

# Turkish Economy, Eco 403

Week 7&8

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## Turkish Economy, Eco 403, 1

- Let us discuss the 1950s and 1960s.
- After WWII, the world has changed. The winners: The US and SSCB.
- The new international organizations: NATO and Warsaw Pacts.
- IMF, The World Bank, WTO (to be explained), UN.
- Turkey was somewhere in between: The gov't had prepared some development plans: a) A new 5 year plan, leaded by Sümerbank and Etibank in 1947, b) alternatively some bureaucrats who had favored to private sector offered another program, c) The Vaner plan.
- The first devaluation: September 7, 1946. US dollar from 1,30 to 2,80 TL.

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- The sources of financial capital: The budget
- External sources of financial capital: a) Foreign aid, b) foreign direct investment, c) The Mine and Petroleum Laws and Regulations, d) short and long term foreign loans to private sector.
- The change on economic policies in the 1950s.
- Sectoral developments in the 1950s.
- a) Agriculture: Increase in cultivated land (almost 100 percent between 1945- 1960)
- increase in tractors (from 1,100 in 1945 to over 42 000 in 1960)

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- c) increase in agricultural loans and credits (from 113 million TL in 1945 to 2,400 million in 1960).
- No land reform, but distribution of land to those who have not land (18 million dönüm to 350,000 family).
- Industry: Increase in agricultural production and urbanization had made a contribution to industry. State enterprises were still important, but private industries were growing. No 'industrial support/subsidy law' until 1963. Establishment of Industrial Development Bank of Turkey (IDBT- TSKB) by contribution of the World Bank in 1950. It has distributed 500 million credit between 1950 and 1962.

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- New or organized state economic enterprises: Mechanics and Chemical Industry (MKE), Fertilizer Industry, Meat and Fish Industry (EBK), Cement Industry, Turkish Petroleum Organization (TPAO), Cellulose and Paper Industry (SEKA), State Office (DMO), Steel Industry, Coal Industry.
- State economic enterprises provided a) inputs necessary for the economy, and b) prevented the supply restrictions.
- Mining and Energy.
- Foreign Trade. Import was increasing through 1950s. Foreign trade deficit was also increasing.

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- Turkey- USA relations and Turkey- USSR relations.
- August 4, 1958 decisions: a) devaluation (from 2,80 to 9,02), b) free import, c) control on money supply and gov't expenditures, d) price increase on the products of state economic enterprises.
- Education (to be explained)
- The 1960s and 5 Year Plans, Again.
- 1960, military takeover and new constitution.
- New public organizations: State Planning Organization, The Constitutional Court (The Supreme Court), The Supreme Election Court, Higher Planning Board.

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- Some reasons behind planning:
  - a) Lagging behind the development efforts,
  - b) Economic and social development together,
  - c) Long term propositions for social and economic development.
- Development plans bring obligation to public sector, and voluntary adoption to private sector.
- The commons of the first- four plans: a) aiming reforms, but obeying the existing production structure, b) a determined growth rate for each year, c) priority to industrialization, and d) a long term strategy.

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- The first plan (1963- 1967) As part of long- term development; emphasis on skilled labor, 7 percent growth rate per annum, increasing employment through agriculture and some rural activities, controlling population growth and family planning, and balance of trade, income equality, fair income distribution, and reducing income inequality. Three unsuccessful attempts: land and agricultural reform, reorganization of state economic enterprises, and tax reform.
- The second plan (1968- 1972) 7 percent average growth rate, increasing domestic savings, reducing foreign independency, priority to industrialization, import substitution on consumer durables and intermediate goods, urbanization.



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- The third plan (1973- 1977)
- March 12, 1971, first petrolleum crisis in the world and Cyprus Peace Operation.
- European Economic Community (EEC), customs union until 1995 (22 years perspective), Italy.
- Reforms on justice, education and public sector.
- Attempts for reform on land and agricultural along with mining and petrolleum.
- High growth rates, but insufficient domestic savings.
- Priority given to production of intermediate goods and machine and equipments.