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Turgut Özal and his Economic Legacy: Turkish Neo-Liberalism in Critical Perspective

ZIYA ÖNIŞ

Turgut Özal was a critical figure in Turkey's transition to a neo-liberal development model in the 1980s. Arguably, he was also the most influential political leader in Turkey since the time of Kemal Atatürk. An adequate account of Özal's legacy, therefore, has to encompass a number of different dimensions of his influence not only in the economic field but also the transformations that Turkey has gone through in the spheres of politics, culture and foreign policy initiatives in the post-1980 era.¹ The present article will focus explicitly on one particular dimension of his legacy, namely the impact that he had, both positive and negative, on the course of Turkey's neo-liberal economic transformation during the 1980s and 1990s. In assessing his economic legacy, however, we shall also aim to tackle the thorny question of Özal's vision of democracy and democratic institutions particularly in the context of Turkey's ability to accomplish economic transformation in a neo-liberal direction within the framework of democratic institutions.

From a comparative perspective, certain parallels may be drawn between Özal and neo-populist political leaders, such as the Argentine President, Carlos Menem, who have also played a key role in terms of implementing radical market-oriented economic reforms and justifying the implementation of such reforms to wide segments of the electorate. Yet, even judged by his

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draft. He also wishes to thank Evren İOK and Gamze Sezer for their able assistance.

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Notes

Özal's decisive influence in a number of key areas ranging from the economic sphere to issues like the Kurdish question has already generated a large literature, much of it in the Turkish language. For a sample of such studies, see İhsan Sezal and İhsan Dağı (eds.), *Kim Bu Özal? Siyaset, İktisat, Zihniyet* (Istanbul: Boyut Yayıncılık, 2001); Feride Acar, 'Turgut Özal: Pious Agent of Liberal Transformation', in Metin Heper and Sabri Sayarı (eds.), *Political Leaders and Democracy in Turkey* (Lanham, MD: Lexington Books, 2002), pp.163-80. Journalistic accounts: Osman Ulagay, *Özal'ı Aşmak İçin* (Ankara: Afa Yayıncılık, 1989), and *Özal Ekonomisinde Paramız Pul Olurken Kim Kazandı Kim Kaybetti* (Ankara: Bilgi Yayınevi, 1987); Emin Çölaşan, *Turgut Nereden Koşuyor?* (Istanbul: Tekin, 1989). Autobiographical Studies: *Turgut Özal, Turgut Özal'ın Anıları*, compiled by Mehmet Barlas (Istanbul: Sabah Yayınları, 1994) etc. See, Rifat N. Bali, *Tarz-ı Hayat'tan Life Style'a* (Istanbul: İletişim Yayıncılık, 2002) on the impact of the Özal era in terms of transforming cultural values and elite behaviour and life styles.

For useful background information on Özal, see Acar, 'Turgut Özal: Pious Agent of Liberal Transformation'.

It is important to note that a number of key political leaders in Turkey including Süleyman Demirel, Turgut Özal, Necmettin Erbakan, and Bülent Ecevit, who rose from higher levels of education than the average, managed to rise from their humble beginnings to the top of the political hierarchy. See Acar, 'Turgut Özal: Pious Agent of Liberal Transformation' for a discussion of this phenomenon.

On the other hand, the rise of the ANAP (Nationalist Action Party) Bankerler (Bankers) and the 'Nationalist Action Party' during the period of the 1980s and 1990s, leading to the rise of the ANAP, is a phenomenon that is not yet fully appreciated. See Barlas, *Turgut Özal'ın Anıları*, 33 pp. Yet, the popularity of the ANAP during the period of the 1980s and 1990s is a phenomenon that is not yet fully appreciated.

For a valuable retrospective analysis of the ANAP, see Ersin Kalaycıoğlu, 'The Motherland Party: The Challenge of Institutionalization in a Charismatic Leader Party', *Turkish Studies*, Vol.3, No.1 (Spring 2002), pp.41-61.

The short but hectic period from March 2001 to September 2002 during which Kemal Derviş assumed a critical leadership role in running the economy, contributing towards the post-crisis recovery process, has already attracted significant journalistic attention. See, Sefa Kaplan, *Derviş'in Siyaseti Siyasetin Derviş'i* (Istanbul: Metis Yayınları, 2002).

On the 1980 programme and the scale of financial support see Ziya Öniş, *State and Market: The Political Economy of Turkey in Comparative Perspective* (Istanbul: Boğaziçi University Press, 1998), pp.125-48.

See, Turgut Özal, *Turkey in Europe and Europe in Turkey* (Nicosia: K.Rustem Brother, 1991).

