

**THE POLITICAL ECONOMY OF DEVELOPMENT  
IN A HISTORICAL CONTEXT:  
INTERNATIONAL AND TURKISH EXPERIENCES**

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Approval of the Graduate School of Social Sciences

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# ABSTRACT

## THE POLITICAL ECONOMY OF DEVELOPMENT IN A HISTORICAL CONTEXT: INTERNATIONAL AND TURKISH EXPERIENCES

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The issue of development has generally been perceived as an economic and technical process with little or no relevance to political issues. In contrast to this general understanding, this study aims to underline that development is a complex and primarily a political process. In support of this argument, the study overviews historically the changing meanings as well as ideologies of development since the 19<sup>th</sup> century with a particular focus on the Turkish case. By doing so, it attempts to recall the idea of development primarily as a political process. In general terms, dominant paradigms of development have also been set by power and become leverage for political and economic dominance in history. In this sense, different development paradigms in history need also to be understood as political phenomena rather than simply philosophical products.

**Keywords:** Development, development paradigms, political economy, globalization, State Planning Organization.

# ÖZ

## TARİHİ SÜREÇ İÇİNDE KALKINMANIN EKONOMİ POLİTİĞİ: ULUSLARARASI VE TÜRKİYE DENEYİMLERİ

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Kalkınma konusu genellikle siyasi bir mesele olarak değil, ekonomik ve teknik bir konu olarak algılanmıştır. Bu çalışma, bu genel görüşün aksine, kalkınmanın karmaşık ve temelde siyasi bir süreç olduğunu vurgulamayı amaçlamaktadır. Bu görüşü desteklemek için, kalkınmanın 19. yüzyıldan başlayarak tarih içerisinde değişen anlamları ve ideolojileri Türkiye'ye özel bir vurguyla incelenmektedir. Böylelikle, kalkınmanın öncelikle siyasi bir süreç ve konu olduğu gösterilmeye çalışılmaktadır. Tarih içinde başat kalkınma paradigmaları, genellikle güç ilişkilerince belirlenmekte ve siyasi ve ekonomik üstünlük sağlanmasının bir aracı haline gelmektedir. Bu bağlamda tarihteki farklı kalkınma paradigmalarını felsefi ürünler olarak değil, siyasi birer fenomen olarak algılama ihtiyacı doğmaktadır.

**Anahtar Sözcükler:** Kalkınma, kalkınma paradigmaları, siyasi iktisat, küreselleşme, Devlet Planlama Teşkilatı.

To My Parents,

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## **LIST OF ABBREVIATIONS**

- JDP:** Justice and Development Party
- PRP:** Peoples' Republican Party
- DP:** Democratic Party
- EU:** European Union
- HPC:** High Planning Council
- IMF:** International Monetary Fund
- MDG:** Millennium Development Goals
- NATO:** North Atlantic Treaty Organization
- OPEC:** Organization of Petroleum Exporting Countries
- SPO:** State Planning Organization
- UN:** United Nations
- US:** United States of America
- WB:** World Bank

# CHAPTER 1

## INTRODUCTION

### 1.1. The Scope of the Study

The issue of development has generally been perceived as an economic, hence technical, process with little or no relevance to political issues. This fallacy becomes clear when one recognizes that development efforts have always been directly associated with the processes of industrialization, modernization and/or Westernization as well as nationalism and nation-building. Moreover, the state, market and state-market relations have been conceptualized by different ideological perceptions of development in both domestic and international terms, while ideologies have been formed in relation to different development efforts in return. With these concerns in mind, this study aims to underline that historically, development with its political and social aspects is a complex process that has always meant more than simply attaining economic growth. Due to this fact, development has also been one of the critical factors that have shaped the dynamics of international relations since the 19<sup>th</sup> century.

Analysing social and political aspects of development has a special importance in the era of globalization. This is due to the fact that the phenomenon of globalization is generally considered as almost an inevitable stage of world history. This perception of globalization further reinforces the idea of development as a technical (even mathematical) and economic process. In order

to contest this attitude, this study aims to overview historically the changing meanings as well as ideologies of development since the 19<sup>th</sup> century with a particular focus on the Turkish case. By doing so, it attends to cast the idea of development primarily as a political process. In general terms, dominant paradigms of development have also been circumscribed by power relations and thus become leverage for political and economic dominance in history. In this sense, the different development paradigms in history need also to be understood as political phenomena rather than simply philosophical products. Hence, every ideology as well as each period has been characterized by a paradigm and had a different conceptualization of development. For instance, terms like “un-development”, “under-development”, “developing” and/or “backward countries”, and “emerging markets”, are all based on different political premises, in different historical contexts. This study, rather than adhering to any of these concepts, aims to provide an overview on how they have been introduced and used by different perspectives historically.

## **1.2. Main Ideological Approaches to the Issue of Development**

It is possible to categorize the basic ideological approaches to development as liberalism, Classical Marxism, structuralism and statism.

To start with the liberal conception of development, it can be said that it departs from a liberal understanding of state as the protector of the basic rights of its citizens. Modern or “liberal” state has emerged as a rejection to absolutist monarchy to balance “political might” and “individual rights” in Locke’s terms, or to protect people from their own egoistic, destructive wills while providing them freedom and equality in the terms of Hobbes. Methodologically, liberalism

takes individuals as the “rational” basic actors or ‘agents’ who establish the ‘structure’ which is called the state. Adding to that, liberalism sees politics as an instrument of individual interests. Therefore, it is possible to say that liberalism has an implicitly instrumentalist approach.

Liberal perspective claims that the open world economy is beneficial for all societies and through international trade and investment less developed countries acquire the export markets, capital and technology required for their economic development. Free markets and trade are the only means to overcome backwardness. For this perspective the main reasons for economic backwardness are domestic political and social obstacles which reduce the efficiency of market system. Therefore, for the liberals, the problem is political rather than free market system *per se*. Inefficient government policies, lack of education, etc. are the main handicaps of less developed countries. These problems can only be solved by following “rational” policies which are prescribed by the liberal theory.

Classical Marxist perspective, on the other hand, also admits that capitalism and free trade have the ability to transform rural societies to modern societies though it is also emphasized that capitalism leads to uneven development. According to the deterministic readings of classical Marxism, since capitalism is a pre-condition for socialism and since it creates inequality, the expansion of the free market system is required for rural societies’ development and, at the end, for a socialist revolution. In general, classical Marxism differs from liberalism on the importance of economic and political factors in the evolution of international economy. While liberals argue that modernization is an economic process, for Marxists, this process is full of political conflicts as nations challenge their positions in the international division of labour.

Classical Marxism considers state as a tool or instrument for bourgeois class interests. It criticizes liberals that they ignore the socio-economic, historical, class-based nature of state. According to classical Marxism, state and its functions can not be understood without considering capitalism and its dynamics. State is not independent from society; on the contrary, it is embedded in socio-economic life. To put it in classical Marxist terms, state is the ‘superstructure’ which develops on the foundation of economic ‘infrastructure’ and social relations. Unlike liberalism’s agent-oriented approach, class structure is the main actor of political and so the economic life. That is to say that capitalism is the main structure that determines the class relations on the one hand, and the role of the state on the other. Thus classical Marxism can be labelled as a ‘structure-oriented’ approach when compared to ‘agent-oriented’ liberal approach. But there are differences in classical Marxist tradition in terms of the perception of how the state functions in a society. While, for Marx, the state is an instrument to exploit other segments of society by the dominant class, for Engels state regulates the struggle between classes to reproduce the dominant mode of production. This is to say that for Engels, state is much more than an instrument for the realization of short-term capitalist class interest. The priority is given to the preservation and the reproduction of capitalist mode of production in modern times.

The Frankfurt school, which is another school with close links to Marxism, also refers to class struggle and the role of the state. According to this perspective, once the primitive accumulation of capital and labour force has been secured through mercantilism, the capitalist state has felt the necessity to adopt *laissez-faire* principle so as to assure the maximum scope for capital accumulation. In this sense, state is a leverage to assure capital accumulation and to prevent a fall in the rate of profits which is a tendency of capitalism. Here again the requirements of the capital accumulation are given priority rather than crude class conflict. In parallel, with this school of thought, the Neo-Ricardian school claims that the

state intervenes in times of crisis to solve the law of the tendency of the rate of profit to fall.

Apart from these approaches, there is another one which adopted a structural perspective to explain the traps of development in less developed countries. The essence of this perspective is that international capitalist economy operates systematically to distort the economies of the less developed countries. Although liberals argue that trade, investment and technology diffuse economic development, these theories argue that in reality just the opposite is happening. The widening technological gap, lack of social discipline, conservative social structures create a vicious cycle of poverty, and under such conditions free trade policies worsen the economic and social conditions of less developed countries. Therefore, less developed countries should try to improve with their own capabilities and with strategies like import substitution.

Structural development theories have suggested the elimination of inequalities with the help of import substitution strategy, by establishing regional international organizations, by adopting national planning and by pursuing industrialization policies. So it is possible to say that they see intervention by state apparatus as a solution to less development and inequality. But in the 1960's the problems have continued to exist even in countries which put such strategies in effect. In response to these developments, a more radical school, *dependencia* or dependency theory occurred.

For dependency theorists, under-development is an inevitable result of capitalism. They argue that this system generates economic wealth for the few and poverty for the many. The periphery is necessarily backward, because it is exploited by the capitalist core. Consequently, less developed countries had lost control over their domestic economies and became more and more dependent on international



capitalism. This is to say that under-development is a result of a certain structure which is established by capitalism.

The main point that dependency theory differs from classical Marxism is that it substitutes economic for political means of subordination and it replaces formal political colonialism with economic neo-colonialism and informal control. Capitalism transfers wealth from the less developed to the developed core through the mechanisms of trade and investment.

Several strategies are favoured by the dependency theorists. One of these strategies is economic regionalism. By formation of economic regions, it is possible to increase the scale of the internal market and to protect domestic markets against powerful foreign competitors. By this way, the states can strengthen their bargaining power *vis-à-vis* developed economies. Secondly, the states can try to concentrate local fragmented companies into regional champions. But regionalism could not attain the desired results because of political factors. Nationalism, which was the driving force of regionalism, contributed to its collapse, as each nation tried to advance its own national interests.

Another strategy is the formation of commodity cartels. Creation of OPEC (Organization of Petroleum Exporting Countries) can be seen as a successful result of this strategy. But on the contrary, it can be argued that the success of OPEC was an exception. Since developed countries have gained the ability to produce alternative materials or substitutes, again this strategy can be considered as ineffective. The last stage of this strategy is to demand for a new international economic order. But this option depends on political will and/or power to be realized.

A more systematic approach to the dependency theory came from Wallerstein with his World System Theory in 1974. Wallerstein basically argues that any state system must be seen in a totality. Nation-states are not closed systems and can not be subject of analysis as if they were. He criticizes the tendency to see nation-states as autonomous parts and he argues that those who try to analyze the relationship between nation-states should consider the global system. The kinds of social system that have existed are 'mini-systems' (closed local economies), 'world empires' (defined by the extraction of tribute by a central authority) and 'world economies' (individual economies connected by market exchange).

Wallerstein equates 'Capitalism' with the 'World Economy'. For him, they are opposite sides of the same coin. The capitalist world system is divided into three types of states, those of the core, the semi-periphery and the periphery. The essential difference among them is the strength of the state apparatus in different areas, and this leads to transfer of surplus from the periphery to the core, which further strengthens the core states.

For Wallerstein, the place of a state in an international system is determined by its economic power and ability. States' capability to control economic factors determines their power in international system. According to their power, states are classified as 'core' or 'periphery'. With the transformation of pre-industrial empires into pre-capitalist economies, the character of international trade has changed. As a result, core states have started to shape the world economy and appropriate the surplus from trade and use it for the exploitation of the periphery.

It has to be recognised that in World System Theory, the core-periphery division is explained by a sort of technological determinism. The resulting social structure is the foundation of relatively strong states which are able to manipulate markets for their advantage. As a result the local states at the periphery are "weak" and

dominated by the core. Wallerstein argues that core states exploit peripheral states by their domination over trade, mode of production and generally by their domination over the world economy. Exploitation both arises from the dominant classes of nation-states and international hierarchy. And the types of hierarchy and exploitation are the products of historical (economic) development, too.

The capitalist world-economy which came into existence in Europe in the 16<sup>th</sup> century is a network of integrated production processes, united through a division of labour. Capitalism's political superstructure is the interstate system composed of "states", some sovereign and some colonial. The zones under the sovereignty of these states in this interstate system have never been economically autonomous, since they have always been integrated in a larger division of labour, that of the world economy. Lastly, in this theory, economic development process is an important factor for determination of states place in world system. So capitalism and capitalist development is the basic determinant of states' capabilities.

Coming to the statist perspective to development, it argues that both liberalism and Marxism have a tendency to exaggerate the role of international or trans-national markets in capitalist development (Weiss and Hobson, 1999: 12). Furthermore, they both underestimate the states' inherent role in this process. While liberalism assumes that economic development can be (and was) stimulated by and dependent on the reduction of the state action, Marxism ignores the autonomous entity of states and considers states as just a tool for market forces. Although this approach can be explanatory when considering the under-development of the Third World states, it can be considered as inefficient to explain different factors, levels and strategies of development. Hence, the process of industrialization and development need "strong" political leadership and strong institutions. This is especially crucial for un-developed or under-developed

countries if it is recognised that strong states have the ability to manage the economic relations and conditions within which un-developed or under-developed countries try to develop (Weiss and Hobson, 1999: 15). As a matter of fact, although the World System Theory underestimates the (peripheral) state action to address the problem of under-development, it still recognizes (like the statist perspective) that the core states manage economic structures and relations in the periphery in line with their own interests. This thesis, in line with this analysis, follows a statist attitude without underestimating the core-periphery *problematique* developed by the World System approach. Hence it follows an eclectic approach.

