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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 Latin counterparts, Özal was unique in the sense that within the course of a single decade he managed to combine two rather different attributes, namely the role of a technocrat in a largely authoritarian setting as well as the role of a reformist politician in a broadly democratic environment.

In retrospect, Özal's influence embodied a strong positive dimension. The continuity of leadership throughout the 1980s was instrumental in Turkey's swift recovery from the deep economic crisis that the country had found itself in during the late 1970s. It played an important role in enhancing the credibility of the stabilization-cum-structural adjustment programme sup-

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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, Rıfat 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 and Necmettin Erbakan were graduates of this key institution of higher learning. Indeed, in all three cases, the individuals concerned have managed to rise from modest roots to key positions of political power and influence.

See Acar, ‘Turgut Özal: Pious Agent of Liberal Transformation’, for a valuable discussion of this particular aspect of Özal's political personality.

On the Bankers' Crisis, see Emin Çölaşan, Banker Skandalı'nın Perde Arkası: Bankerler Batıyor Kastelli Kaçıyor (Istanbul: Milliyet Yayınları, 1984).

There is evidence that influential members of the military elite supported the ‘National Democracy Party’ (the MDP) led by a retired general, Turgut Sunalp during the period leading to the general elections of November 1983. Özal was naturally quite apprehensive about this development. See note 1,Turgut Özal, Turgut Özal'ın Anıları, 33 pp.Yet, the MDP, in spite of implicit military backing could not match the popularity of the ANAP in the general elections.

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 Dervişi (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’, in Metin Heper (ed.), The Strong State and Economic Interest Groups. The Post-1980 Turkish Experience (New York and London: Walter de Gruyter, 1991). See also John Waterbury, ‘Export-Led Growth and the Centre-Right Coalition in Turkey’, Comparative Politics, Vol. 24, No.2, Jan. (1992), pp. 127–45.

For an elaboration of this point and supporting evidence, see the various articles by Coşkun Can Aktan, ‘Turgut Özal'ın Değişim Modeli ve Değişime Karşı Direnen Güçlerin Tahlili’, Türkiye Günlüğü Dergisi, Vol.40, May–June (1996), pp.15–32; ‘Turgut Özal: Liberal Reformist mi, Yoksa Deformist miydi?’, Yeni Türkiye Dergisi, Vol.25, Jan.–Feb. (1999), pp.459–62; ‘Turgut Özal'ın Anayasal Demokrasi ve Anayasal İktisat Üzerine Düşünceleri’, Yeni Türkiye Dergisi, Vol.29, Sept.–Oct. (1999), pp.620–25.

For a detailed elaboration of this point, see Metin R. Ercan and Ziya Öniş, ‘Turkish Privatization: Institutions and Dilemmas', Turkish Studies, Vol.2, No.1, Spring (2001), pp.109–34.

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 Rüşdü Saraçoğlu, as the Governor of the Central Bank, Bülent Gültekin and Cengiz İsrafil, as the Chairman and Vice-Chairman of the Privatization Administration, respectively, among others. Parallels may be drawn with the 'Chicago Boys' in Chile and the appointment of Domingho Cavallo in Argentina.

For a vivid discussion of Özal's failure to take widespread allegations concerning 'fictitious exports' seriously, see Osman Ulagay, Özal'ı Aşmak İçin, pp.35–41.

For detailed documentation of the fictituous exports episode, see Uğur Mumcu, Serbest Piyasa ve Kemalism (Ankara: Umag, 1997).

On Özal's case for the desirability of a presidential democracy, see Turgut Özal, Turgut Özal'ın Anıları, pp.141.

On the Constitution of 1982, see Ergun Özbudun, Contemporary Turkish Politics: Challenges to Democratic Consolidation (Boulder, CO: Lynne Rienner Publishers, 1999).

On what appeared to be Özal's radical views on the Kurdish Question and his activist approach to foreign policy, see Sezal and Dağı (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.

For an elaboration of these points see Dani Rodrik, 'Premature Liberalization, Incomplete Stabilization: The Özal Decade in Turkey', in Michael Bruno et al. (eds.), Lessons of Economic Stabilization and its Aftermath (Cambridge, MA: MIT Press, 1991); Ercan Kumcu, 'The Unfinished Struggle for Economic Stability', in Morton Abramowitz (ed.), The United States and Turkey: Allies in Need (New York: The Century Foundation Press, 2003), pp.31–60; Emre Alper and Ziya Öniş, 'Financial Globalization, the Democratic Deficit and Recurrent Crises in Emerging Markets: The Turkish Experience in the Aftermath of Capital Account Liberalization', Emerging Markets Finance and Trade, Vol.39, No.3, May–June (2003), pp.5–26.

A typical statement by Özal in this context was 'Leave inflation alone and concentrate on rapid growth'. See Osman Ulagay, Özal Ekonomisinde Paramız Pul Olurken, pp.132–3.

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://wwww.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.

Arguably a free trade agreement with the EU would have been a better alternative to a more restrictive arrangement such as a customs union. But, Turkish policy-makers saw the customs union as a necessary concession on the way to EU membership rather than an end in itself. Hence, the details of the arrangement have not been seriously negotiated.

See in this context, Ziya Öniş, 'Domestic Politics, International Norms and Challenges to the State: Turkey–EU Relations in the post-Helsinki Era', Turkish Studies, Vol.4, No.1 (Spring, 2003), pp.9–34.

See Kenneth M. Roberts, 'Neoliberalism and the Transformation of Populism in Latin America: The Peruvian Case', World Politics, Vol.48, No.1 (Oct.1995), pp.82–116; Kurt Weyland, 'Neo-populism and Neo-liberalism in Latin America: Unexpected Affinities', Studies in Comparative International Development, Vol.31, No.3, Fall (1996), pp.3–31; Kurt Weyland, 'Neoliberal Populism in Latin America and Eastern Europe', Comparative Politics, Vol.31, No.4, July (1999), pp.379–401.

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 Turkish Neo-populist Experience’, undergraduate term paper, mimeographed, Department of International Relations, Koç University, Istanbul, 2003.

On Argentia's economic performance during the 1990s and comparisons with Turkey, see Barry Eichengreen, ‘Crisis Prevention and Management: Any New Lessons from Argentina and Turkey?’, mimeographed, Department of Economics, University of California Berkeley, 2001; and Ziya Öniş, ‘Argentine Crisis, IMF and the Limits of Neoliberal Globalization: A Comparative View from Turkey’, mimeographed, Department of International Relations, Koç University, Istanbul, 2002, available at <http://home.ku.edu.tr/~zonis/THELIMITSOFNEO.PDF>. Specifically on the Argentine privatization experiment, see Luigi Manzetti, Privatization in South American Style (Oxford; New York: Oxford University Press, 1999).

See Heath W. Lowry, ‘Betwixt and Between: Turkey's Political Structure on the Cusp of the Twenty-First Century’, in Morton Abramowitz (ed.), Turkey's Transformation and 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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