



THE POLITICAL ECONOMY  
OF THE MIDDLE EAST  
SERIES EDITOR: ASHRAF MISHRIF

# Political Economy of Development in Turkey 1838 – Present

*Edited by*  
Emre Özçelik · Yonca Özdemir

palgrave  
macmillan

# The Political Economy of the Middle East

Series Editor

Ashraf Mishrif, Centre for Middle East & Mediterranean Studies, King's  
College London, London, UK

This series explores the nature of Middle Eastern political regimes and their approaches to economic development. In light of the region's distinctive political, social and economic structures and the dramatic changes that took place in the wake of the Arab spring, this series puts forward a critical body of high-quality, research-based scholarship that reflects current political and economic transitions across the Middle East. It offers original research and new insights on the causes and consequences of the Arab uprisings; economic reforms and liberalization; political institutions and governance; regional and sub-regional integration arrangements; foreign trade and investment; political economy of energy, water and food security; finance and Islamic finance; and the politics of welfare, labor market and human development. Other themes of interest include the role of the private sector in economic development, economic diversification, entrepreneurship and innovation; state-business relationships; and the capacity of regimes and public institutions to lead the development process.

More information about this series at  
<https://link.springer.com/bookseries/14415>

Emre Özçelik · Yonca Özdemir  
Editors

# Political Economy of Development in Turkey

1838 – Present

palgrave  
macmillan

*Editors*

Emre Özçelik  
Economics Program  
Middle East Technical University  
Northern Cyprus Campus  
99738 Kalkanlı  
Güzelyurt, Mersin 10  
Turkey

Yonca Özdemir  
Political Science and International  
Relations Program  
Middle East Technical University  
Northern Cyprus Campus  
99738 Kalkanlı  
Güzelyurt, Mersin 10  
Turkey

ISSN 2522-8854

ISSN 2522-8862 (electronic)

The Political Economy of the Middle East

ISBN 978-981-16-7317-7

ISBN 978-981-16-7318-4 (eBook)

<https://doi.org/10.1007/978-981-16-7318-4>

© The Editor(s) (if applicable) and The Author(s), under exclusive license to Springer Nature Singapore Pte Ltd. 2022

This work is subject to copyright. All rights are solely and exclusively licensed by the Publisher, whether the whole or part of the material is concerned, specifically the rights of translation, reprinting, reuse of illustrations, recitation, broadcasting, reproduction on microfilms or in any other physical way, and transmission or information storage and retrieval, electronic adaptation, computer software, or by similar or dissimilar methodology now known or hereafter developed.

The use of general descriptive names, registered names, trademarks, service marks, etc. in this publication does not imply, even in the absence of a specific statement, that such names are exempt from the relevant protective laws and regulations and therefore free for general use.

The publisher, the authors and the editors are safe to assume that the advice and information in this book are believed to be true and accurate at the date of publication. Neither the publisher nor the authors or the editors give a warranty, expressed or implied, with respect to the material contained herein or for any errors or omissions that may have been made. The publisher remains neutral with regard to jurisdictional claims in published maps and institutional affiliations.

Cover illustration: © Nick Gibson/Getty Images

This Palgrave Macmillan imprint is published by the registered company Springer Nature Singapore Pte Ltd.

The registered company address is: 152 Beach Road, #21-01/04 Gateway East, Singapore 189721, Singapore

## FOREWORD

It is the mother of all debates in economic development: Are developing nations' paths shaped largely by external or internal factors? Do countries remain poor and under-developed because of the inappropriate policies imposed on them by great powers and by their inescapable position in the global division of labor? Or do they shape their fortunes themselves, with underdevelopment the result of their governing elites' reliance on the wrong ideas and the wrong strategies?

When I ask my own students this question at the start of my class on economic development, I find broad support for both positions. Many students, particularly from low-income African countries, see their countries' development blocked by both a disadvantageous history and an inhospitable present. On the one hand, there is the legacy of colonialism, imperialism, and (for many countries) the slave trade, which has left these countries with arbitrary borders, lopsided social structures, and weak institutions. On the other, there is the undeniable facts of global power, denying the global poor of voice in international rules and governance.

Others lay the blame on their own elites and political classes. Many students from Asia and Latin America have seen their countries go through extended periods of rapid economic development, which points to the possibility of doing well no matter how constraining history or external conditions may be. They have also seen how some of these development experiences have met with failure ultimately, not because of decisions made elsewhere but because of the proclivity of home governments

to over-borrow, print too much money, or decimate entrepreneurship through bad policy. When the IMF is called in to impose austerity as a last resort, these students understand that the fault lies not with Washington but with decisions taken earlier in Jakarta, Buenos Aires, or indeed Ankara.

Thinking about development policy requires hopefulness, or what Albert O. Hirschman called ‘possibilism.’ You have to believe that conditions can improve, and that people in developing countries have the agency to make the decisions that will make a difference in their lives. You do not have to deny the roles that history, power politics, or global economic constraints play in shaping present-day outcomes. You simply have to believe that domestic conditions and choices play a big part as well.

And how could you not? Consider the wide variation in experience among developing countries since the end of the Second World War and de-colonization. Some (such as those in East and Southeast Asia) have done extremely well, others (many in Sub-Saharan Africa) have done generally poorly, and most have experienced periods of rapid growth as well as crises or periods of slow growth. Whatever role history or external conditions may have played, they cannot account for the full variation across countries. If colonialism was decisive, for example, how could we explain the fact that there is as much variation in incomes per capita among countries that were colonialized as there is among countries that were never colonialized? If it was a matter of informal control by great powers, how can we explain the phenomenal success of Japan and (in recent decades) China, despite the great powers’ success at imposing on these nations free trade and economic concessions during the nineteenth century? If Bretton Woods institutions or contemporary trade rules have produced stifling effects on development, why is it that so many countries, even in Africa (e.g., Mauritius and Botswana), have managed to escape those constraints?