### **1.3. Structure of the Thesis**

The thesis examines the issue of development in four historical periods: namely the 19<sup>th</sup> century, the inter-war years, the post-Second World War era and finally the era of globalization. Each chapter, after examining the general political and economic conjuncture, provides a discussion on the main paradigms and practices of development in relation with this conjuncture. Again in each chapter, the main characteristics of development policies in Turkey in the related era are analyzed.

## **CHAPTER 2**

# **THE ISSUE OF DEVELOPMENT IN THE 19<sup>TH</sup> CENTURY**

### **2.1. Introduction**

The 19<sup>th</sup> century witnessed the emergence of a world economy under the political and economic leadership of Britain. In such a condition, free trade doctrine became the mainstream paradigm of the era and fostered the hegemonic position of Britain until it is countered by Marxism and List's theory of economic protectionism. The emergence of these counter theories was almost concomitant with political affairs of the era. The eventual unification of Germany and more importantly the spread of nationalism among the periphery have challenged Britain's dominance in world politics and paved the way to the First World War. All those events can be considered as a struggle among and within the core European states to attain a supreme position in the world economy as well as a struggle to colonize the peripheral states. Especially Britain's attempt to colonise non-industrialized countries by the help of free trade policies can be examined by looking at the political and economic history of the Ottoman Empire throughout the 19<sup>th</sup> century. In this chapter these points will be highlighted.

## **2.2. The Political and Economic Conjuncture of the Era**

The key feature of the nineteenth century can be defined as the ‘internationalization’ of world economy. International trade, international flow of capital and people increased enormously due to Britain’s international political and economic policies. At the beginning of the 19<sup>th</sup> century, with the end of the Napoleonic Wars, Britain came into the scene as the most industrialized, trading country (Cameron, 1999: 224, 275). Especially after the Congress of Vienna in 1815, Britain institutionalized its hegemonic position and became the leading nation of the world both in political and economic terms. Hence, this hegemonic position of Britain in the 19<sup>th</sup> century Europe has been defined as a state of Pax-Britannica (Cox, 1987: 119).

Of the political and economic events that have contributed to the internationalization of the world economy, Britain’s policies require special analysis. In that era, ‘Great Britain was dependent on both imports and exports for its material well-being and to consolidate its material well-being, Britain promoted free trade notion internationally which was understood to be the pre-condition for the doctrine of “wealth of nations” (Cameron, 1999: 227). As Nurkse points out:

The industrial revolution happened to originate on a small island with a limited range of natural resources, at a time when synthetic materials were yet unknown. In these circumstances economic expansion was transmitted to less developed areas by a steep and steady increase in Britain’s demand for primary commodities which those areas were well suited to produce (Nurkse, 1961: 15).

Britain got the responsibility of administering the free trade system in this period while refraining from interfering with the operations of economic agents (Cox,

1987: 127). This policy caused an increase in world trade and also enabled economic growth of the “new” settlements. Economic progress of the centre was transmitted to those new settlements in relation with the demand for primary products as quoted above. This increase in trade can also be observed among the “old” countries of Europe (Nurkse, 1961: 13, 15-6). Especially the Anglo-French Treaty of 1860, which is also known as Cobden-Chevalier treaty, was a major development in the movement toward free trade in Europe (Cameron, 1999: 277).

The major element of the world order established by Britain was the international monetary system. As Cameron points out, the high degree of economic integration in the late nineteenth century required a monetary system which was best characterized by the international gold standard (Cameron: 1999). Commercial interests demanded the gold-standard as a necessary foundation for world trade, and Britain as the key player in this field started managing the international monetary system (Cox, 1987: 124-6). Adding to that the spread of international migration and investment can be seen as other factors that characterized economic and political life in the nineteenth century. International migration and investment created cultural and economic ties which again helped to create an international economy.

Polanyi (1957) points out four main institutions that the 19<sup>th</sup> century’s political and economic structure was shaped by. The first one was the balance of power which provided stability within Europe. The second one was the international gold standard which maintained a trading world economy. The third was the self-regulating market which supposedly brought material welfare and finally, the fourth one was the liberal state. Adding to that, Polanyi argues that this close relationship between international and national institutions is provided by a certain segment which he refers to as ‘*haute finance*’. According to him, *haute finance* was functioned as the main link between the political and the economic

organization of the world and by this way *haute finance* maintained peace and order. Thus it is possible to say that another important feature of the 19<sup>th</sup> century was the emergence of international financiers.

On the other hand, in this era, the concern for industrialization among the “late” industrializers became manifest in Europe and Russia (Waterbury, 1999: 324).<sup>1</sup> Late industrializers started to search for new ways to catch up to Britain’s industrial capacity which was the base of Britain’s political, military and economic power. To do so, the latecomers realized the importance of the agricultural sector and the subservient link of the agricultural sector to the industrialization attempts. Particularly, the surplus or savings that were needed to foster development was provided from the agricultural sector. Most of the late industrialized countries like Germany, Austria, France, Japan and the Soviet Union<sup>2</sup> began to focus on and intervene in agricultural sector to provide the necessary investment for industrialization (Waterbury, 1999: 325).

To sum up, it is possible to say that in the 19<sup>th</sup> century, the concern over industrialization became a central issue in international politics and economy. And economic thinking on development has emerged and shaped in this political/economic context. Moreover, it would be safe to say that most of the development doctrines (including the contemporary ones) have their roots in the 19<sup>th</sup> century (Nurkse, 1961:13).

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<sup>1</sup> In his major work, *The Great Transformation*, Polanyi argues that the liberal movement, intent on spreading the market system, was met by a protectionist counter-movement tending towards its restriction; such an assumption, indeed, underlies his own thesis of the double movement. Sometimes liberal policies got dominant and sometimes protectionism. This was just a matter of different circumstances and depended on the structure of the industry.

<sup>2</sup> Ottoman Empire has also tried to raise her agricultural output by introducing legal structural changes in a different context.



## **2.3. Classical Economic Theories**

### **2.3.1. 19<sup>th</sup> Century Liberal Economic Thought**

As mentioned above, the 19<sup>th</sup> century economic theory is greatly affected by the general political and economic conjuncture of the era. In relation with these circumstances, liberalism can be regarded as the dominant paradigm of the era. In general terms, classical liberal thinking has an assumption that politics and economics are (or 'should be' regarded as) two separate fields. For liberals the relation between market and state is problematic, thus their interaction should be kept at a minimum level. According to liberals, markets emerge spontaneously and have their own rules of operation hence they maintain that states should not intervene in economic issues. States should only provide 'security' and 'stability' for markets in order for them to operate efficiently (Gilpin, 1987). They also believe that this is the only way that markets can attain autonomy and provide wealth to society. Unlike economic nationalism and Marxism of the 19<sup>th</sup> century, in the liberal context the concept of wealth is compatible with 'mutual gain'. In other words, for liberals, unlike the mercantilist assumption, everyone will benefit from adopting free market principles. This is also true for the realm of international trade and commerce. Furthermore classical liberalism assumes that backward countries can only develop through international free trade. It is argued that if countries specialize on production of the certain goods and focus on trading of those goods; according to the comparative advantage principle each party will benefit and develop almost in an automatic way. In short, the principle of free trade was considered as the engine of growth in this perspective (Nurkse, 1961: 14).

In technical terms, for the neo-classical liberal thinkers, trade can help to overcome the problem of low domestic demand which prevents capital accumulation in backward countries. For these thinkers governments should only remove the obstacles to international trade. In such a condition the principle of comparative advantage will work and will lead to structural change that is needed for development (Adelman and Morris, 1997).

In addition, most of the classical economists (including Marx) have focused on the capitalist development of the Western world. In classical liberal thinking there is no special focus on the development of non-industrialized countries or at least they ignored the conditions of the non-western world; they assumed that their prescriptions are universal and will work for all countries. Actually, classical thinkers like Ricardo, Smith and Mill dealt with the issue of development only in the context of British commercial policies. They took growth for granted in the *laissez-faire* conditions and their real concern areas were economic welfare, economic efficiency and stability of international markets (Arndt, 1972: 13-4).

However, starting from the 1870s, neo-classical thinkers realized that application of free trade policies alone is not enough for development. They accepted that some cultural, social and economic norms are needed but they still rejected government intervention in the economy (Kazgan, 2004: 98). Finally, it can be claimed that in classical theory the main concern was economic growth; development did not need to be questioned separately. A more comprehensive perception came from sociological thinking.

### **2.3.2. The Classical Marxist Approach**

Marx, like the other classical political economists, was a European thinker whose main concern was the impact of capitalism and industrialization on European developed countries (Arndt, 1972: 15). But unlike the classical liberalism 19<sup>th</sup> century Marxism argued that capitalist economy is based on relative gain rather than mutual gain (Gilpin, 1987). According to them the doctrines of free market and free trade are leverages of the bourgeois class to maximize its interests at the expense of the proletariat. However for orthodox Marxism this “uneven development” is a necessary condition or stage to move towards socialist revolution. While fostering capital accumulation, capitalism sows its internal contradictions and the crisis tendencies of the process of accumulation to the system and paves the way for socialism.

The idea of “uneven development” gains special emphasis within the context of the development of the non-capitalist and agrarian societies. According to the classical Marxism there are several modes of production which are primitive mode of production, feudal mode of production, Asiatic mode of production and, finally capitalist mode of production. Among these, especially Asiatic mode of production is the common characteristic of backward areas. These societies have low production level and they are incapable of breaking the vicious circle that they are in. As deterministic readings of classical Marxism argue, since they cannot develop by the help of their internal dynamics, capitalist colonialism will unleash their production capacities and will enable capital accumulation and capitalism which is a precondition for socialism can spread among oriental societies (Arndt, 1972: 15; Kazgan, 2004: 319, 358-9). Thus, it can be argued that deterministic approaches to Marxism, though they have a critical attitude to capitalism and liberalism, tend to legitimize colonialism to some extent.

### **2.3.3. Nationalist Protectionism as a Reaction to Liberalism:**

#### **List and his Followers**

In general terms, economic nationalists, both in the 19<sup>th</sup> century and the 20<sup>th</sup> century, have a state-centric approach. While liberal ideology has a tendency to see politics and economics as different spheres and gives priority to the latter; economic nationalists give the main importance to politics, and economics is considered as a means for attaining national interests. In this context, wealth is needed for political power. Besides there is no such thing as mutual gain like the liberals argue. The nature of both economics and politics is a zero-sum game (Gilpin, 1987; Kazgan, 2004: 179). This is especially crucial for the issue of international trade. Economic nationalism regards trade as a weapon in the hands of the nation-state to make other states dependent. In other words, trade is a matter of national interest and national security. If one state becomes economically dependent to another state, it loses its autonomy and ultimately it loses its sovereignty. Thus they clearly oppose the liberal notion which argues that markets “should be” free from political authority.

The most famous thinker of the 19<sup>th</sup> century nationalist perspective was List who argued that only mature industrial countries can afford free trade (Waterbury, 1999: 329). He also rejected liberalism’s comparative advantage and specialization doctrines, arguing that these principles were appropriate for British foreign policy which serves to British commercial interests (Kazgan, 2004: 180).

In his theory, List argued that a balance should be attained among different sectors of the economy rather than focusing on some sectors. Establishment of a manufacturing industry is vital for the development of agriculture, technology and finally for the power of the nation-state. Thus, List was pointing out that

development can only be obtained by improving productivity of both agriculture and industry (Kazgan, 2004: 180). Furthermore this can only be done by state intervention and protectionist policies. The responsibility of the state is the establishment of manufacturing industry and then to protect those “infant” industries from harmful effects of the international free trade until the national industry is developed enough to resist international competition. However, for List, protectionist tariffs and policies should be temporary. When industrial development (of Germany) reaches to the level of the other industrialized countries, protectionist policies should be abolished and only under those conditions free trade policies should be applied. But it should be noted that in List’s theory, agricultural sector should be excluded from protection. Because industry needs cheap raw materials in order to develop (Kazgan, 2004: 180-1).

Although List rejected the liberal assumptions on international trade and development, he was primarily a classical thinker who was advocating the interests of the newly emerging industrial class. The only difference of List’s thought from that of the liberal thinkers such as Smith and Ricardo was their countries’ industrial situation. Developed industrialization in Britain made Smith and Ricardo to adhere to free trade policy, and the lack industrialization of Germany made List to claim protection and government action as the best development policies (Kazgan, 2004: 180). Again List focused on the development of the European countries which were already industrialized to some extent. The development of non-capitalist or non-industrialized countries didn’t attract much of his attention.

