oyan & Aydın, 1987. pp.86-94 for further details on the issue.

67. Oyan & Aydın, 1987. p.102. See Oyan & Aydın, 1991. pp.105-111. Yıldırım , 1991. pp. 94-103. Caniklioğlu, 1998. pp.248-251. for the details of these issues. See Yıldırım, 1997. pp.52-57. on the legal status of the State Audit Department in the 1961 and 1982 constitutions.

68. Interview with Oktar Türel. Sönmez, 1992a. p.117. Öniş, 1998. p.190. See below for a further discussion of this issue.

69.See Öniş, 1988. p.190 for the distinction between "party autonomy" and "state autonomy."

70. Oyan & Aydın, 1987.p.131.

71. 25 December 1983, Cumhuriyet. "Ekonomide Diyalog-Osman Ulagay"

72. Altınok, 1995 p.3.

73. Altınok, 1991. p.2. It is for this reason that Altınok proposed an institutionalization of "Ministry of Economy."

74. Weber, 1996. p.317.

75. Öniş & Webb, 1998. In Öniş, 1998.p.344. Oyan & Aydın, 1987. p.132.

76. Boratav, 1995. p.173.

77. Buğra, 1995. pp. 338-344. gives a vivid picture in these terms on the relationship between the Motherland Party government-TÜSİAD relationship.
78. Kalaycıoğlu, 1991. pp.83-86.
79. Cumhuriyet, 17 March 1986. "Aile Meclisi İş bitiriyor." It was reported that Korkut Özal was engaged in carrying out the transportation of oil products to Middle Eastern Countries in the decade.
80. Cumhuriyet, 23 January 1984.
81. Baysan and Blitzer, 1990. p.22. See also Togan, 1993 for an analysis of the protectionist tenets of the import-regime during the decade.
82. Official Gazette, No. 18266. 29 December 1983. See Kruger & Aktan, 1992. p.52., Baysan & Blitzer, 1990. pp.19-23 on import liberalization and the 1984 import-regime.)
83. Cumhuriyet, 21 January 1984. "İşadamları Arasında Fraksiyon Çatışması". Osman Ulagay "TÜSİAD 'da neler oluyor ?" Yankı, 30 January-5 February 1984. No. 670. "İthalatçı Sanayici Çekişmesi"
84. See Sönmez, 1992.p.222-225. and Doğan, 1986. p.410. Boratav records that Narin, Anadolu Endüstri, Ercan were other groups which were punished by the government during the same period. Boratav, 1991.p. 97.
85. See Öniş, 1998. pp.217-238. for a detailed analysis of FTCs. Cumhuriyet, 27 December 1984. "Büyük İhracatçılar Özal'a başkaldırdı." Milliyet, 27 December 1984. "İhracatçılar, Özal'a Kızgın"
86. Şen, 1995. p.47. The affiliations of FTCs are given in Öniş, 1998 indicating the export-concentration in major groups. p.236. The "vertical" holdings in the class-division of Turkish bourgeoisie is listed in Şen, p. 50. See also Sönmez, 1990. p.57 and Oyan, 1987. p.186,194. for the same observation. See Sönmez, 1992. pp.153-159. on how big capital benefited in terms of all of its major activities in the decade.
87. Cumhuriyet, 15 January 1984. "Hükümete Sanayiciden ilk Yayılım Ateşi"
88. Cumhuriyet, 14 June 1984. "İhracatçılar Bürokratik modelin değişmesini istiyorlar." Cumhuriyet, 8 June 1984. "Ekonomide Yetki Devri"
89. Arat, 1991.p.144.
90. This point obviously further elaboration at the empirical level which we only document here from the press records of the period. It is because the "functional division of labor" between industrial, commercial and financial capital is not that clear so much in Turkey as Boratav, 1991. pp.64-65. underlined.
91. See Köse & Yeldan, 1998. pp.63-64 on this point. This recent study also incorporates the findings of other studies on the monopolization trends in market structures in the liberalization phase. The main finding of the authors is worth quoting in this context in comparison to the "oligopolistic" industrial structure before 1980 in the inward-oriented phase. "In contrast to the mainstream economic theory that suggests a positive correlation between the level of openness and extent of

competition in the market, it is found that the imperfect competitive structure of Turkish manufacturing industry has not changed.” p.68. It was recorded that the profitability of three big vertical-holdings, İşbankası, Koç and Sabancı increased significantly in comparison to previous years. Sönmez, 1992. pp.179-215.