On Özal's views concerning the primacy of trade liberalization in creating a genuinely competitive economy and the importance of the EC/EU anchor in this respect, see Turgut Özal, *Turgut Özal'ın Anıları*, pp.290-1.

See Atilla Yayla, 'Liberal Siyaset / Liberal İktisat: Özal Çizgisi' in Sezal and Dağı (eds.), *Kim Bu Özal? Siyaset, İktisat, Zihniyet*. On the concept of 'unorthodox liberalism', see Ziya Öniş, *The Political Economy of Turkey in the 1980s: The Anatomy of Unorthodox Liberalism* (Istanbul: Boğaziçi University Press, 1991). See also John Wainwright, 'The Turkish Economy: A Comparative Study', *Turkish Studies*, Vol.3, No.1 (Spring 2002), pp.62-71.

For an excellent analysis of the Özal era, see articles by Coşkun Özal, 'Özal'ın Güçlerin Tahliyesi', *Özal: Bir Devrin Sonu* (Istanbul: Boğaziçi University Press, 1999), pp.109-110. See also Düşünce Kurumları, *Özal: Bir Devrin Sonu* (Istanbul: Boğaziçi University Press, 1999), pp.109-110.

For a detailed analysis of the Özal era, see Turkish Privatization, *Özal'ın Güçlerin Tahliyesi* (Istanbul: Boğaziçi University Press, 2001), pp.109-110.



On EBFs and their weight in Turkish budetary process, see Oğuz Oyan and Ali Rıza Aydın, *İstikrar Programından Fon Ekonomisine* (Ankara: Verso, 1997).

On Özal's criticisms involving the inherently conservative, anti-reformist bias of classical bureaucracy, see Turgut Özal, *Turgut Özal'ın Anıları*, pp.115-18. Also see, Aytekin Yılmaz, 'Türk Bürokrasi Geleneği ve Özal', in Sezal and Dağı (eds.), *Kim Bu Özal? Siyaset, İktisat, Zihniyet*, pp.89-101.

It is also interesting that Özal's thinking in this respect also extended to military elites. Whilst Özal was always careful not to distance himself excessively from the military establishment, he subsequently expressed his unease in terms of working with the military elite during the early 1980s. See, Turgut Özal, *Turgut Özal'ın Anıları*, p.14. He was also a pioneering politician in terms of the attention that he paid to the civilian control of the military in Turkey. For example, he directly intervened to secure the appointment of General Necip Torumtay as the Chief of Staff of the Turkish Armed Forces in 1987. The intervention by a civilian politician in military affairs constituted an extraordinary move that was unique in the history of Turkish politics. In this context, see, 'Paşalar Operasyonu', *Milliyet*, 18 June 1999.

On Özal's princes, see Mehmet Ali Birand and Soner Yalçın, *The Özal: Bir Davanın Öyküsü* (Istanbul: Doğan kitapçılık, 2001), pp.304-6. Prominent examples of such 'princes' included Bülent Saracoğlu, as the Governor of the Central Bank, Bülent

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On what appeared to be Özal's radical views on the Kurdish Question and his activist approach to foreign policy, see Sezal and Dađı (eds.), *Kim Bu Özal? Siyaset, İktisat, Zihniyet*.

On the economic performance of the Özal era, see, Tosun Arıcanlı and Dani Rodrik (eds.), *The Political Economy of Turkey: Debt, Adjustment and Sustainability* (London: Macmillan, 1990); Öniş, *State and Market*; On the economic performance of the 1990s, see, Mine Eder, 'The Challenge of Globalization and Turkey's Changing Political Economy', in Barry Rubin and Kemal Kirişçi (eds.), *Turkey in World Politics: An Emerging Multiregional Power* (Boulder and London: Lynne Rienner, 2001), pp.189-215.; Ziya Öniş, 'Domestic Politics versus Global Dynamics: Towards a Political Economy of the 2000 and 2001 Financial Crises in Turkey', *Turkish Studies*, Vol.4, No.2, Summer (2003), pp.1-30.

Examples of such external or exogenous shocks included the Gulf War of 1991, the Asian Crisis of 1997, the Russian Crisis of 1998, the earthquake of 1999, all of which had a profound negative impact on the fortunes of the Turkish economy. Furthermore, the prolonged armed struggle against the Kurdish separatist organization, the PKK, also constituted a significant drain on the country's resources.

See, Hasan Ersel, 'The Timing of the Capital Account Liberalization: the Turkish Experience', *New Perspectives on Turkey*, Vol.15 (1996), pp.45-64.