## 2.4. Administrative Reforms in the Ottoman Empire and the Young Turks

Towards the end of the 18th century, as a result of continuous military defeats, Ottoman Empire started to question the causes of her backwardness *vis-à-vis* European states (Sayar, 1986: 167). Selim III was the first Ottoman emperor who sent diplomats to Europe in order to inquire the reason behind the European advance in politics and economics. As a result, capitalism was perceived as the major factor of the European superiority, but it is hard to say that Ottoman thinking had grasped capitalism in a comprehensive manner (Çavdar, 1992: 8). Capitalism was understood superficially and the efforts of the Ottoman administration were focused primarily on administrative reforms in order to “catch up” with Europe. That is, there was not any coherent theoretical model applied in order to solve the economic problems of the empire. Until that time, Ottoman economic thinking was embedded into the context of religion and morality. For instance, the abuse of private wealth was believed as illicit when it is used for personal desires, but it is regarded as permissible if it is used in the service of Islam. Additionally, economic life was considered as the realm of emperor’s exercise of power and was not considered systematically, although there was a full set of measures to intervene into to economic life, from production to setting prices (Sayar, 1986: 64-5).

But starting from the first decades of the 19<sup>th</sup> century, classical liberal thinking started to permeate into Ottoman economic life *via* Western diplomats, Western journalists and Ottoman merchants trading with European countries. However, the critical historical turning point in this sense was the year 1829 in which the Ottoman-Russian Treaty of *Edirne* (Adrianople) was signed. By this treaty Russian commercial fleet gained the right to access Ottoman docks and Black Sea ports without any prior permission from Ottoman Empire (Armaoğlu, 1999: 184).

In general terms, by this treaty Russia *de facto* imposed the principle of *laissez-faire* to Ottoman Empire for Russian political and economic interests (Çavdar, 1992: 8-9; Sayar, 1986: 188-9).

This treaty can be considered as a milestone in Turkish economic and political history, for not only it introduced the *laissez-faire* policy to Ottoman state, but also it signalled a new era in which Ottoman Empire became subject to great-power rivalry that determined its economic and political life until the First World War. After Russia gained advantages in Ottoman economic life and so in the Black Sea and in the Mediterranean regions, Britain took action to reduce Russian influence in the Ottoman Empire and to reverse the situation according to the requisites of the British interests<sup>3</sup>. Britain reached its aims by the Treaty of *Baltalimanı* in 1838 which enabled the free entry of British goods to Ottoman economy along with the principle of *laissez-faire*<sup>4</sup>. And *Tanzimat Fermanı* (administrative reforms) in 1839 introduced the social grounds of liberalism in the Ottoman Empire (Çavdar, 1992: 8-10; Sayar, 1986: 205-10). The important thing in this decade (from 1829 to 1839) was that economic thinking and economic policies in the Ottoman Empire were shaped in this very special political conjuncture. Far from being an intellectual choice, the implementation of *laissez-faire* principle was a result of political confrontation with European powers. Thus economic thinking in the *Tanzimat* era had developed under such political circumstances.

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<sup>3</sup> As both Sayar (1986: 191-200) and Çavdar (1992) argues, this policy change and its reasons can be seen evidently in the writings of David Urquhart who was a British diplomat in the Ottoman Empire in that period. He was arguing that Turkey could provide cheap raw materials that British industry needed. For Urquhart Turkey could also become a market for British commodities. Thus, he stated that Turkey should be encouraged to focus on agricultural. Needless to say, Urquhart was advocating classical liberal policies for the interests of British Empire.

<sup>4</sup> The Anglo- Ottoman conventions of 1809 and 1820 have already stripped the Empire of its ability to protect its infant military industries (Waterbury, 1999: 325). These treaties introduced the principle of *laissez-faire* into all aspects of economic life.

It is possible to say that dualism was the main characteristic of the 19th century Ottoman Empire (Ortaylı, 2004: 171). By the reforms of *Tanzimat* and then *Islahat* (1856), a dualistic structure started to take place in state administration, legislation and in economic structure. This dualism and its associated inconsistency can also be observed in the ideas of the intellectuals of the *Tanzimat* era, who are known as Young Ottomans. Their ideas were mostly superficial and essentially incapable of grasping the origin of the problems that the Empire was facing. According to the Young Ottomans, a constitution in line with Western norms and freedoms in social life would solve all social, political and economic problems. It is apparent that they were advocating the establishment of Western institutions without any reference to historical, political and economic contexts (Sayar, 1986: 400).

Generally, all *Tanzimat* intellectuals like Sakızlı Ohannes Pasha, Namık Kemal<sup>5</sup>, Şinasi and Ali Suavi saw the establishment of capitalist institutions as the only way to rescue the Empire. Their recipes were based on classical liberal policies. In spite of their differences in details, these Ottoman intellectuals gave common emphasis to improving railway transportation which overlaps with the classical liberal proposal of improving infrastructure in order to develop. Secondly, they advocated establishing close relationships with European states, especially with Britain, both in political and economic terms. In this context, the adherence to *laissez-faire* policies by the Empire was considered as essential in order to improve relations with those countries. Adding to that (again in parallel with classic liberalism) they were in favour of European experts or technicians and European capital to develop the Ottoman economy (Çavdar, 1992).

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<sup>5</sup> Namık Kemal can be considered as an example of the *Tanzimat* intellectuals' confusion. Although he was a milestone in nationalist thinking in the Ottoman Empire, his ideas on the economy were mostly against the nationalist economic thinking of the era (Çavdar, 1992: 49).



There were exceptions like Cevdet Pasha, Ahmet Mithat and Musa Bey. Although Cevdet Pasha was mainly a supporter of classical liberalism, he also admitted that there is need for protection for the Ottoman economy. This Listian attitude can also be seen in the ideas of Ahmet Mithat and Musa Bey. They were arguing that without interventionist and protective policies and especially without protective tariffs, it is impossible for the Ottoman economy to compete with the European economy. But these protectionist thinkers were in minority and *laissez-faire* liberalism was the dominant paradigm of the era (Çavdar, 1992).

However, it is not possible to say that the “ills” of the liberalism was firstly highlighted by these thinkers. Alternative policies to liberalism were implemented long before they emerged as a theory. Before the *Tanzimat* era, Selim III and the Ottoman governor of Egypt, Mehmet Ali Pasha, tried to resist Great Britain’s antagonistic trade penetration of non-European markets (Waterbury, 1999: 325). But, at the end, both of them failed. This point can be regarded as significant to show the attitude of the industrialized countries towards peripheral countries’ efforts of industrialization and modernization. To quote Waterbury,

The episode is paradigmatic in the sense that nationalist and Third World historians more than a century later interpreted it as evidence of the implacable hostility of the industrial core countries to industrialization and military modernization in the periphery, and of the lengths to which they would go to thwart either. The clincher was that from 1840 until 1952, Egypt performed its role in the world division of labour by exporting raw cotton, and little else, to the industrial world...Mohammed Ali’s fate demonstrates that ISI was a practice long before it was a theory or a reasoned strategy (Waterbury, 1999: 325).

To summarize, it is possible to say that from 1838 to the beginning of 20th century Ottoman Empire implemented classical liberal policies to develop. In this context, Ottoman Empire tried to make agriculture more productive by

establishing some form of private ownership of land and by making it inheritable so as to tax it (Waterbury, 1999: 325). But it can be argued that far from stimulating development, these policies contributed to the colonization of the Empire. The establishment of *Düyun-u Umumiye* in 1882 can be seen as an evidence of this fact. Furthermore, the result was a ‘dual economy’ in which “a well developed export sector coexisted with a primitive domestic economy” as Nurkse pointed out (Nurkse, 1959: 18)<sup>6</sup>. In other words, classical liberal policies were inefficient to overcome the problems of under-development in a comprehensive manner. But what is really essential is, this period demonstrates the onset of political and economic grounds of *laissez-faire* liberalism and how it is closely related with the political economic situation and/or political projects rather than being a pure intellectual or a technical choice. All experiences of the Ottoman Empire in the 19<sup>th</sup> century demonstrate this fact.

## 2.5. Conclusion

In this chapter, it was argued that the political and economic conditions of the 19<sup>th</sup> century had shaped the ideas and practices of development in the same century. All these can be considered as a part of domination and control among core, semi-peripheral and peripheral countries in the world economy. In this century, Britain was the leading core country that was shaping world economic relations according to her own interests. The short overview of development efforts in the Ottoman Empire showed how they had been largely stimulated by the British-led

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<sup>6</sup> However, Ortaylı argues that rather than being a passive subject of semi-colonial policies, Ottoman Empire took the advantage of interest conflicts among the European states with its ‘skilled’ diplomacy. According to him *Tanzimat* administration saw the impossibility of preventing the penetration of European goods into the Ottoman economy and tried to ‘manage’ this situation (Ortaylı, 2004: 227). “Managing the situation” and “saving the day” attitude was possibly typical characteristic of the *Tanzimat* era.

European political and economic developments. The hegemonic position of Britain had been challenged by rising nationalisms and the First World War in the early 20<sup>th</sup> century, although the 19<sup>th</sup> century idea of development which practically meant ensuring modernization, industrialization and nation-building has persisted much longer.

## **CHAPTER 3**

### **THE INTER-WAR YEARS**

#### **3.1. Introduction**

After the First World War, with the decline of Britain, the world system had acquired a non-hegemonic character and in such a context, this period witnessed the emergence of new state strategies in terms of economic development. In the absence of stability in the international political and economic system, the peripheral states had found chances to adopt autonomous development policies. The economic crisis of 1929 further enhanced non-industrialized countries' autonomy and provided a chance to focus on their economic development independently. The establishment of the modern Turkish nation-state with its first development experiences had coincided with this period. This chapter will provide a more detailed analysis of these discussions.

#### **3.2. Historical Conjuncture of the Period**

After the First World War different ideologies found an opportunity to deal with the issue of development under some state practices. Although the intellectual base of these projects date back to 19<sup>th</sup> century theories, in practice, they were all shaped by the general conjuncture of this period. Socialism as practiced under

Leninism in the Soviet Union, liberalism in the form of Wilsonianism and fascism came into play in the international arena and became hallmarks of different political economic concerns and/or projects. Irreconcilability of these ideologies led to confrontations and instability in the international politics and economy. However, this instability had provided a chance for newly developing nations to break free from the bounds of the international system. As Waterbury points out:

It was also in the interwar years that the theoretical foundations of unequal exchange and dependencia analysis were laid. Once again Manilesco was something of a pioneer. In his Theory of Protectionism, he actually used, perhaps for the first time, the term “unequal exchange” to characterize relations both between the industrialized core countries and the agrarian periphery, and between the industrial and agrarian sectors within nations. He rejected Ricardian comparative advantage analysis, arguing instead that within a given country, any investment that increased labour productivity above the country’s average, merited tariff protection *ad infinitum* (Waterbury, 1999: 330).

Consequently, after the economic crisis of 1929 non-industrialized countries found a chance to focus on their industrialization efforts. To some extent they achieved this by adopting *ad hoc* development strategies like import substitution and protectionism. In short, it is possible to say that in this era the world experienced various development strategies in close relation to world political confrontations.

### **3.3. Wilsonianism**

After the Civil War, the United States (US) raised its economic activity to a higher level and gradually became one of the most advanced countries of the world by the end of 19<sup>th</sup> century. But the Monroe Doctrine had kept the US

isolated from Eurocentric world politics. However, in 1918 President Wilson declared his 14 principles to set forth the American political attitude upon which the new world order and peace should be built. Actually, these principles can be considered as an attempt to dissolve European colonial system and so Europe's leading role in the world politics and economy. Wilsonian principles would open up the European colonies to American economic activities. This attempt disturbed the European leaders who wanted to preserve the old order of the 19<sup>th</sup> century and hesitated to accept the Wilsonian principles since these principles could be a threat to their national interests. As a matter of fact, the scepticism of the American public to European affairs prevented the ratification of Versailles Treaty and by implication, avoidance of the Wilsonian principles by the American senate (Armaoğlu, 1984: 213-4). However, the effects of Wilsonianism continued to worry European leaders. Adding to Wilson's reformism, Bolshevik revolutionist doctrines and the success of the nationalist revolution in Turkey increased their anxiety regarding their colonies. All these movements had the potential to affect and mobilize the colonial states against European imperialism. Moreover, especially when Fascism came into play in the 1930s, compartmentation of the cosmopolitan world order had peaked and paved the way to the Second World War (Kennedy, 2002: 344-7).

### **3.4. Socialism**

After the Bolshevik Revolution in 1917, Marxism entered into a new phase and became a guiding strategy for the state (at least in Russia) in the light of Lenin's ideas. To put aside the rhetoric of the revolution, Leninism mobilized the country and provided a context for development of Russian industry and economy. Especially after the late 1920s, with the New Economic Policy of Lenin (1921-

24), Russia concentrated on issues like banking, heavy industry and transportation to complete the creation of a modern industry. In this context it is possible to say that in contrast to its discourse, the Russian revolution was ideologically a bourgeois movement aimed at catching-up the advanced industrialized nations (Preston, 1967: 152-5).

The Russian experience introduced brand-new strategies of development. The acceptance of social ownership instead of private property, collectivization of the agricultural sector and most importantly establishment of government (administrative) planning and control over the economy gave the unique features of Russian development after 1917. First of all, planning commissions had been set and these commissions gathered data from Russian economic resources and economic potential to organize the entire economy. All activities such as the distribution of goods and services, building of roads, public education, health services and all kinds of investments were under the direct control of the government, these initiatives were determined according to the long term projections. Therefore, it is possible to say that state had become a substitute for capitalist entrepreneurial interests, eventually leading to a modern industrial economy that was built without any foreign assistance (Preston, 1967: 174-84; Counts, 1970: 6-16).