92. Milliyet, 30 January 1984. “İhracatçı Şirket Moskova Klübü kurdu.”

93. Türkcan, 1985.p.255. It should be noted that Türkcan wrote these lines prior to the “public investment” boom by the Motherland Party government and “retreats” meaning the withdrawal from the sphere of production. The same idea is reiterated by Öniş as well. “. . . a model of export-oriented industrialization based on foreign trade companies is clearly in contradiction with the alleged aims of the creation of a liberal economy. In fact, to use Eric Norlinger’s terminology, the creation of foreign trade companies can be considered as a special case of “state-engineered autonomy”. The state has consciously encouraged the formation of a group of companies directly dependent on a special set of incentives that it has provided. In retrospect, the creation of FTC’s has encouraged export-oriented seeking.” Öniş, 1998. p.187. It is also worth noting in this context the following lines on FTCs in a research on Turkey’s post-1980 trade regime conducted by neoclassical economists. “While these FTCs would accept business from individual exporters, they were primarily concerned with the exports of their own group. In many instances the FTC was explicitly created to take advantage of the incentives provided and simply undertook functions formerly carried out under a different organizational form” Kruger & Aktan, 1992.pp. 165-166.

94.The usage of the term economic Darwinism in this context belongs to Ahmad, 1993.p.206.

95. See Boratav, 1991.p.78 for this point.

96. Cumhuriyet, 28 August 1984.

97. Cumhuriyet, 25 June 1986. “Kota savaşında son raunt.”

98. Interview with Cihangir Özer, Çukurova Foreign Trade Company, General Manager. The interview was conducted by Hakan Batur and Fikret Adaman in June 1989 as part of the project conducted by Ziya Öniş and Ayşe Buğra on “The State , Economic Policy Networks and the New Economic Strategy in Turkey”, Ford Foundation, Cairo.

99.Cumhuriyet, 22 February 1987. “Sanayicilerin sabrı taşı.” Dünya, 19 February 1987. “Bakanlar Kurulu kararıyla İhracatta Vergi İadesi DPT’nin kontrolünde.” See Official Gazette, No. 26 February 1987. Cumhuriyet, 26 Şubat 1987. “İhracatın tek patronu DPT oldu.”

100. In Cumhuriyet, 14 December 1986. “Sanayiciler ve ihracatçılar teşvikleri paylaşmıyor. İhracatta Teşvik Kavgası.” Dünya, 2 October 1986.(A big exporter) “İhracatta tam bir kaos içine girdik. hayali ihracata meydan verilmesin diye tam bir “ihracat bürokrasisi” yaratıldı. Bu da hızını yavaşlattı.” Dünya, 20 November 1986. “DPT Teşvik ve Uygulama Dairesinde “özel prensiplerin, tebliğ ve kararnamelelerini aldığı iddia ediliyor.” Milliyet, 6 December 1986.”Geçici Teşvikleri Eleştiren Sanayicilerin isteği ; İhracata Üretimde Destek.” Cumhuriyet, 16 December 1986.

İhracatçı Sanayiciye Ucuz Kredi. Milliyet, 20 February 1987. "Sanayici Sınırlı." See Official Gazette No.19246 9 October 1986 on the decree for the cancellation of the Resource Utilization Fund as a direct Subsidy. It was initiated on 15 December 1984, Official Gazette No. 18606. See Çakır, 1985 pp.65-76 on the conditions of utilization from this fund.

