
EPISODE 7

GROSS DOMESTIC PRODUCT, PRODUCTION STRUCTURE AND GENERAL EQUILIBRIUM GOALS OF ECONOMY SPECIFIC TO DEVELOPMENT PLANS IN TURKEY BETWEEN THE YEARS 1980-2000

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Introduction

Immediately before the establishment of the Republic of Turkey, the policy of the Turkish economy was determined in Turkey Economic Congress (1923) held in İzmir where final military victory was obtained.

The papers in the congress were collected in a book titled “Our Principles of Economics”. On the other hand, the congress that took place during the period when Lausanne Talks were suspended can be handled multi-dimensionally. The common feature of these dimensions is the emphasis of M. Kemal Atatürk, Kazım Karabekir and other speakers on “independence” in economy and foreign policy.

It was adopted that the Republic of Turkey, which would be founded in the congress, would develop with the National Economy model and decisions were taken related to partial liberal properties under the name “Pact of Economics” and “Farmers, Merchants, Principles Regarding Industrialists ‘and Workers’ Groups”.

The traces of these decisions which were taken in the Turkish Economic Congress may be seen in the Ottoman Empire. Seyitdanlıoğlu (1996) stated that the Ottoman statesmen aimed to establish a state structure with a liberal understanding of their own, instead of taking as an example France and England, where liberalism was born and developed, after the Tanzimat was declared. As an example of the works written in the period, Müntahabât-ı sar ‘, in which Sâdık Rıfat Pasha introduced liberal ideas to the Ottoman public, and “Mebâdî-i İlm-i Servet-i Milel” of Sakızlı Ohannes Pasha who gave economics lessons at Mekteb-i Mülkiye and was influenced by Adam Smith’s liberal understanding of economics. Such examples can be multiplied, and it can be seen that the liberal thought peculiar to the Ottoman Empire flourished in the works, articles and policies written with the Tanzimat. During the Committee of Union and Progress (1913-1918), the idea of National Economy started to flourish under the influence of intellectuals such as Ziya Gökalp and Yusuf Akçura (Ergin, 2017). Varlı and Koraltürk (2010) stated adoption of national economic policy, on the basis of Turkification of the

economy as continuity in the transition to Turkey from the Ottoman Empire Republic in the decisions taken at the İzmir Economy Congress in terms of economic policy.

The Turkish Nation lost an important part of the trained manpower, which is one of the most important factors of economic power, in the Balkan Wars and the First World War. Despite all the negative events experienced, the War of Independence was won and the Republic of Turkey was founded. Grand National Assembly of Turkey (Parliament), initiated development attempts using scarce resources compared to its contemporaries based on the idea that full independence could be gained through economic independence.

In 1929, because of the great economic crisis affecting the world and appeared in the USA, Republic of Turkey chose Soviet Development model/plan instead of western development it took as an example in development initiatives. The First Five-Year Industrial Plan (BBYSP) included an understanding of import substitution that envisages the production of basic consumer goods domestically, and it was designed to establish about 20 publicly owned factories in the fields of textile, mining, ceramics, cellulose and chemistry. The basic philosophy of the Industrial Plans prepared before the Development Plans is the establishment of economic independence and industrialization by using national resources, thus exceeding the position of the surrounding country in the international division of labor (Soyak, 2003; Akman & Meydan, 1938).

Economic Development is implemented within the framework of a system / model. Alkin (2009) defines the economic system as the social organization in which the ways to maximize the welfare of the society are determined. He also stated that the amount of production and distribution channels is formed by the price mechanism and the markets in the capitalist system. In the socialist system, central authority decisions and central plans have replaced the price mechanism and the market (Alkin, 2009).