Turkey was never colonized, but the Ottoman Empire found itself under increasing pressure from the great powers during the nineteenth century as it declined militarily. It had to grant foreign merchants special privileges and submitted to a trade treaty that restricted its autonomy. Resorting to foreign borrowing in order finance its military campaigns, the Ottomans eventually found themselves bankrupt, unable to service the debt, and ended up under foreign receivership. Was the Ottoman Empire’s (and subsequently the nascent Turkish Republic’s) economic

weakness a direct result of these external circumstances? Perhaps. But not too dissimilar foreign pressures exerted on Japan resulted in a remarkably different path. Under the Meiji restoration, the Japanese elites crafted a remarkable economic strategy that produced the first successful industrialization outside of Europe and North America—and this despite their hands being tied on foreign trade policies due to an earlier trade treaty with the USA. It is not entirely clear that such a path would have been foreclosed to the late Ottomans.

Or to take later examples: Was Turkey's adoption of a developmental strategy delayed by World Bank and US pressure in the early post-war years? (Perhaps, but what about a counterfactual such as South Korea, a country that was even more dependent on US aid?) Was the collapse of Turkish import-substituting industrialization during the late 1970s inevitable? (I would say no. The crisis was the result of irresponsible macroeconomic policies by the coalition governments of the time.) Was the unbalanced opening to foreign capital after the late 1980s the result of external pressure? (Not really. It was Turgut Özal's own decision to extend his liberalization to the financial sphere.) Wasn't Recep Tayyip Erdogan's curious mix of neoliberalism and populism substantially home-grown? (Clearly yes.)

The great virtue of the chapters in this volume is that they balance discussions of the dependency versus national autonomy models of development with clear, nuanced accounts of the Turkish specificities. The reader gets not only a panoramic view of the political economy of Turkey's development in a chronological presentation, she is also given the material to refine or make up her own mind on these larger developmental debates. The editors are to be congratulated for having successfully coaxed the authors of the individual chapters—distinguished scholars themselves—to stay on theme and on message. As a result, this is a rare collection where the whole is greater than the sum of the parts.

As the individual chapters make clear, Turkish governments and elites had to make their choices against the backdrop of the ideas and interests of powerful foreign actors. Domestic policy is never made from scratch and in a vacuum. As the constellation of external ideas and interests changed over time, they exerted distinct pressures on Turkish policies. But there were margins for maneuver. Ideas and interests of domestic origin were to play a key part as well.



The world economy is at a crossroads as I write these words (in June 2021). The neoliberal consensus has lost its intellectual appeal, hyper-globalization is under retreat, and the rise of China has substantially altered the geopolitical landscape. When democracy returns to Turkey, the country's leaders will have to chart a new course that is perhaps less constrained by global ideological orthodoxy than at anytime in recent memory. One hopes that they will have the vision and self-confidence to articulate a model that not only serves Turkey better but also provides an example for other countries.

June 2021

Dani Rodrik  
Harvard University  
Cambridge, MA, USA

# CONTENTS

<b>1</b>	<b>Political Economy of Global Capitalism: A Framework for Turkey's Dependent Development, 1838–2020</b>	<b>1</b>
	Yonca Özdemir and Emre Özçelik	
<b>2</b>	<b>Peripheralization of the Ottoman Economy, 1838–1908</b>	<b>47</b>
	Seven Ağır	
<b>3</b>	<b>From Globalization to Deglobalization: Nationalism and Economics in the Making of Modern Turkey, 1908–1929</b>	<b>79</b>
	Zafer Toprak	
<b>4</b>	<b>Turkey's Attempt to Break the Fetters Before the Ladder Was Kicked Away, 1929–1947</b>	<b>107</b>
	M. Erdem Özgür and Eyüp Özveren	
<b>5</b>	<b>Transition to Dependent Development, 1947–1960</b>	<b>135</b>
	Yakup Kepenek	
<b>6</b>	<b>Import-Substituting Industrialization Strategy and Planning Experience in Turkey, 1960–1980</b>	<b>163</b>
	Ümit Akçay and Oktar Türel	

<b>7</b>	<b>Turkey's Encounter with Neoliberal Globalization and the Logic of Washington Consensus, 1980–1990</b>	<b>197</b>
	Ziya Öniş and Fikret Şenses	
<b>8</b>	<b>The Era of Speculation-Led Growth and the 2001 Crisis, 1990–2001</b>	<b>227</b>
	A. Erinç Yeldan	
<b>9</b>	<b>From Domestic to Global Crisis: Turkey During the 2001–2009 Period</b>	<b>257</b>
	Erol Taymaz and Ebru Voyvoda	
<b>10</b>	<b>Neoliberal Framework and External Dependency Versus Political Priorities, 2009–2020</b>	<b>287</b>
	Korkut Boratav and Özgür Orhangazi	
<b>11</b>	<b>Concluding Remarks</b>	<b>315</b>
	Yonca Özdemir and Emre Özçelik	
	<b>Index</b>	<b>333</b>

## NOTES ON CONTRIBUTORS

**Seven Ağır** holds a Ph.D. degree in Near Eastern Studies from Princeton University, USA; and M.Sc. and B.Sc. degrees in Economics from the Middle East Technical University (METU), Ankara, Turkey. She completed her post-doctoral research in the Economic History Program at Yale University, USA, and joined faculty at the Economics Department of METU, Ankara, in 2012. Her main research field is the historical development of economic institutions in the Middle East, with a special focus on the late Ottoman Empire and early Turkish Republic. In 2012, she was awarded a Marie Curie Grant that enabled her to conduct a four-year research project on the evolution of business organizations in Turkey by constructing and analyzing a database of Ottoman and Turkish enterprises. Based on the analysis of this novel data-set, the project shed light on the hitherto unexamined areas of Ottoman economic and business history and contributed to the debates on the reasons underlying economic backwardness of the Middle East. In 2018, she was awarded a Fulbright academic grant to pursue a research project entitled ‘Entrepreneurship and Legal Institutions in Turkey: A Business History Perspective’ at Cornell University, USA. She also participated in several international research teams focusing on comparative research on business history—one based in Japan, funded by Shibusawa Foundation, and the other based in Murcia, Spain, funded by the Spanish Ministry of Education. She published several articles in top field journals, such as *Economic*

*History Review* and *Journal of Economic History*, along with several chapters in books by internationally acclaimed publishers, such as Routledge, Palgrave Macmillan, Classiques Garnier, and Berghahn Books.