101. See Cumhuriyet, 6 February 1988. and Cumhuriyet, 3 March 1988 respectively for what Yazıcı and Dinçkök said.

102. Cumhuriyet, 14 August 1989. "TÜSİAD Özal'a Sert"

103. See Öniş, 1998. pp.442-446. and İlkin, 1991.p.35. for a further evaluations of these reasons.

104. Sönmez, 1992. p.57.

105. I refer to the rise of the so called "Anatolian capital" and those business groups in connection with the Welfare Party. See Öniş, 1997 for a recent evaluation of the subject.

106. See Öncü & Gökçe, 1991 for the details of the developments in the banking sector in 1980s.

107. See Çetin, 1988 pp.102-117. for a comprehensive journalistic account of these developments. Cumhuriyet, 18 September 1986. "SHP milletvekili Canver'in hayali ihracatla ilgili açıklaması." Dünya, 18 September 1986. "İhracat Teşviklerini yönlendirme yetkisi HDTM'den alındı ve DPT TUD'a verildi."

108. Dünya, 18 October 1986. "4.Hükümet Revizyonunda bürokrasi de değişiklik." "HDTM 'de sevinç, Merkez Bankasında Burukluk." "...Canevinin HDTM Müsteşarı olması, MB bürokrasinin aksine ekonomi yönetiminden sorumlu diğer üst düzey bürokratlarınca ise sevinçle karşılandı. Daha önce bu görevi yürüten Ekrem Pakdemirli'nin tutum ve davranışlarından rahatsız olan bu kesim Canevi'nin bu göreve getirilmesini "son derece isabetli "bir tayin olarak nitelendiriyor, durumdan hem Hazine ve D.P.T. nin hem de Maliye Bakanlığı'nın son derece memnun oldukları gözleniyor. (Özal) "Başlangıçta,Ekrem (Pakdemirli), bunu bilerek yapmış değil. İnceleme yaparken ağzından kaçırılmış... Tamamen tecrübesizliktir. Ama bu olay ihracat hamlesini baltaladı... Ondan sonra, bürokratların kendi aralarında çekişmeleri ile, Planlamanın, Maliye'nin birbirlerine olan zıtlıkları ile, bu iş büyümüştür.... Biz hemen subvansiyonları kaldırdık.. Onun yerine fonlar koyduk..." Barlas, 1994. pp.79. A Foreign Trade Company manager revealed the same point to us previously : "Ekrem Pakdemirli döneminde bu işler iyi idare ediliyordu ; sonra biliyorsunuz Yusuf Bozkurt Özal geldi.... Şu an için çok başlılık devam ediyor." Interview with Cihangir Mehmet Kabasakal , MEPA Foreign Trade Company General Manager. The interview was conducted by Hakan Batur and Fikret Adaman in June 1989 as part of the project conducted by Ziya Öniş and Ayşe Buğra on "The State , Economic Policy Networks and the New Economic Strategy in Turkey", Ford Foundation, Cairo.

109. Cumhuriyet, 12 September 1988. Canevi : "Teşvikte ölçü kaçınca hayali arttı." See Çetin, 1988 pp.117-143 on fictitious exports during Öztürkmen's period.

110. Boratav, Türel and Yeldan, 1994. p.65.

111. Heper, 1993. pp.65-66.

112. Güven , 1993. p.2. Later, as the demands of exporters increased, UTFT was split into two pieces but Incentive and Implementation Department paradoxically resided in the "Treasury." Official Gazette No.22147. 20 December 1994. Biddle and Milor, 1995 provide important clues of this split as reflected on the "policy networks" within the context of the incentive regime in early 1990s. It should be pointed out that the two episodes Heper takes into consideration were totally different and the behavior of the first was directed towards manifesting the impossibility of pursuing rational reformism in the context of a government driven largely by the vested interests of landed and commercial interests against which the government could not take any action. They had a problem with the "order" and thus with the government. The latter did not have such a problematic. They were primarily concerned to "establish" their own bureaucratic prerogatives not against the government but vis a vis their "rivals" inside economic bureaucracy who were driven with the same underlying motives.

113. Kruger & Aktan, 1992. p.51.

114. Waterbury, 1989.pp.6-7.

115. Cumhuriyet, 24 February 1989. quoted by Osman Ulagay.

116. Öniş, 1998. pp.188-190.

