

Developments in the Turkish Economy in the Period Between 1980–1990 in the Light of THE OIL CRISES OF THE 1970s*

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ABSTRACT: The economic structure of the period after 1980 seemingly was shaped with the structural changes at Turkish Economy with the decisions of January 24th 1980. The economic growth and development was tried to provide with the production of local substitutes of foreign consumer products. While, the production of local substitutes of foreign consumer products was achieved successful in the framework of importSubstution Growth Model, the same success couldn't achieve at the local production of intermediate and capital goods. When the petroleum crises of 1973/74 and 1979/80 added to this unsuccessful situation which became evident with sudden increases at oil prices, the economic structure was seemingly adrifted to economic and financial crises which can be difficultly overcome. To overcome the crises situation addition to the economic policy measures, Export led Growth Model was scheduled as a new development strategy. We tried to study on developments observed on Turkish Economy after economic changes with study on conditions preparing changes.

Keywords: Turkish economy, petroleum crises, import, export, investments, inflation.

I. Introduction

The export-led growth model, as an economic development strategy implemented in the post-1980 period, was able to reshape the structure of the Turkish Economy. In general, the most important feature of the model is that the economy is directed by the state in a way that ensures constantly increasing exports. Generally, within the scope of this model, sectors and products with foreign competitiveness are supported by the state for export and the establishment of new industries is encouraged. Initially, the national currency is allowed to lose value through devaluations in order to gain a foreign competitive advantage, and in this way, the increased competitiveness is then supported by increases in productivity, ensuring the development of the country. (Dolanay, 2023f, p. 163)

By 1980, the import substitution development strategy implemented in Turkey had come to a dead end. With this model, which is based on the domestic production of substitutes for final consumption goods produced abroad, it can be seen that industries producing final consumer goods have been established domestically, in the case of Turkey. Intermediate goods and investment goods required for these industries to continue their production are imported from abroad. (Dolanay, 2023d, p. 163)

In the 1970s, an economic crisis environment emerged in all developed world economies, especially in the USA, which we could not resolve with our previous economic policy choices and which consisted of oscillations between inflation and unemployment. This economic crisis environment caused surprise in

developed and developing countries that were accustomed to the economic growth and vitality environment of the 1950s and 1960s. During the economic boom periods of the 1950s and 1960s, there were also inequality and development differences, but it was believed that the problems could be overcome with technological development. New conditions have revealed the idea that high economic growth rates can be achieved by managing the economy with fine-tuning policies, and thus new economic policy preferences have emerged. (Gonick, 1975, p. 101; Dolanay, 2023d, p. 163)

The economic crises that started with the rise in oil prices in 1973 and 1979 led to problems in importing the inputs needed by the industry. In this environment, domestic industry has come to a halt. Because the rise in oil prices increased the country's import bill, which made it difficult to import industrial inputs. The difficulties experienced have brought about a series of policy changes that necessitated a change in the growth and development strategy. In this context, the developments in the Turkish Economy between 1980 and 1990 present the history of this strategy change. In our study, we will try to observe this strategy change and capture the numerical roots of this change by analyzing changes in variables such as GNP growth, exports, production and employment. We will also use inflation rate figures, which we think are an important element in financing the development of this period, when appropriate. Therefore, our main area of interest in our study is how the industrialization of the Turkish Economy developed in the period between 1980 and 1990. First of all, in order to better analyze the economic developments of the period between 1980 and 1990, let us briefly consider the economic developments before 1980, from the declaration of the Republic to 1980, and then move on to examine the economic developments in the period between 1980 and 1990, which is the main area of interest of our study. (Dolanay, 2023d, p. 163)

II. Briefly, Developments in the Turkish Economy Before 1980

With the declaration of the Republic, great progress began to be made in the field of economy, despite the bad economic legacy from the Ottoman Empire, and efforts were made to realize the developments that Western Europe had experienced for centuries in a very short time. (Dolanay, 2023d, p. 164)

In the first years after 1923, efforts were made to develop the National Capital, and for this purpose, Türkiye İş Bankası was established in 1924. Thus, Turkish businessmen were encouraged by providing capital support from İş Bankası and Türkiye İş Bankası by granting the bank the privilege of operating state monopolies. (Boratav, 199, pp. 28-31; Dolanay, 2023d, p. 164)

The period between 1923 and 1929 covers the years during which limited intervention in the economy was possible in accordance with the provisions of the Treaty of Lausanne. In accordance with the provisions of the Treaty of Lausanne, the process of removing economic restrictions began in 1929 and the payment of Ottoman debts could be started by the new Republic. It is seen that a generally open structure was preserved in the period from the declaration of the Republic to 1929. (Boratav, 1993, pp. 31-40; Dolanay, 2023d, p. 164)