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Data reported by Transparency International puts Turkey among high corruption cases. Furthermore, the 'corruption perception index' (which ranges between 10 meaning highly clean and 0 meaning highly corrupt) has dropped over time from 4.05 during 1988-1992 to 3.2 in 2002 suggesting an increase of corruption over time. See, Transparency International, Transparency International Corruption Perceptions Index available at <<http://www.transparency.org>>.

Failure to regulate the banking sector and the absence of transparency and accountability in the public banking system were at the heart of the 2001 crisis. On the 2000-2001 crises, see Yılmaz Akyüz and Korkut Boratav, 'The Making of the Turkish Financial Crisis', paper presented at the conference on 'Financialization of the Global Economy', PERI, University of Massachusetts, 7-9 Dec., (Amherst, MA. 2002), available at <<http://www.bagimsizsosyalbilimciler.org/bsbcalis.html>>; and Alper and Öniş, 'Financial Globalization, the Democratic Deficit and Recurrent Crises in Emerging Markets'.

With full membership becoming a serious possibility rather than a vague hope in the post-Helsinki era, the economic components of the Copenhagen criteria also constituted a critical source of external discipline for the Turkish economy in line with the IMF reforms. In this respect, Turkey found itself in a more favourable position than Argentina in the post-2001 context.

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Politics, Vol.31, No.4, July (1999), pp.379-401.

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For a good general discussion of the concept of 'populism' both old and new, and its application to the Turkish development experience, see Mine Eder, 'Populism as a Barrier to Integration with the EU: Rethinking the Copenhagen Criteria', in Mehmet Uğur and Nergis Canefe (eds.), *Turkey and European Integration: Prospects and Issues in the Post-Helsinki Era* (London: Routledge, 2004), pp.49-74.

See in this context Luiz Carlos Bresser-Pereria et al., *Economic Reforms in New Democracies: A Social Democratic Approach* (Cambridge: Cambridge University Press, 1993). Specifically on the notion of 'illiberal democracy' that seems to be at the heart of neo-liberal populism, see Fareed Zakaria, 'The Rise of Illiberal Democracy', *Foreign Affairs*, Vol.76, No.6, Nov./Dec. (1997), pp.22-43; as well as Guiellermo O'Donnell, 'Delegative Democracy', *Journal of Democracy*, Vol.5, No.1 (April, 1994), pp.55-69.

See, Nancy R. Powers, 'Re-electing Neo-liberals: Competing Explanations for the Electoral Success of Fujimori and Menem (or Why Menem is not a Neo-populist)', 1997 Meeting of the Latin American Studies Association, Mexico, (April 17-19, 1997) online paper at the Latin American Studies Association at University of Pittsburgh, available at <<http://lasa.international.pitt.edu/LASA97/powers.pdf>>, last retrieved on September 4, 2003.

For a more detailed comparison of the respective upbringing of the two leaders, see, Ş. Savaş Karataşlı, 'Rise and Fall of Neo-populists: A Comparative Analysis of Argentine and Turkey', *Journal of International Studies*, Vol.1, No.1, (2003), pp.1-15.

Department of International Studies, University of California, San Diego, La Jolla, California. On Argentina and Turkey, see Barrera-Chacón, 'The Rise of Neoliberalism in Argentina and Turkey', *Journal of International Studies*, Vol.1, No.1, (2003), pp.1-15. Department of International Studies, University of California, San Diego, La Jolla, California.



<http://home.uchicago.edu/~barbara> privatization in Argentina: A New Style (Oxford; 2000).

See Healy, 'The Cusp of the Twentieth Century: The American Policy (New York: The Century Foundation Press, 2000), pp.23-59 in this

context. Although, illegal arms sales charges against Menem are dropped, investigations on other corruption allegations like illegal enrichment while in office and the Swiss bank accounts are continuing. See, 'Arms trafficking case dropped against Menem, but corruption case still on', Agence France-Presse, 28 Aug. 2003, available at <http://www.ptd.net/webnews/wed/bu/Qargentina-menem.RZd6_DaS.html>, last retrieved on 5 September, 2003.

See Emin Çölaşan, Turgut Nereden Koşuyor?, in this context.

Argentina occupies a similar position to Turkey in the international league table in terms of the degree of corruption experienced. Moreover, data generated by Transparency International highlight a worsening of corruption practices in Argentina over the course of the 1990s. The corruption perception index for Argentina has dropped from 5.91 during 1988–1992 to 2.8 in 2002, suggesting a dramatic increase in the degree of perceived corruption observed over a relatively short period of time. See, Transparency International, Transparency International Corruption Perceptions Index available at <<http://www.transparency.org>>.

Özal, for example, argued that increasing economic growth was the only way to deal with the problem of income inequality. See, Turgut Özal, Turgut Özal'ın Anıları, p.135.

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