117. Önder, 1993.p.38. Kepenek & Yentürk, 1994.p.225.

118. Önder, 1993. p.207.

119. See Öniş, 1998. pp. 190-191, 250-252. on how the aforementioned "mini-crisis" developed.

120. Milliyet, 21 December 1988. (Rüşdü Saraçoğlu) "Enflasyon Lobisi var."

121. I borrow this term from Ertuğrul Kumcuoğlu. Interview with Ertuğrul Kumcuoğlu.

122. Yeldan, 1995.p.66.

123. Atiyas, 1995. p.34.

124. Plateau, 1994 is a excellent theoretical discussion these points from which I draw upon heavily.

125. Arat, 1991.p.138.

126. Foley, 1978. p.420.This is in fact the main message of Buğra, 1994. as her explanation of the evolution of state-market relations in Turkey.

127. See Köse & Yeldan, 1998, Şen, 1994 and Tüzün, 1987 on the concentration of capital during the economic liberalization phase.

128.O'Connor, 1973. p.8. See Öniş, 1998. pp.496-499 for the implications of the "fiscal crisis of the state" as chronic fiscal instability.

129. Soral, 1994. p.160.For a critique of the different aspects of industrialization in 1980s, see the volume by Boratav & Türkcan, 1993

130. See Türkoğlu, 1989 on the regulatory framework of the Decree No.32. See Soral, 1994. pp.189-194 on the negative effects of the Decree No.32. on industrial activity.

131. See Overbeek & Kees, 1993 on this general issue.

132. Öniş, 1998. p.256.

133. Öniş, 1998. p.472. Boratav & Türel, 1993. p.214.

VII-CONCLUSION

1. Evans, 1997. p.87.

APPENDICES

INTERVIEWS (IN ALPHABETICAL ORDER)

<u>SURNAME, NAME</u>	<u>DATE</u>	<u>LOCATION</u>
Altınok, Tevfik	04.12.1995	Koç Holding Headquarters, Istanbul
Cantürk, Kemal	17.06.1996	Office, Ankara
Erkman, Timur	14.06.1996	Central Bank, Ankara
Ersel, Hasan	18.01.1996	Yapı ve Kredi Bankası General Headquarters, Istar
Kansu, Günal	13.06.1996	Republican People's Party, Research Center, Ankar
Karaosmanoğlu, Attila	25.12.1995	Istanbul Chamber of Industry, Istanbul
Korum, Sevil	17.06.1996	Residence, Ankara
Kumcuoğlu, Ertuğrul	11.03.1996	Toprakbank General Headquarters, Istanbul
Müezzinoğlu, Ziya	12.01.1996	TESEV, Istanbul
Müezzinoğlu, Ziya	02.03.1996	Residence, Istanbul
Pakdemirli, Ekrem	21.06.1996	* Answered in written form, Ankara
Sadıklar, Cafer Tayyar	21.06.1996	Turkish-Japanese Association, Ankara
Talu, Naim	28.12.1995	Akbank-Sabancı Center, Istanbul
Tuncer, Baran	14.05.1995	Boğaziçi University, Istanbul
Türel, Oktar	14.06.1996	Middle East Technical University, Ankara
Üstünel, Besim	30.11.1995	Boğaziçi University, Istanbul

KALKINMA PLANININ UYGULANMASI ESASLARINA DAİR KANUN

(Resmi Gazete ile neşir ve İlanı : 11 Ağustos 1967 - Sayı 12671)

Kanun No : 933

Kabul Tarihi : 28 Temmuz 1967

Finansman

Madde 1-A) Kalkınma Planı hedeflerine uygun olarak geliştirilmesi öngörülen iktisadi faaliyet sektörlerine planın bölgelerarası dengeli kalkınma ilkesi de gözönünde tutularak, genel ve katma bütçelerden ödünç verme şeklinde transferler yapmak amacı ile fonlar tesis edilebilir.

Bu fonların ve dış kaynaklardan aynı amaçla yapılacak tahsislerin kullanılış esasları ve şartları yıllık programlarda gösterilir.

