

*Turkish Economy, Econ 403*  
*Week 9,*

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## Turkish Economy, Eco 403, 1

- The fourth development plan (1979- 1983)
- A heavy economic and social problems of the late 1970s.
- Scarcity of goods and foreign exchange (let us explain).
- The plan did not published in 1978, but not in 1979.
- Petroleum prices increased, foreign trade problems; stagflation?
- After 15 year- planned period, the major problems used to be still exist.
- The targetted growth rate: 8,2 percent average per year!

## Turkish Economy, Eco 403, 2

- Dominantly public investment, import substitution, 18 percent expected growth per year for export (also export- led economy), for export- led growth relation with more countries, freezing the relations with EEC for a while (European Economic Community), but application for full membership in 1980 ( a contradiction), more emphasis to agriculture as compare to industry, more emphasis to mining and energy, fair income distribution and for this purpose more emphasis to rural area with coops, public enterprises,..
- The source of capital accumulation during the four planning periods:
  - a) Domestic sources:
    - a1)Expansion on money and credits (Mostly Central Bank credits).

## Turkish Economy, Eco 403, 3

- a2) Public finance (public revenues and expenditures) Endless efforts on tax reform (Kaldor's 1962 report). Budget deficits, the way of closing budget deficit by i) money, ii) domestic borrowing.
- b) External sources :
  - b1) Foreign credits and loans from EEC, project credits for infrastructure, IMF's 'special drawing rights', donations.
  - b2) Foreign investments.
  - c) Foreign debt.

## Turkish Economy, Eco 403, 4

- The utilization of the financial resources
- Investments and their sectoral distribution (agriculture, mining, energy, manufacturing, transportation, tourism, housing, education, health, other services).
- A big U-turn in economy after the 1980s
- i) Economic crises of late 1970s; ii) a new version of import substitution, iii) opening of industrial property to public.
- a) The economic decisions on January 24, 1980.
- b) Pricing decisions (markets for goods and services, labor markets – wages-, interest rates, exchange rates).

## Turkish Economy, Eco 403, 5

- c) Opening to foreign markets.
- d) Foreign direct investment.
- e) Macro policies (smaller public sector).
- A general overview of January 24, 1980 decisions: Heavy industries, social policies during the 1980s and 1990s.
- i) High inflation, ii) continuous devaluations, iii) freeing capital movements in 1989 and foreign trade, iv) increasing export and import, v) budget deficits again.