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## The Genesis of Planning in Turkey

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# THE GENESIS OF PLANNING IN TURKEY

Vedat Milor\*

## Introduction

Much of the discussion today concerning economic development is confined to the polar opposites of the private market and centralized bureaucratic intervention. The dominant paradigm in economics nowadays bluntly claims that state economic interventionism strangles the economy and hinders the development of productive forces. Such a view leads to the neoconservative fallacy in politics that privatizing the public enterprises and rolling back the frontiers of the state will somehow "unstrangle" the economy.

Curiously, in contrast to the neoclassical economics which informs much of the political practice in both developed and Third-World nations, the common wisdom which prevails among social scientists who deal with development issues rules out a crude antagonism between planned economic interventionism and free markets.<sup>1</sup> In fact, if sustained industrialization and rapid development are the goals, then the performance of states like Korea, Brazil, Japan, France, and West Germany that have combined entrepreneurial state interventionism and market orientation is clearly superior to recent experiences in Chile, Argentina, the United States and Great Britain. In these latter countries, throughout the mid-1970s and '80s, government attempts to allow the unfettered operation of the market at best produced a change in the distribution of growth between sectors—financial services gained at the expense of manufacturing—and at worst led to low rates of growth and deindustrialization.

From the perspective of historically informed social analysis, what is interesting to research is not whether or not states in developing countries are interventionist. In fact, the post-Second World War record in the Third World suggests that, successful or otherwise, all capitalist states have been deeply involved in their economies not only by reg-

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EDITOR'S NOTE: This article is an abridged and slightly revised version of one chapter of the author's dissertation entitled "A Comparative Study of Planning and Economic Development in Turkey and France: Bringing the State Back In," submitted to the University of California, Berkeley. It has won the Best Dissertation Award of the American Sociological Association for 1990.

<sup>1</sup> For an excellent survey of the development literature, see Evans and Stephens (1988).

*New Perspectives on Turkey*, Fall 1990, 4, pp. 1-30.

ulating economic cycles via Keynesian demand management, but also as the major supplier of manufactured goods. The important question therefore is not really about the extent but the *quality* of economic interventionism. By the term "quality" we mean both the institutional coherence and coordination among various state organizations, and the selectivity of intervention in terms of strategic sectors and industries. Thus when we talk in this paper about the operational significance of economic planning the emphasis will be placed upon the ways in which early Turkish planners tried to exert leadership in industrial affairs by pursuing specific goals in industrial organization and influencing *who produces what and how*.

Indeed, the founders of the Turkish planning agency, the State Planning Organization (SPO), were driven by the desire to initiate major structural reforms not only in order to free the markets from the stranglehold of merchant and agrarian interests, but also to bypass the markets, when these fail to concentrate scarce capital resources in high value-added and capital-intensive fields. Moreover, increasing productive efficiency in industry and the competitiveness of manufacturing capital was a major aim of the founders of the SPO.<sup>2</sup> But more than a quarter of a century after the founding of the SPO, it is fair to claim that, in contrast to the initial designs which aimed to channel the market toward selecting efficient enterprises and industries for survival, Turkish style interventionism subverted the market in developmentally detrimental ways. The instruments of intervention commanded by planners were utilized to keep profit rates above the world market levels in private industry without forcing corresponding changes in productive efficiency and competitiveness of manufacturing capital. Thus state interventionism in Turkey, not unlike most countries in Latin America, created certain market forces which were not competitive, but powerful enough to prevent others from entering investment industries, since existing private businesses would not do so themselves.<sup>3</sup> In the meantime the SPO ceased to operate as an independent technocratic institution modeled after similar agencies in the West and became subject to increasing governmental pressures.<sup>4</sup>

Could it have been otherwise in a mid-size, economically depen-

<sup>2</sup> Such a conception of the modernizing mission can be detected from a didactic text published by Turkish planners in 1963. See State Planning Organization (1963).

<sup>3</sup> Concerning the politics of import-substituting industrialization in Latin America, see Hirschman (1968).

<sup>4</sup> It is therefore not surprising to see that some of the planners who wrote the first academic book on the plan dedicated it to "frustrated planners all over the world" (Ilkin and Inang, 1967).

dent Third-World country? And if the answer is negative, how can one then explain the onset of economic planning in Turkey? Moreover, why did the founders of the SPO resign despite their aspirations to act as doctors at the sickbed of underdeveloped capitalism? This essay attempts to shed light on these broad questions by analyzing some historical material pertaining to the short period which elapsed between the arrival of foreign planning experts in Turkey right before the military coup of May 27, 1960, which overthrew the Democratic Party (DP) government, and the resignation of the four top planning officials in November, 1962, immediately after the approval of the First Five-Year Plan (1963–1967) by the National Assembly. While analyzing empirical material, we try to focus analytically on two questions: (a) *how can one explain the dynamic through which structural reforms come about that increase the rationality of Third World capitalism; and (b) why do these reforms often fail to become institutionalized in accordance with original technocratic designs?* We should add that the conclusions remain nonexhaustive partly as a result of the method of analysis, i.e. a historical case study which makes it difficult to arrive at definitive statements; and partly as a result of the primary focus on the domestic political forces to understand the genesis of Turkish planning, at the expense of a systematic analysis of the external dependency ties which linked the Turkish economy in the late 1950's to the rest of the world.<sup>5</sup> Therefore we will not speculate on the crucial question of whether or not the world capitalist system would have allowed the pursuit of an independent—albeit market-oriented—developmental strategy in a peripheral country like Turkey had the early planners been successful in translating their ideas into action. Instead we will investigate the room available to economic experts for policy choice in underdeveloped countries, both in nondemocratic and democratic settings. Thus the chief argument of this essay is that the establishment of planning in Turkey was the product of a conjunctural social alliance between the reformist wing of the bureaucracy, both civilian and military, and industrial businessmen.<sup>6</sup> It is argued below that the

<sup>5</sup> Fortunately a comprehensive analysis of the Turkish political economy in the 20th century that skillfully combines dependency and the modes-of-production approach, is now available in English (Keyder, 1987b).

<sup>6</sup> I call this alliance conjunctural because it was primarily based on a common reaction against the DP economic policies rather than a common consensus on future developmental strategy. In addition, given that the business class was not nearly as organized in professional associations then as it is today, we could not document the subjective dimension of the alliance, i.e., the political activities of the different factions of capital in 1960. Hence our judgements are mostly based on interviews conducted in the Fall of 1987 with both the early planners and the members of the business elite.

immediate and the most sustained push for the institution of economic planning has come from a group of foreign "development economics" experts sent to Turkey by international organizations upon the request of the DP government. These experts found a receptive audience in the country, ironically not among the DP officials who invited them, but from within the ranks of universities and a significant portion of the bureaucracy, above all young military officials and the top administrators of the State Economic Enterprises (SEEs) specializing in infrastructural projects. Foremost among the social forces which opposed planning for political reasons were the nonindustrial segments of the business class and some traditional segments of the bureaucracy, above all the Ministry of Finance, but also the Ministry of Education, the Ministry of Health, and the State Institute of Statistics whose officials felt that their prerogatives were threatened by the onset of the SPO. In other words, the dominant social forces seemed to be split at the outset with respect to the desirability of economic planning for the country. Thus the assertion in contemporary political sociology that the most obvious social structural condition favoring effective interventionism by a group of technocratically inclined state officials is division within the dominant class, seems to be borne in the case of Turkey in 1960 (Evans and Rueschemeyer, 1985). And more generally, as one observer has claimed, the establishment of planning in Turkey can be conceptualized within the context of K. Marx's analysis of "Bonapartism" as a basis of increasing state autonomy (Tüzün, 1981). This is because in the Bonapartist model, a reformist group of state officials is propelled into a leading and relatively autonomous position in the state by the stalemate within the ranks of dominant economic forces combined with the inability of subordinate classes to influence the course of events via collective action.