Maliye Bakanlığı bütçesinde her yıl "Geliştirme ve teşvik fonları" isimli bir bölüm açılır. Fonlar bu bölümün maddelerinde gösterilir.

Bu transferler, Bakanlar kurulu kararnamesiyle tespit edilecek milli bankalar, kamu kurumu niteliğindeki meslek kuruluşları ve bunların birlikleri, istihsal ve satış (Ezcümle ihracat) kooperatifleri ile bunların birlikleri aracılığıyla yapılır.

B) Planın uygulanmasına ilişkin yıllık programlarda, sermaye ve idare hakimiyeti mahdut sayıda özel kişilere ait olmamak kaydı ile Devlet ve Kamu İktisadi Teşebbüsleri sermayesinin iştiraki ile kurulması öngörülen karma teşebbüslerin sermayelerindeki Devlet hiseleri için gerekli ödenekler, Genel Bütçe Kanununun Maliye Bakanlığı kısmında açılacak bir bölümün maddelerinde gösterilir.

Bu karma teşebbüslerin nitelikleri, yukardaki fıkradan faydalanma şartları ve bunlar üzerindeki devlet denetiminin nasıl yapılacağı yıllık programlarda gösterilir.

Teşvik ve Tanzim

Madde 2- Kalkınma Planı ve yıllık programlara uygun olarak yatırımların teşvik ve tanzimi maksadiyle :

A) 6 Ocak 1961 tarihli ve 193 sayılı Gelir vergisi Kanununa 28 Şubat tarihli ve 202 sayılı kanunla eklenen 3 üncü maddenin 3 üncü fırfası aşağıdaki şekilde değiştirilmiştir :

Yatırım indiriminin nispeti yukarıdaki fıkraya göre indirimden istifade edecek yatırım miktarının azami % 80'nidir. Bölgelere ve iktisadi faaliyet sektörlerine göre uygulanacak nispetler, bu haddi aşmamak üzere yıllık programlarda belirtilir.

B) Yatırım mallarında ve hammaddelerde Gümrük vergi ve Resimleri ile ithalden alınan diğer vergi ve resimler toplamında iktisadi faaliyet sektörlerine göre kısmi veya tam muafıklar ihdası veya bu vergiler ve resimler toplamının kısmen veya tamamen iadesi konuları Bakanlar kurulu kararnameleri ile düzenlenir.

C) Sanayi Bölgeleri ve Turistik bölgeler tesis ve tanzimi ve bu maksatla, gerektiğinde arazi istimlakı, Bakanlar kurulu kararnameleri ile yapılır.

Bu bölgelerde icabında kanalizasyon, elektrik, su yol gibi altyapı tesisleri yaptırıldıktan sonra gayrimenkul, buralarda plan ve program hedeflerine uygun olarak tesis kuracaklara tayin edilecek vade ve faiz nispetlerinde ilgili bakanlıklarca devredilir. Bu fıkranın uygulanmasındaki esaslar Bakanlar Kurulu Kararnamse ile düzenlenir.

D) Umumi Hıfsızssihha Kanunu, İş Kanunları, Mahali İdareler Kanunları ile diğer mevzuatta her türlü yatırımlara, (Ezcümle sanayi kuruluş ve işletmesine) ait ruhsat formalitelerini ahenkleştirmek, çabuklaştırmak ve yetkili mercileri birarada çalıştırmak için Bakanlar Kurulu gerekli tedbirleri, icabında kararnameler çıkararak alır.

E) Bakanlar Kurulu standart ve kalite kontrolü konularında tatbikatı geliştirici tedbirler almaya yetkilidir. Bu kontrollerin hizmetin icaplarına göre sıhhatli ve süratli bir tarzda yapılabilmesini sağlamak amacıyla, mesai saatleri dışında ve ek mesai ücreti ödenmek şartıyla veya mukaveli personel çalıştırmak hususunda kararname çıkartmaya Bakanlar Kurulu yetkilidir.