**Ümit Akçay** is Associate Professor of Economics. He has been a Visiting Scholar at Berlin School of Economics and Law, Germany, since 2017. He previously held academic positions in Turkey at İstanbul Bilgi University; Atılım University; Middle East Technical University, Ankara Campus; TOBB Economy and Technology University; and Ordu University. He was a research scholar at New York University, USA, in the Department of Politics and the Department Middle Eastern and Islamic Studies between 2011 and 2015. He has Ph.D. and M.A. degrees in Development Economics and Economic Growth from Marmara University, Turkey; and a B.A. degree in Public Administration from İstanbul University, Turkey. He is the co-author of *Financialization, Debt Crisis, and Collapse: The Future of Global Capitalism* (in Turkish, Ankara: Notabene Press, 2016); and the author of *Money, Bank, State: The Political Economy of the Central Bank Independence* (in Turkish, İstanbul: SAV Press, 2009) and *Planning of Capitalism: Transformation of Planning and the State Planning Organization in Turkey* (in Turkish, İstanbul: SAV Press, 2007). His research focuses on comparative development studies, international political economy, and financialization in emerging market economies. He writes a weekly column at *Gazete Duvar*, an internet newspaper, on various aspects of international political economy and political economy in Turkey, and also a monthly column in the online journal ‘*I+I Forum*’ in Turkish and English. His other works are available at: <https://hwr-berlin.academia.edu/UmitAkçay>.

**Korkut Boratav** is Professor Emeritus of Economics, retired from the Faculty of Political Science, Ankara University, Turkey. He is a graduate of the Faculty of Law (1959) of the same university, where he also obtained his PhD degree in economics (1964). He was a post-doctoral Visiting Scholar in the University of Cambridge, UK (1964–1966, funded by the Rockefeller Foundation). He was promoted to Associate Professorship in 1972 and served as a faculty member in the Department of Economics, Ankara University between 1972 and 1982. He worked as a Consultant at the Division of Social Affairs, United Nations, Geneva, Switzerland (1974). He was promoted to Professorship in 1980 by the Senate of the Ankara University. He was relieved of his post in 1983 by the military regime in Turkey. He worked as a faculty member in the Zimbabwe

University (1984–1986) and then continued his studies as an independent researcher (1987–1988). By the decision of the Council of State in 1989, he was re-appointed as full Professor of Economic Development and International Economics at the Ankara University, where he served until his retirement (2002). He worked as a Consultant at UNCTAD, Geneva, Switzerland (1997, 1999–2003). He was awarded the ‘Superior Service Prizes’ by the Turkish Academy of Sciences in 1997 and by the Middle East Technical University in 2016. He has been one of the founding members of the Society for Independent Social Scientists since 2000. He also served as the Chairperson of the Turkish Social Sciences Association (2004–2006). Throughout his academic life, Dr. Boratav published 30 books (in Turkish, English and German), four of which are co-authored. He has also numerous articles and chapters published in academic journals and books (in French as well as in the aforementioned three languages), along with many conference papers and research projects. His main research fields include a diversity of areas such as development issues, political economy, Marxist economics, class analysis, and the Turkish economy. He is the Author of a now-classic monograph (in Turkish) on Turkish economy—*Türkiye İktisat Tarihi, 1908–2015* (İmge Publishing) [*Economic History of Turkey, 1908–2015*, which has passed through 24 editions since its first publication in 1987].

**Yakup Kepenek** is Professor Emeritus of Economics, retired from the Middle East Technical University (METU), Ankara, Turkey. After graduating from the Faculty of Law, Ankara University, Turkey; he was awarded a government scholarship through a nationwide examination and studied economics at the Graduate School of Social Sciences in New York University, USA, where he obtained his Ph.D. degree in economics in 1970. He joined the Department of Economics at METU, Ankara, as a faculty member in 1971. Main courses he taught were: ‘Turkish Economy’ at both undergraduate and graduate levels; ‘History of Economic Analysis’ and ‘Mathematical Economics’ at undergraduate level. He chaired the Department for two years. He was also elected by the faculty members in 1978 to become a two-year member of the University Council, which was the highest governing body of the university. During the 1980–1981 academic year, he carried out research on the Turkish economy in the US archives in Washington, DC, with a Fulbright scholarship. Professor Kepenek founded ‘Science and Technology Policy Studies’ Program (TEKPOL)—an academic unit granting

master's and doctorate degrees—at METU, Ankara, in 1997, and chaired TEKPOL until 2001. He entered politics from the Republican People's Party (CHP) and served as a member of the Turkish Parliament during the 2002–2007 period. He returned to the university after 2007 and taught at the Economics Program of METU, Northern Cyprus Campus. From 2011 onwards, he has been a part-time professor of economics at Başkent University, Ankara, Turkey. His research has focused mainly on the history and dynamics of the Turkish economy, on which he published many academic articles and 10 books, along with numerous regular columns in daily Turkish newspapers *Cumhuriyet* and *Birgün*. He is the Author of a now-classic monograph, entitled *Türkiye Ekonomisi* (*The Turkish Economy*, Remzi Publishing, İstanbul), which has passed through 31 editions since its first publication in 1983. In 2011, he also published a book (in English) on the Turkish economy: *Development and Structure of the Turkish Economy* (METU Press, Ankara). His latest book was published in 2019 (YKKED, İzmir), entitled *Cumhuriyet Çağdaşlaşmasından Günümüze Türkiye'nin Değişimi* (*Turkey's Change From the Republican Modernization to the Present*).