Although the Concept of Development is associated with the concept of economic growth, it is broader than growth and refers to the change and renewal of the social, cultural and political structures as well as the change of the economic structure of the society (Küçüköğlü, M., Taş, H. Y., & Ercan, H) In this context, the Development Plans can be defined as macro plans that deal with the whole economy, the relations between economic and social factors with a long-term integrated perspective and have an imperative feature, energy, tax and credit exemptions for the public sector, and a guiding, legal and technical features for the private sector in the medium and long term (Team, A., 2011). The concept of growth is the real increase in production capacity or real gross domestic product in a country within a year and can be measured numerically (Küçüköğlü et al., 2018).

Turkey implemented a liberal trade policy during the period 1950-1960. With the establishment of the State Planning Organization (DPT), the planned development

period started. The Turkish plan model is obligatory for the public sector and guiding for the private sector. The targets and instruments that serve as orders for the public sector are guiding for the private sector and do not contain any sanctions (Eğilmez & Kumcu, 2015).

An import substitution perspective is included in the development plans prepared until 1980. In general terms, rapid industrialization and higher foreign exchange savings were targeted with this approach (Özcan, B. & Özçelebi, O. 2013). Kuruç (1998: 77) He stated that the most successful plan in terms of achieving its goals is a Five-Year Development Plan among the development plans prepared in the period between 1960-1980. In the post-1960 period, economic growth accelerated with the “import substitution” orientation and the average annual growth rate between 1960-1980 was 6%.

Takım (2011) examined the fiscal policies in the development plans prepared for the 1960-1980 period. He stated that the targets foreseen in the first and second plans were achieved to a large extent with tight fiscal policies such as reducing public expenditures and increasing taxes. He emphasized that the reasons for not achieving the goals in the third and fourth development plans were first of all, the open financing policy implemented to meet the additional financing need caused by the deterioration of the budget discipline, the oil crisis and insufficient external resources.

The Turkish economy entered into an economic crisis during the 1970-1980 period due to the significant increase in world oil prices and the import substitution policies implemented. The 1974 Cyprus War and internal turmoil throughout the period negatively affected the country’s economy. With the effect of the devaluations in the Turkish Lira, the costs of energy imports increased and the balance of payments deteriorated. Due to the negative developments in politics, economic instability was observed. As a result of the 1980 military coup, 5th Five-Year Development Plan (1979-1983) was suspended.

There were changes in the concept of economic planning throughout the world since the 1980s. In his study, Akçay (1980, p. 40) referred to Agarwala, one of the World Bank experts, stating that the planning experiences in the process until the 1980s did not provide as much benefit to the development effort of less developed countries as they expected. He also emphasized that the administrative, technical and political problems experienced in this process negatively affected the economies of these countries. These changes are qualitative and went beyond the reduction of the nation-state’s regulatory power in the economy. Especially in developing countries, integrated development planning turned towards strategic planning, and the effect of globalization increased in development plans (Soyak, Alkan, 2003). This transformation also influenced the Turkish Economy and was effective in determining neo-liberal policies instead of statist policies in the development plans prepared since 1980.

It is seen that the Shock Doctrine was implemented by Thatcher and Reagan Governments in the UK and USA, respectively, following the unsuccessful Chile example. Through the IMF and the World Bank, it can be said that neo-liberal policies have become widespread throughout the world with shock therapy expressed as “structural adjustment” to developing countries.

The governments established after 1980 in Turkey adopted an approach that was based on opening to foreign countries and export in their development plans. It is seen that the economy in our country differed sharply from the period before 1980 due to the radical changes experienced. In this study, the structure of the Gross Domestic Product and the general balance targets of the economy, which are included in the development plans prepared in the 1980-2000 period, have been analyzed according to their realization levels.

Five-Year Development Plans 1980-2000

Fourth Five-Year Development Plan (1979-1983)

Öney (1980) stated that the Fourth Five-Year Development Plan was based on a strategy that would provide the solution of the economic problems experienced in the 1970s and strengthen the economy. The Fourth Five-Year Plan includes economic and social objectives such as making progress in industry, creating modern technologies, utilizing resources efficiently, improving income distribution, and solving the problem of unemployment, especially ensuring a stable development.