There is no doubt that in the early 1960s when planning came on the political agenda, the working class in Turkey had not yet become a political actor.<sup>7</sup> It is also true that the enthusiastic support of the military rulers for economic planning was not only necessary for the founding of the SPO but also played a role in elevating young planners to eminent positions vis-à-vis both politicians and other top bureaucrats.<sup>8</sup> Indeed, when the military support ended following the tran-

<sup>7</sup> The Turkish Workers Party, which in the mid-'60s became a significant political force, was founded in February 1960 following the lead of some progressive trade unionists.

<sup>8</sup> One of the founders of the SPO recalled an interesting anecdote which took place during the first meeting of the High Planning Council in the immediate aftermath of the October, 1961, elections which heralded the transition to a civilian democracy and

sition to a multi-party democracy in October 1961, early planners, to their dismay, did not find a receptive audience for their ideas among the ranks of civilian politicians. Consequently, despite the Prime Minister I. İnönü's personal support, the founders of the SPO felt themselves to be in a political vacuum and chose to resign in November, 1962. Their resignation ended an interesting experiment in economic policy-making, one which tried to render the state politically and bureaucratically cohesive by assuring a minimum of coherence and coordination within and among different state organizations. Had early planners been successful in carving out operational space in the design and implementation of economic policy for the economic technocrats within the state machine, then the Turkish state might have become what political scientists call a "developmental" state, functioning to promote economic growth and international competitiveness (Johnson, 1982). Yet when the economic technocrats found themselves after the resignation of the early planners in a subordinate position vis-à-vis politicians, they had no choice in economic policy-making but to rely on discretionary mechanisms to transfer public funds to the accounts of the internal market-oriented industrialists in consumer goods industries.<sup>9</sup>

### **The Social Bases of Discontent Against the Economic Policies of the Democrat Party**

The first years of rule by the DP, which came to power in May 1950 following a crushing electoral victory against the statist Republican Peoples Party (RPP), witnessed radical economic transformations in line with the priority accorded to the commercialization of agriculture. American aid advanced to Turkey from 1947 onwards under the guise of the so-called "Marshall grants" continued to arrive in increasing volume and, together with the surplus reserves accumulated during the *etatist* years, all foreign exchange earnings were used in the promotion of rapid mechanization in agriculture as well as in the development of a massive

brought to power a centrist coalition government headed by, left-of-the-center I. İnönü. During this first meeting a government minister asked permission of the planning commissioner for a certain measure. Receiving an affirmative answer, the minister then addressed his Prime Minister, I. İnönü saying: "Sir, as the honorable *beyefendi* gave me the go-ahead, would you too please give your approval."

<sup>9</sup> Needless to say the social basis of the resulting Import Substituting Industrialization (ISI) strategy was no different in Turkey than in other semi-industrialized middle-income peripheral countries. That is to say, foreign capital and domestic manufacturing capital constituted the main pillars of the ISI regime while the nation-state and international organizations such as the World Bank mediated between these two, the former basically representing the domestic bourgeoisie and the latter attempting to promote the interests of foreign capital. Given the plurality of actors the outcomes were by no means predetermined, although the overall direction was clearly recognizable.

road network designed to facilitate the marketing of agricultural products,<sup>10</sup> Yet the impressive economic growth between 1950 and 1953, when per capita income increased by 28 percent, came to an abrupt end in 1954 when declining world prices for agricultural commodities and weather conditions undermined Turkey's new-found momentum. In fact, prices of primary goods started to decline worldwide in 1953, and Turkey, not unlike other Third-World nations who were overly dependent on foreign outlets, began to experience large trade deficits. Consequently in 1954, agricultural output and exports decreased by 15 percent and per capita income by 11 percent (Singer, 1977). In short, although it was through the commercialization of agriculture that the economy experienced a growth spurt, this commercialization was also responsible for the transmission of the (unfavorable) world economic situation to the Turkish economy. The DP government's response to price fluctuations in primary products, hampering internal economic growth, consisted of some ad hoc protectionist measures which had some unforeseen consequences and culminated in the transfer of capital away from the hands of farmers and merchants and into the hands of industrialists. This was because by 1954 a considerable gap had occurred between the demand for imports and foreign exchange earnings, and the government, despite its liberal rhetoric, was forced to resort to severe trade controls. In a way reminiscent of the *etatist* years, some restrictions on international transactions and import licensing were imposed and credit importation was frozen (Krueger, 1974). Thus, early in the history of the Turkish state, another protectionist episode started "which at the same time benefited a small but growing manufacturing class" (Keyder, 1987a, p. 297).

Naturally the so far neglected urban industrial sector received effective protection and incentives to produce for the internal market at a time when the government was obliged to impose restrictions and quotas on the import of consumer goods. With such incentives, industry began to grow faster than agriculture, and consequently industry's share in the national product increased from 11.8 percent in 1952 to 16.3 percent in 1957, and the agriculture's share dropped from 43 percent to 38 percent.<sup>11</sup> Despite this increase in the share of manufacturing as a proportion of the GNP, and the subsequent formation of new economic sectors, the government could not proceed fully with the policy of import-substituting industrialization since its own position depended

<sup>10</sup> While in 1946 there were hardly 1,000 tractors in the country, by 1955 the number of imported tractors had reached 43,000.

<sup>11</sup> See Table 10-1 on the National Income by Sectors, Keyder (1987b, p. 295).

on the satisfaction of merchants' and farmers' demands. That is to say, the state, via its control of the financial system, sought to channel resources to retail trade and agriculture, which received the lion's share of credits at the expense of the manufacturing sector. Yet a considerable group of rich farmers and merchants who had accumulated significant fortunes throughout the war years and their aftermath, were eager to invest in new industrial ventures to fill the gap created by the restrictions on the import of many consumer goods. Naturally, these would-be industrialists who were no longer willing to engage in the circulation of commodities and export trade after the 'agricultural boom,' expressed discontent with the ad hoc nature of the government's policies, since although a protectionist trade regime had created a potentially lucrative internal market for many consumer goods, the state refused to channel a large proportion of banking deposits to finance industry. Therefore they had to rely on their own trade- and agriculture-based accumulated earnings for their investments, and as a consequence the production capacity of many new manufacturing plants built in the mid-1950s was far from optimally efficient.

Despite these limitations, however, a new episode in Turkish economic history started partly as a result of, and partly despite the state's economic policies. During this new phase of economic development marking the initial stages of ISI, which would become a deliberate policy after the onset of economic planning in 1960, substantial merchant and farmer profits were diverted to industry, and according to a survey executed in the late 1950s, 43 percent of all industrialists were ex-merchants and 20 percent were ex-farmers (Alexander, 1960). Yet farmers and merchants did not invest in the same fields. That is to say, the urban commercial bourgeoisie which was located in Istanbul sought to invest in consumer durables *directed exclusively at the internal market*. Such specialization in consumer goods and a limited industrialization was also sanctioned by international aid agencies, such as a World Bank mission, headed by its Vice-President, that visited Turkey in 1953, and advocated an economic orientation away from relying exclusively on agriculture and towards producing both durable and nondurable goods internally.<sup>12</sup> Although the DP government was reluctant to heed this advice, a new bank (the Industrial Development Bank of Turkey—IDBT) was established under the auspices of American aid agencies and the World Bank, and most industrial projects of the period were supervised and funded by it. In fact "there is hardly a

<sup>12</sup> On the so-called Chenery mission see the illuminating article by Küçük (1981).



large firm established in this decade (1950-1960) which did not receive credit and precious dollar funds from the IDBT: it was through this mechanism that the internationalization of Turkish capital proceeded—through the internationalization of bank credit to industry” (Keyder, 1987b, p. 139).

