THE TURKISH DEVELOPMENT PLAN: THE FIRST FIVE YEARS

FORTY years ago Ataturk set out to build an industrial society on the Western European model from the war-torn remnants of the Ottoman Empire. When he died in 1938 he had achieved a viable economy, but his efforts to reshape the socio-political structure of the country had by no means achieved all he set out to accomplish. This first instalment of the fifteen-year Development Plan for the period 1963–67 does not begin where Ataturk left off, for the achievements of the intervening years are not inconsiderable, but it has to start from a point where defects in the socio-political structure threatened to undermine the stability of the economy. The new constitution drawn up after the revolution of 1960 has redesigned the political structure in so far as such a thing can be achieved by legislative action. The former two-party system has given way to a multi-party coalition with a strong opposition, so that economic legislation tends to be a compromise between divergent views. The Plan was intended originally to be the work of independent experts, as was the case with the constitution, but in the event the group of leading Turkish economists who drew it up found it necessary to resign, and the present document is an amended version of their work for which the Government took responsibility.

The economy inherited by the new régime was one in which 70% of the population dependent on agriculture produced 40% of the Gross National Product; manufacture was responsible for 14% and mining and public utilities for another 9%. Comparing 1960 with 1950, gross income had increased 73%,[1] but annual rates had varied from 15% at the beginning of the period to 2 or 3% at the end, but as the part played by personal services in these figures is dubious, a more useful figure may be an increase of 4·7% for income from agriculture, manufacture, mining, public utilities and transport as an average of the last five years of the period. The income growth of the 'fifties came mainly through increased agricultural output achieved by extending the area under cultivation. In ten years the cultivated area increased by two-thirds, tractors being used to break up burnt forest, state land, unowned land and village commonland, and it does not appear that the process can be repeated. Output was increased but not productivity per hectare; arable is still cultivated on an average one year in $2\frac{3}{4}$ years, some of it one year in four, and the typical pasture shows the effects of serious overgrazing.

In a country where income distribution was traditionally far from equalitarian the share of the wage-earners in the G.N.P. declined during the 1950s,

[1] Say from £1,140 million to £2,000 million at 1961 prices and exchange rate. *Per capita* income in 1960 approximately £60, an increase of 30% compared with 1950.

by 7% for agriculture and by 22% for employees of state enterprises. Owners of land and capital gained substantially at the expense of wage and salary earners, and the tax system further accentuated the inequality; 10% of agriculturalists (7% of incomes) received 36% of the G.N.P. and received it tax free. Not only were there wide interpersonal disparities but considerable inter-regional differences in income also exist. In the poorer provinces agricultural income *per caput* is less than half the national average, and in these provinces total income does not greatly exceed agricultural income.

Considerable inequality in income distribution is accompanied by unequal distribution of public services. In Istanbul there is one doctor for 675 persons, in several eastern provinces one for 15,000; the same degree of disparity holds for water, sanitation, electricity, health and transport services. The proportion of children receiving primary education varies from 1·4 to 11·5 per hundred population, so that the poorer provinces have more than their share of the 60% of the population aged 15 plus which is illiterate. The provision of secondary education is so biased in favour of the towns that the educated Turk is almost exclusively of urban origin, and this coupled with poor rural transport means that he is ignorant of the countryside, its people and problems to a degree that astounds the foreign observer. Political activity is confined to a small sophisticated professional and business class, while the voting power lies with the illiterate majority of peasant farmers whose way of life has changed little this thousand years and more.

The planners have therefore had to concern themselves not only with the growth of the national income and changes in its distribution but also with a remodelling of the social structure; the amounts and distribution of investment, taxation and public expenditure have been decided with all three ends in view. A fifteen-year planning period is envisaged during which it is aimed to achieve an annual growth rate of 7%, to solve the unemployment problem and to reach a balance in external payments, these targets to be realised " in accordance with the principles of social justice."

In the eleven years 1950–60 the national product at constant factor prices increased 70% owing to the increased output of grain. As a result, Anatolian stomachs were probably better filled than they had been for a very long time, but as a guide to capital–output relationships for the future the data is of dubious validity. Recorded investment for the period is expenditure on machinery, equipment and construction. Not all the investment in agricultural machinery contributed to the increased output, and some investment which actually resulted in increased output went unrecorded. As far as induced investment is concerned one can point to the over-investment in grain silos built on the improbable assumption that Anatolia was once again to be a great grain exporter. During the period recorded investment amounted to between 9½ and 16% of the G.N.P., and of this between 1 and 3% was financed from external sources. On the basis of this evidence of the 'fifties it is concluded that to generate a growth rate of 7% it will be necessary for gross investment to amount to 18·4% of the G.N.P. The figure is high, but it is probable that recorded and unrecorded investment in the 1950s amounted to at least this proportion; the question is whether in the quite different circumstances of the middle 'sixties the earlier experience can be repeated.