In the period after 1930 until World War II, the industrialization process was initiated with mixed economy policies and statist policies. During the war years between 1940 and 1945, there was a decline in both foreign trade figures and economic activities, and mixed economy policies and statist policies were continued. Starting from 1946, economic policies that were closed to the outside world, protectionist and based on ensuring external balance, began to be relaxed, foreign borrowing and foreign capital investments were allowed. A development strategy aimed at foreign markets and prioritizing agriculture, mining and infrastructure investments and the construction sector has begun to be followed. After 1954 and until 1961, import and exchange control regimes began to be implemented within the country. In addition to controls in the foreign trade regime, import substitution policies have begun to be implemented through state investments in order to eliminate the decrease in imports of consumer goods. After 1961, it can be said that the policies established in this previous period were essentially continued. Because the import substitution development strategy was preserved and protectionist foreign trade policies were continued. (Boratav, 1993: 45-62 and 63-118; Dolanay, 2023f, p. 164) We can say that the Assembly Industry Directive, adopted in 1964, formed the legal basis of import substitution industrialization policies, at least for the automotive industry. Thus, the import substitution industrialization model became evident as an economic policy choice. (Azcanlı, 1995: 117-126; Dolanay and Oğuztürk, 2018;

Dolanay, 2023d, p. 164)

In addition to the ongoing policy strategies, for the first time, industrialization strategies began to be carried out through comprehensive plans that were different from before. This process, that is, both the import substitution development strategy and the plan-based industrialization strategy, continued uninterrupted until 1980. (Boratav, 1993: pp. 45-62 and pp. 63-118; Dolanay, 2023d, p. 164)

The economic crisis environment experienced with the rise in oil prices around the world in 1973 and 1979, and the import substitution development strategy implemented in the country, causing economic bottlenecks, were effective in the economic policy changes after 1980. The failure to revise economic policies after the first oil crisis in 1973 and the prevention of the reflection of this cost element on domestic prices by subsidizing the rise in oil prices by external debt and domestic resources had an impact on the economic depression environment that began to be experienced in 1977 and gradually intensified with 1980. In the post-1980 period, the application of the export-led growth model began to come to the fore and efforts were made to establish mechanisms that would encourage export-led growth within the country. New economic policies have enabled great successes to be achieved both in the field of foreign trade and economic growth. Similar to the great economic development achieved by import substitution policies between 1950 and 1970; In the period from 1980 to 1990, high economic growth rates were achieved with a different development strategy, the export-led growth model. We can say that compared to the low inflation and rapid growth period between 1950 and 1970, growth was achieved with high inflation rates in the period between 1980 and 1990, and this had a disruptive effect on economic and social balances. (Boratav, 1993, pp. 94-138; Dolanay, 2023d, pp. 164-165)

Let's make a more detailed analysis for the period between 1980 and 1990 in order to better understand both the success of the export-led growth model and its effects on the economic and social structure.; (Dolanay, 2023d, p. 165)

III. Developments Observed in the Turkish Economy between 1980-1990

We can say that the economic developments in the period we will discuss in this section were generally shaped by the economic depression environment that the country was put into by the economic developments in the pre-1980 period. Indeed, the sudden and large increases in world oil prices in 1973-1974 deeply affected Turkey, as well as the economies of all developing countries. In the pre-1980 period, in order for the industrial sector to produce in the Turkish economy, which was trying to develop with the Import Substitution industrialization strategy, the inputs to be used in the production process had to be imported from abroad. Electrical energy was of vital importance in the production of the industrial sector. Like many developing countries, Turkey based its industrialization policies on importing oil, a relatively cheaper energy source, in the pre-1973 period. The large increases in oil prices in 1973-1974 deeply affected Turkey's balance of payments. In addition, efforts were made to prevent the increase in world oil prices from affecting domestic oil prices, and short-term foreign loans and domestic resources were used to subsidize the increase in oil prices used. (Şahin, 2000, p. 171; Dolanay, 2023f, p. 165) Although this policy option increased the amount of foreign debt, it appeared to be sustainable because it helped ensure high growth rates. On the other hand, the second large-scale rise in world oil prices, which occurred in 1979-1980 and can also be called the second oil crisis, dragged the Turkish Economy into a severe economic depression that became very difficult to get out of. By 1980, the economic crisis, which emerged in the form of rapid price increases, production bottlenecks and external payment difficulties, gradually deepened. (Şahin, 2000, p. 171; Ed. Boratav and Türkcan: 1993, pp. 17-18; Dolanay, 2023d, p. 165)

The increases in defense expenditures caused by the Cyprus Peace Operation and the escalation of terrorism were effective in the formation of the crisis. (Şahin, 2000: 177; Dolanay, 2023d, p. 165) It was also effective in the strikes and work stoppages brought about by the development of unionism. This severe depression environment formed the starting point of a series of economic and political changes, and radical structural changes in the field of economy and politics began to emerge in this way. First of all, the crisis environment seems to have affected the first and comprehensive questioning of the Import Substitution

Industrialization Strategy, which Turkey has been implementing since the beginning of the industrialization process, and the beginning of the transition to the Export-Based Growth Model. With the industrialization policies followed after 1980, rapid growth was achieved, although instabilities were observed from year to year. Although growth rates fluctuated between 9.2% and 3.3% in the period between 1981 and 1990, an average growth of 7% was achieved. (Karluk, 1996: 219) An unstable growth process has also been experienced in the field of manufacturing industry. During this period, growth rates such as 10.0% and 1.8% were achieved in the manufacturing industry, both below and above the average growth rate. Although the manufacturing industry can grow faster than other sectors and become the engine of economic development, the share of the industrial sector in GDP was 25% in 1980 (Karluk, 1996, pp. 219-220; Dolanay, 2023d, p. 165).