Clearly Soviet Russia displayed an essentially hostile attitude towards the liberal world. In Lenin's words, the proletarian revolution would be incomplete "without the forcible destruction of the bourgeoisie state machine and the substitution for it of a new one" (Cohen, 1972: 164). Despite this hostile attitude however Soviet-type of development can still be considered as a process of modernization. This partly explains why different forms of central planning became an appropriate and attractive alternative model for non-industrialized countries (also for the industrialized countries) after the Second World War.

### **3.5. Fascism**

After the First World War, the second-tier of industrialized countries like Germany and Italy (as well as Japan though she among the victorious powers) found themselves in a social, political and economic breakdown which prepared the conditions for radical ideas and movements. The investors, agriculturalists and merchants of these nations had found themselves in harsh competition with the giants of international capital. In addition, the spread of the socialist ideas and strong organizational movements among the workers worried the middle class, causing the emergence of a counter movement against Marxism. Eventually, the anxieties of middle classes and specifically industrial class towards both international capital and cosmopolitan Marxism led to the advent of National Socialism (Preston, 1967: 201-5; Counts, 1970: 70-1).

It is possible to say that rather than being a comprehensive theory, Fascism was a tool for social collaboration and political mobilization (Preston, 1967: 201; Counts, 1970: 108). In other words, fascism did not offer a consistent economic development strategy; it only provided an example of socio-political and economic organization which is labelled as a 'corporate state'. In this model the state embodied a central apparatus of top-level organization of all economic sectors; bodies or fragments were organized hierarchically in such a way as to maximize their contribution to the centralized administration. In order to participate in any kind of economic activity, membership to this central administration was compulsory and this enabled political control over economy. Issues like credit loans, labour allocations, goods, prices and even profits were subjected to the authority and permission of the state (Preston, 1967: 208-9).



At first glance (by ignoring the ideological confrontation in practice) fascism shows some affinities with the Soviet system in relation to its centralist planning notion and direct control over the economy. However, in the Fascist experience there was room for private capital. Moreover this model benefited the industrial class since it provided resources to industry whilst preventing the spread of class-oriented and cosmopolitan ideologies embedded in Marxism among the workers (Counts, 1970: 108-12). But, while mobilizing these economic factors for industry, the real intention was to develop the military power based on a strong industrial sector rather than establishing a well functioning, healthy economy (Preston, 1967: 209-10). This is to say that the Fascist corporate state bolstered military preparation and thus increased the country's war readiness. This strategy was based on the premise that military expansionism would bring wealth to the country by improving access to raw materials and energy sources.

### **3.6. Development in Turkey in the Inter-War Years**

After its independence in 1923 the new republic focused on economic issues in order to establish and to bolster economic independence as well as political independence. The main concern was the establishment of capitalist production systems in the republic. This fact highlights the continuity with the ideas of the Young Turks (Boratav, 2004: 39). The influential segments of the Committee of Union and Progress sought to promote the industrialization of the dying Empire by following the footsteps of Listian Germany rather than following the Anglo-Saxon notions of individualistic, market-oriented *laissez-faire* liberalism. Ziya Gökalp, who was a leading sociologist of the era, tried to combine List's protectionist economic philosophy with Durkheimian concepts of solidarity and organic social structure, and thus provided a base for *etatist* ideology (Waterbury,

1999: 329). Still, the implementation of *etatist* policies had to wait until the 1930s.

In this context, the years between 1923 and 1938 can be evaluated in two phases. The first phase from 1923 to 1929 can be labelled as the preparatory era. First of all, the establishment of the *İş Bank* in 1924 and the congregation of the İzmir Economy Congress in 1923 served to reconcile the Turkish Muslim merchants with the founder elites of the Turkish Republic. This provided the basis for the creation of a national bourgeois class in Turkey. Secondly, the abolition of the former trade concessions in the Treaty of Lausanne was the first step to prevent the exploitation of the Turkish economy by Western economies. However it is hard to say that the Turkish republic had taken a hostile position towards foreign capital. Mustafa Kemal Atatürk and the elites of the republic were against the privileges given to foreign capital which had made the Ottoman Empire a semi-colonial state (Boratav, 2004: 41-45). According to them, on the condition that they comply with Turkish laws, foreign capital would be welcomed by the government. Nevertheless, this did not mean that Turkey would fully rely on foreign capital and *laissez-faire* policies in order to industrialize. The decree on coast trading in 1926, the nationalization of railways in 1922, the nationalization of tobacco production in 1923 as well as the domestic production of the three whites (flour, sugar, cotton) and the three blacks (coal, oil, iron) all point to a conscious effort to nationalize potentially foreign investment dependent economic sectors (Çavdar, 1992: 208; Boratav, 2004: 45-6; Aydemir, 1966: 355-62; Waterbury, 1999: 327). On the other hand, the Treaty of Lausanne hindered the Turkish government to determine customs tariffs for five years, thus preventing the application of protectionist measures that would serve to support its infant industry (Boratav, 2004: 40; Aydemir, 1966: 355). But after the expiry of the Lausanne restrictions in 1929, changes at the international political and economic level enabled the Turkish government to apply new strategies of industrialization.

The economic crisis of 1929 changed conditions in both developed and, more importantly, developing nations. Nevertheless, it is possible to say that the Great Depression of 1929 did not initiate import substitution and protectionist strategies, but gave impetus to them. It in fact allowed for a grass-roots industrial and economic upheaval that focused on industrialization through import substitution policies. Developing countries were already aware of the fact that protection was needed and free international trade would not foster industrialization (Waterbury, 1999: 327-30). Sharing these propositions, the founding elite of the Republic of Turkey have focused on to the improvement of the flour, sugar and textile industries two of which were already state monopolies. State agencies became the primary importer of goods. Agricultural production was encouraged by abolishing the traditional Islamic tithe. Thus agricultural revenues were tried to be increased through state monopolies and customs duties in this sector. With the expiry of the restrictions that had been imposed by the Treaty of Lausanne, higher customs tariffs for foreign goods and capital were set. In contrast to the former decade, a characteristic antagonistic attitude emerged towards foreign capital (Waterbury, 1999: 327). Instead of accepting direct foreign investment, Turkey took loans from states like Russia and England<sup>7</sup>. In short, in this period Turkey applied protectionist policies in line with the state's role of primary economic investor. Finally, in 1934 with the First Five Year Industrial Plan, Turkey was the first to implement national planning in the non-socialist world (Boratav, 2004: 60-70; 2006: 157; Aydemir, 1966: 376; Çavdar, 1992: 213). It focused upon the conditions of Turkish industry and determined the required investments to strengthen strategic sectors like textiles, iron and steel, chemistry, etc. Although

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<sup>7</sup> As Waterbury (1999: 327) well expresses “[i]n 1934 Turkey and the Soviet Union signed an \$8 million loan agreement to help finance Turkey’s industrialization drive, to be repaid in Turkish exports. This formula was to become the favoured instrument for interaction with the developing world after Nikita Khrushchev came to power in 1955, but the Turkish accord, for 20 years, was one of a kind. Stalin became convinced that such loans would only anchor developing countries on a petty-bourgeois, capitalist path, and no further such were negotiated over 1945-1956.”

there were some diversions in practice, the plan was implemented to a considerable extent and a second plan was prepared (Boratav, 2006: 159-60). But these planning attempts in Turkey were interrupted by the Second World War and until 1960 Turkey experienced some economic failures which made her appreciate the necessity of planning for development.

### **3.7. The *Kadro* Movement: An Alternative *Etatist* Approach**

When viewing Turkish political and economic life throughout the 1930s, an alternative approach to the issue of Turkish development is worth emphasizing. In years between 1932 and 1934 a group of Turkish intellectuals started to publish a journal called *Kadro*. In this journal a radical version of *etatism* was proposed. The *Kadro* writers<sup>8</sup> objected to the central authority's understanding of *etatism* which saw the state as an instrument for the creation and protection of the bourgeois class. According to them, there were no distinct class structures in Turkey, and hence they believed that rather than relying on the development of a bourgeois class, the state should act to prevent class antagonisms in the society. They argued that unlike capitalist countries of the West, Turkish revolution had not rested upon the domination of any class or class conflicts and this fact enabled Turkey to develop into a unique classless society. In this model the state would act in such a manner that it would create new production relations which would benefit all citizens without emphasizing distinct classes. They also maintained that economic management and activities should be centralized in one institution like a "High Planning Commission". Agriculture and industrial activities should be dealt with in harmony and in coordination with the direct role of the state.

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<sup>8</sup> The *Kadro* writers include Y.K. Karaosmanoğlu, Ş. S. Aydemir, F.H. Tökin, N.S. Tör and B. A. Belge as the main contributors.

Otherwise, Turkey would fall victim to the vicious class conflicts that plague the capitalist countries of the west.

In 1930s, the *Kadro* writers argued that European economic advance rests upon exploitation of the periphery. This proposition was highly influenced by socialism and especially from Lenin's ideas. However, unlike Lenin, they proposed a struggle at the national level. If all the colonies achieve their independence, international imperial system will collapse and classless societies could emerge under distinct national states.

The ideas of the *Kadro* movement were not welcomed by the administrative cadres of the Peoples' Republican Party (PRP) due to their opposition to the foundations of PRP's development policies. The *Kadro* writers had been accused of being inconsistent, and more importantly, being ideologically misguided. Today they are also criticized for being unrealistic and insensitive to the conditions of Turkish economic and social structure<sup>9</sup>. However, notwithstanding their shortcomings, it should be admitted that the *Kadro* writers discussed the issue of development in a comprehensive way and these discussions affected and inspired many development approaches from the Dependency school to Arab socialism. Especially, their systematic analysis of international capitalist system and centre-periphery relations deserve attention. Finally it is possible to say that the *Kadro* movement enhanced and enriched the scope of development discussions in their systematic analytical propositions.

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<sup>9</sup> For instance, Çavdar (1992) argues that the *Kadro* writers ignored Turkey's already existing class structures.

### **3.8. Conclusion**

In terms of development paradigms, the inter-war years can be summarized as a struggle among Wilsonianism, Leninism and Fascism. It can be argued that this struggle prevented the emergence of a stable world economy and offered an opportunity to newly independent states to implement protectionist economic policies in order to industrialize. Turkey was one of the best examples of this experience. The Second World War, however, put an end to this era and following the elimination of Fascism, the issue of development became a question to be debated between the followers of liberalism and socialism.

## **CHAPTER 4**

# **THE ISSUE OF DEVELOPMENT IN THE POST-WAR ERA**

### **4.1. Introduction**

In the post-Second World War era, liberal and socialist paradigms of development became two rival strategies. The two super powers, namely the US and the Soviet Russia, shaped their peripheries by these two development paradigms. This implies that the main development paradigms and practices were shaped within the Cold War confrontation with particular limitations on states. Therefore, the autonomy of the industrializing states decreased and this situation left no room to adopt independent development strategies. In this chapter the features of this period will be examined.

### **4.2. Political and Economic Conjuncture after the Second World War**

After the end of the Second World War, the US and Soviet Russia came into scene of international politics as two dominant powers. Europe has lost its dominance in international politics. Adding to that, ex-colonies gained their formal independence and, like Europe, they found themselves at the centre of superpower confrontation. Thus, growing hegemonic position of US in the liberal

world and the ‘threat’ of communism, both in military and economic terms, set the basic features of the era.

Under these circumstances, the issue of development came into scene of international politics once again. As mentioned before, that was not the first time that the concerns over development came into existence; for instance following the Russian Revolution and the US entry into the First World War in 1917, the issue of national development appeared in the guise of a struggle between Wilsonianism and Leninism (Berger, 2001: 213). But, throughout the 1940 and 1950s, the issue of development entered into the agenda of international politics in a more comprehensive manner.

After the Second World War, communism was perceived as a more serious threat to the liberal world. Especially, socialism was attractive to the Third World states, which were exploring the ways of development and industrialization after gaining their political independence. In such a condition, they were in search of development strategies which would better suit their needs (Oser, 1967: 3-4). Moreover, it was believed that if the requirements and problems of the Third World were ignored, they would join to the socialist camp (Escobar, 1994: 30). This fact constituted the connection between the issue of development and the strategic military concerns, e.g. NATO (North Atlantic Treaty Organization) membership of Turkey and Greece in 1952 in the context of Truman Doctrine (1949)<sup>10</sup> and the Rio Conference of 1947 that established a strategic alliance between the US and all Latin American countries. Thus the doctrine of development in terms of economic aid and international military concerns were intimately linked to each other (Escobar, 1994: 34).

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<sup>10</sup> Essentially, Truman Doctrine showed the growing concern of the US on the issue of development and economic progress in relation with the special conjuncture of the late 1940s and 1950s in the context of super-power competition (Escobar, 1994: 3-4).



On the other hand, at the production domain, US economy was on the rise. US economy was in need to expand to the international markets for US products as well as to find new areas for the investment of US surplus capital. This increased the importance of the Third World's markets and raw materials and took them to the centre of attention. Besides, the establishment of the United Nations (UN) gave them a chance to express their concerns and problems in an international platform (Oser, 1967: 3-4).