**Ziya Öniş** is Professor of International Political Economy at Koç University, İstanbul, Turkey. He obtained his B.Sc. and M.Sc. degrees in economics from the London School of Economics (LSE), UK, in 1978 and 1979, respectively. His Ph.D. degree in Development Economics was awarded by the University of Manchester, UK, in 1984. He is the former Director of both the Center for Research on Globalization, Peace and Democratic Governance (GLODEM) (2010–2013) and the Graduate School of Social Sciences and Humanities (2006–2009) at Koç University. Prior to his appointment at Koç University, he was a faculty member in the Economics Department at Boğaziçi University, İstanbul, Turkey. He was elected Fellow of the Turkish Academy of Sciences (TÜBA) and received the prestigious TÜBİTAK Science Award in Social Sciences in 2012. He also received the Outstanding Faculty Award of Koç University in 2012. He has published many books as author/editor, along with numerous articles in academic journals such as *Journal of Development Economics*, *Third World Quarterly*, *Development and Change*, *Review of International Political Economy*, *New Perspectives on Turkey*, *Political Science Quarterly*, *Comparative Politics*, *Journal of International Affairs*, *New Political Economy*, among others. His recent research focuses on the challenges posed by the emerging post-liberal international order

and its implications for future patterns of globalization, southern and northern varieties of capitalism, democratization dilemmas in emerging powers, global political economy of right-wing populism, the rise of illiberal politics in the European Periphery, the political economy of Turkey, new directions in Turkish foreign policy, and domestic politics-foreign policy interactions. He is also the co-editor of *Turkey and the Global Economy: The New Phase of Neo-Liberal Restructuring and Integration in the Post-Crisis Era* (Routledge, 2009).

**Özgür Orhangazi** is Professor of Economics and Chair of the Department of Economics at Kadir Has University, İstanbul, Turkey. He received his BSc degree in economics from the Middle East Technical University, Ankara, Turkey, and M.A. and Ph.D. degrees in economics from the University of Massachusetts, Amherst, USA, in 1999, 2002, and 2006, respectively. He taught economics at the University of Massachusetts, Amherst, USA; Roosevelt University, Chicago, USA; Boğaziçi University, İstanbul, Turkey; City University of New York, USA; and University of Seoul, South Korea. He also served as graduate faculty at the University of Missouri-Kansas City, USA. He held visiting positions at the Central Bank of Venezuela; Political Economy Research Institute, University of Massachusetts, Amherst, USA; and University Paris 13, France. He is the Author of *Financialization and the US Economy* (Edward Elgar, 2008) and *The Structure of the Turkish Economy* (İmge, 2020—in Turkish). He contributed to books such as *Heterodox Macroeconomics—A Keynes-Marx Synthesis for Understanding the Contradictions of Globalization* (Routledge, 2009); *The Demise of Finance-Dominated Capitalism: Explaining the Financial and Economic Crises* (Edward Elgar, 2015); *The Great Global Meltdown of 2008: Systemic, Conjunctural or Policy-created?* (Edward Elgar, 2016); *Financialization and the Financial and Economic Crises—Country Studies* (Edward Elgar, 2016); and *Routledge Handbook of Heterodox Economics: Theorizing, Analyzing and Transforming Capitalism* (Routledge, 2018). He also published many journal articles on issues ranging from financialization and its impact on capital accumulation processes, the causes and consequences of financial and economic crises, alternative economic policies, and various aspects of the Turkish economy in academic journals such as *Cambridge Journal of Economics*, *Review of Keynesian Economics*, *Review of Radical Political Economics*, and *Review of Political Economy*. His current research focuses on ‘concentration’ and



‘monopolization’ in the US economy, and financial fragility and crises in Turkey and other developing economies.

**Emre Özçelik** is currently Associate Professor of Economics at the Middle East Technical University (METU), Northern Cyprus Campus (NCC). He obtained his B.Sc., M.Sc., and Ph.D. degrees in Economics at METU, Ankara Campus, Turkey, in 1998, 2000, and 2006, respectively. He participated in a two-week workshop entitled ‘Cambridge Advanced Programme on Rethinking Development Economics’ (CAPORDE, funded by the Ford Foundation) in July 2002. He was a post-doctoral Visiting Scholar at the Development Studies Committee of the University of Cambridge, UK (funded by the Scientific and Technological Research Council of Turkey, TÜBİTAK) from September 2007 to August 2008. He has been a full-time faculty member since 2010 and served as the Coordinator of Economics Program from September 2012 to April 2021 at METU-NCC, where he has taught International Economics, Development Economics, Structure of the Turkish Economy, Economic History, and History of Economic Thought. He is the English-to-Turkish translator of *Reclaiming Development: An Alternative Economic Policy Manual* (by Ha-Joon Chang & Ilene J. Grabel, Zed Books). He published articles in such academic journals as *Research Policy*, *Journal of Economic Issues*, and *Development and Change*, along with several book chapters. He co-edited three books (in Turkish)—one on the contemporary relevance of John Maynard Keynes, and the other two on the Turkish economy. Political economy of development and the Turkish economy are two of his main research interests.

**Yonca Özdemir** obtained her B.Sc. degree in Business Administration at the Middle East Technical University, Ankara Campus, Turkey. She holds an M.A. degree in Political Science and International Relations from the University of Delaware, USA. She received her Ph.D. in Public and International Affairs (with concentrations in ‘International Political Economy’ and ‘Development Policy’) from the University of Pittsburgh, USA. In 2007, she joined faculty at the Political Science and International Relations Program of the Middle East Technical University, Northern Cyprus Campus (METU-NCC), where she is still employed as a full-time faculty member, teaching both undergraduate and graduate courses. Before she joined METU-NCC, she taught courses in several other institutions, including Instituto Tecnológico y de Estudios Superiores de Monterrey, Mexico; Carnegie Mellon University, USA; and University

of Pittsburgh, USA. She received her ‘Associate Professor’ title from the Council of Higher Education of Turkey in 2017. She specializes mainly in international political economy and comparative political economy. Her research examines the politics of economic reform, development theory and policy, foreign aid, neoliberalism, economic globalization, financial liberalization, and economic crises. She recently focuses on the links between neoliberalism and the rise of populism. Her work includes cross-country studies along with single-country and comparative case studies of Turkey, Cyprus, and some Latin American countries like Argentina and Brazil. She published several articles in journals such as *Middle Eastern Studies*, *Revista Brasileira de Política Internacional*, and *Contemporary Politics*. She has also contributed to some edited books and participated in numerous prestigious international conferences.