Table 1: Growth Rates by Sectors (at 1968 Prices)

(%)

Sectors	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
AGRICULTURE	1.7	0.1	6.4	-0.1	3.5	2.4	7.9	2.1	8.0	-10.8	11.6
INDUSTRY	-6.0	7.4	4.9	8.0	10.1	6.3	8.7	9.6	3.1	3.1	9.0
Man. Industry	-6.4	9.5	5.4	8.7	10.2	5.5	9.6	9.9	1.8	3.2	10.0
SERVICES	0.8	3.7	3.5	3.9	5.3	4.0	6.4	6.8	4.1	4.1	6.6
GDP (FP)	-0.5	3.6	4.5	3.9	6.0	4.2	7.3	6.5	4.7	0.6	8.2
GNP (MP)	-1.1	4.1	4.5	3.3	5.9	5.1	8.1	7.5	3.6	1.9	9.2

Source: T. C. Başbakanlık Devlet Planlama Teşkilatı (DPT) (T.R. Prime Ministry State Planning Organisation), Temel Ekonomik Göstergeler Temmuz 1991 (Main Economic Indicators July 1991), p. 3; Dolanay, 2023d, p. 166.

FP: Factor Prices

MP: Market Prices

When viewed from another perspective, the driver of industrialization could be the export sector. (Karluk, 1996: 222; Dolanay, 2023f, p. 166) Among the exports of industrial products, agriculture-based industries occupy a dominant place. (Karluk, 1996, p. 222) The weight of the public sector in the manufacturing industry decreased throughout the period, because the state stopped making fixed capital investments in the manufacturing industry after 1980. (Karluk, 1996, p. 223; Dolanay, 2023d, p. 166) The share of public fixed capital investments in both GNP and total fixed capital investments has decreased. The share of public fixed capital investments in total fixed capital investments decreased from 56.1% in 1980 to 43.4% in 1990. The share of private fixed capital investments in total fixed capital investments was 43.9% in 1980 and 56.6% in 1990. During this period, private sector investments were concentrated especially in the housing sector and then in the transportation and communications sector, while public sector investments were concentrated in the transportation and communications sector. The share of public manufacturing industry investments in total public fixed capital investments decreased from 28.9% in 1980 to 4.5% in 1990. (; Dolanay, 2023d, p. 166)

Table 2: Fixed Capital Investments by Sectors (Private)

(Percentage Distribution at Current Prices)

Sectors	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Agriculture	7.4	10.8	11.2	11.4	10.1	7.7	5.7	5.6	4.3	3.0	3.6
Mining	0.5	0.6	0.6	1.1	1.1	1.2	1.1	1.3	1.2	1.2	1.1
Manufacture	30.0	34.1	33.6	32.9	32.9	31.9	31.8	25.2	21.4	19.9	26.2
Energy	0.4	0.5	0.5	0.5	0.5	0.4	0.8	0.6	0.9	1.2	0.8
Transportatio	9.7	15.3	16.2	16.9	17.2	17.0	13.8	11.8	9.1	8.8	10.7
Tourism	0.6	0.7	0.7	0.6	1.1	1.8	2.5	3.1	4.0	5.3	5.0
Houses	44.7	30.1	29.5	29.2	30.0	32.3	37	45.7	53.3	54.2	46.5
Education	0.2	0.3	0.3	0.3	0.3	0.5	0.6	0.6	0.5	0.7	0.7
Health	0.2	0.2	0.2	0.2	0.2	0.5	0.6	0.6	0.5	0.7	0.9
Oth. Services	6.3	7.4	7.2	7.0	6.7	6.7	6.1	5.4	4.8	4.9	4.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: T. C. Başbakanlık Devlet Planlama Teşkilatı (T.R. Prime Ministry State Planing Organisation), Ekonomik ve Sosyal Göstergeler (1950-1998) (Economic and Social Indicators (1950-1998)), December 1997, p.28; Dolanay, 2023d, p. 166.

Table 3: Fixed Capital Investments by Sectors (Public)

(Percentage Distribution at Current Prices)

Sectors	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Agriculture	7.9	10.2	10.3	9.8	9.6	7.0	6.8	8.7	9.1	10.3	9.6
Mining	7.6	9.7	8.6	8.8	9.1	9.8	6.7	4.1	4.5	3.2	3.4
Manufacture	26.3	21.9	18.9	15.8	14.0	12.6	9.8	6.5	5.9	4.5	4.5
Energy	21.3	22.1	24.7	25.4	24.0	22.0	24.3	22.9	26.9	29.8	21.7
Transportatio	20.8	19.7	21.3	23.5	25.0	28.0	29.3	33.9	29.7	30.1	34.0
Tourism	0.5	0.5	0.5	0.6	0.9	0.9	1.8	1.7	1.5	1.1	1.2
Houses	2.4	2.4	1.4	1.8	2.6	2.6	2.0	1.6	1.8	1.8	4.0

Education	4.1	4.2	4.5	4.5	3.7	4.2	3.7	4.8	5.6	6.2	6.9
Health	1.8	2.0	2.0	1.6	1.5	1.2	1.2	1.5	1.8	2.1	2.8
Oth. Services	7.2	7.2	7.9	8.1	9.6	11.6	14.2	14.3	13.2	10.8	11.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: T. C. Başbakanlık Devlet PlanlamaTeşkilatı (T.R. Prime Ministry State PlaningOrganisation), EkonomikveSosyalGöstergeler (1950-1998) (Economic and Social Indicators (1950-1998)), December 1997, p. 29; Dolanay, 2023d, p. 167.