The bank was located in Istanbul and dealt exclusively with the urban commercial bourgeoisie who had chosen the same site to launch its operations. In contrast, however, a second (would-be) faction of the industrial bourgeoisie originated in the countryside. Its origin was found in the commercialization of agriculture since an especially fertile region in the south of Turkey, Çukurova (Cilicia) became the only region in Turkey in the 1950s where the export boom in agriculture and growing mechanization led to the concentration of land and productive resources. Cotton was the main commodity grown in this region and for a number of historical reasons, large cotton farmers, unlike other farmers in the rest of Anatolia, were able to expel sharecroppers from the land and accumulate large fortunes through enclosures and the exploitation of seasonal wage labor during the 1950s (Hinderlinck and Kiray, 1970). Thus Çukurova became the only region where capitalist farming based on contractual relations between the landowners and wage earners was experienced in Turkey, as opposed to Central and Western Anatolia where owner-cultivated and small-scale peasant ownership was the norm. Consequently most successful landlords in Çukurova started to invest in the processing of cotton in the 1950s and a profitable jump from cotton to yarn and textiles was achieved. In contradistinction to industrialists in Istanbul who produced for a protected internal market and did not have to compete in international markets, textile manufacturers aimed to export at least part of their product. Therefore the lines of intra-bourgeois conflicts of material interests between the industrialists of commercial origin in Istanbul, and the industrialists of farming origin in Çukurova, were already detectable, but did not surface in the 1950s, since both groups were united in common opposition to the economic policies pursued by the DP government.

This economic opposition to the DP was centered around many issues, and it concealed the divergent set of interests between the two main factions of the industrial capital at least until the overthrow of the DP by a military coup in 1960. The first line of common attack against the government stemmed from the DP's reluctance to extract resources from agriculture and transfer them to industry. Investable funds in industry were so low because of the reluctance of the gov-

ernment to initiate a *tax reform*. In fact, the agricultural sector was virtually tax-exempt, and from 1953 to 1959 the average income tax return had declined in real terms by more than 30 percent. In addition, as said earlier, the majority of bank credit was made available to commerce, construction, and farming, while the manufacturing industry was starved of funds. Moreover, in contrast to the etatist period, relative prices favored agriculture over industry as the government subsidized agricultural inputs by selling them to farmers at below market prices, thus subtracting from its own revenues what otherwise could have been used to foster industrial growth. Consequently during the ten years of the DP's reign, the average rate of investment remained a mere 12 percent of the GNP, a very low figure, and the political balance of forces characterized by a stalemate among different factions of the bourgeoisie made it very difficult to increase.

The second line of criticism by the industrial bourgeoisie of DP economic policies originated in the government's willingness to extend the economic boom at any cost, even after the downturn of prices for agricultural commodities on the world market. The DP relied on both inflationary policies and short-term borrowing in international capital markets, as well as on bilateral economic aid, in order to finance rapidly growing public investments. The nature of these expressed the state's preference for agriculture over industry, as infrastructural and public works projects designed to improve agricultural productivity were fully underway with almost no regard for the cost of these projects. In fact, when by 1958 foreign credit sources were drying up, the government kept financing new large-scale agricultural projects without equivalent increases in taxes, simply via monetary emission by the Central Bank, causing prices to double between 1953 and 1959. And it was in this particular historical context that the increasing discontent of the industrial bourgeoisie coincided with the criticisms of international lenders, when Turkey's foreign creditors in 1958, after negotiations in Paris with the IMF, US authorities and the Organization for European Economic Cooperation (OEEC), strongly urged the DP government to adopt a kind of economic planning (Mihçioğlu, 1983; Uras, 1984).

#### **Internal and External Pressures on the Democrat Party for Instituting Planning**

The type of development planning that was recommended to Turkey was designed to coordinate and rationalize public investments, assure proper use of foreign assistance, and control the macro-balances of economic development. It would be no exaggeration to say that both

factions of the Turkish industrial bourgeoisie eagerly embraced this particular concept of planning<sup>13</sup> as such "indicative" planning contained some assurance that priority in economic development should be given to the industrial sector. Moreover foreign creditors and the indigenous industrial bourgeoisie shared similar opinions concerning the irrationality of the DP's economic policies in 1958. That is to say, foreign creditors worried about the skyrocketing of the foreign debt that amounted to 850 million dollars in the late 1950s, while the reserves of gold and foreign exchange were practically gone and exports were stagnating at the level of 300 million dollars a year. The 1960 government budget was estimated to have a deficit of about 1000 million Liras and government borrowing from the Central Bank amounted to 348 million Liras (Sönmez, 1967, p. 38). The DP government, on the other hand, save for the half-hearted 1958 stabilization measures, refused to pursue a policy of financial restraint. On the contrary, already by the summer of 1958 "inflationary financing became once again the general practice in every sector of activity. It has been estimated that if all the projects included in the 1960 Budget and State Economic Enterprise's programs had been carried out, the public sector would have ended 1960 with a deficit of roughly 3000 million TL" (Sönmez, 1967, p. 38).

As a response to the internal and external pressures brought to bear on the government for the institution of planning, the DP adopted a "wait and see" tactic as is rational when confronted by irreconcilable demands from crucial clients. In fact, international financial circles could not be confronted at a time when the government incessantly demanded foreign credits; but neither could the nonindustrial factions of the bourgeoisie, namely merchants and farmers, who constituted the main pillars of the ruling alliance upon which the government rested. Thus, in order to please all these constituencies, the DP chose not to alienate its own anti-planning supporters, while placating other demands via palliative measures. The ingenious solution consisted of a move attempting to avoid the preparation of an overall economic plan for the economy, while setting up a Ministerial Coordination Board that would presumably assist the government in deciding on the investment projects to be carried out in the public sector. Yet, although this Coordination Board was able to assemble a comprehensive list of the ongoing and would-be investment projects of the various SEEs,

<sup>13</sup> In a revealing political development a new party called the 'Freedom Party' was formed as a result of an internal split in the DP and this party appealed to both Istanbul businessmen and the intelligentsia in general. The most informative work on the political history of the DP is Eroğul (1970).

the government did not give members of the Board any fixed frame of reference, let alone any objective criteria for promoting and selecting investment projects. Instead they were merely instructed "to give higher priority to the projects intended to improve the balance of payments, and had to rely on an extremely empirical, 'project-by-project' basis of selection" (Sönmez, 1967, p. 32). It did not therefore take long for the work of the Coordination Board to come under attack by the OEEC, which criticized it for the absence of any overall direction and target by saying that it was handicapped "by the absence of an overall development program."<sup>14</sup> Thus, the intensity of the pressure exercised from abroad to involve the government in development planning began to increase, and finally an agreement was reached with the Dutch planning expert Prof. J. Tinbergen for the preparation of a "Development Plan" for Turkey.