**M. Erdem Özgür** received his Ph.D. degree in economics from George Mason University, USA, and his M.Sc. and B.Sc. degrees in economics from the Middle East Technical University, Ankara, Turkey, in 2005, 1998, and 1995, respectively. He is currently Professor of Economics at Dokuz Eylül University, İzmir, Turkey. He is the Chair of the Economics Department at the Faculty of Business, and the Head of the Division of Economic History. Prior to joining the Faculty of Business at Dokuz Eylül University, he was employed by Bülent Ecevit University, Zonguldak, Turkey, where he served as the Vice Director of the Maritime Business School. His research interests include economic history and history of economic thought with a specific focus on the nineteenth century and the early twentieth century. He published articles and book chapters, as well as co-edited books on the economic history of and economic thought in the Ottoman Empire, Turkey, Europe, and the USA. *History of Economic Thought & Policy*, *Historia Agraria*, *Archivum Ottomanicum*, *Scottish Journal of Political Economy*, *Panoeconomicus*, *Middle Eastern Studies*, and *History of Economic Ideas* are among the academic journals he published in. He has served on the editorial board of several peer-reviewed journals. The courses he taught include History of Economic Thought, Institutional Economics, Economic History, and Principles of Economics. He is currently interested in the ideas and projects of economic and political unions beginning from the early nineteenth century.

**Eyüp Özveren** is currently an Independent Scholar and Retired Full Professor from the Middle East Technical University (METU), Ankara,

Turkey. He received his Ph.D. in Sociology from State University of New York at Binghamton, USA, in 1990, where he took part in various activities of the Fernand Braudel Center for the Study of Economies, Historical Systems, and Civilizations. He joined METU in 1991, where he also served as Dean of the Faculty of Economic and Administrative Sciences (2009–2015). He taught primarily institutional political economy, history of economic thought, and economic history on a regular basis, and widely published in these subfields. He participated in international research projects and networks and taught as visiting professor in Turkey as well as in France, Germany, and the USA. He retired in August 2018. His current interdisciplinary research interests concentrate in Mediterranean and Black Sea studies. He published articles in journals such as *Cambridge Journal of Economics*, *European Journal of the History of Economic Thought*, *History of Economic Ideas*, *Journal of Economic Issues*, *Journal of Evolutionary Economics*, *Journal of Mediterranean Studies*, *Mediterranean Studies*, *New Perspectives on Turkey*, *Panoeconomicus*, *Review—A Journal of the Fernand Braudel Center*, *Review of Political Economy*, and *European Legacy*. He co-edited (with Thomas Faist) *Transnational Social Spaces: Agents, Networks and Institutions* (Routledge, 2004), and contributed to numerous edited volumes by recognized publishing houses including Routledge. One of his most recent publications is: ‘James Steuart versus Adam Smith: Tempest in a Teapot?’ in José Manuel Menudo (ed.), *The Economic Thought of James Steuart—First Economist of the Scottish Enlightenment* (Routledge, 2019).

**Fikret Şenses** is Professor Emeritus of Economics, retired from the Middle East Technical University (METU), Ankara, Turkey. He obtained his B.A., M.A., and Ph.D. degrees in economics in the UK—University of Warwick (1970), University of Lancaster (1971), and London School of Economics and Political Science (1979), respectively. He worked as a full-time faculty member at the Department of Economics, METU, Ankara, from 1980 until his retirement in 2014. Since then, he has continued to research and teach graduate-level courses on development issues and the Turkish economy, as a part-time professor in the same department. He was a Visiting Scholar in Harvard University, USA (1987–1988), University of Sussex, UK (September 1989), Institute of Developing Economies, Tokyo, Japan (July–October 1990), and a Visiting Fulbright Scholar in Columbia University, USA (March–August 1997). He served

as Editor-in-Chief of *METU Studies in Development* (1983–1987), Chairperson of the Department of Economics at METU (1991–1992), Elected Member of the Higher Education Council of Turkey (2005–2009), and Elected Member of METU Senate (2010–2014). He was granted many academic awards and honors, such as the Educator of the Year Awards, High Achievement and Excellence in Education Award at METU, and awards for international publications by Turkish Academy of Sciences and METU. As author/editor, he contributed to 16 books and monographs, along with more than 70 articles and chapters published in academic journals and books (in English and Turkish). His main research fields include development issues, international political economy, and the Turkish economy. *The Developing Economies*, *METU Studies in Development*, *Journal of Development Economics*, *New Perspectives on Turkey*, and *Development and Change* are among the journals he published in. He is also the co-editor of *Turkey and the Global Economy: The New Phase of Neo-Liberal Restructuring and Integration in the Post-Crisis Era* (Routledge, 2009).