While the share of private manufacturing industry investments in total private fixed capital investments was 30.0% in 1980, it was only 26.2% in 1990. Therefore, it is not possible to say that the private sector can fill the place vacated by the public in the field of manufacturing industry investments. (Dolanay, 2023d, p. 167)

While the share of manufacturing industry investments in total investments was 34.8% on average in the period between 1963 and 1979, it decreased to 23% in the period between 1980 and 1989. (Karluk, 1996: 224-225) According to one view, this result was influenced by the importation of some inputs instead of domestic production, the increase in added value as a result of quality improvement, the increase in production due to the spread of contract manufacturing, and the fact that facilities that were unfinished before 1980 could be put into production with small investments. (Karluk, 1996, p. 22; Dolanay, 2023d, p. 167)

In the post-1980 period (especially after 1983), the state withdrew from the field of manufacturing industry investments and expected the private sector to invest in this field. Indeed, in the years after 1980, the state gradually reduced its investments in the manufacturing industry and eventually became almost non-existent. Despite this political choice, it did not happen as expected and the private sector was not very willing to invest in the manufacturing industry. Private sector investments are generally concentrated in the tourism and housing sectors. In the period we are discussing, public investments generally focus on energy, transportation and communications. (Eser, 1993: 110-120; Ed. Boratav and Türkcan, 1993, pp. 16-63; Dolanay, 2023d, p. 167)

There was a significant decrease in manufacturing industry investments, one of the basic indicators of industrialization, for the private sector in the period between 1980 and 1989. In an analysis made by assuming 1977 investments as 100, the investments made between 1977 and 1989 are only 52% to 67% of the 1977 investments. (Eser, 1993, p. 120; Dolanay, 2023d, p. 167)

Table 4: Private Sector Manufacturing Industry Investments Index Numbers (1977 = 100)

Sector	1977	1981	1982	1983	1984	1985	1986	1987	1988	1989
Manufacturing	100	52	52	53	55	58	67	64	65	61

Source: Eser, 1993 ,p. 121; Dolanay, 2023f, p. 168.

Between 1980 and 1983, GNP grew by an average of 2.3% per year, and the value added of the manufacturing industry increased by an average of 7.4% per year. During this period, the agricultural sector entered a period of stagnation and the average annual growth rate of the agricultural sector decreased to 0.7%. (Kazgan, 1999: 155; Dolanay, 2023f, p. 168) GNP growth was largely due to the increase in exports. In the period between 1984 and 1987, while GNP grew at an average annual rate of 6.7%, the added value of the industrial sector grew by 8.4%. The GNP growth rate was 9.3% in 1987, 1.5% in 1988, 1.6% in 1989 and 9.4% in 1990. After 1987, the growth rate was high in one year and low in the next, thus displaying a very unstable structure. (Dolanay, 2023d, p. 168)

Table 5: GNP Average Annual Increase Rates

(Yüzde)

Annual Increase	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Agriculture	1.1	-1.9	3.1	-0.9	0.5	-0.5	4.6	0.4	7.8	-7.6	6.8
Industry	-3.3	9.2	4.9	6.3	9.9	6.2	11.1	9.1	1.8	4.6	8.6
Services	-3.7	6.2	3.2	7.0	7.9	5.1	6.0	12.9	0.5	0.9	10.3
GNP	-2.8	4.8	3.1	4.2	7.1	4.3	6.8	9.8	1.5	1.6	9.4

Source: T. C. Başbakanlık Devlet Planlama Teşkilatı (T.R. Prime Ministry State Planning Organisation), Ekonomik ve Sosyal Göstergeler (1950-1998) (Economic and Social Indicators (1950-1998)), December 1997, p. 4; Dolanay, 2023d, p. 168.

When we look at the course of fixed capital investments in the manufacturing industry, which is one of the most important indicators of industrialization, in the period we are discussing, we see a decrease, except for the increases in 1985 and 1986. It is observed that the increase observed in 1990 could only reach the 1980 level. In the period under consideration, total fixed capital investments decreased in 1981 and 1982 and increased in the following years. The high rates of increase observed in 1985 and 1986 are remarkable. From now on, the increase rates are relatively lower in the period until 1990. Therefore, it may be possible to say that fixed capital investments have shifted from the manufacturing industry to other areas. (Dolanay, 2023d, p. 168)

Table 6: Fixed Capital Investments in Selected Sectors

Billion TL at 1994 Prices

Years	Manufact.e	Energy	Transr.	Total
1980	158433	55783	67157	497075
1981	147737	61413	75333	483080
1982	134356	65949	82683	479519
1983	124201	67248	92710	491441
1984	121077	60404	99228	501357
1985	128907	65704	127987	580917
1986	133198	76509	136951	656416
1987	115912	69876	148515	719282
1988	111692	70964	116144	720183
1989	104787	83316	118971	741757
1990	163475	66748	157590	850826

Source: T. C. Başbakanlık Devlet Planlama Teşkilatı (T.R. Prime Ministry State Planning Organisation), Ekonomik ve Sosyal Göstergeler (1950-1998) (Economic and Social Indicators (1950-1998)), December 1997, p. 23; Dolanay, 2023d, p. 169.