In April 1960, approximately two months before the military takeover, Tinbergen visited Turkey together with his assistant and countryman Dr. J. Koopman, who was supposed to stay in Ankara to continue preliminary studies for Tinbergen's Development Plan. Although apparently the DP was now seen by opposition groups in the country as bowing to external pressures for the institution of a development plan, the reality was strikingly different. That is to say, despite inviting Tinbergen and Koopman to Turkey, the treatment the latter received from the government shows that the DP did not really mean to institute economic reform in the country. Although a committee was formed of high-level civil servants who supposedly would be in charge of planning, the government made it very difficult for Koopman to receive any assistance from experts in the Ministry of Finance and university circles, hence emasculating his efforts to obtain the required information for drawing up a plan. The opposition newspaper that supported planning might have been exaggerating the situation a bit, but was right in principle when it asserted in the aftermath of the military takeover that:

"Tinbergen has been coming to Turkey for the last few months. But the ex-government had, so to say, imprisoned him in a room of the Middle East Technical University. He could only get in touch with the so-called economists of the Ministry of Foreign Affairs. Poor Tinbergen, isolated from all Turkish experts who were right in the middle of the Turkish economy and holding its pulse, was to make a 10-year Plan—

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<sup>14</sup> *Turkey 1958*, OEEC, Paris, p. 13, cited by Sönmez, 1967, p. 32.

yes 10-year—for Turkey. How could Tinbergen make a 10-year Plan when he was doubtful of the accuracy of the information which was given to him by the genius diplomat-economists?"<sup>15</sup>

A letter written by Tinbergen and addressed to the Minister of Foreign Affairs immediately after the military takeover backs up these assertions. In fact in this letter Tinbergen complains that, although in his first visit to Turkey in April, 1960, the government had promised to furnish him with the required economic data for the preparation of a plan, these data were never given to his assistant Koopman. In addition, Koopman who was now permanently in Turkey, said Tinbergen, had yet to receive the salary promised to him by the former DP government. Perhaps the only counter-evidence against my assertion that the DP attempted to isolate and neutralize foreign planning experts in order to prevent the preparation of a plan, although claiming the opposite and apparently aiming to deceive the foreign world, comes from an article published in a foreign journal two weeks prior to the revolution. In this article it is claimed that Mr. Koopman was pleased "by the equipment at his disposal and the help he receives to collect necessary information."<sup>16</sup> But how could poor man say otherwise when it is acknowledged in the same article that the Turkish public was kept in total ignorance of the preparation of a plan and that Koopman was not allowed to give any interviews? Apparently an exception was granted for the foreign press but with one condition: a high functionary of the Minister of Foreign Affairs would be present in the interview apparently to assist, but in reality to watch and supervise what Koopman had to say to the foreign press.

It would, however, be wrong to conclude from the above passage that the two months that elapsed between the arrival of foreign experts in Turkey and the removal of the government was wasted. Mr. Çilingiroğlu, who was an expert assigned to help Koopman, wrote a daily report about Koopman's activities and interviews. A close inspection of these unpublished reports shows that however frustrated Koopman was in obtaining the information regarding the economic and financial situation of the country—he was especially looking for information necessary to calculate the incremental capital-output ratio and sectoral input-output tables—he was very pleased on two counts. First, he was able to contact Turkish private manufacturing business

<sup>15</sup> This article was published in *Akis* on July 13, 1960 and is included in the unpublished folder of Prof. Tinbergen in the archives of the SPO, Ankara.

<sup>16</sup> From *De Zakenwereld Journal*, May 14, 1960; included in Tinbergen's folder. Tinbergen's letter to the Minister dated September 9, 1960 is also in the same folder.

circles and see that they were, contrary to what he thought before, not against the concept of planning and even eager for it. And second, he was pleased to see that the idea of planning had widespread support in the country among the educated professional groups, university circles and civil servants, including army officers. And perhaps, more significantly, a young group of 'technicians' was readily available in the country who were now mobilized for the preparation of a plan, and hence the required preparatory work and documentation could be obtained if only the government were willing to cooperate. To put it most succinctly, the ground was now fertile for transforming the nature of the state's economic policies; and planning would have been the symbol of a new developmental strategy oriented to respond to the needs of productive capital.

### Different Draft Proposals for a Bill Instituting Planning in Turkey

The young group of technicians who worked with Koopman and Tinbergen during the two months preceding the military overthrow of the DP government in May, 1960, became the first founders of the State Planning Organization (SPO) in Ankara. They imparted a certain technocratic stance to its functioning but it lasted only two years and ended abruptly with the collective resignation of the four departmental heads of the SPO, an unprecedented and unique act in the history of the Turkish bureaucracy. In order to understand the dynamics that led to this resignation we should first focus on the differences of opinion relating to economic matters among early planners and their allies, including not only the industrialists but also military bureaucrats who, via the revolutionary National Unity Committee, attempted to influence the course of economic reforms.<sup>17</sup> Fortunately at least three sources exist to trace back the genesis of divisions among the different social groups which had opposed the DP's economic policies immediately after the coup. To start with, two different projects of 'Planning Law' vied with each other, the so-called "Orel" and "Inan" projects. The "Orel" project that was named after its inspirer Colonel Şinasi Orel—who later be-

<sup>17</sup> The National Unity Committee (NUC) was the political organ of the ruling military junta and it assumed legislative power in June 1960. In December 1960, after the elimination of the radical wing of the NUC which refused to hand power over to civilians, the NUC agreed to convene a Constituent Assembly whose function would be the preparation of a new Constitution. The new Constituent Assembly came into existence in January 1961 and prepared the new Constitution which was approved by the overwhelming majority of the public in July 1961. The elections were held in October 1961 and the centrist coalition government under the leadership of RPP leader I. İnönü came to power in November 1961.

came the first head of the SPO—triumphed eventually after getting the benediction of the military rulers. A short three-page “Memorandum on the Organization of a Central Planning Bureau” written by Tinbergen and Koopman on June 22, 1960, four weeks after the coup, set the tone of the conflict and established its parameters. In this celebrated memorandum Tinbergen revealed the nature of the planning that he thought was desirable for Turkey and the characteristics of the planning organization that would carry it out. “The type of planning it seems appropriate to apply in this country is not the interference, in considerable detail, of government agencies with the economic activities of the private sector,”<sup>18</sup> says the very first sentence of the memorandum. Accordingly, the rest of the memorandum shows that its authors were perhaps inspired by the French model of planning, the *Commissariat Général du Plan (CGP)*, when they recommended an “indicative” planning based on selective incentives for the private sector, with the SPO retaining absolute veto authority over the investment projects of the SEEs. That is to say, only those projects that are in accordance with the guidelines of the plan would be approved, and without such approval it would not have been possible to allocate budgetary sources for public investments.<sup>19</sup> Moreover, Tinbergen deemed it appropriate to adopt the French style “three stages” model for Turkish planning. In the first stage the government would decide upon the desired average rate of growth for the country during the five-year planned period. In the second “sectoral” stage, on the basis of an input-output model, and given the predetermined rate of growth, the total amount of investments (and savings) that are needed in order to achieve this growth rate would be determined, and then these investments would be divided both among different fields of activity and also between private and public sectors. Accordingly, the need for foreign aid, defined as the difference between the actual domestic savings and desired total volume of investments, could be calculated. And finally, in the third stage, planners would test different sectoral investment “projects” using several criteria,<sup>20</sup> and those found appropriate would be approved (if an SEE project) or supported via tax and credit incentives (if a private project). According to Tinbergen it was also mandatory that there

<sup>18</sup> J. Tinbergen and J. Koopman, “Memorandum On the Organization of a Central Planning Bureau,” June 22, 1960 in Mihçioğlu (1983, pp. 247–249).

<sup>19</sup> From the letter of J. Tinbergen, on June 24, 1960 to an unspecified Minister, in J. Tinbergen and J. Koopman, in Mihçioğlu (1983, pp. 249–250).