**Erol Taymaz** is Professor of Economics at the Middle East Technical University (METU), Ankara, Turkey. He graduated from the Department of Mechanical Engineering (METU) in 1982. He received his M.Sc. degree in Economics at METU (1985) and Ph.D. degree in Economics at Case Western Reserve University, USA (1989). He worked as a Research Engineer at ASELSAN Electronics Industries (Ankara, Turkey, 1982–1985), Research Assistant at CWRU (Cleveland, USA, 1985–1989), and Research Fellow at Industrial Research Institute (IUI, Stockholm, Sweden, 1989–1992). He has been a faculty member at the Department of Economics of METU, Ankara since 1992. He served as the Vice President at the Northern Cyprus Campus of METU (2010–2014). He was an Advisor to the Turkish Statistical Institute (1999–2000), the Scientific and Technological Research Council of Turkey (TÜBİTAK, 2001–2004), and the Central Bank of the Republic of Turkey (2005–2006). He visited Université Panthéon–Assas (Paris, France), Université Montesquieu Bordeaux IV (Bordeaux, France), Universidad de Deusto (San Sebastián, Spain), and Royal Institute of Technology (Stockholm, Sweden) as a visiting professor. He participated in various research projects supported by TÜBİTAK, TTGV, FEMISE, ERF, KDI, IDRC, Eurofund, ILO, UNDP, the World Bank, and the EU. His current research interests include economics of technology and innovation;

industrial, technology, and innovation policies; industrial dynamics; firm demography; small business economics; economics of labor markets; micro-simulation modeling and data science. He published numerous articles in academic books and journals on these fields, as well as on the Turkish economy. *Labour Economics*, *British Journal of Industrial Relations*, *Research Policy*, *Small Business Economics*, *Journal of Productivity Analysis*, *Regional Studies*, *Journal of Evolutionary Economics*, *Review of Industrial Organization*, *Structural Change and Economic Dynamics*, *World Development*, and *New Perspectives on Turkey* are among the academic journals he published in. His webpage is available at <http://users.metu.edu.tr/etaymaz>.

**Zafer Toprak** is a Historian, Writer, and Academician. He graduated from the Faculty of Political Science, Ankara University, Turkey, and obtained his master's degree from the London University, UK, and his doctorate degree in İstanbul University, Turkey. He joined faculty in Boğaziçi University, İstanbul, Turkey, in 1977, where he founded the History Department in 1981 and directed Atatürk Graduate School for Modern Turkish History for 20 years. He is currently teaching in İstanbul at Koç and Boğaziçi universities, and a member of the Science Academy in Turkey. He has served as the curator of several museums in Turkey, such as the Financial Museum (İş Bank), İstanbul; Economic Independence Museum, Ankara; and Borusan Industrial Museum, İstanbul. He authored/edited institutional-history books for prominent organizations/companies in Turkey (such as İstanbul Stock Exchange, Sümerbank, Şişe Cam, Akbank, Yapı Kredi Bank, Milli Reasürans, Anadolu Sigorta, Borusan, Darüşşüfaka, and Sabancı Group). He also served as the General Coordinator of two major encyclopedias in Turkish (Yurt Encyclopedia, 11 volumes; and İstanbul Encyclopedia, 8 volumes). He has been a member of Economic and Social History Foundation of Turkey. He managed projects and organized many symposiums in the European Science Foundation. He was awarded prestigious prizes, such as Prof. Dr. Aptullah Kuran Superior Service Prize (Boğaziçi University), The Prize for History of Banking and Finance (Osmanlı Bank-Garanti Bank), and Sedat Simavi Prize for Social Sciences (Society of Turkish Journalists). His academic research has focused on Turkey in the nineteenth and twentieth centuries. He published 30 books and about 250 articles mainly in Turkish, and also in English, French, German, and Italian. Some of his published academic books are: *Türkiye'de*

*Milli İktisat, 1908–1918* [*National Economics in Turkey, 1908–1918*, Yurt Publishing, Doğan Publishing, İş Bank Publishing]; *Türkiye’de Ekonomi ve Toplum—Milli İktisat—Milli Burjuvazi* [*Economy and Society in Turkey—National Economics—National Bourgeoisie*, Tarih Vakfı Yurt Publishing]; *From Imperial Debt to Global Offerings—The Rise of the Istanbul Stock Exchange* (İstanbul Stock Exchange Publishing; also in French and Japan); *İttihat-Terakki ve Cihan Harbi: Savaş Ekonomisi ve Türkiye’de Devletçilik, 1914–1918* [*Union-Progress and World War: War Economy and Statism in Turkey, 1914–1918*, Homer Publishing, Kaynak Publishing]; *Türkiye’de Popülizm 1908–1923* [*Populism in Turkey, 1908–1923*, Doğan Publishing]; *Türkiye’de Kadın Özgürlüğü ve Feminizm, 1908–1935* [*Woman Freedom and Feminism in Turkey, 1908–1935*, Tarih Vakfı Yurt Publishing]; *Türkiye’de İşçi Sınıfı, 1908–1946* [*Working Class in Turkey, 1908–1946*, Tarih Vakfı Yurt Publishing]; and *Türkiye’de Yeni Hayat—İnkılap ve Travma, 1908–1928* [*New Life in Turkey—Revolution and Trauma, 1908–1928*, Doğan Publishing].

**Oktar Türel** graduated from the İstanbul Technical University, Turkey, in 1960 with a B.Sc. degree in Civil Engineering, and received his M.Sc. and Ph.D. degrees in economics from the University of Southampton, UK (1969) and the University of Ankara, Turkey (1977), respectively. His career as an Economist was essentially linked to two institutions in Turkey; namely, the State Planning Organisation (SPO, 1965–1975 and 1978–1979) and the Middle East Technical University (METU, Ankara, 1975–1977 and 1980–2004). He joined the Department of Economics at METU in 1975 as an instructor; later, he was promoted to assistant professorship in 1977, to associate professorship in 1986, and finally to professorship in 1996. On leave from METU in academic years 1993–1994 and 1994–1995, he served as a visiting lecturer at the Department of Economics, School of Oriental and African Studies (SOAS), UK, under the Modern Turkish Studies Programme. He also assumed some administrative responsibilities at SPO and METU: At SPO, he was the Chairman of the Department of Economic Planning from February 1978 to December 1979. At METU, he served as Chairperson of the Department of Economics (September 1996–November 1997) and as Dean of the Faculty of Economic and Administrative Sciences (April 2000–March 2003). He retired in August 2004, but continued teaching in various Turkish universities as part-time lecturer (University of Ankara, 2006–2007 and 2007–2008; İstanbul Bilgi University,

2008–2009 and 2009–2010; METU, 2010–2011 and 2011–2012). He has been a member of Turkish Social Science Association since 1990, Turkish Economic Association since 1995, and the Group of Independent Social Scientists since 2001. His major areas of interest in economics have been macroeconomics, the economics of industrial development and technological change, international political economy, as well as the political economy of Turkey. He published 4 books, 30 book chapters, and 34 journal articles in Turkish and English. His research articles were published in such academic journals as *New Perspectives on Turkey*, *Yapı-Kredi Economic Review*, *METU Studies in Development*, *World Development*, and *Review of International Political Economy*.