The consolidation of US hegemony had showed itself at the financial domain too (Keohane, 1984). The establishment of the Bretton Woods institutions, namely the International Monetary Fund (IMF) and the World Bank (WB) and the financial and trading regime under the General Agreement on Tariffs and Trade maintained an international monetary system to avoid problems like exchange difficulties and to promote free trade among the liberal countries. In this context, nations would consult and agree on international monetary changes which affect each other. They would forbid the practices which are agreed to be harmful to world prosperity, and they would assist each other to overcome short-term exchange difficulties.

All these new circumstances that emerged at the domains of security, production and finance also led to changes at the core economic thinkers and these new occasions led to revise and question the dominant economic policies by economists and led to a search for a new economic management which would be compatible with the features of these new circumstances. In relation with the facts that are mentioned above, the realization of the fact that the worldwide spread of markets has not automatically brought the benefits promised by nineteenth-century economic theory, caused a paradigm shift in economic thought (Escobar, 1994:1). Especially after the experience of 1929-30 economic crises and in relation the rise of radical ideologies like fascism caused a loss in faith to classic

liberal propositions. For instance, thinkers like Polanyi (1957) accused *laissez-faire* liberalism for its effort to eliminate all intervention and control mechanism in societies and argued that *laissez-faire* liberalism prepared the conditions for fascism. He clearly opposed the liberal idea that there should be no intervention to economic issues. Thus, to some extent, post-Second World War development theory emerged primarily as a reaction to the accepted premises of the neo-classical theory.

In parallel with Polanyi's thoughts, Carr (1945) also, set forth the main principles that the post-Second World War order should be built upon. Carr was trying to search for a solution to avoid the potential "destructive" power of the nationalism and the nation-states in order to establish a stable world economy. Since Carr's analysis highlights a certain perspective about the nationalism and since his analysis provides a historical context for the issue of development similar to the one in this project, it is worth to emphasize Carr's ideas shortly.

In his book *Nationalism and After* (1945), Carr analyzes historical development of nationalism in four periods. The first period is the mercantilist era in which monarchies raised and maintained their authority by integrating local markets into a unified national economy. This period ended with the French Revolution and the Napoleonic wars. In the second period from 1815 to 1914, the liberal idea of common interest was embedded into the international arena and a balance or consensus between nationalism and internationalism was achieved<sup>11</sup>. However, with List's opposition to *laissez-faire* and with the events like unification of Germany, Italy and the establishment German customs union (*Zollverein*) in 1834, the system had started to be challenged by nationalism and eventually the First World War put an end to this era. In the third period from 1918 to 1945, the masses were integrated to the nation-state and nation-state became the basic

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<sup>11</sup> There is no need to mention the contribution of Britain's policies to this consensus.

leverage for attainment of economic and social rights of the citizens. In other words, international socialism of the 19<sup>th</sup> century had collapsed and had taken a nationalist form<sup>12</sup>. Accordingly, the idea of planned economy challenged the *laissez-faire* liberalism and emerged as a mixture of socialism and nationalism<sup>13</sup>. Finally, numerous national economies emerged and fragmented the single global economy of the 19<sup>th</sup> century.

As mentioned before, when writing his book in 1945, Carr was trying to search for a solution to avoid the potential “destructive” power of the nation-states in order to establish a stable world economy. But according to him, neither there can be a return to *laissez-faire* policies, nor can this global economy be founded on a national basis. What he offers was hybrid entities for the new economic order of the post-Second World War era. He suggested establishing multi-national and international planning authorities, rather than abandoning economic planning or leaving economic planning to each nation<sup>14</sup>. In short, he calls for consensus between (formal) independence of nation-states and a world authority<sup>15</sup>. As will be examined, the post-Second World War order has been built upon these main principles.

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<sup>12</sup> For instance “socialism in one country” was a reflection of this fact (Carr, 1945: 34).

<sup>13</sup> Carr uses the image of two-faced Roman god Janus to describe the issue of planning: one face is nationalist and the other one is socialist.

<sup>14</sup> The most important argument and closely related issue with the contemporary times is his proposition of establishing alternative political and economic units on the basis of ‘civilizations’. This new “hope”, in his words, will suppress the nationalist tendencies and will secure the smooth operation of the capitalist world economy.

<sup>15</sup> It can be argued that today the UN will take this role with the catchword of “alliance of civilizations”, while blackmailing the world by a “clash of civilizations”. The image of Roman god Janus can be used again to define this new role of UN. Janus also represents peace and war at the same body: one face is “clash”, and the other is “alliance”.

### 4.3. Evolution of Modern Development Thinking

The decades of 1940s and 1950s were the formative period of the modern economic development theory; and the main concern was the modernization of the ex-colonial states in terms of their integration to the world economy. Thus in its formative period, development economics<sup>16</sup> mostly borrowed from the former ex-colonial economic theories (Pieterse, 1996: 547-8). As Leys summarizes briefly:

It is not a great oversimplification to say that ‘development theory’ was originally just a theory about the best way for colonial, and then ex-colonial, states to accelerate national economic growth in this international environment. The goal of development was growth; the agent of development was the state and the means of development were these macro-economic policy instruments. These were taken-for-granted presuppositions of ‘development theory’ as it evolved from the 1950s onwards (Leys, 1996: 7).

The main goal of development was seen as the creation of societies that would imitate the political-economic system of the industrialized countries which means the creation of a private enterprise economy with a representative, democratic political structure. For this perspective development was a linear, almost automatic process. For instance, Rostow who was an orthodox development theorist, defined development as a process of change from traditional society stage to the precondition stage of Western developed countries (Wilber, 1975: 7-8).

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<sup>16</sup> Pieterse makes a distinction between development sociology and development economics. Whereas development sociology criticized the nineteenth-century theories of social development; development economics was highly influenced by the nineteenth century theories and tried to modify those theories to fit into the conditions of the 1940s and 1950s (Pieterse, 1996: 547).

In brief, in the 1940s and 1950s, orthodox development theory saw capital formation as the primary element for economic growth and argued that the absence of the capital formation was a result of traditional economic structure. If the traditional structure can be overcome by financial assistance of the Western countries, then development which meant the creation of a high mass consumption society could be realized. It should be noted that for this perspective, the issue of development was understood as the attainment of “high mass consumption society”. This is to say that economic development was measured by the level of per capita or product, rather than the level of industrialization. Therefore any special political and/or economic condition is out of question. In other words, development perceived as not a political but a technical process (Wilber, 1975: 7-8).

However, by the end of 1950s, this optimism of orthodox strategy began to fade away as a result of problems like unemployment, increased income inequality within and among nations. These inadequacies and the limitations of the orthodox theory led to a paradigm shift in development thinking (Wilber, 1975: 8-10). The scope of the development studies was enlarged by some American sociologists and political scientists and the issue of development became an object of interdisciplinary study. Modernization theorists focused on the establishment of international institutions like the WB and the US Agency for International Development to diffuse economic policies as well as modern values among the elites of the under-developed countries (or of the periphery) through education and technology transfer. In relation with the general political and economic conjuncture of the era, this policy has helped the US to exercise its new superpower role to control the periphery by providing financial and technological assistance in the name of mutual benefit. At the same time this policy has helped the US by providing regional experts who are needed for its superpower role (Leys, 1996: 9-10; Pieterse, 1996: 548-9).

The importance of the economic modernization theory of the late 1950s was the admittance of the fact that there may be divergence from *laissez-faire* (Wilber, 1975: 9). Economists like Tinbergen and Lewis have developed the notion of economic planning which relied on government action to overcome the basic problems of the development. This government action was especially vital for the Third World countries. As Wilber points out:

The best example of this is the role which government has come to play in Third World countries. Government interferes in all areas, setting prices by non-market considerations, distorting the operation of labour markets through minimum-wage legislation and through providing employment in the government sector. On the side of non-rational behaviour, the government can attempt to convince its citizens of the need for “modernization” while at the same time substituting its own entrepreneurial ability and knowledge to fill that vacuum. On the side of the markets, the government can again offset the difficulties through economic planning (Wilber, 1975: 9).

This conceptualization of the government action was also compatible with the Keynesianism of the era. Specifically, government action was an inseparable part of the Bretton Woods system which enabled governments to administer international capital movements, to determine both domestic interest rates and exchange rates of the national currencies to stabilize the commodity prices (Wilber, 1975: 6). Accordingly, both Bretton Woods system and government action were seen as a necessity to prevent “non-rational” behaviour, internationally and domestically. Hence, after 1945, with the impact of Keynesianism, development economics and government action was an integral part of liberal world order:

In the era after the Second World War, a particular set of relations between state, society and market was institutionalized internationally, creating a system of relatively stable national economies organized through an international order of ‘embedded

liberalism'(Ruggie, 1982). These economies were tied together through a negotiated regime of multilateral trade but buffered from the full effects of these international markets by institutions limiting trade and capital flows. A diversity of national models of state market interaction co-existed uneasily within these institutions even as international markets gradually expanded in scope. The liberal international order was 'embedded' in national economies which sustained support for it by mediating its effects (Riain, 2000: 7).

Finally, this pre-emptive and mediating role was especially important also to fix the distortion caused to the economy by the populist or irrational policies of the previous regimes before the end of 1950s (Wilber, 1975: 9). This point will be highlighted briefly in the discussion below on Turkey.

#### **4.4. Turkey: Towards Central Planning, 1940 - 1960**

After the Second World War, like most other countries, Turkey found itself in the midst of a confrontational superpower struggle. However, aggressive Soviet policies towards Turkey's borders combined with Soviet demands on Turkish straits coupled with the distant ideological attitude of the Turkish leaders to Soviet Russia, located Turkey at the liberal camp. Consequently, Turkey took steps to meet the prerequisites of being a part of the liberal world. The replacement of the single party regime with a multi-party regime, the application of more liberal economic policies, and becoming a member to NATO and UN all served to this aim.

Also at the domestic level, newly strengthened private industrialists, commercial groups and landed interests started to challenge the monopoly of the bureaucratic elite's political power and economic control over the economy. Thus just after the

Second World War, the military-bureaucratic elite were under pressure from both internal and external influences. As a result the Democratic Party (DP) emerged as a product of this conjuncture and became an exemplar of a more liberal economic order in terms of trade liberalization and opening-up to the floodgates to foreign capital, giving priority to agricultural and infrastructural development rather than focusing on heavy industrialization (Öniş, 1998: 459).

It is needless to say that the DP's new liberal economic development policies that were aiming attainment of high mass consumption society overlapped the late 1940s' and early 1950s' international orthodox development paradigm. Actually, economic conditions in Turkey were compatible with this orthodox strategy. When the DP came to power, the conditions of "high consumption" had already been set. Due to the austere measures that were implemented during the Second World War, the foreign exchange reserves of the country were relatively high. Also, at the beginning of the 1950s, expanding world markets as a result of the Korean War had given rise to hard-currency income to Turkey which had primarily been an agricultural exporter. In addition to this, foreign aid provided by the Marshall Plan also increased the foreign exchange receipts of Turkey (Kansu, 2004: 30). But although there was an expansion in the economy during the first years of DP, this expansion did not continue through out the 1954-61 period. This period was plagued by a slow rate of gross national product growth (Boratav, 2004: 85). Extravagant policies carried out by the government and the end of the Korean War reversed the conditions which were in favour of agricultural producers. Moreover, the capital accumulation stimulated by agricultural exports at the beginning of the 1950s could not be efficiently used to improve the industrial sector. In 1956-57, the hard-currency reserves were exhausted and foreign loans had gone beyond the one billion dollar mark (Kansu, 2004: 32). In the end, the economic expansion achieved in the early 1950s came to an end



causing a macro-economic crisis which led to Turkey's first standby agreement with the IMF in 1958 (Öniş, 1998: 459).

Although the DP government was at first welcomed by western governments after the mid-1950s, the US and international institutions like WB and Organization for Economic Co-Operation and Development later started to applying pressure over the Turkish government to implement more strict and consistent economic policies. They claimed that the economic policies implemented were not being determined in a macro-economic framework and further pointed out that under such condition inflationist tendencies would be inevitable. Furthermore they offered foreign aid on conditions that a more disciplined and "rational" policies would be implemented. The 1958 stabilization program was a result of these facts.

Therefore, the appeal of "planning" argument was not coming from Soviet Russia, but from capitalist countries. As mentioned before, by the end of the 1950s "planned development" had started to be the basic paradigm of global capitalism in the context of less-developed countries. Moreover, the ideals of international capitalist institutions and the ideals of the PRP, the main opposition party were common in characteristics. This common platform evolved into one which was to be known as the notion of "planned development" in economic management. In parallel, the agenda of the opposition party PRP focused on managing the economy in a 'rational' way. But it should be noted that capitalist countries were claiming that the problems could only be solved by integrating with the world economy (Boratav, 1994: 110). Thus it is possible to claim that the economic regime of 27th May 1960 was a continuity of the previous period rather than a break: Turkey had reserved its place in the capitalist block and it had also reconciled with the Bretton Woods system (Erder, 2003: X-XI, 10-2; Kansu, 2004: 38).