<sup>20</sup> These criteria may include the contribution of this investment in terms of value added, additional employment created and finally foreign exchange earnings generated by this investment.

should be "a clear separation of tasks between those who make a plan and those who carry it out."<sup>21</sup> In other words, the SPO will not be responsible for the actual allocation of incentives but merely for choosing the lines of activity (sectors) in which government support was needed so as to channel private investments in accordance with planning priorities. Moreover—like the French CGP—the SPO was conceived of as a very small and elite technocratic agency composed of some ten members, most of them economists, under the supervision of a Minister of State for planning. The SPO would mobilize various working groups within the state and in society to draw up various parts of the plan, but of course final responsibility for putting these parts together would have belonged to this elite organization.

It is interesting to note that Mr. Inan, who was the General Director of Statistics under the DP and now a cabinet member of the revolutionary government, drew up a "Draft Bill" for the "Planning Law" specifying that this Bill was based principally "on the memorandum by J. Tinbergen dated June 22, 1960." But whereas Tinbergen's emphasis was creating a technocratic elite agency within the bureaucratic Turkish state designed after the French model, Inan understood the model entirely differently. He envisaged a planning office whose function was the coordination of work to be carried out basically by ad hoc specialized commissions dominated by the representatives of the private sector. Moreover, of the sixty-six persons to be employed in the SPO, only some twenty would have been designated as "experts on economic planning," and traditional state bureaucrats predominated, in contradiction to Tinbergen's view of a planning agency exclusively made up of economists. Like Tinbergen's proposal, on the other hand, the main emphasis was on inspiring the confidence of the private sector in the plan while avoiding a plan that would be too imperative. But unlike Tinbergen's proposal, Inan's proposal did not embody a notion of *industrial strategy*. That is to say, neither clear-cut macro-economic objectives to be attained were defined, nor were the desirable lines of activity for the private sector specified. While in Tinbergen's model, the experts of the SPO emerged as the technocratic formulators of the state's industrial policy, in Inan's draft bill they were reduced to their traditional bureaucratic roles, merely registering the wishes of private capitalists on what the state should do to help and bolster them, and then a comprehensive list of these wishes would be called a "plan."<sup>22</sup>

<sup>21</sup> Tinbergen's letter to the Minister, June 24, 1960, in Mihçioğlu (1983, pp. 249–250).

<sup>22</sup> It is in fact asserted that Koopman, who read Inan's bill, did not like it, saying that none of Tinbergen's views were reflected in the document (Mihçioğlu, 1983, p. 256).



The "Orel" draft bill that was chosen by the military as the basis for the law establishing the SPO was very different and more in keeping with Tinbergen's memorandum. There is perhaps nothing surprising in this because it was the same team of young experts who worked with Koopman and Tinbergen—the would-be founders of Turkish planning—that helped Colonel Orel draw up his bill, while keeping Koopman informed about what was happening in "Orel" commission meetings. This bill embodied the main principles of Tinbergen and Koopman's memorandum while adding two new elements. First, what is called the "High Planning Council" (HPC) composed of fifteen members—seven ministers and eight experts from the SPO—was thought of as the main higher decision-making body of the SPO and a high advisory organ for the government. This was a crucial step for Turkey in curtailing the nearly total freedom of governments to take major economic decisions with no regard for the technical adequacy of these decisions. The establishment of the HPC aimed to instill some expert feedback into economic decisions, hoping to establish a balance between the elected and non-elected arms of the state. And second, the "Orel" bill aimed to establish an "Economic Council" probably designed after the French model of an "Economic and Social Council," as a body designed to deepen the democratic content of the plan by conveying public opinion regarding the plan to the HPC and also by helping the assimilation of planning priorities by the public at large. Almost all interests and pressure groups were represented in the "Economic Council." Perhaps most significant from the point of view of an exclusive political system closed to the left was the fact that six trade unionists were included among the seventy members of the council.

On August 5, 1960, two months after the coup, the "Orel" and "Inan" bills were discussed in the military "National Unity Committee" and Orel's project won. It was not, however, a clear-cut victory because the "Economic Council" was opposed by the military and was deleted from the bill; and the composition of the HPC was changed to include four technocrats (the planning commissioner and the three heads of the 'economic,' 'social' and 'coordination' departments) and four ministers, including the Prime Minister as the head of the HPC.<sup>23</sup>

<sup>23</sup> One reason for the defeat of the Inan project was that S. Inan himself was adamant in his insistence on bringing in foreign experts to fill major posts of the SPO; a view which contrasted with Ş. Orel's claim that Turkish experts were perfectly capable of doing the job, although he was willing to make use of foreign experts as consultants. The NUC perceived the lead of foreign experts in the SPO as a possible threat to national sovereignty. The radical wing of the NUC, in its turn, led by young officials such as Muzaffer Özdağ, Numan Esin, etc., opposed even the Orel project on the grounds that first this draft bill failed to legalize the SPO as a supra-government agency with authority exceeding that of the government's in economic affairs, and second because the bill failed to declare the

### Further Conflicts among the Supporters of Planning

Aside from the story of the clashes among various draft bills, two other sources exist to detect main lines of cleavage among the social and political forces that together reacted against the DP's economic policies and supported planning.

The first of these sources consists of the private or public meetings between Koopman and individual Turkish industrialists or the representatives of business associations. Koopman, in fact, who felt that it was absolutely necessary to alter the investment patterns of private business in Turkey, sought the cooperation of business for this end. In meetings business leaders he tried to convince them that they should invest in line with planning priorities, and that full cooperation from private investors was necessary for planning's success, which was tantamount to the modernization of the country's productive apparatus. The business leaders did not seem to be much impressed and were especially reluctant to cooperate with planners by providing them with information concerning several aspects of their future investment projects, including the expected rate of return from these projects. Planners, on the other hand, claimed that they were going to determine the main branches of activity in which the private sector would specialize and therefore needed this information. Perhaps the reason businessmen were not cooperating was that from their point of view such an exercise in industrial policy under the name of "indicative planning" meant sharing their power over investment decisions with state functionaries. They preferred to retain absolute autonomy over corporate decision-making, thus rejecting a vigorous state policy designed to restructure capital. Furthermore, since, unlike the French planners, Turkish planners lacked both direct control of investment funds and means to influence lending practices and direct the flow of credit to industry, businessmen in Turkey could afford not to cooperate with them.

From the vantage point of the business organizations, planning

superiority of socialism over capitalism as an economic system. Concerning the latter issue, planners adopted a technocratic stance arguing that neither economic system was inherently superior and the real cleavage lay not between socialism and capitalism but between good and bad economic management. In addition planners disagreed with military officials on the need to separate 'social' from 'economic' planning by establishing two different units in the SPO. The military supported the idea of the separate administrative existence of the 'social' planning unit— for which no precedent existed in other countries—on the grounds that this was a mechanism for solving the "Eastern problem" by making it possible to coopt disgruntled residents of Turkey's Eastern region. Finally military officials vetoed the choice of Prof. Sadun Aren as the possible head of the 'economic' unit and instead A. Karaosmanoğlu became the director of this crucial bureau of the SPO.

should do two things. First, state investments should definitely be planned to make sure that the SEEs do not compete with the private sector in fields in which businessmen have already made or plan to make investments. Second, businessmen sought all possible state incentives—such as tax reductions, grants or loans bearing a rate of interest below the market price, subsidies by the Central Bank—irrespective of the fields of activity they would be engaged in, and moreover they expected the state to rescue them in case they failed. “Should not private businesses be helped in case they incur a loss, given that we live in a *democracy*?” uttered an eminent spokesman for business, reflecting the general concern of all manufacturers.<sup>24</sup> Moreover, given that major businessmen had already invested in fields designed to substitute imports and oriented to internal markets, they sought the cooperation of planners to protect their markets by putting quotas and heavy taxes on imported goods that were already produced in Turkey.