Considering the existence of high inflation rates while the growth rates of fixed capital investments decreased relatively in the period between 1987 and 1989, we can say that there was a growth in a recession, that is, a process of stagflation. Indeed, the increase in the wholesale price index was 27.5% in 1986 and 27.5% in 1987.

It was 39.3%, 60.8% in 1988 and 64.2% in 1989. (Dolanay, 2023d, p. 169)

Table 7: Increases in Wholesale Price Index by Years (1963=100)

(%)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
TEFE (WPI)	90.3	34.1	27.4	28.1	46.4	41.7	27.5	39.3	60.8	64.2	50.0

Source: T. C. Başbakanlık Devlet Planlama Teşkilatı (T.R. Prime Ministry State Planning Organization), *Ekonomik ve Sosyal Göstergeler (1950-1998) (Economic and Social Indicators (1950-1998))*, December 1997, p.110; Dolanay, 2023d, p. 169.

In the first stage, an attempt was made to overcome the short-term foreign exchange bottleneck problem with the economic stabilization program announced on January 24, 1980. (Dolanay, 2023d, p. 164)

The economic program of January 24, 1980 aimed to open the economy to the outside world through free market economy tools and was basically similar to the liberalization policy implemented between 1950 and 1954. However, this time liberalization was more radical and continuous, and no matter what the difficulties that may occur in the economy were, there was no turning back from the principles set in the IMF directives and the World Bank program. One dimension of the program was the transition to an export-led growth model. The other dimension is the philosophy of minimizing state interventions in the market economy. The goals and priorities of the liberalization program were also intertwined with the goals of the stabilization program. The priority of the stabilization program was to reduce current account deficits and ensure regular payment of foreign debts. We can say that the main goal of the liberalization-opening-up approach was for the functioning of market forces to dominate, instead of administrative decisions taken from the center. Therefore, we can say that SOEs would be reduced as much as possible and the way for prices to be formed freely in the market would be opened. (Kazgan, 2005, pp. 195-197; Dolanay, 2023d, p. 169-170)

According to Akyüz and Boratav, the stabilization program, which was implemented in order to solve the balance of payments and debt crisis that started in the 1970s, was initially successful, a transition was made from a closed economic structure to an open economic structure, inflation was reduced from three-digit values to 30%, export-oriented with the growth model, export growth rates of manufacturing industry products have reached double digit figures. However, starting from 1987, macroeconomic balances began to deteriorate and the inflation rate increased. (Akyüz and Boratav, 2001, p. 3; Dolanay, 2023d, p. 170)

When we look at the periodic success of the program in line with the goal of ensuring price stability, we see that inflation has decreased since 1981, but started to accelerate again since 1987. According to Akyüz and Boratav, the reason why inflation accelerated is that the budget discipline between 1981 and 1987 broke down and populist policies began to be implemented and the increase in interest rates increased the financing cost of public sector deficits. Public sector deficits and inflation rose in the late 1980s. Since 1989, capital inflows and outflows have been liberalized, making the economy open to international capital flows. (Akyüz and Boratav, 2001, pp. 3-4; Dolanay, 2023d, p. 170)

The system that began to be established with the January 24 decisions has reshaped the economy in the long term and fundamentally changed economic structures. One of the main goals of the new economic model is to make regulations that will ensure that all prices are determined within market conditions. The period discussed in this context is a period in which the necessary regulations were implemented to determine prices under market conditions, both in the goods and services markets and in the labor and capital markets. First of all, a regulation has been made to enable Public Economic Enterprises, which have large budget deficits, to increase the prices of their products as necessary in order to close these deficits. Thus, the subsidy policy, which can be seen as a means of regulating income distribution in favor of low-income earners, is abandoned. Indeed, in the period we are discussing, subsidy practices were terminated in all areas. This practice is the result of the philosophical approach of determining prices under market conditions, which was expressed in the January 24 decisions. In the period we are discussing, the need to reduce domestic demand in order to implement the Export-Oriented Growth Model was met by not increasing salaries and wages in line with price increases. Thus, the consumption demands of wage and salary earners whose real incomes decrease are reduced. However, there is a limit to keeping wages low; the wage must be above a certain level for the reproduction of labor. (Kepenek and Yentürk, 2001; Dolanay, 2023d, p. 170)

In addition, keeping the wage constantly low may increase production costs by affecting efficiency in

production. In the period between 1980 and 1989, wages tended to decrease in real terms. According to a study, productivity in the manufacturing industry increased continuously between 1980 and 1990. According to the same research, while real wages and profit margins in the manufacturing industry were in stagnation in the period between 1980 and 1984, real wages decreased and profitability rates increased in the period between 1984 and 1988. After 1989, while real wages increased nearly twofold, profit margins remained unchanged with the assurance of mark-up. (Yeldan, 2001, pp. 65-79; Dolanay, 2023d, p. 170)