It would be an oversimplification to say that the 1960s were the reversal of the liberal economic program. The redefinition of *etatism* in the form of a combination of import-substitution and development planning was a new design in and of itself. This was in effect an amalgamation of liberalism and *etatism* in the context of Keynesianism. These policies were not in conflict with liberal thinking, these steps were taken in the name of becoming an integral part of the global capitalist order (Erder, 2003: XI).

#### **4.5. Conclusion**

In the post-Second World War era, liberalism of the 19<sup>th</sup> century and economic nationalism of the Inter-War years has found a middle way within the general conjuncture of the Cold War. Keynesianism became the main economic model in the domestic sphere, while Bretton Woods financial and monetary structure under the leadership of the US reshaped international economic relations. This combination allowed some autonomy to states in pursuing development strategies without challenging the liberal character of the world economy. Planned economic model (i.e. indicative planning) was put into practice in many developing countries including Turkey in this period. This situation continued until the 1980s until when the international Keynesianism was left aside and replaced by a new paradigm called neo-liberalism.

## CHAPTER 5

### THE ERA OF GLOBALIZATION

#### 5.1. Introduction

In the 1970s some specific events like the end of the Bretton Woods system with the abolishment of the dollar-gold standard by the Nixon Administration in 1971, the oil crisis in 1973, the emergence of the post-Fordist mode of production and in relation with these facts, decreased economic growth rates and increased budget deficits shook the pillars of Keynesianism. Moreover, with the collapse of the Soviet Union and the end of the Cold War, the political conjuncture that Keynesianism had been resting upon also changed. Under these circumstances, a new paradigm called neo-liberalism has emerged and states have started to apply neo-liberal policies. This shift from Keynesianism to neo-liberalism has been almost concomitant with a military *coup d'état* in Turkey. After the 1980s Turkey has entered into a new phase which has affected its economic institutions and economic management fundamentally. In this chapter, the main features of neo-liberalism will be discussed within the much discussed “global” context with a particular emphasis on Turkish political and economic developments.

## 5.2. The Phenomenon of Globalization

With the end of the Cold War, globalization has been considered as the major issue that affects all aspects of social and political life. Although it is not a novel concept, globalization in the 1990s has been associated with an era which,

...experiences the tremendous expansion of the financial markets dominated by new, non-governmental actors in the form of institutional investors, and the exponential growth of international trade dominated by seemingly 'stateless' multinational corporations (Schmitt, 2002:16).

Apart from the discussions which contrast globalization as a temporary phenomenon or as a natural outcome of "modernization" which would end up with the 'welfare of the nations' as some liberals like Friedman (1999) and Giddens (1999) argue, one thing is for sure that these debates has had a constitutive effect on the process of globalization as well as identifying some features of it.

According to, some pro-globalization writers like Friedman and Giddens (or 'utopianists' as some label them), globalization is the final stage of a linear, singular and uninterrupted process which has started with the emergence of international economic relations. Trade has always linked different parts of the world. Finance has always had a global dimension especially when one think about world financial centres like London, Amsterdam, etc. Finally military issues have been already global well before the 1990s. Free trade has linked the domains of production, finance and security to each other as well as other domains such as communication and the like. According to some liberals, at this stage of capitalism, effectiveness of free market economy will increase with the decline of political power and thus, everyone will benefit from globalization. But it can be

argued that this approach is too superficial and inadequate to emphasize the political foundations of globalization.

On the other hand, some critical liberal writers such as Gray (1999) assert that the emergence and expansion of free market is not a “gift of social evolution”. It has been a product of social engineering and political will. Free markets can not rise without the exercise of state power. The new agenda of globalization in the age of free trade, in his view, is the latest effort to achieve a universal civilization founded on 17<sup>th</sup> century’s “enlightenment principles of reason”. Globalizing free market ideology destroys the social cohesion and destabilizes the authority of nation-states. Gray's main argument is that freedoms in the market should not be an end in itself. Markets are made to serve man, but in the global free market the instruments of economic life have become dangerously emancipated from social control and political governance. Free market contributes to international economic inequality and increased international economic competition is likely to result in serious environmental degradation and international tensions which can result in war. Gray asserts that there is a risk that sovereign states will be drawn into a struggle for control of natural resources. According to Gray, in a world in which market forces are subject to no overall constraint or regulation, peace is continually at risk<sup>17</sup>.

Gilpin (2000) is also sceptical about globalization and its outcomes. The important point in Gilpin’s argument is that the foundations of globalization are political, not technological. According to Gilpin, globalization is the deepening and widening integration of the world economy by trade, financial flows, investment, and technology. This is the "second great age of capitalism" which will end with a bang or survive. But, the future of globalization ultimately rests on

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<sup>17</sup> From a malicious point of view, Gray’s words can be interpreted as a call for prevention to sovereign nation-states rather than a call for regulation to market forces.

political foundations, not on the merits or demerits of the now dominant neo-liberal paradigm. Gilpin stresses that policy is the product of politics, not economics. He emphasizes that the political foundations of global economy will determine its future. Specifically, the US' willingness or ability to play a leadership role in sustaining and reinforcing political foundations of the global system will determine the future.

Gilpin argues that the main threats to the system arise from regionalism, financial instability, and increased protectionism. At this point he says that the US is still a leading economic power, but its dominance of global commodity and financial markets has been reduced. And more importantly, with the end of the Cold War and the collapse of the Soviet Union, the *raison d'etre* of the post-Second World War order that legitimized the US hegemony to some extent, has disappeared. So it can be argued that for Gilpin, changes in the global security structure had repercussions on the domains of finance and trade. And in terms of market-state relationship, it is possible to say that the capabilities and policies of nation-states will determine the characteristics of globalization, or in broader terms nation-state is still the basic unit which can overcome the problems like regionalism<sup>18</sup>.

Another aspect of globalization is shown by Hettne (1999) who draws the picture of regionalism. Hettne claims that a "new regionalism" emerged in the 1980s. Regions are organized as a response to regionalization in other parts of the world. The post-Cold War era has seen the immediate acceleration of economic regionalization and increased levels of trans-national political interaction associated with regionalism. In the 1990s both "non-state centred" and "state-centred" regional processes of integration have emerged as responses to the globalization project.

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<sup>18</sup> In other words, the "nation-state" of America should act to erode the nation-states to eliminate the risk of regionalism which can be a threat to global economy.

Regionalism has basically been associated with protectionism: the closing-up of regions to their international surrounding, the keeping of tariff and the new creation of non-tariff barriers to non-members for purposes such as the protection of vulnerable or infant industries. The purpose of protectionism has thus been to compete with the social externalities of the global market. For Hettne, the important point is that the logic of the individual state has been extended to the region. Regions and states are now considered as parts of the same "integrated group of governance" of political authority and the market. They only take different geographical forms but reflect the same type of political authority.

Harvey, a critical Marxist writer, has associated globalization process with the crisis of over-accumulation in capitalism. To start with, in order to survive, capitalist mode of production needs to absorb the surplus capital that it produces. However, the over-accumulation of capital which is an outcome of internal contradictions or crisis tendencies of the capitalist accumulation process threatens the system while it motivates capitalism to overcome the problem (which essentially is de-valorization of capital) by searching for new places to accumulate surplus capital. Or, in other words, surplus capital needs to be used, so that it ceases to be a surplus capital. Thus a spatial organization or 'spatial-fix' is a requirement for capital accumulation. But he adds that the way in which this spatial-fix is established should not necessarily be permanent or consistent over time. In other words, the organization of regions according to the needs of capitalism is not stable because of technological availabilities and more importantly because of the instability of the capitalist development. This is closely related with another impact of globalization, namely the decline of state interventionism or state power *vis-à-vis* global market forces which act according to their own necessities and nullify any outside intervention (Harvey, 2001: 325-33).

Harvey further clarifies that since capitalism is a dynamic process, geographical landscapes have to be continuously formed and reformed, a process which indicates that there is no permanent and stable regional organization that states can interfere or control. In this sense, the liberal discourse which claims that globalization introduces wealth, stability and peace by intensification of trade or, in a broader extent, by intensification of capital relations, seems inconsistent due to this unstable nature of capitalism. Globalization constructs infrastructure both spatially and temporally according to the requirements of the international capital.

Harvey claims that although spatial-fix offers an effective solution to the accumulation of surplus capital, it faces an important difficulty. The new regional economy, which is subordinated by the capitalist core, can create its own surplus capital and start to look for its own spatial-fix in the long run. For instance, the US has managed to create its own surplus capital and gain its independence from the British economy in the nineteenth century (Harvey, 2001: 337). Again in the twentieth century after the Second World War, this time US have sought to create its own spatial-fix on the basis of the Marshall Plan. In this century, as Harvey argues, the Soviet threat enabled the cooperation of regional capitalist actors, namely the European Union (EU) and the US, which were potentially rivals of each other (Harvey, 2001: 342). But now the question is whether this consensus has dissolved after the collapse of the Communist Block and the EU has come into play as a new rival for American capitalism or American spatial-fix; or the EU is the part of the process. Shortly, the answer can be given in both ways. But from this perspective one thing is for sure:

As temporal and geographical solutions to the inner dialectic of over-accumulation run out, the crisis tendencies of capitalism once more run amok, inter-imperialist rivalries sharpen and the threat of autarky within closed trading empires looms (Harvey, 2001: 343).



Therefore, today, it is possible to consider neo-liberal policies of the “Washington Consensus” as an antidote to protectionism and regionalism. In other words, the principles of the Washington Consensus serve to prevent any distinct political and/or economic unit to create its own capital accumulation, which is not welcomed by the international capitalism.

### **5.3. The Issue of “Development” in the Neo-liberal Era**

The term of neo-liberalism has started to be used in close relationship with the issue of globalization. It is possible to say that although these two concepts are often used even interchangeably, they refer to different phenomena as Dumenil and Levy points out:

Globalization refers to an old trend in capitalism in the direction of its internationalization. Neo-liberalism defines a new configuration domestic as well as international in which the interests and power of capitalist ownership have been restored by a new discipline of labour and management or corporate governance...The link between the two notions is that neo-liberalism defines a new phase and new forms of globalization distinct from the old forms such as colonial empires (Dumenil and Levy, 2002: 2).

In this context, it can be argued that with the help of neo-liberal policies US has increased its competitiveness and become more advantageous than before in international economy. In short, new American model of economy has prioritized competitiveness at all costs. Thus, in Stiglitz’s words, ‘...American-style capitalism seemed triumphant’ (Stiglitz, 2002: 1). As a result, international competitiveness, which is already enjoyed by the core developed countries, has become a basic guide to policy.

Especially starting from the 1980s, the idea of development has increasingly faded under the short-term time frame of stabilization and adjustment programmes and policy proposals known as the ‘Washington Consensus’ (Williamson, 1990). In this process, the concept of development has fundamentally changed, and former developmentalist notions such as state planning, national development or import substitution have been considered as almost “out of date” and “out of question” (Leys, 1996; Harrison, 2004).

Since the 1980s idea of public intervention in the economy has been deeply challenged. Thus, there has emerged a dominant view that globalization itself will provide development on a world scale ‘automatically’ and ‘neutrally’ by the help of “pure” international market forces with the supportive claim that there is no other alternative. Therefore national development planning has been losing its importance in the increasingly globalizing world. Especially, after the “Washington Consensus”<sup>19</sup>, there emerged a pressure on developing countries from the developed world to adopt a set of ‘good policies’ and to establish ‘good institutions’ in order to promote their economic development (Wallerstein, 2004). These are good bureaucracy, independent judiciary, transparent and especially market oriented corporate governance and financial institutions (Chang, 2002), fiscal discipline, tax reforms to broaden the tax base, an end to subsidies, a competitive exchange rate, trade liberalization, privatization, deregulation to abolish barriers to entry and exit for foreign investment, and protection of property rights (Bokhari, 2004). Implementation of privatization, liberalization and stabilization policies has been ensured by the imposition of the IMF and the WB conditionalities on developing countries. All these points challenge the former developmentalist notion or paradigm, which accords a vital importance to state action and state institutions. For instance, according to this new agenda governments should stop protecting “ineffective capital” or “infant industries”

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<sup>19</sup> John Williamson (1990) was the first to use the term “Washington Consensus”

and they should prioritize international markets rather than domestic economy (Cerny, 2001). Similarly, according to a WB development report published in 1980, development was defined as participation in the world market by production for world market, rather than maintaining national economic growth by prioritizing domestic market. In such a situation, former state institutions have gone into a “fundamental change”. To sum up, it is possible to say that “by the end of the 1980s, the only development policy that was officially approved was not having one” (Leys, 1996: 42).

Consequently, there have been vital reflections of this paradigmatic shift of economic policies on Turkey’s development strategy and planning actions. Although the IMF and the WB’s economic policies have already been duly applied in many developing economies since the 1980’s, the features of this transformation can be better examined by looking at the particularities of specific cases. In Turkey before the implementation of market oriented policies, the State Planning Organization (SPO) was the primary institution stimulating and administering the process of development in line with the old paradigm. Nevertheless, in line with “Washington Consensus”, the importance of the Turkish SPO has been restricted and government and/or public controls were reduced and free market rules formed the basis of business activities. The next section will highlight this transformation.

#### **5.4. The SPO from 1960 to Washington Consensus**

The SPO was established by the Law No. 91 in 1960 and it became a constitutional institution by the 1961 Constitution. Again with the Law No. 91, the responsibilities of the SPO were defined as to help and make

recommendations to the government for the determination of economic and social policies, to provide coordination among the pertinent institutions in the implementation of the policies, to prepare long and medium-term plans and annual programmes and, finally, to take measures to regulate the actions of the private sector according to the plans.