In the 4th Five-Year Development Plan, the annual average growth of the Gross National Product (GNP) is 8%, agriculture 5.3%, services 8.5%, industry 9.9%. In line with these goals, it is aimed to increase the share of industry and to decrease the share of agriculture in GNP. It is aimed to grow the industrial sector through structural changes (increasing the share of intermediate and investment goods). The plan emphasizes on increasing exports and savings. With the military coup of September 12, 1980, the government that prepared the Fourth Five-Year Development Plan was dismissed, so the plan could not be implemented.

With the stabilization program, which entered into force on January 24, 1980 and known as the January 24 Decisions, it was aimed to increase the growth rate and exports, to take control inflation and reduce it, and to turn to a market economy. The January 24 decisions and stand-by agreements with the IMF were the determinants of the developments experienced during the period. The civil government, which came to power with the entry into force of the 1982 Constitution, ruled this period with annual programs.

The Turkish was devalued with the “stand-by” agreement signed with the IMF. Free

interest started to be applied with the reduction of the money supply. It was aimed to reduce public expenditures and minimize subsidies. Legal arrangements were made for foreign capital investments and the exchange rate began to be set flexible and daily. Exporters were supported for the development of foreign trade. With the transition to an export-oriented development strategy, an increase in foreign currency revenues was desired. Therefore, with the reduction of domestic demand, legal regulations for the export of surplus commodities started to be implemented. In this context, it can be stated that the basic idea of the January 24 Decisions was the incentives and legal regulations for private sector development in order to ensure financial stability and growth in the Turkish economy.

During this period (1979-1983), it is seen that the inflation rate fell after a stressful 10 years, which included the oil crisis, the Cyprus War, political and social turmoil, and the military coup with the effect of the 24 January decisions. We can say that the first steps were taken in the growth that came to a halt and tourism revenues increased.

Fifth Five-Year Development Plan Period (1985-1989)

After the 1982 Constitution came into force, the first government that was elected, implemented a “transition program” in preparation for the development plan. The Fifth Five-Year Development Plan (FFYDP) entered into force on 13th July 1984. Structural change that provided integration with the foreign countries was initiated in the FFYDP. In this context, emphasis was placed on increasing exports and domestic savings and decreasing the inflation rate. In the industrialization policy, necessity for making investments in export was emphasized. In the plan, it is expected that the GDP will reach 16,308.9 billion TL in 1989 from 12,009.4 billion TL / in 1984 with an annual average increase of 6.3 percent in market prices. The goals of the GDP structure in the development plan are included in Table 1.

Table 1. Targets for the Structure of Gross Domestic Product in the FFYDP

Sector	Average Growth Rate	Share in GNDP	
		1984	1989
Industry	%7,5	%31,9	%33,7
Services	%6,5	%50,4	%50,8
Agriculture	%3,6	%17,7	%15,5

Source: Fifth Five-Year Development Plan

When Table 1 is analyzed, it is aimed that the annual average growth rates of Industry, Services and Agriculture will be 7.5%, 6.5% and 3.6%, respectively. In addition, the shares of Industry, Services and Agriculture in GDP are expected to be 33.7%, 50.8% and 15.5%, respectively, at the end of the period.

Targets belonging to the production structure included in the development plan are

included in Table 2. When Table 2 is analyzed, there is industrial production with a growth target of 7.5%. It is seen that the highest growth rate in industrial production is Energy production with an increase of 11.2%. The annual growth rates of Investment Goods and Intermediate Goods, which are important in increasing exports, are targeted at 9.7% and 7.3%, respectively. It is seen that the highest growth target in the agriculture sector is the livestock sector with 4.7%. Construction Sector takes the first place with 8.6% growth in the Service Sector.