Koopman—and technocratic planners—were staunch believers in orthodox economics and, unlike state bureaucrats, they publicly condemned protectionism and the state policies of bailing out inefficient enterprises for whatever reasons there may be. Planning should create an environment conducive to the flourishing of private business, said Koopman, adding that enterprises—either public or private—should abide by general market criteria and try to rationalize their production by minimizing their costs and increasing the productivity of labor. “Protectionism is not a healthy method,”<sup>25</sup> he added. In this dispute about the relative merits of protectionism, the early planners and their foreign allies seemed to frame this question in terms of facilitating the expanded reproduction of capital and the extraction of relative surplus value (respectively called “investments” and “innovations”), and hence opposed private capitalist interests in the name of a collective notion of capital.

As was the case with the draft bills, planners found a powerful ally in the ruling military committee who backed the notion of industrial strategy although with some reservations. Unpublished documents of the June, 1961 meetings, designed to discuss the ‘strategy’ of the first five-year plan, that were held among planners and the fifteen members of the ruling committee together with some invited university professors, may serve as a yardstick to measure differences of opinion—and

<sup>24</sup> The meeting between Koopman and the Istanbul Chamber of Industry took place on October 26, 1960 and the unpublished notes of this meeting are included in *Koopman's Folder* in the archives of SPO, Ankara.

<sup>25</sup> *Koopman's Folder* in the archives of the SPO, Ankara.

convergences as well—between planners and military bureaucrats.<sup>26</sup> In these meetings planners' ideas about taxation reforms to increase the rate of savings in Turkey and their views about the reorganization of the inefficient SEE by refusing to bail them out when they failed, created a rather positive echo among the members of the military committee. Yet, a close inspection of the meetings shows that in contrast to planners' liberal-productivist conception of the state,<sup>27</sup> not unlike the founders of French planning, military bureaucrats were still informed by an etatist-patrimonial tradition, holding the state responsible for the welfare of its citizens by giving priority to social justice and full-employment over economic growth and efficiency. In this context, planners' emphasis on adopting capital intensive production methods, perhaps at the expense of employment, to maximize the productivity of labor—defined as output per unit of labor input—found a cold reception among military bureaucrats. And reciprocally military officers' emphasis on social planning to decrease the income gap among social classes and perhaps to minimize ethnic tensions between geographical regions—although this was never publicly confessed—was not readily embraced, though neither was it objected to by planners who seemed to be preoccupied with the productivity of investments rather than their distributive effects. Planners also antagonized military rulers by attacking the desirability of military expenditures amounting to 30 percent of the state's budget, eating up the portion that was left for productive investments. A member of the ruling committee hastily responded that these expenditures were necessary for national security purposes and that the budget of the Ministry of Defense was the best prepared and the least wasteful one among those of the individual ministries. In short, planners learned a valuable lesson: it was not easy to convince individual businessmen or military bureaucrats of the merits of an efficient capitalist system, and what was optimum for rapid economic growth may not have been politically feasible.

### The Planners' Collective Resignation

The golden year of planning, when planners were able to draw the not unconditional support of the military National Union Committee members, ended in October 1961. Elections brought to power a civilian coalition government whose members were divided about the relative

<sup>26</sup> See the unpublished document of the *Milli Birlik ve Planlama Danışma Kurulu Toplantısı Zaptı*, June 10, 1961–June 12, 1961 in the archives of SPO, Ankara.

<sup>27</sup> The French planners' conception of the state is thoroughly explained in Kuisel (1981) Chapters 8–9.

merits of planning, and their views varied from absolute denouncement of planning as a "communist" ploy, to considering planning as an almost sacred developmental device. Moreover, even within the RPP opinions were divided. The party policy was in favor of planning, partly because their main political rivals were against it and not the least because S. Inan himself—whose project was defeated—was a member. The RPP officials were also concerned about the political implications of certain projects undertaken by the SPO such as the Income Distribution Study prepared by Tolgay Çavuşoğlu with the blessing of Atilla Karaosmanoğlu. In fact in the High Planning Council this study was severely criticized by politicians such as T. Feyzioğlu not on the grounds of its methodological shortcomings but because of its "critical" language! But perhaps most significant with respect to struggles between politicians and planners was the fact that elected politicians vied with each other for the support of business groups. Indirect yet effective pressure was brought to bear on planners through informal channels or during the HPC meetings by different factions of capital via their political representatives.<sup>28</sup>

Throughout these struggles between planners and politicians, the former invariably looked at issues from the vantage point of the expanded reproduction of capital. In operational terms, this meant removing major institutional obstacles to private investments—such as uncertainties about the long-term conditions of the market, the small size of the market, inadequate infrastructural facilities, etc.—as well as reducing the concentration of investments in short-term and unproductive fields such as land speculation, real estate, and gold. Indeed some individual incidents may reveal the actual configuration of the balance of forces within the HPC, since it was within the context of this highest planning body that planners interacted with politicians. One such incident relates to the use of social insurance funds that were mainly used to provide luxury housing for the middle classes. Claiming that an average of 34 percent of the gross fixed capital investments was eaten up by luxury housing,<sup>29</sup> planners fought for more productive uses of these funds to foster development of capital intensive industries. But

<sup>28</sup> Since no proceedings of these HPC meetings are published or even kept in the archives, I relied on my interviews with planners and politicians who participated in them. There was unanimous agreement among the twenty planners I interviewed between September and December 1986 in Ankara and Istanbul about the undesirable intrusions in SPO's affairs by politicians, who, on behalf of private investors, often meddled with planners' problems.

<sup>29</sup> *Milli Birlik ve Planlama Danışma Kurulu Toplantısı Zaptı*, June 10–June 12, 1961, the archives of the SPO, Ankara.

to no avail. In addition, inspired by a Japanese or French type of industrial policy where technocrats would first identify the industries to be developed, and then choose the best means of rapidly developing them, planners also attempted to prevent the formation of unwanted branches of industry. Such was the case in 1961 when—before the elections—planners lobbied against and were able to prevent the realization of a project proposed by the private sector for the creation of an auto industry based on assembling imported parts in the country. Deciding that such an industry would have been competitive internationally if, and only if, its scale of production was no less than 50,000 cars a year and that the proposed project was far too small, planners did not approve it. However, they fared less well after the elections with regard to the creation of the “Ereğli Iron and Steel Works” that was a significant joint enterprise between the state and private sectors. Although planners were not in principle against such a project in line with their priorities, they pointed out the fact that the Morrison/Knudson corporation which was in charge of the project was not bringing the latest technology to the country and that a similar steel mill was built in Greece by the same corporation with more advanced technology. However, since this project was labeled as a private enterprise project despite the fact that its majority shareholder was the state, planners’ approval was not needed and their private lobbying efforts to change the terms of the agreement with the foreign contractor, to their dismay, led nowhere.