Within the framework of the principle that all prices are determined under market conditions, interest rates and exchange rates must also be determined within market conditions. Although interest rates are not determined entirely according to free market conditions, they have tended to increase in the period we are discussing. It would not be wrong to say that this upward trend is due to the increase in the internal and external debt burden and the worsening of debt usage conditions. Although the increase in interest rates serves to narrow down domestic demand and increase the savings rate, it has a deterrent effect on capital investments. In fact, banks' high interest rates on deposits also increase loan interest rates. This has a deterrent effect on investments by increasing the cost of investing in capital. At the same time, it can be said that the rise in interest rates encourages investment in labor-intensive technologies instead of capital-intensive technologies. (Kepenek and Yentürk, 2001, pp. 201-202; Dolanay, 2023d, pp. 170-171)

Efforts were made to ensure that the exchange rate depreciated above the inflation rate for purposes such as eliminating the dual price structure, finding more debt from abroad, attracting remittances to the country and supporting exports. The value of the Turkish Lira against the US Dollar was reduced by 48.62% at the beginning of the implementation of the program, (Kepenek and Yentürk, 2001, p. 202; Dolanay, 2023d, p. 171) On January 24, 1980, the value of the Turkish Lira (TL) was devalued by 32.9%. Thus, the TL equivalent of 1 US Dollar decreased from 47 TL to 70 TL, to 73.8 TL in April 1980, to 78.4 TL in June 1980, to 82.7 TL in October 1980, and to 87.95 TL in November 1980. and was increased to 95.91 TL in February 1981. (Şahin, 2000, p. 188; Dolanay, 2023d, p. 171) In the period after May 1981 (Kazgan, 1999, p. 147), daily exchange rate was implemented. Thus, the exchange rate began to be determined daily by the Central Bank. Although the low exchange rate may have an increasing effect on exports, if the country's imports are based on intermediate and investment goods, it also increases the cost of imports. (Kepenek and Yentürk, 2001, p. 203; Dolanay, 2023d, p. 171) Thus, the advantage provided by devaluation can be eliminated by the increase in cost. Foreign exchange deposit accounts were liberalized in 1985. Thus, it has become possible to open a foreign currency account in a foreign currency other than Turkish Lira at the bank. (Kazgan, 1999: 147; Dolanay, 2023d, p. 171) Development was achieved in the export sector during the period under consideration with the continuous devaluation policy, tax refund on exports and other incentive practices. Thus, exports increased from 2,910 million US Dollars (\$) in 1980 to 5,728 million US Dollars in 1983. During the mentioned period, export revenues increased by 96.8%, while imports grew by 16.8%, rising from 7,909 million USD to 9,235 million USD. Thus, the export-import coverage ratio increased from 36.8% to 62%. Export revenues reached 10,190 million US dollars in 1987 and 12,959 million US dollars in 1990. In the 1980s, the share of agricultural products in exports decreased from 57.4% in 1980 to 17.4% in 1990. The share of industrial products in exports increased from 36% to 79.9%. Thus, both the composition of exports changed and the export-import coverage ratio has increased, and the import amount increased from 7,909 million US Dollars in 1980 to 14,158 million US Dollars in 1987 and 22,302 million US Dollars in 1990. The export-import coverage ratio was 57.58% as of 1990 (Kepenek and Yentürk, 2001, pp. 180 -220; Ed. Boratav and Türkcan, 1993, pp. 16-63; Dolanay, 2023d, p. 171)

In Turkey, after 1980, there were incentives to reduce product prices to international prices rather than incentives to reduce investment costs. Among these, low-interest loans and export tax refunds stand out. These incentives went to a small number of foreign trade companies rather than producers, and the profitability was concentrated in exporter/manufacturer companies and could not be converted into investments. (Dolanay, 2023d, p. 171)

In the period between 1980 and 1990, exports were generally encouraged through financial and monetary incentives. (Ed. Boratav and Türkcan, 1993, p. 18) Thus, while the export-oriented industrialization policies implemented between 1980 and 1990 provided an increase in exports, the structural competitiveness of

the real sector decreased. In other words, export growth could not bring about industrialization and new investments. (Kepenek and Yentürk, 2001, pp. 180-220; Ed. Boratav and Türkcan, 1993, pp. 16-63; Dolanay, 2023d, p. 171)

Table 8: Exports, Imports and Exports to Imports Coverage Ratio in the Period Between 1980-1990

	1980	1983	1984	1985	1986	1987	1988	1989	1990
Export (Million \$)	2.910	5.728	7.134	7.958	7.456	10.190	11.662	11.625	12.959
Share of Agriculture	57.4	32.8	24.5	21.6	25.3	18.2	20.1	17.3	17.4
Share of Industry (%)	36.0	63.9	72.1	75.3	71.4	79.1	76.7	78.9	79.9
Import (Million \$)	7.909	9.235	10.757	11.343	11.105	14.158	14.335	15.792	22.302
Export to Import Coverage Ratio (%)	36.8	62.0	66.3	70.2	67.1	72	81.4	73.6	58.1

Source: T. C. Başbakanlık Devlet Planlama Teşkilatı (T.R. Prime Ministry State Planning Organisation), *Ekonomik ve Sosyal Göstergeler (1950-1998)* (Economic and Social Indicators (1950-1998)), December 1997, pp. 34, 36 and 38; Dolanay, 2023d, p. 172.