Apart from this macro-calculation the economy is examined sector by sector in some considerable detail, three methods of approach being used, a fifteen-sector input–output table, individual studies of sectors and sub-sectors and a series of project studies relating to both public and private enterprise. The input–output matrix divided up the investment determined at the macro level between the sectors, and gave final demands during the plan period broken down into public and private consumption and investment, imports and exports and stock changes. Private consumption was estimated on the basis of income elasticity in the last ten years, and public demand was computed from the anticipated budget provision for state services and enterprises. Section committees made inventories of their sectors, investigated idle capacity and, where appropriate, the alternatives of filling the gap by production or by imports. Investment–output ratios were computed from the particular values of investment and value added giving an average for all sectors excluding services, residential building and social investment of 2·74 against a figure of 2·6 from the macro calculation. The stability of the plan depends to a considerable extent on the reliability of these ratios.

As a further check projects put forward by both state and private enterprise were examined in detail, both to find how they would fit into the plan and to discover unsuspected bottlenecks and inter-relationships. Data useful for determining the inter-regional distribution of investment was also obtained.

An investment rate of 18·4% of G.N.P., which in fact excludes most of private investment in agriculture, may pose a serious problem of financial mobilization in a country where it is hardly possible to talk of a capital market. There is an array of institutions which are indiscriminately called banks; only a few engage in commercial banking in the British sense of the term, and all engage in one or more of the activities which in Britain would be in the hands of finance corporations, holding companies and building societies. "Institutional" investment comes largely from insurance and superannuation funds, some of which are state controlled and some co-operatives. Some of these engage in real-estate investment and indeed in speculative building. Much of the money from this source has gone into hotels and the more expensive blocks of flats, and if new housing is to be of a more utilitarian, and hence less profitable, character in future these funds may be looking for fresh outlets.

Interest rates are high. Rates towards 20% are charged for finance for import trade, but profit rates are said to be high enough to stand them. Finance for industry is said to be available at about 8%, but it is doubtful if small firms can borrow at this rate. The long-term finance needed for re-equipment is hard to come by, though it is said that short-term credit has been used for this purpose and that there is much frozen credit in consequence. A rate of 20% would probably appear unwontedly modest to the farmer borrowing from the village moneylender.

The planners hold out no hope of even a reduction in unemployment in the first five years of the plan when the increase in the number of jobs will do no more than absorb the increase in the labour force. In a country where peasant agriculture figures so largely, unemployment takes the form of gross underemployment and definition is virtually impossible, but estimates of excess labour in agriculture range from $\frac{3}{4}$ to $1\frac{1}{4}$ million. There will be a surplus of unskilled labour suitable for constructional work, but bottlenecks in skilled labour may well occur. The increased expenditure on technical training both in industry and at the pre-employment stage will yield no considerable increase in modern skills in five years. Even at the end of fifteen years agriculture will employ 10% more workers than it does today, though its share in the employed population will be 60% instead of 70%. Industry is expected to account for 3 million and services for 5 million of an estimated working population of 19 million in 1977.

Neither will it be possible in the next five years to make any advance towards the reduction of the adverse balance of payments. The requirements of the plan will indeed have their greatest impact on imports at this stage, and exports are not expected to increase at the same rate. An increase of 30% in the value of exports is expected in the next five years, agriculture accounting for about three-quarters of the total, and a 50% rise in exported manufactures for most of the rest of the increase, but these estimates depend to an important degree on finding markets for goods not previously exported in significant quantity. Turkey may well be the next country to be reached by the wave of popular tourism that has engulfed Greece in the past few years, but though the possibilities for the development of tourism are enormous, a useful but not decisive contribution from increased tourist expenditure is all that can be counted upon in the near future. Overall a reduction of some 20% in capital import is expected by 1967.

The general impression from a study of the Five Year Plan is that of a very competent workmanlike scheme. Great care has obviously been taken to see that the numerous pieces of the jigsaw key together, but no plan is better than the statistics on which it is based, and of the quality of these it is impossible to judge. The range of published statistics is quite inadequate for the task, much of the data must have been collected *ad hoc*, but sources are not given.

Even more fundamental than the investment and production plans are the social changes it is hoped to achieve, and here broad aspirations replace specific proposals. A drastic reorganisation of the structure and methods of administration is forecast; the present system combines an undue concentration of decision-making at the centre with inadequate provision of instructions at the periphery. At the same time an increase in the scale of operations, particularly in education, public health and community development, is going to demand more personnel and increased expenditure. To meet this tax revenue should be increased by 13% annually and total government revenue by 9·4%, which means the Government would appropriate 17·3% of the G.N.P. instead of 14·6%. There is frequent mention of a reform of the tax system, but no details are given.

Community Development centres, in part a revival of Ataturk's Village Institutes abolished by the Menderes régime, are to provide the bases for official activity and a channel for voluntary effort in the furtherance of social schemes. Given the present birthrate, the efforts being made to reduce the high infant mortality rate could produce a population increase which would wreck all hopes of an increased standard of living. So policy is to be reversed and birth control encouraged, a development which arouses opposition in both ultra-nationalistic and religious quarters.

Proposals for land reform amount to little more than pious aspirations. The progressive fragmentation of small holdings is to be stopped, scattered small plots consolidated, the large estates broken up to provide holdings of viable size, but in fact the "aghas," who were stripped of most of their large holdings at the revolution, have had their lands restored by legislation. Nevertheless, a solution of the landholding problem must come before the schemes for rehabilitation of pasture, improvement of livestock, re-afforestation, extensions of irrigation and rural supplies of electricity can be tackled. In Turkey, as throughout the Near East, the solution of the problem of the peasant farmer is the first step towards economic and political stability.

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