The SPO consists of two main parts; the High Planning Council (HPC) and the Central Planning Organization. The structure and the function of the HPC deserves special attention, since it points out the intricacies of the top-level economic management as well as the relation between the politics and economics in Turkey starting from the 1960s to the present times. According to the Law No. 91, the HPC has eight members: four ministers (including the Prime Minister who was the head of the council) and four high level planning bureaucrats. Each member has a single vote (seemingly of equal weight); however, in practice, the decisions in the HPC were mostly taken by consensus and not by a formal voting procedure. At first glance, it can be said that there emerged an apparent balance between the politicians and the planners. Since the political members of the commission were appointed by and subordinate to the prime minister and on the other hand, the planners were appointed by formal legal procedures and subject to the law, this situation can even be interpreted as a certain degree of prominence given to planners. Because of its peculiar composition, the HPC had a technocratic character, serving as the main body to determine the economic policies, although it was mainly established as a consultative organ (Türel, 1995: 1055; Kansu, 2004: 63-4). As a consequence, the cabinet became only a confirmative body. Moreover, the Law No. 77 dated 1962 provided another safeguard to the SPO over the legislature, too. Provisions of the said law prevented the Turkish Grand National Assembly to make changes which can violate the “unity” of the plans. In short, the parliament could either accept the plan in its entirety or reject it (Kansu, 2004: 64-5).

An apparent struggle between the politicians and the technocrats can be observed in the ranks of the HPC in the early years of planning. This struggle became a central issue in the Turkish political and economic life in the 1960s. Nevertheless, this struggle was shaped by the general economic conjunctures or macro-economic policies rather than its actors. This is to say that the prominence of the SPO technocrats in the decision making in the 1960s was a result of the dominant planned development paradigm and the policy of the era. As the features of the macro-economic management changed, this relation has also changed. The significance of this issue can be better observed when the concerns of the governments increased to further politicize the HPC especially after the 1980s.

The quick examination of the five year plans can be useful to highlight the main characteristics of the economic policies of the Turkey from 1960s to 1980s and onwards. In general, the plans anticipated the development of the national industry by implementing import substitution policies in a mixed economy up to the 1980s (Kansu, 2004: 587-8). However, they have some important differences. To start with, the first five year plan (1963-67) focused on the industrialization in Turkey and it envisaged land, tax and public administration reforms and aimed to reduce the economic dependency to foreign countries. In this sense, the plan prioritized the promotion of the public sector. But the second five year plan (1967-72) gave importance to the private sector and envisaged the use of public resources to support the private sector. The third plan (1973-77) was based on the strategy for the eventual membership to the European Economic Community. The planners had a perspective of rapidly industrializing Turkish economy with a strong degree of structural change such that the problems associated with the full customs union (envisaged for 1995) will be substantially eased. This plan focused mainly on the protection of the chemistry, machinery and investment goods sectors. Nevertheless, the third plan was not wholeheartedly favoured by the majority parties in the Turkish Parliament and therefore did not serve as a

guideline for policy action. Also, the fourth plan could not find a chance to be implemented because of the economic crisis in 1978 and its consequences which put Turkey onto a different policy path (Tekeli and İlkin, 1983: 1606-7). And finally, it is hard to evaluate the fifth plan since the Özal government preferred to manage the economy with *ad hoc* decisions rather than through planning, hence a critical review of the strategies of development and industrialization of that period seems irrelevant (Kansu, 2004: 590-1). In fact, in times of the fourth and the fifth plans, there were some major events in the world and in Turkey which changed the philosophy of economic institutions and economic management. This new situation can be evaluated by looking at the changes in the structure of the SPO and specifically by looking at the changes in the structure of the HPC.

As mentioned, in Turkey, the application of neo-liberal policies had been almost concomitant with a military coup and then Turkey has entered into a new phase which affected the economic institutions and the economic management fundamentally. After 1980, although governments rejected the planned economy model and planning institutions, in practice they associated new functions to planning, instead of abolishing it completely. In other words, the politicians tried to eliminate the spirit of the central planning *via* the planning organization itself. Furthermore, the best way to rapidly execute this elimination was to enact decrees-by-laws (Türel, 1995: 1056-7).

To start with, in the 1982 Constitution, the constitutional references to planning underwent a substantial change. In 1984 with the Decree-by-Law No. 223 the Laws No. 91 and 99 were amended, and as a result, the apparent balance between the politicians and the technocrats has been lost, and the HPC became some sort of an inner cabinet (Türel, 1995: 1055). In other words, the position of technocrats in the HPC has been downgraded while the politicians assumed technocratic

responsibilities, which secured their position and actions while tightening their ties with the private sector.<sup>20</sup>

There have been some attempts by governments to make the SPO more effective (but still at the control of government) in economic management. For instance in 1991, Akbulut Government made the SPO a central authority to carry out main economic management with the Law No. 3701. However, this attempt caused a reaction at the central bureaucracy and the ministries and in the same year, under Yılmaz Government the Law No. 3701 was abolished and some functions of the SPO were transferred to other units of central bureaucracy. The saga continued with the Çiller Government's attempts to enhance the SPO's effectiveness by a Decree-by-Law No. 511 in 1993. Furthermore, in 1994, with the Decree-by-Law No. 540, tasks like the management of economy, regional and sectoral development and foreign economic relations have been added to the list of duties of the SPO. This Decree-by-Law is still in force. However, the important thing is, according to this Decree-by-Law, planning issues and practices are not differentiated across "sectors" and if an activity that defined as "social" is demanding resources from the economy, it should satisfy the returns expected of economic activity (Türel, 1995: 1055-60). It is possible to say that this market-oriented neo-liberal planning vision is more precise in the Ninth Development Plan which will be discussed below.

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<sup>20</sup> For the restructuring of the relations among the private sector, SPO and the politicians, see the diagrams in Türel, 1995: 1053-4.

## 5.5. The Post-Washington Consensus and Turkey

In technical terms,

...economic development as distinct from mere economic growth, must combine five elements: (1) self-sustaining growth, (2) structural change in patterns of production, (3) technological upgrading, (4) social, political and institutional modernization, and (5) widespread improvement in the human condition (Adelman and Yeldan, 1999: 1).

In this sense, the modern developmental state had sought to ensure development by

...finding and bringing in new ‘exogenous’ resources and factors of capital (land, labour, physical capital such as factories and infrastructure and finance capital), by ‘fine-tuning’ the economy and by fostering ‘strategic industries’ and ‘national champions’ (Cerny, 2000: 301-2).

The underlying logic of the neo-liberal transition has been the transition from “extensive” to “intensive” development, a process which in fact refers to the improvement of the “‘endogenous’ efficiency of production, investment, market structures and processes” (Cerny, 2000: 303).<sup>21</sup> This does not necessarily imply that the role of the state intervention has been reduced, just the contrary, the policies of liberalization, deregulation and privatization have to be processed by states, so they have not decreased but transformed the character of the state intervention. Through these policies “decommodifying bureaucracies” have shifted to “marketizing ones” (Cerny, 2000: 304).

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<sup>21</sup> In addition, instead of the term “developing countries”, the term of “emerging markets” is being widely used (Yeldan, 2002: 8).



However, this new role of state interventionism is prone to be redefined and modified, according to the changing conditions of the economy. It can be argued that by the mid-90s, to some extent, some particular events have shaken the faith to an unbridled free-market economy and to the Washington Consensus. Some sceptical thinkers have started to argue that there have been critical moments in the deepening crisis of the globalist project. The first was the Asian financial crisis of 1997. The second moment of the crisis of the globalist project was the collapse of the third ministerial meeting of the World Trade Organization in Seattle in December 1999. The third moment of the crisis was the end of the Clinton boom (Bello, 2003:2-3). Also crises and slow growth rates of Latin American economies (especially like those in Argentina) in the 1990s have led both the globalist thinkers and their critics to question the Washington Consensus and they started to ask what went wrong. The globalist camp has blamed the “newly developing countries” for being inadequate in applying the principles of Washington Consensus which are started to be named as “first generation reforms”. The “second generation reforms” has come into the scene, which are named as post-Washington Consensus by Williamson (2004). This in fact has been an attempt to keep the theoretical premises of neo-liberalism intact by blaming something else. Consequently, there emerged a need for new instruments and policies to make markets work according to the principles of neo-liberalism:

Making markets work requires more than just low inflation, it requires sound financial regulation, competition policy, and policies to facilitate the transfer of technology, and transparency, to name some fundamental issues neglected by the Washington Consensus (Stiglitz, 1998).

By looking at these facts, it can be argued that to some extent, by the beginning of the 2000s, “the globalist triumphalism was gone” (Bello, 2003: 1). Or at least, neo-liberal globalization has entered into a new phase which is called post-Washington Consensus. For instance in Turkey, some economists, bank officers

and major private sector actors mention that the Turkish economy is still vulnerable to economic crises. Moreover, private sector has started to demand economic planning from the government. For example Koç Group has stated openly that the SPO should again be given precedence in economic management to assist the private sector as in the 1960s<sup>22</sup> (mentioned in Kumbaracıbaşı, 2005). As a consequence it can be argued that in such a situation two options suggest themselves: either a central administration like the SPO can regain its importance or separate institutions like “*Ad hoc* Specialist Commissions”<sup>23</sup> can be entrusted with the task of economic management in a decentralized manner. But it is quite sure that in each option, in the second stage of the Washington Consensus, neo-liberal planning will be based on the principles of global governance while introducing regulatory institutions for the market.

It would be misleading to assume that this new planning notion represents a return to the planning notion of the 1960s or of the Inter-War era<sup>24</sup>. It will meet the requirements of general economic conjuncture which is neo-liberalism. For instance, after a cabinet meeting on 24 April 2006, Turkish Government stated that the Ninth Development Plan<sup>25</sup> has started to be prepared and this new plan will help to maintain economic growth, while increasing Turkish economy’s

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<sup>22</sup> Ömer Sabancı, one of the leading industrialists, also stated that the government should focus on the implementation of the Ninth Development Plan, which he considers favourably (*Hürriyet*, 2006).

<sup>23</sup> Government circular (2005/18) regarding the Ninth Development Plan envisages the reconvening of these commissions which had provided technical support to the previous 5 year plans.

<sup>24</sup> If any comparison have to be made between contemporary and previous perceptions of development, it is possible to compare today’s development paradigm to the writings of Rostow, “*which argued that countries could emerge out of stagnation into self-sustained growth thanks to an aid-financed increase in investment* ( Easterly, 2005: 5)”.

<sup>25</sup> According to the government’s proposal, this plan will be for seven years and it will encompass social and cultural issues. It is quite possible that the principle of competitiveness will again be the main determinant in these dimensions.

global competitiveness. In addition, according to the government, the Ninth Development Plan will help reduce income inequalities and it will help the process of Turkey's accession to the EU. But most importantly, this plan anticipates the withdrawal of state from production of commodities.

The Ninth Development Plan can be considered as a typical example of neo-liberal planning in the era of post-Washington Consensus. First of all, the plan prioritizes the issue of competitiveness like Hayek (1944) prescribed the main features of the "legitimate" planning in a liberal economy. More importantly, again in parallel with the Hayek's ideas, the plan envisages the application of the "rule of law" in the neo-liberal context. According to Hayek, rather than rejecting the need for it, a legal framework is a necessity for the realization of the liberal competitiveness. In this sense, the Ninth Development Plan will provide the legal framework to economic management and will secure the operation of neo-liberalism. For instance, the parliamentary commissions will not take the resolutions into consideration which are against the plan. Hence, the decisions of the parliament will be disciplined and will be tamed. As a result, by a certain conceptualization of "rule of law", any counter moves or decisions by the parliament will be prevented<sup>26</sup>.

The Ninth Development Plan can be evaluated also in parallel with the UN Millennium Project, which set the development goals for developing countries in 2005. Mainly, Millennium Development Goals (MDG) takes world-wide poverty reduction until 2015 as its target and also limits its perception of development to this end. MDG envisages overcoming the "poverty trap" by a:

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<sup>26</sup> However it is hard to say that this technocratic attitude is a unique feature of neo-liberalism. As mentioned before, by the decree No. 77, the parliament could either accept or reject the plans. It did not have much initiative over the preparation or application of the plans.

[B]ig push of basic investments between now and 2015 in public administration, human capital (nutrition, health, education), and key infrastructure (roads, electricity, ports, water and sanitation, accessible land for affordable housing, environmental management) (Easterly, 2005: 3).

It can be argued that in the contemporary era, two rival notions of *laissez-faire* and planning will serve as two complementary concepts and this new model may be labelled as “planned *laissez-faire*”. In fact, the intellectual basis of the “planned *laissez-faire*” has already been set by Hayek (1944). While equating collectivist planning to totalitarianism, Hayek stated that planning can only be accepted if it is done to help or to maintain the conditions of competitiveness in economy<sup>27</sup>. A similar attitude can be observed from the contemporary mainstream economists, too. For instance, Sachs (2005), as the director of MDG project, calls for an

administrative apparatus to implement the Plans: Each low income country should have the benefit of a united and effective United Nations country team, which coordinates in one place the work of the UN specialized agencies, the IMF, and the WB. In each country, the UN country team should be led by a single UN resident coordinator, who reports to the UN Development Program, who in turn reports to the UN secretary-general.