Table 9: Turkey's Foreign Trade in the Period Between 1980-1990

Million US Dolar

Foreign Trade	1980	1983	1987	1988	1990
Export (f.o.b.)	2910	5905	10322	11929	13026
Import (f.o.b.)	-7909	-8895	-13551	-13706	-22581

Source: T. C. Merkez Bankası (Central Bank of Türkiye); Şahin 2000, p. 194; Dolanay, 2023d, p. 172.

In the period between 1981 and 1990, there were small-scale changes in the shares of sectors in GDP. However, we can say that this development remained well below the expected level. While the share of the agricultural sector in GDP decreased from 22.7% in 1981 to 17.1% in 1990, the share of the industrial sector increased from 21.6% to 26.5%. The share of the services sector remained almost unchanged, rising from 56.3% in 1981 to 56.6% in 1990. (Şahin, 2000, pp. 177-195; Dolanay, 2023d, p. 172)

Table 10: Shares of Sectors in GDP in the 1980s

Years	agriculture	Industry	Services
1981	22.7	21.6	56.3

1984	19.7	22.4	57.9
1987	17.9	25.0	57.1
1990	17.1	26.5	56.6

Source: T. C. Başbakanlık HDTM (T.R. Prime Ministry Undersecretariat of Treasury and Foreign Trade): BaşlıcaEkonomikGöstergeler (Major Economic Indicators), Şahin, 2000, p. 198.; Dolanay, 2023d, p. 172.

The most striking development during the period we are considering was experienced in public debt. Domestic and external debt stock increased rapidly during the period, the increase in the amount of debt increased the cost of borrowing, and this seems to have taken on a structure that could interrupt the country's growth process. Large-scale foreign loans received. Therefore, despite the increase in exports, the current account balance continued to have a deficit. Between 1981 and 1983, the ratio of current account deficit to GNP was approximately 4%. (Kazgan, 1999,p. 151; Dolanay, 2023d, p. 172)

The years 1988 and 1989 were two years in which a surplus was achieved in the current account balance. By 1990, the current account balance started to run a deficit again. (Dolanay, 2023d, p. 173)

Table 11: Current Account Balance in the Period Between 1980-1990

((Billion USDolar (\$))

1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
-3.408	-1.936	-952	-1.923	-1.439	-1.013	-1.465	-806	1.596	961	-2.625

Source: T. C. BaşbakanlıkDevletPlanlamaTeşkilatı (T.R. Prime Ministry State PlaningOrganisation), EkonomikveSosyalGöstergeler (1950-1998) (Economic and Social Indicators (1950-1998)), December 1997, p. 43; Dolanay, 2023d, p. 173.

As current account revenues increased faster than expenses (Kazgan, 1999, p. 155), the current account deficit decreased from 3.4 in 1980 to 1.9 billion US dollars in 1983. Turkey, whose credit reliability has increased since 1984, has gained the opportunity to borrow freely from foreign financial markets. While the external debt stock was 16,227 million US dollars in 1980, it increased from 16,841 million US dollars in 1981 to 49,035 million US dollars in 1990. (Sönmez, 1992, p. 25) The ratio of total external debt to GNP improved over the period (Kepenek and Yentürk, 2000, pp. 262-263; Dolanay, 2023d, p. 173) and reached 29 in 1990, while it was 47 in 1980.

Table 12: Foreign Debts in the Period Between 1980-1990

	1980	1983	1984	1985	1986	1987	1988	1989	1990
Foreign Debt (Million \$)	16.227	18.385	20.659	25.476	32.101	40.428	40.722	41.751	49.035
Ratio to GNP	47	38	31	31	36	32	36	32	29

Source: T. C. BaşbakanlıkDevletPlanlamaTeşkilatı (T.R. Prime Ministry State PlaningOrganisation), EkonomikveSosyalGöstergeler (1950-1998) (Economic and Social Indicators (1950-1998)), December 1997, p. 45; Dolanay, 2023d, p. 173.

With financial liberalization since 1988, international marketsBond issuance has started. Thus, the availability of debt from foreign markets increasingly depends on credit reliability, and credit reliability begins to depend on the extent to which the country is open to the outside world. After 1985, domestic borrowing began to be resorted to in increasing amounts. While the amount of domestic debt was 529 million US dollars in 1980, it increased to 6,971 million US dollars in 1985 and to 55,300 million US

dollars in 1990. (Sonmez, 1992, p. 25; Dolanay, 2023d, p. 173) The increase in the amount of domestic debt between 1985 and 1990 reached striking levels. It is possible to follow this striking increase in domestic debts from the table below, prepared in TL basis. (Dolanay, 2023d, p. 173)

Table 13: Domestic Debts in the Period Between 1981-1990

Billion TL)