Aside from these individual instances of clashes among planners and private interest groups, a more systematic documentation of the dynamics leading to the collective resignation of the first planners may be obtained by comparing briefly the objectives of the Strategy Document of the first five-year development plan (1963–1968)—that was approved by the Council of Ministers on June 19, 1961 before the elections—with those objectives retained in the final text of the plan approved by the civilian coalition government.<sup>30</sup> Theoretically speaking, as it was stipulated by the planning law, the plan itself should have been nothing but the technical elaboration and operationalization of the political choices laid out in the strategy document; but such was not the case with the first plan. Discrepancies between the strategy document and the plan essentially pertain to three fields where major structural built-in obstacles were diagnosed by planners as inimical to the accumulation of capital and remedies were accordingly proposed. The first of these discrepancies in the difference of outlook between the

<sup>30</sup> For the section below I mainly draw on Sönmez (1967), State Planning Organization (1983, pp. 2–17) and my interviews.

strategy document and the plan itself concerns what is called "Agricultural Reforms" in the strategy. In fact the draft of the first five-year plan that was prepared according to the strategy document was based on a report prepared by a foreign Food and Agricultural Organization (FAO) expert. It foresaw a maximum limit to land holdings although "this limit was to vary according to regions, irrigation possibilities, and other characteristics of the land. A Commission was to be set up to implement the agricultural reform measures. On the other hand, the draft included proposals for the improvement of land tenure, the use of machinery and fertilizers, and the organization of agriculture in general, by encouraging agricultural cooperatives" (Sönmez, 1967, p. 41). Yet, this project pertaining to land reform was not even discussed by the HPC of the coalition government because the government members of the committee were opposed to it. Technocrats, on the other hand, were insistent on this reform because from their point of view the distribution of agricultural land especially in the southeastern regions of the country provided incentives for absenteeism and for the neglect of land holdings. Because of this situation the agricultural surplus was too low, making it difficult to feed the workers who would be released from the rural areas during industrialization, and the gap between the average income in the agricultural sector and other sectors was too high. This situation was a hindrance to productive investments that could hardly be spurred given the insufficient size of the domestic market stemming from the archaic nature of relations of production prevailing in agriculture.

Secondly, because more than 60 percent of industrial investments in Turkey was made by the SEE, the success of the development plan depended on the efficiency of these enterprises. Planners therefore vigorously sought a SEE reorganization. In the traditional Turkish practice of the so-called *etatisme*, these enterprises fulfilled the double functions of supplying the private sector with raw and semi-finished intermediate goods at subsidized prices while buying their raw materials from rural producers for prices higher than the prevailing market prices. The intent was to protect both producers and consumers from the winds of free competition. In addition, politicians relied on these enterprises for erratic welfare distribution measures and favoritism in order to obtain local political support. Consequently the SEEs were forced to borrow from the Central Bank to meet their deficits which resulted either in increased inflation or the curtailment of productive investments so as to meet these deficits from funds allocated to new investments in the budget. In addition, governments used these enter-

prises to decrease unemployment by forcing managers of the SEE to hire too much manpower, resulting in the low overall productivity and even zero or negative marginal productivity of labor thus employed.

In their turn, planners, rejecting these *etatist* practices of protection of the inefficient and of favoritism, tried to instill in the state a new conception of state economic intervention, based on rational market criteria and holding public managers accountable to the public at large for their deficit. In order to accomplish this end, planners proposed that the state should reveal to the public the amount of subsidies distributed by the SEE to private interest groups—either producers or consumers—so that once the total sum of these subsidies was deducted from the deficit of the enterprise, the efficiency of its management could be evaluated. By rejecting in principle the indiscriminate allocation of these subsidies to business groups on the basis of favoritism, planners were also denouncing an industrialization strategy based on providing cheap inputs for the private sector. These could endanger the economic health and effectiveness of this sector by rendering them too dependent on subsidies, and consequently providing no incentive for the rationalization of management practices. In addition, by proposing a new pricing policy for the SEE that should conform to market criteria, planners aimed to generate some additional funds in the economy—given that the ratio of savings to GNP was a mere 12 percent—that should have been used in accordance with the priorities of the plan and especially for undertaking new investments in capital goods. In short, the actual functioning of the SEE was seen by planners as useful for individual capitalist interests and politicians, but dysfunctional for the expanded accumulation of capital. Hence radical measures to reform these enterprises were laid out in the draft proposal. In the proposal, “all the SEEs would be attached to a central authority which would exercise the function of control over the general management and investment policy of the SEEs and assure their coordinated action. This central body would assure financial auditing as well as maintain a permanent staff to introduce new methods of organization, personal management, etc. On the other hand each individual SEE would be given a free hand in its day-to-day operations and management. The central authority should be kept away from political and private business interferences. This principle of reorganization, *almost identical with the organizational patterns of the biggest international corporations*, was also refused by the HPC and deleted from the text” (Sönmez, 1967, p. 41, emphasis added).

Finally, the last severe disagreement between planners and politi-



cians that initiated the whole process leading to the planners' collective resignation, relates to the *financing of the investments* included in the plan. In fact, it was estimated by planners that in order to attain the 7 percent average annual rate of growth chosen for the planned 1963-1967 period, the ratio of total investments to the GNP would have to have reached 18.3 percent, a figure calculated from a Harrod-Domar type growth model assuming an average of 2.6 capital/output ratio. Accordingly, given the total amount of available foreign aid, internal resources should have amounted to 14.8 percent of the GNP and in the present state of public savings this meant a shortage of 1.2 billion TL. Because the government refused to use social insurance funds or modify the pricing policy of the SEEs to generate the required funds, it was necessary to increase public savings via new taxes. Although the coalition government agreed to raise an extra 800 million TL via new indirect taxes, this still left a shortage of 400 million TL, as the government strictly refused to legislate new direct taxes. Even statements in the plan's draft such as "even in the final year of the plan, when all the increases in tax revenues have been realized, the tax burden in Turkey will still be smaller than it is in more developed countries" (Sönmez, 1967, p. 42) were considered excessive and too frightening to private business interests and deleted from the text.

Planners had a proposal of their own to generate the required funds to finance their plan and perhaps more. Professor Kaldor of Cambridge, England who was invited to Turkey by the SPO had come up with an agricultural taxation reform proposal *that was also very favorable to incentives for increasing agricultural output*. That is to say, the new reform would exert pressure on landowners to operate their plots efficiently via rationalizing production. The proposed taxation was progressive in the sense that an average net product would be calculated for each particular region and type of land. Because farmers would not pay taxes for their products above this average, they would be motivated to mechanize their production and shun the underutilization of land. In the present state of affairs agricultural income was practically tax-free, even though agricultural income constituted over 40 percent of the GNP. This was a hindrance for the creation of new funds that could be used for industrialization, aside from the fact that this system created a social environment that provided no compulsion to improve labor productivity so as to accelerate agricultural development.

When the Turkish government refused to adopt Kaldor's proposals for land taxation, planners did not resign. The straw that broke the camel's back was the insistence of the government that planners should

declare to the public that the GNP would grow by an estimated 7.6 percent for the first year of the plan. Given the shortage of funds due to the government's refusal to finance all of the investments outlined in the plan, planners calculated that only a 6.5 percent growth rate was feasible. Moreover, they grudgingly accepted the removal of their proposals in the first draft that were written in accordance with the strategy document, but asked the government to revise it so that its objectives could be rendered consistent with the revisions made in the final text of the plan. The government in its turn not only refused to revise the strategy, therefore maintaining the objective of a 7 percent rate of growth while the means necessary to achieve this objective were all rejected, but it also increased its pressure on planners to 'lie' to the public that a 7.6 percent rate of growth for 1963 was within reach. Planners did not think that they could do what the government expected them to do, without denying their self-image as "honorable technicians" consistent with their status. By putting the question in terms of self-denial and motivated by the fear of getting reduced to the status of a state's *servant* by giving false information to the public, there was not much choice left to the founders of Turkish planning but to resign, in October of 1962.