**Ebru Voyvoda** is Professor of Economics at the Middle East Technical University (METU), Ankara, Turkey. She received her B.Sc. degree in Industrial Engineering, and M.A. and Ph.D. degrees in Economics from Bilkent University, Ankara, Turkey in 1996, 1998, and 2003, respectively. She was a visiting researcher at the Department of Economics, University of Utah, USA, in 2003–2004, and at the Department of Environmental and Resource Economics, Environmental Management at the Center for European Economic Research (ZEW), Germany in 2011–2012. She was on leave from METU in 2015–2016 to serve as Economic Affairs Officer at the United Nations Conference on Trade and Development (UNCTAD), Division of Globalization and Development Strategies (GDS), Geneva, Switzerland. Her research interests include applied general equilibrium modeling for policy analysis, quantitative methods in macroeconomic models, and economic growth. She has widely published on the Turkish economy as chapters in books by such international publishers as Routledge, Edward Elgar, and Springer, along with research articles published in academic journals such as *Economic Modeling*, *New Perspectives on Turkey*, *Journal of Policy Modeling*, and *Canadian Journal of Development Studies*, among others. She has also co-authored *Macroeconomics of Climate Change in a Dualistic Economy: A Regional General Equilibrium Analysis* (Elsevier—Academic Press, 2018), where the interaction between regional dualities of a developing economy and policies toward sustainability are analyzed, using Turkey as the primary example.

**A. Erinc Yeldan** is Professor and Dean of the Faculty of Economics, Administrative and Social Sciences, and Acting Chair of the Department of International Relations at Bilkent University, Ankara, Turkey. He is

the funding director of the Energy Policies Research Center at Bilkent University, and serves as one of the thirty members of the International Resource Panel of the UN Environment Programme. He is also one of the executive directors of the International Development Economics Associates (IDEAs), New Delhi, India. He received his B.A. degree in economics from Boğaziçi University, İstanbul, Turkey in 1982, and his Ph.D. degree in economics from University of Minnesota, USA, in 1988. He joined the Department of Economics at Bilkent University in 1988. During the 1994–1995 academic year, he was a Visiting Scholar at the University of Minnesota, USA, where he taught applied general equilibrium analysis. In 2007–2008, he was a Fulbright scholar at the University of Massachusetts, Amherst, USA, and at Amherst College, USA. Along his academic career as an educator, he directed more than 20 master's theses and supervised 6 doctoral dissertations. His recent research focuses on development macroeconomics, vulnerability and fragmentation of labor markets, deindustrialization, economics of climate change, empirical dynamic general equilibrium models, as well as the Turkish economy. On these areas, he has contributed over 50 refereed articles and authored/edited 13 books and participated in numerous project reports and briefings. *Structural Change and Economic Dynamics*, *New Perspectives on Turkey*, *Economic Modeling*, *Canadian Journal of Development Studies*, *Journal of Policy Modeling*, *Review of Radical Political Economics*, *Review of International Political Economy*, *Development Policy Review*, *World Development*, *Development and Change*, and *Journal of Development Economics* are some of the academic journals he published in. He also published many chapters in books by such international publishers as Elsevier (Academic Press), Palgrave Macmillan, Springer, Edward Elgar, Oxford University Press, and Routledge.



# LIST OF FIGURES

Fig. 8.1	The Alejandro-Taylor cycle: vicious cycle of capital flows & macroeconomic disequilibria	232
Fig. 8.2	Real exchange rate index (TL/USD), purchasing power parity (PPP) in consumer prices ( <i>Data source</i> Annual reports of the Central Bank of the Republic of Turkey [Author's calculation])	238
Fig. 8.3	Assets, liabilities and open position of the banking sector (%) ( <i>Data source</i> Annual reports of the Central Bank of the Republic of Turkey)	241
Fig. 8.4	Path of the nominal exchange rate basket under the stabilization program, January 2000–December 2002 ( <i>Data source</i> Central Bank of the Republic of Turkey)	248
Fig. 8.5	Theoretical expectations of the currency board operative	249
Fig. 8.6	Monetary base, net domestic assets, net foreign assets and net open market operations, 7 January 2000–1 December 2000, end-of-week observations, million Turkish Liras ( <i>Data source</i> Balance sheet reports of the Central Bank of the Republic of Turkey)	252
Fig. 10.1	Foreign capital inflows (% of GDP) and GDP growth rate (%) ( <i>Source</i> Authors' own calculations, using Balance of Payments and National Accounts data from the Electronic Data Delivery System of the Central Bank of the Republic of Turkey [ <a href="https://evds2.tcmb.gov.tr/index.php">https://evds2.tcmb.gov.tr/index.php</a> ]. Accessed on 1 March 2021)	292

- Fig. 10.2 Current account balance in billion USD (bars, left axis) and as a percentage of GDP (line, right axis) (*Source* Authors' own calculations using Balance of Payments and National Accounts data from the Electronic Data Delivery System of the Central Bank of the Republic of Turkey [<https://evds2.tcmb.gov.tr/index.php>] Accessed on 1 March 2020)