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Domestic Debts	12	178	271	692	1.142	1.615	2.841	3.763	8.520	12.314

Source: T. C. Başbakanlık Devlet Planlama Teşkilatı (T.R. Prime Ministry State Planning Organisation), *Ekonomik ve Sosyal Göstergeler (1950-1998)* (Economic and Social Indicators (1950-1998)), December 1997, pp. 74 and 75; Dolanay, 2023d, p. 173,

The most important policy goal of the post-1980 economic structuring is to make the free market economy functional and to ensure that state intervention in the market is minimized. In this context, public institutions established in the previous period according to the principles of mixed economic policy must be liquidated. In these years, the definition of public institutions that should work according to profitability procedures is made, they are called SOEs (Public Economic Enterprises) and it is stated that these organizations should be subject to privatization. In this direction, the privatization of these organizations has come to the agenda and the concept of privatization has been discussed to a great extent. Privatization practices that do not result in the transfer of ownership; It consists of the sales of revenue sharing bonds, leasing, management contracts, service contracts, slow privatization and weakening of the government's ties. (Kepenek and Yentürk, 2000, p. 267; Dolanay, 2023d, p. 174) In these years, the definition of a public institution that should work according to profitability procedures was made, these are SOEs (Public Economic Enterprises). It was named as and it was stated that these organizations should be subject to privatization. At the beginning of the privatization process in Turkey in the 1980s, the sale of bridge and dam revenues through revenue sharing certificates was adopted. Privatizations that result in the transfer of ownership consist of block sales, international offerings, public offerings and facility/asset sales. There was no large amount of privatization in this sense until 1990. (Kepenek and Yentürk, 2000, p. 267; Dolanay, 2023d, p. 174) In this regard, it cannot be said that privatizations were as successful as expected in the period we are discussing. However, in order to better evaluate the success of the privatization process, it will be necessary to examine the developments after 1990. Because it is seen that privatizations have come to the agenda increasingly over time. (Dolanay, 2023d, p. 174)

Moreover, according to Yeldan (2004, pp. 65-88), by the end of the 1980s, the economy had reached a new deadlock, and in order to overcome this deadlock, financial liberalization was implemented and the growth of the economy was linked to resources coming from abroad. This paved the way for the financial crises that occurred after 1990. (Dolanay, 2023d, p. 174)

According to another view, the public budget discipline achieved between 1980 and 1986 began to deteriorate as of 1986, and this process went as far as the liberalization of the foreign exchange regime in 1989 in order to overcome the problems. Thus, while the problems remained unresolved, the foreign exchange regime was liberalized only to meet the resource needs for public financing. (Kumcu and Pamuk, 2001, pp. 140-143; Dolanay, 2023d, p. 174)

In another study, the characteristics of the period in terms of distribution relations were examined, including only the period between 1980 and 1985, and when looked at in terms of companies' profit margins, the period was described as the period of the counter-attack of capital. (Boratav, 1993, p. 119; Dolanay, 2023d, p. 174) The findings of the research conducted by Yeldan seem to coincide with this description. (Dolanay, 2023d, p. 174)

In fact, the first two views reveal the economy's resource needs. Indeed, it has become difficult for the economy to continue its production and enter into a development process without external resource input. The public financing deficit is largely due to the existence of high domestic and external debt stocks from the past.

In this context, it would not be wrong to say that the growth of the Turkish economy has become dependent on foreign resources. (Dolanay, 2023d, p. 174)

The economy was opened to foreign competition in the 1980s before it reached a sufficient level of development, and now capital movements have been liberalized in the 1990s. It is a fact that these policy choices have a negative impact on the productive forces of the Turkish economy. In this regard, we can say that List's thesis on the necessity of infant industry protection, which has been influential in the economic development process of Germany, is the approach that offers the best explanation. (Chang, 2004, pp. 15-32; Dolanay, 2023d, p. 174)

After the high but unstable growth rates achieved in the 1980s, growth in the 1990s was linked to resource inflows from abroad and gained an increasingly unstable structure. (Dolanay, 2023d, p. 174)

IV. Conclusion

Determining to what extent the crisis in the 1970s was overcome with the January 24, 1980 stabilization program in the period we discuss in our study requires a more detailed study and necessitates considering the developments in the economy after 1990. However, the following can be said about the extent to which the goal of achieving economic development with the export-based growth model, which is determined as the main purpose of economic philosophy, has been achieved. Although it is seen that success was achieved in increasing exports during the period under consideration, it is seen that price stability could not be achieved and sufficient fixed capital investment could not be made. Therefore, it does not seem possible to say that industrialization can be achieved to the expected extent with the application of the export-led growth model.

During the period we are considering, major structural changes have occurred in the economy and it seems that a structure suitable for the export-based growth model has been created. However, it is difficult to say that this structure can produce positive results. Because we can develop this argument thanks to the great success of South Korea by applying the same model, which we take as a criterion of success when examining the developments in the Turkish economy. Indeed, when the issue is approached from this perspective, it is difficult to say that this applied model can be successful enough in Turkey. Considering the success of South Korea in the ten-year period in which it implemented the model, it can be seen that Turkey was less successful in ensuring its development with a similar economic model.

Resources

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