The Prime Minister Ismet İnönü did not welcome this decision and attempted to change the planners' minds, but to no avail. Tinbergen himself, who was serving as the chief advisor to the SPO and making four or five short visits to the country each year, sympathized with the Turkish planners and in his private meeting with the Prime Minister, he stood up for the same principles that led to their resignation.<sup>31</sup> In addition, in his memorandum dated November 28, 1963, a year after the resignation, Tinbergen remained loyal to the principles of the necessity of curbing building activity in luxury housing, and endorsed the planners' view of the need for tax reforms that hindered productive investments, etc., and declared that "in practically all the issues brought up by the SPO in the HPC, I agree with their opinion."<sup>32</sup> International organizations in their turn expressed their own high esteem for the young planners by offering some of them good positions in their institutions.

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<sup>31</sup> This meeting took place on November 13, 1962 right after the resignation. A note on its content was found in Tinbergen's Folder the SPO archives.

<sup>32</sup> Tinbergen's Memorandum on November 28, 1963, SPO archives.

### Conclusion

The resignation of early planners ended an interesting experiment in Turkish administrative history which, had the planners been triumphant, would have transformed the internal structure of the state by securing a niche for the technocrats in the design and implementation of economic policy. Moreover, had the SPO been able to insulate itself from political pressures it might have become a key bureau, in a way reminiscent of the Japanese MITI or the French planning *commissariat*,<sup>33</sup> combining centralization of economic decision-making with the power to reduce intra-bureaucratic logrolling and conflict. In the absence of such an organizational design, businessmen from all kinds and sizes of enterprises ended up holding government members under constant siege to protect and/or enhance their fortunes. Politicians, in turn, came under great pressure from their constituents, and tried to divert it by exerting political pressure on planners to distribute subsidies to their clients in various forms, without any concern for the overall developmental effects of such subsidies on the economy. (A special department of Incentive and Implementation [Teşvik ve Uygulama Başkanlığı] was formed inside the SPO in 1967 despite the well-taken concern of planners that this would further undermine the independent nature of the agency and draw it headlong into the everyday scramble of politics.) Consequently, since the institutional framework of the SPO could not insulate its incumbents from the demands of powerful interest groups, planners became *overloaded* by erratic and tedious demands emanating from the political realm irrespective of the nature of the government.<sup>34</sup>

Could it have been otherwise in a democratic setting? In other words, can economic decision-makers be insulated in a multi-party system against the ravages of short-run pork-barrel politics? The political implications of many studies on the so-called "economic miracles" of

<sup>33</sup> Concerning MITI see Johnson (1982). The functioning of the French CGP is discussed in Cohen (1977).

<sup>34</sup> In this context the testimony of an ex-SPO undersecretary is very revealing. I quote him from my interview, winter 1987, Ankara: "I was afraid to step in my office every day knowing that I would be surrounded by people visiting from the city X, asking permission to build a new road or dam or to repair the radiator system of a certain high school. They were constantly sent to me by the Prime Minister and other ministers and I had no choice but to refer them to my departmental heads. Politicians who sent them would later call, to make sure yearly programs would be responsive to their demands. I wished they had instead asked me what the external deficit by the end of the year would be or what the alternative ways of financing major and ongoing infrastructural projects were. There was no way that we as planners would not trip over our own feet because we could not run so fast as to keep up with politicians' promises and ad hoc impositions on us, with no regard for the plan's overall equilibrium and consistency."

East Asia, such as Korea and Taiwan, have been grim since many social scientists have argued that economic experts were able to pursue unequivocally developmental goals in these countries because of the ability of authoritarian regimes to control interest groups' access to government (Haggard and Moon, 1990). Nonetheless, and fortunately, cross-national evidence on the relationship between authoritarianism and economic performance remains mixed at best (Skidmore, 1977; Sheahan, 1980; Weede, 1983), since authoritarianism is seen by political scientists as neither necessary nor sufficient for the insulation of decision-making from private elites. But then can a democratic government pursue developmental policies which are likely to be inimical to the interests of powerful factions of capital in the short-run, even if the same policies aim to promote the interests of 'collective capital' by moving resources away from declining toward expanding and high value-added industries? A clear-cut hypothetical answer to the question above is very difficult since "as Marxists long argued, the degree of state autonomy cannot be derived solely from political structures without weighing the independent organizational, political, and economic resources of social groups" (Haggard and Moon, 1990, p. 214). Furthermore a social structure in which the dominant interests are monolithic drastically narrows the room for state autonomy, regardless of the content of those interests. Earlier we have argued that the most important social structural condition favoring greater autonomy was the division and stalemate in the balance of social forces within the dominant class, and it was in this context that the founders of Turkish planning were propelled into action. Yet as soon as the political unity of the bourgeois class was restored under the dominance of the internal market-oriented consumer goods manufacturing group which was linked to foreign multinationals as major clients, the short Bonapartist episode in Turkish history was over.

Could this have been different? Some contemporary social scientists claim that democratic countries in the developing world may acquire a capacity to pursue developmental goals if they can construct a durable coalition of modernizing interests. Oddly, increased pressure from subordinate classes is seen as a key social-structural condition for increased state autonomy vis-à-vis the dominant class (Evans and Rueschemeyer, 1985, p. 63). This is not only because increasing levels of class conflict enhance the state's autonomy vis-à-vis society in general, but also as the state is called on to take a more active role in either coopting or repressing subordinate groups, it becomes more willing to move against the stranglehold of entrenched interests as well. A good

case in point would be the immediate post-Second World War France where the working class achieved a breakthrough in political power proportionate to business' loss of power and prestige due to its collaboration with the Nazis during the Second World War. It was only under such circumstances that a political alignment between labor and urban managerial groups strongly opposed to traditional bourgeois interests became a possibility. When the future of the capitalist regime was at stake, certain forward-looking business groups consented to structural reforms—such as planning and nationalization of major banks and firms—initiated by left-dominated governments that, ironically, led not to the overthrow but to the overhaul of capitalism by linking the state to the advanced sectors of capital and by fending off the access of the rest to the core of the state apparatus under a democratic regime.<sup>35</sup>

Naturally the scenario above was inapplicable to Turkey in 1960, not least because the early planners in Turkey, who were eager to transform the protectionist mentality of the business groups, received a very cold welcome from the latter. This is because, in the absence of a serious threat from below which could have threatened the rule of domestic capital and its international allies, not a single faction of the business class felt any need to risk its political fortunes by cooperating with the early planners at the expense of alienating its own partners. Thus no option was left to the founders of the SPO but to resign after realizing that their project of imitating modern Western capitalist planning was doomed.

This paper does not try to insinuate that the whole experience was a wasted effort. On the contrary, even after the resignation of the early planners, the SPO continued to appeal to highly qualified people and served as a school in modern public management. It produced some of the people who later acquired preeminent positions in the public and private sectors. In addition planners have also played a key role in the streamlining of public administration via the development of national accounting in the country. Thousands of public officials served in the so-called "special commissions" organized along sectoral as well as functional lines in order to collect, analyze and systematize socio-economic data relevant to the preparation of five-year plans as well as yearly programs based on these plans. Thus the effects of planning on economic development in Turkey, even under adverse political circumstances, were positive. But they are not easily comprehensible to empirically oriented researchers who focus on the quantifiable aspects

<sup>35</sup> For more details see Pontusson (1983).

of planning—comparing actual outcomes with the projections—instead of seeing it as a *learning process* through which organized interests both in the state and society interact with one another.

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