Madde 3- Kalkınma Planı ve Programlarına uygun olarak ihracatın teşvik ve döviz gelirlerinin artırılması maksadiyle :

A) İhracatı teşvik edilecek maddeleri ihraç edenlerin tanıtma, pazar artışı ve ilk yerleşme faaliyetlerine yardımcı olmak ; ihracatçılara, kamu kurumu niteliğindeki meslek kuruluşları ve bunların birlikleri veya ihracatçı birlikleri veyahut istihsal ve satış (Ezcümle ihracat) kooperatifleri ve bunların birlikleri eliyle birinci maddenin (A) bendinin ikinci ve üçüncü firkaları uyarınca tesis edilecek bir fondan ödünç verilebilir. Bu fonun kullanılmasında ve ödünç verme işlemlerinde uygulanacak esas, şart ve usuller , ödünç alanın ödünç verme mukavelesindeki hükümlere uymasını sağlayacak tedbirler ve denetleme yolları ile bu fondan hangi ihraç mallarının faydalanacağı, Bakanlar Kurulu Kararnamesi ile tespit edilir.

Yukarıdaki fıkra hükümleri, yurt dışında iş alacak Türk müteşebbislerinin tanıtma ve ilk yerleşme faaliyetlerine yardımcı olunması amacıyla de uygulanabilir. Ancak, bu konu Bakanlar Kurulu Kararnamesi ile düzenlenirken, bu müteşebbislerin dış memleketlerde aldıkları işlerin şümulü ve yurda getirecekleri döviz miktarı dikkate alınır.

B) 27 Haziran 1963 tarihli ve 261 sayılı Kanunun birinci maddesi ile ihraç malları hakkında Bakanlar Kuruluna verilen yetkiler aşağıda ki hallerde de kullanılabilir ;

1. İthal ihtiyacını ikame edecek ve Bakanlar Kurulu Kararnamesi ile tespit edilecek mallar hakkında ;

2. Döviz geliri sağlayan ve Bakanlar Kurulu Kararnamesi ile tespit edilecek mallar hakkında ;

3. Yurt içinde turistlerce yapılacak harcamalar hakkında

C) İhracatın Kalkınma Planı ve Yıllık Programlar dairesinde geliştirilmesi ve düzenlenmesi için gerekli tedbirler Bakanlar Kurulu Kararnameleri ile alınır.

Madde 4- 6 Ocak 1961 tarihli ve 193 sayılı Gelir Vergisi Kanununa 28 Şubat 1963 tarihli ve 202 sayılı kanunla eklenen 2'inci ve 3'üncü maddeler; 2 Mayıs 1949 tarihli ve 5383 sayılı Gümrük Kanununa bağlı Gümrük Giriş Tarife Cetvelinin değiştirilmesi hakkında 25 Mayıs 1964 tarihli ve 474 sayılı Kanunun 2'inci ve 3'üncü ve 5'inci maddeleri ; 5 Temmuz 1963 tarihli ve 261 sayılı Kanunun 1'inci maddesiyle işbu kanunun 2 inci maddesinin <A> ve bendleri ile 3'üncü maddesinin maddesinin 1 numaralı fırcası gereğince öngörülen teşvik tedbirlerini uygulamak ve bu amaçla gerekli belgeleri müteşebbislere vermekle gerekli olmak üzere, Başbakanlığa bağlı bir "Yatırımları ve İhracatı Geliştirme ve Teşvik Bürosu" kurulmuştur.

Bu büroda, ilgili Bakanlıklardan yeteri kadar personel, kadroları ile çalıştırılır ve geçici süreli görevler için mukaveleli uzman istihdam edilebilir.

Madde 5- Kalkınma Planı ve Yıllık Programlara göre şehirleşmenin gelişmesini düzenlemek amacı ile mahalli idarelere yardım yapılması için Genel Bütçe Kanununda açılacak bir bölümdeki ödenek ile dış kaynaklardan yapılacak tahsislerin kullanılması Bakanlar Kurulu Kararnamesiyle olur.