Table 2. Targets for the Structure of Production in the Five-Year Development Plan

Sectors	1984 Beginning of the Period		End of the Period 1989		
	Production Value	Intra-Sector %	Production Value	Intra-Sector%	Growth %
1. AGRICULTURE	3428,6	100	4092,3	100	3,6
a. Herbal Production	2008,4	58,6	2322,7	56,8	3
b. Farming	1129,2	32,9	1417,7	34,6	4,7
c. Forestry	245,3	7,2	285,5	7	3,1
d. Fisheries	45,7	1,3	66,4	1,6	7,7
2. INDUSTRY	10399,6		14901,8		7,5
a. Mining	419,4		596,2		7,3
b. Manufacturing Industry	9505	100,0	13497,2	100	7,3
i. Consumer Goods	4347,9	45,7	5937,5	44	6,4
ii. Intermediary Goods	3883,7	40,9	5532,3	41	7,3
iii. Investment Goods	1273,4	13,4	2027,4	15	9,7
c. Energy	475,2		808,4		11,2
3. SERVICES	7928,6	100	10832,6	100	6,4
a. Construction	1066	13,4	1608,3	14,9	8,6
b. Trade	22823	28,8	3187,1	29,2	6,8
c. Transportation-Communication	1846,8	23,3	2508,1	23,2	6,3
d. Financial Bodies	372,8	4,7	433,4	4	3,1
e. Housing Ownership	569,4	7,2	792,7	7,3	6,8
f. Self Employed	894,3	11,3	1185	10,9	5,8
g. Government Services	897,1	11,3	1138	10,5	4,9
Total Gross Production	21756,8		29826,7		6,5

Source: Fifth Five-Year Development Plan

General Balance Targets of the Economy

Information on the general balance targets of the economy is included in Table 3. When Table 3 is examined, there are proportional targets for increasing investments and savings and reducing the Foreign Deficit and consumption expenditures according to the shares in GNP.

Table 3. General Balance Targets of the Economy Shares in GNP at Prices in the year 1983

	1984	1985	1986	1987	1988	1989
GNP	100,00	100,00	100,00	100,00	100,00	100,00
Foreign Deficit	2,32	2,09	1,93	1,75	1,52	1,39
Total Sources	102,32	102,09	101,93	101,75	101,52	101,39
Total Investments	19,69	20,08	20,48	20,89	21,33	21,87
Fixed Capital Investment	18,88	19,11	19,46	19,89	20,36	20,9
Public	11,34	11,37	11,41	11,48	11,53	11,6
Private	7,53	7,74	8,04	8,41	8,83	9,3
Change in Stock	0,81	0,97	1,02	1	0,97	0,97
Public	-0,12	0,07	0,06	0,06	0,05	0,04
Private	0,93	0,9	0,96	0,95	0,92	0,93
Total Consumption	82,63	82	81,45	80,86	80,19	79,52
Kamu Har, Geliri	16,03	15,6	15,81	15,90-	18,01	16,13
Public Consumption	9,88	9,83	9,75	9,65	9,53	9,42
Public Savings	6,14	5,77	6,06	6,25	6,48	6,71
Public Investment	11,22	11,44	11,48	11,53	11,59	11,64
Public (S-I) Difference	-5,08	-5,68	-5,42	-5,29	-5,11	-4,94
Özel Har, Gelir	83,97	84,4	84,19	84,1	83,99	83,87
Private Consumption	72,75	72,17	71,7	71,21	70,66	70,1
Private Savings	11,23	12,23	12,49	12,89	13,33	13,78
Private Investment	8,47	8,64	9	9,36	9,74	10,23
Private (I-S) Difference	2,76	3,59	3,48	3,53	3,59	3,55
Total Domestic Savings	17,37	18	18,55	19,14	19,81	20,48

Source: Fifth Five-Year Development Plan

Considering the Fifth Five-Year Development Plan Period, GNP increased by 6.0 percent on an annual average. It can be said that the unemployment problem decreased to a certain extent with the rapid growth experienced during the period. The ratio of exports to imports increased from 62.0 percent in 1983 to 82.3 percent in 1988. Thus, the ratio of foreign trade deficit to GNP also tended to decrease.

Below are examples of the transformation in the Turkish Economy in the Fifth Plan period.

- The foreign exchange legislation was regulated and citizens were enabled to have

foreign currency (1984).