Moreover, Sachs argued that developing countries should have an

Investment Plan, which shows the size, timing, and costs of the required investments” as well a Financial Plan to fund the Investment Plan, including the calculation of the MDG Financing Gap, the portion of financial needs the donors will have to fill (Sachs, 2005: 285, 273 quoted in Easterly, 2005: 3).

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<sup>27</sup> From a different perspective, Polanyi (1957) has pointed out the required legal conditions of *laissez-faire* capitalism of the 19th century that prepared the conditions for the rise of fascism.

In general terms, it can be claimed that the neo-liberal agenda, or specifically, the MDG and the Ninth Development Plan reminds the orthodox development theory of 1940s which envisaged:

(1) a big increase in foreign aid, (2) a simultaneous increase in investment in many different sectors, as well as a package of complementary policy changes and technical interventions, and (3) a national plan and administrative apparatus to direct the investments, technical interventions, and policy changes (Easterly, 2005: 4).

As it can be seen from the underlying sense of the MDG and the Ninth Development Plan, government intervention, rather than being avoided, is redefined in terms of “intensive development”<sup>28</sup>. Needless to say, this so called “intensive development” will speed up the process of “economic growth without development” (Weiss and Hobson, 1999: 76), which has already been experienced by some countries in the 19<sup>th</sup> century and in the second half of the 20<sup>th</sup> century.<sup>29</sup>

Finally, it can be stated that by looking at MDG, the UN have started to take a new role in the neo-liberal globalization process. Although the UN was founded on the logic of Westphalian nation-state system, it gains a supra-national character by this new role and serves to a hegemonic project of super-imperialism. These points have special importance, since they include more than mere economic dimensions which will be discussed in the next section.

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<sup>28</sup> The attempts of Turkish governments to increase their intervention by the help of planning institution itself are already mentioned.

<sup>29</sup> The phenomenon of “economic growth without development” can be considered in relation with Nurkse’s “dual economy” argument.

## **5.6. Social and Political Aspects of Neo-liberal Globalization: 'Beyond the Nation-State' and the Road to Serfdom**

In contrast with the dominant discourse and with the changing role of the state in the economic management in the neo-liberal era, “government involvement in social life is likely to increase: while the power of the state to control specific activities and market outcomes continues to diminish” (Cerny, 2000: 306).

It can be claimed that this neo-liberal social role of government is directed at not simply overcoming the negative effects of neo-liberal policies to social welfare. More importantly, this new role has been related with redefining the existence and the legitimacy of the nation-states. Conventionally, nation-states have been able to maintain their citizens' loyalty and their legitimacy by providing security both in terms of protection against violence and economic protection. With the erosion of the latter task, some argue that people have started to lose their loyalty to their states or to their nation and they have started to search for new bases to define their identity with the help of technological developments in the communication systems (Palan, 2000)<sup>30</sup>. This situation can be considered as a political crisis concerning the nation-states as well as the capitalism itself and this has required a new ideological management strategy.

Concerning the management of the crisis, the issue of identity deserves particular attention, since it can be considered as a key concept in nation-state *versus* globalization debate. The issue of identity has a crucial function to define the socio-political relations and structures. Therefore, because of its transforming

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<sup>30</sup> But it can be argued that more than being a mere “social” outcome of globalization, this situation can be considered as a part of a political agenda and a political project which aims to put the nation-states and the nation-state system “out of order” as far as possible, or at least to assign new roles to make it compatible with the neo-liberal globalization.

effects, the concept of identity can be considered as a strategic “instrument” in the political and social life today (Keyman, 2005: 217-8). Especially, in the 1990s, with the discourses of post-modernism, the issue of identity gained a central importance and post-modernism has started to ‘define’ concepts like state, the nation-state, citizenship, democracy, etc. according to its own specific context<sup>31</sup>.

A general assessment of post-modernism is out of the scope of this study. However, it can be said that post-modernism plays an essential role in the age of neo-liberal globalization. Post-modernism accuses modernism’s rationalist and hierarchical structure and focuses on heterogeneity, local entities, identities and knowledge. In this sense, post-modernism (in parallel with the neo-liberalism) celebrated and legitimized the demise of nation-states’ modernist ideals and became the advocate of ethno-nationalism, Islamism and any kind of fundamentalism in name of human rights and democracy<sup>32</sup>. It can be argued that this situation is complementary with the neo-liberal capitalism, since post-modernism serves to demolish any kind of collective structure which can be a “threat” to neo-liberal capitalism “by accusing every kind of administrative, social and legal limitation as “irrational” and “undemocratic” (Yeldan, 2002:8)<sup>33</sup>.

Nevertheless, well before the 1990s, this certain perspective on anti-collectivism has showed itself at the writings of Hayek (1944). In the contemporary era, it is only defined as post-modernism. Hayek argued that the diffusion of “power” is a necessity to weaken any kind of absolute power which is a threat to liberal

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<sup>31</sup> This attitude can be labelled as “post-modern Jacobinism” and can be seen as an attempt of “social engineering” according to the patterns of post-modernism in accordance with the neo-liberal capitalism.

<sup>32</sup> In contrast with the demands of human rights and democracy, it is noteworthy that post-modernism does not have a single word about issues like economy or the relation between socio-economic structure and democracy.

<sup>33</sup> This phenomenon points out the compromise between the neo-liberal rationale and the post-modern rationale of irrationalism.

capitalism. To accomplish this task, (a certain interpretation of) democracy is the main leverage. In this sense, for him, all individuals and/or small scale groups should be respected and tolerated, no matter how they unpleasant are. Needless to say, post-modernism have characterized this specific perspective and became a functional part of a certain project.

Specifically today, the so called “religious” parties and groups as well as ethnic groups, have legitimized themselves by the discourse of “post-modern democracy”. Moreover, they became the tool of restructuring of the political entities in the name of the neo-liberal global economy in order to manage the economic and socio-political crises of capitalism. While doing so, the struggle between modernism and religion is being used and some religious groups are being unleashed on probation. This fact is especially crucial for the countries which try to modernize and overcome the economic, cultural and political backwardness. It can be argued that the so-called “conservative” groups’ antagonism to modern ideals, their acceptance of “un-development” as cultural “wisdom”, or a part of a cultural “identity”, and their acceptance of neo-liberal development philosophy make them a servant of global capitalism.

An example to this phenomenon can be given from Turkey<sup>34</sup>. In accordance with post-modernism it is possible to say that a new kind of orientalism is taking shape in the world and in the Turkish political life. With the slogan of ‘alliance of civilizations’, Turkey’s modernist ideals, which are the legitimacy grounds of the republic, has tried to be eliminated by using the nostalgic images of the collapsed Ottoman Empire. The modern character of the Turkish state has been tried to be

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<sup>34</sup> Nevertheless, Turkey is not the only example. Similarly, some European countries like Spain and Italy are experiencing the similar circumstances. After a referendum in 18/6/2006, Spain enhanced the autonomous status of the Catalonia. Again by a referendum in 25/06/2006 Italy went to the polls for changes in the constitution to enhance the authority of the regional administrations which will pave the way to a federation. But Italian electorate rejected the proposal.



weakened by using Islamic references and terms like “primary and secondary identity” reminiscent of colonial times, by reviving the hopes of the transformative power of the issue of identity. For instance, in Turkey, political parties like Justice and Development<sup>35</sup> Party (JDP) are perfectly manufactured administrations to accomplish this task. JDP’s anti-secular, anti-nationalist, anti-modernist character serves to erode the foundations of modern Turkey in the name of “moderate Islam”<sup>36</sup>.

It is possible to say that the social function of religion increases artificially in the times of increased economic exploitation. In this sense, all events both in the economic management and socio-political life may serve to “smooth” or “hygienic” functioning of the global capitalism, while making the masses governable by the help of religion and civilization rhetoric, instead of demanding and/or enjoying social-economic welfare and rights. Eventually, by bringing back the feudal elements to life, the masses have been made governable by the single religion of pacifism<sup>37</sup> no matter if they are Muslim, Christian, Taoist, etc.<sup>38</sup>

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<sup>35</sup> JDP’s perception of development is clear at the proposal of the Ninth Development Plan that is mentioned above. JDP’s “development strategy” perfectly overlaps with the 19<sup>th</sup> century liberal ideology and with the global neo-liberalism which made the situation of the developing countries worse.

<sup>36</sup> The statement of “moderate Islam” has first come from the US officials by a “verbal (or a Freudian) slip”: the US Secretary of State, Powell labelled Turkey as an “Islamic Republic” in 2004.

<sup>37</sup> The gist of this phenomenon can be better exemplified by presenting evidence of its existence in the primitive logic of the computer game medium; *Civilizations IV*: “Pacifism seems to enjoy popularity among people or nations who have little power of their own, people who can not physically resist their oppressors with any hope of success. However, once such people gain power and gain some measure of control over their destinies, they often discard their pacifism for more militant beliefs”. Like experienced before in China and in the world during the inter-war years.

<sup>38</sup> The underlying logic of the ‘alliance of civilizations’ slogan can be seen from this commonality of prominent pacifism that has been tried to be injected synthetically in all of religious and/or philosophical groups. On the other hand, it can be argued that *Al-Qaidah* is also serving to this project by equating any kind of rejection of this project to terrorism.

However, at the end of the day, this post-modern middle age can be better labelled as “global vassalage” rather than “global village”.

## **5.7. Conclusion**

After this discussion, the debates on globalization and neo-liberalism as well as the changing philosophy and practice of development can be evaluated as a re-configuration of politics and economics according to the core countries’ political and economic interests. In short, rather than being a “gift of history”, the neo-liberal globalization process can be considered as a new attempt of capitalism’s spatial-fix that also contains exploitative socio-political dimensions.

## CHAPTER 6

### CONCLUSION

This thesis underlined the political character of the development efforts in history since the 19<sup>th</sup> century. One of its main assumptions was that “strong” states have the ability or capacity to manage the economy in both domestic and international terms (Wade in Weiss and Hobson, 1999: 15). In this sense, *laissez-faire*, protectionism, socialism and planning were all state policies rather than being intellectual choices. This fact becomes clear when one looks at the political and economic events of the last two centuries. For instance, 19<sup>th</sup> century witnessed the hegemonic position of Britain in world politics and in line with this position, *laissez-faire* became the dominant paradigm of the era. The policies of *laissez-faire* also contributed to the (semi-)colonization process of the Ottoman Empire while favouring Britain’s interests. However, the spread of nationalism all around the world concomitant with the rise of new powers such as Germany, Russia and Japan, put an end to this era.

The Inter-War years represented a turbulence in which various political and economic doctrines had emerged or at least became state strategies in international as well as domestic politics. Namely, socialism, Wilsonianism and fascism can be considered as attempts of attaining “infrastructural power” (Mann in Weiss and Hobson, 1999: 14) as an alternative to liberalism, which provided superiority in international politics to Britain. Under these circumstances, the newly independent states such as the Republic of Turkey had found a chance to focus on their development efforts according to their own needs and requirements.

This fact shows that in the absence of a hegemonic power and/or hegemonic world order, states' ability to adopt independent development strategies increases. Moreover, the experiences of Turkey in this era points out the importance of the autonomous state action in fostering development.

After the Second World War, this autonomy had been reduced to some extent due to the Cold War conditions. In this period, socialism and liberalism had become two rival doctrines and the development practices had been shaped by their confrontation. In the liberal world, an international economic regime named Bretton Woods system had been established according to the principles of Keynesianism. As being a part of the liberal world, Turkey adjusted its economic management to international Keynesianism after some domestic political events, and applied the planned economy system. Although Keynesian economic policies provided some autonomy to Turkey to some extent, these policies were in fact shaped by the general political and economic conjuncture of the era which was a compromise between the nation-state system and global authority as foreseen (or prescribed) by Carr in 1945 (Carr, 1999: 73-5).

With the end of Cold War, the phenomenon of globalization has permeated into all aspects of life. It is possible to say that in such a situation, the issue of development has been one of the mostly affected issues. The accepted former development policies were all discredited and neo-liberalism has become the dominant paradigm of the era. However, neo-liberalism has some transformations in itself. While at the beginning of the 1980s and throughout the 1990s the principles of Washington Consensus was the accepted philosophy in the economic management. However, towards the end of the 1990s, as a result of some economic crises and problems, a more nuanced and partly regulatory approach have started to be applied, which is called as post-Washington Consensus. In this process, Turkish governments tried to adopt these neo-liberal policies exactly to

the economic management of Turkey. And, since 2001, Turkey has been adapting to the principles of post-Washington Consensus for the management of the economy as exemplified by the establishment of *ad hoc* regulatory institutions in such sectors as banking, finance and energy.

This thesis tried to show that paradigms such as *laissez-faire*, Keynesianism, socialism as well as planning does not necessarily provide (or should provide) development and/or un(der)-development. The historical and political context determines these policies' consequences in politics and economics. In short, it is all a matter of power. Since it is a matter of power, and since the development is a comprehensive phenomenon, it deeply concerns everybody's life in all aspects. Therefore, instead of advocating any policy with slogans in the name of some interests, an honest and clear evaluation of this issue should be done for the interests of the public. That is what politics is, (or it 'should be') about.

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