Bakanlar Kurulunun yukarıdaki firkanın uygulanmasında, hızlı sanayileşme ortamı olan ve bunun yükünü taşıyan mahalli idarelerin elektrik, su, yol, kanalizasyon gibi alt yapı tesislerinin planlanmasını ve yapılmasını sağlamaya; gerektiğinde müstakbel gelişme sahaları için arsa istimlak etmek üzere kararname çıkarmaya yetkilidir.

Bu arsaların mahalli idarelere devrine dair esaslar ve usuller Bakanlar Kurulu Kararnamesiyle tespit edilir.

Çeşitli Hükümler

Madde 6- 18 Ocak 1954 tarihli ve 6224 tarihli sayılı Yabancı Sermayeyi Teşvik Kanununun 8'inci maddesinin (a) bendi ile kurulmuş olan komite kaldırılmıştır. Kanunun bu komiteye vermiş olduğu Devlet Planlama Merkez Teşkilatı ifa eder.

Aynı Kanunun 8'inci maddesinin (b) bendinde zikredilen itiraz mercii Yüksek Planlama Kuruludur.

Madde 7- Kalkınma Planının uygulanmasında özel ihtisas ve kabiliyet gerektiren Maliye, Ticaret, Sanayi, Ulaştırma, Bayındırlık ve Tarım Bakanlıkları müsteşar, müsteşar, müsteşar muavini, daire başkanı, daire başkan muavini, genel müdür ve müdür muavini görevlerine, meslek kıdemi ve müktesep maaş derecesi hakkında aranılan şartlar dikkate alınmaksızın atamalar yapılabilir. Bu atanmada, görevliye tayin edildiği kadronun maaşı müktesep hak teşkil etmeksizin ödenir.

Bu atanmalarla ilgili esaslar, Devlet Personel Dairesinin mütalaası alınarak Bakanlar Kararnamesiyle tespit edilir.

Madde 8- Kalkınma Planının uygulanması ile ilgili olarak geçici süreli önemli işlerin ve projelerin yürütülmesinde mukaveleli personel istihdamı esasları, Bakanlar Kurulu Kararnamesiyle düzenlenir.

Bu kanunun 2 inci maddesinin (E) bendinin ve 4 üncü maddesinin uygulanması ile ilgili olarak geçici görevlerde mukaveleli personel istihdam edilebilir. 30 Eylül 1960 tarihli ve 91 sayılı Kanunun 19 Maddesi bu şekilde istihdam edilecekler hakkında da uygulanır.

Madde 9- Bu kanunun 2'inci maddesinin "C" bendi ve 5 inci maddesi gereğince yapılan kamulaştırmalarda 8 Eylül 1956 tarihli ve 6830 sayılı İstimlak Kanununun 23 üncü maddesi hükmü uygulanmaz.

Madde 10- Kalkınma Planı ve yıllık programlar gereğince yapılacak yatırımların müşavirlik, mühendislik, mimarlık ve benzeri proje ve kontrollük hizmetlerinin yaptırılması, 10 Haziran 1934 tarihli ve 2490 sayılı Kanun hükümlerine tabi değildir.

Bu hizmetlerin görülmesine ait esaslar Bakanlar Kurulu Kararnamesiyle düzenlenir.

Madde 11- 5 Temmuz 1963 tarihli ve 261 sayılı Kanunun 2'inci maddesi yürürlükten kaldırılmıştır.

Madde 12- 10 Haziran 1930 tarihli ve 1705 sayılı Kanuna aşağıdaki ek madde eklenmiştir:

Ek Madde - Orman Genel Müdürlüğünün kendi istihsal ettiği mal ve maddeleri ihraç edebilmesi için ihracat ruhsatnamesi aranmaz.

Madde 13- Bu kanunda söz konusu kararnamelerin ve 5 Temmuz 1963 tarihli ve 261 sayılı Kanunun 1'inci maddesinde yazılı kararnamelerin çıkarılmasından önce Yüksek Planlama Kurulunun mütaalası alınır.

Madde 14- Bu kanun yayımı tarihinde yürürlüğe girer

Madde 15- Bu Kanunu Bakanlar Kurulu yürütür.

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