# LIST OF TABLES

Table 5.1	Main economic indicators, 1945–1960	145
Table 6.1	Growth rate targets and realization in plan periods (annual average percentage changes)	180
Table 8.1	Macroeconomic adjustment processes: Turkey, 1983–1999	236
Table 8.2	Speculative short-term foreign capital (hot money) flows and selected financial indicators (Million US\$)	242
Table 9.1	GDP Growth Rate, Current Account Balance and the Real Effective Exchange Rate, 1999–2009	261
Table 9.2	Main Economic Indicators, 2000–2009	271
Table 10.1	External Debt	299



# Political Economy of Global Capitalism: A Framework for Turkey's Dependent Development, 1838–2020

*Yonca Özdemir and Emre Özçelik*

Turkey is a developing country which has always encountered various dilemmas during its struggle for economic growth and democracy. Since the establishment of the Republic of Turkey in 1923, one of the main concerns of its policymakers and intellectuals has been “development.” As a latecomer in industrialization, from the beginning of the twentieth century, Turkey has tried to catch up with the advanced countries through

---

Y. Özdemir (✉)

Political Science and International Relations Program, Middle East Technical University, Northern Cyprus Campus, 99738 Kalkanlı, Güzelyurt, Mersin 10, Turkey

e-mail: [yoncita@metu.edu.tr](mailto:yoncita@metu.edu.tr)

E. Özçelik

Economics Program, Middle East Technical University, Northern Cyprus Campus, 99738 Kalkanlı, Güzelyurt, Mersin 10, Turkey

e-mail: [ozemre@metu.edu.tr](mailto:ozemre@metu.edu.tr)

© The Author(s), under exclusive license to Springer Nature Singapore Pte Ltd. 2022

E. Özçelik and Y. Özdemir (eds.), *Political Economy of Development in Turkey*, The Political Economy of the Middle East,

[https://doi.org/10.1007/978-981-16-7318-4\\_1](https://doi.org/10.1007/978-981-16-7318-4_1)

modernization reforms from above. For that purpose, Turkey has tried different economic models throughout its history (e.g., economic liberalism, statism, import-substituting industrialization, export-led growth, neoliberalism); but no matter how Turkey strived for becoming a modern nation with a modern economy, it has only succeeded partially. Hence, Turkey has developed to a certain degree, but it has failed to become an advanced country.

From the late Ottoman period onward, Turkey has generally experienced “dependent development” to varying degrees, with perhaps the exception of the episode of the 1930s. Despite the historical nonoccurrence of explicit and formal colonization by Western powers, Turkey has not been able to escape the dependency relations exerted through global capitalism. Dependency patterns and dependent development of Turkey have their historical roots that can be traced back to the nineteenth-century Ottoman Empire. Although the Empire was a significant player in world politics, it missed the first industrial revolution; and by the nineteenth century, it lagged significantly behind the major Western powers in economic, technological, and institutional terms. In fact, industrialization in Europe and the consequent political-economic rivalry among the European powers in the nineteenth century led to the “peripheralization” of the Ottoman Empire without conventional colonization, similar to the case of China (Keyder, 1987: 36). Although there were some favorable instances when Turkey could implement relatively more independent policies, the political-economic history of Turkey is mostly a story of dependent development.

Another feature of modern Turkey was that, at the beginning, it had a more-or-less “egalitarian” socioeconomic structure inhabited dominantly by small- and medium-size farmers, with no prominent landed aristocracy and national bourgeoisie. Such an initial socioeconomic condition could be an important advantage for fast-track development, but instead, Turkey gradually evolved into an unequal semi-industrialized nation. It is quite puzzling that Turkey today resembles Latin American countries like Mexico, Argentina, and Brazil, rather than the Southern European or East Asian countries. Although it cannot be claimed that Turkey’s development experience was a complete failure, it nonetheless seems that Turkey could not utilize its developmental potential as effectively as certain success stories, such as South Korea and Taiwan that were poorer than Turkey up until the 1960s. Therefore, Turkey is categorized as an upper-middle-income country today, having failed to jump to the high-income

status despite century-long efforts to achieve sustained development in the economic and democratic spheres.

All in all, Turkey did succeed in building up some important industries, as compared to its highly backward economy in the 1920s. However, due mainly to its peripheral position in the world system, its economy has generally been vulnerable to crises, and thus, has never shifted to a stable and sustained growth path. Even when it experienced some impressive “growth spurts,” eventually it has not been able to escape the recurrent crises pertaining to a less-developed economy within global capitalism. However, this diagnosis is not to argue that Turkey has been *completely* shaped by the world system. Indeed, what Turkey has achieved has been influenced and limited by its position in the world system despite its unique domestic features. Its domestic class structure, along with its developmental orientation, has also evolved in an uneven manner over time, creating its own internal constraints and contradictions and leading to serious economic crises up until today.

Yet another historical puzzle that Turkey displays is its political trajectory. Turkey’s political development has been even more disillusioning than its economic development. The Ottoman Empire was one of the biggest empires in the world between the fifteenth and nineteenth centuries. From its ruins emerged the Republic of Turkey in 1923. Turkey started as a one-party authoritarian state in 1923, but then rather peacefully transitioned into a multi-party democracy along the 1946–1950 period. However, since then, there have been frequent political disorders with periods of relative democracy followed by military coups and interventions. Eventually, today, Turkey is back to quite an authoritarian rule under the heavy dominance of Recep Tayyip Erdoğan, the President of the Republic, and his Justice and Development Party (*AKP*). Hence, Turkey launched one of the most important modernization revolutions of the twentieth century only to find itself back to a rather conservative and autocratic regime with prominent Islamic/Islamist connotations, toward the centennial commemoration of the Republic.

Why is Turkey an important case to analyze? First of all, it is one of the biggest developing countries in the world. With over 84 million people, Turkey is ranked the 17th in the world in terms of population and the 20th in terms of GDP. However, it is ranked the 73rd when it comes to GDP per capita.<sup>1</sup> It is quite a typical developing country in many respects. It does not have a significant amount of natural resources and mineral reserves; hence, it is a net importer of energy. In every