- Value Added Tax entered into force (1984)
- Private Finance Institutions, the first examples of Islamic Banking, were established. Al Baraka Türk A.Ş. (1985) and Faisal Finans Kurum A.Ş. etc. (1985).
- Creating funds for infrastructure investments by bringing new tools to the Capital Market (Bosphorus Bridge etc.)
- Opening of Turkish banks to foreign countries, accelerating the inflow of foreign capital by regulating foreign bank activities
- Establishing Free Zones
- Establishment of Export Credit Bank of Turkey (Turkish EXIMBANK)
- Application for full membership to the European Community on April 14, 1987,
- Under the leadership of the Central Bank; Interbank Money Market in 1986,
- The Foreign Exchange Market in 1988 and the Gold Market in 1989 were put into service.
- Establishment of Istanbul Stock Exchange (ISE) (1989)

During the 5th Five Year Plan period, public deficits could not be reduced to the targeted level. Consolidated Budget revenues did not increase at the expected level, despite significant changes in tax legislation. One of the factors that increase the Consolidated Budget deficit can be considered to be the increased transfer expenditures due to domestic and foreign debt interest payments. The public's loan requirement increased due to domestic and foreign debt principal payments.

Sixth Five-Year Development Plan Period (1990-1994)

In the Sixth Five-Year Development Plan, in order to eliminate the negative consequences of the previous development plan; Improving income distribution, reducing unemployment and regional and regional development inequalities in a rapid, balanced and stable development process has been determined as the general objective.

The Sixth Five-Year Development Plan (ABYKP) was approved by the Turkish Grand National Assembly on June 22, 1989. This plan is the second plan prepared by the same government during the development period. In the Sixth Five-Year Development Plan period, it was aimed to increase the GNP by an average of 7.0 percent per year with

fixed prices. Thus, the GNP that was 103.692.0 billion TL in 1989 reached to 145,547.2 billion TL in 1994. During the plan period, an increase of 41.855.2 billion TL in the GNP was achieved in 1988 prices. GDP, on the other hand, increased by an average of 6.8 percent annually in constant prices and was 104,545.6 billion TL in 1989 and reached to 145,317.0 billion TL in 1994. Net factor revenues from abroad were expected to become positive in the last years of the Plan period and reach 230.2 billion TL in 1994 with fixed prices. During the Plan period, GNP per capita in 1988 prices increased at an annual average rate of 4.6 percent and reached from 1.877 thousand TL in 1989 to 2.354 thousand TL in 1994. The Targets of the Structure of the Gross Domestic Product in the plan are included in Table 4.

Table 4. Targets for the Structure of Gross Domestic Product in SFYDP

Sector	<u>Average Growth Rate</u>	<u>Share in GDP %</u>	
		1989	1994
Agriculture	4,1	15,8	13,9
Industry	8,1	36,7	39
Services	6,7	47,5	47,1

Source: Sixth Five-Year Development Plan (SFYDP)

Structure of Production

When the production structure targets in the Sixth Five-Year Development Plan are analyzed, the target of the annual average production growth rate in fixed prices was 4.2% in the agricultural sector; 8.4% in the industrial sector and 6.9% in the service sector. In line with these goals, it was aimed that the share of the agricultural sector in total production decreased from 13.2 percent to 11.4 percent, the share of the industrial sector increased from 46.7 percent to 49.2 percent, and the share of the service sector decreased to 39,4 to from 40.1 percent.

Estimates regarding the intra-sector changes and growth rate of the targets of the production structure in SFYDP by sectors are given in Table 5 below. When Table 5 is analyzed, it is expected that the Total Gross Production will increase by 7.3% at the end of the period. The average growth rate in the agricultural sector is targeted to be 4.2%. When the growth rate within the agriculture sector is analyzed, the highest growth rate is expected to be Fisheries with a rate of 7.7%.

It is expected that the highest increase in Total Gross Production will be in industrial production (at 8.4%). Investment Goods (11.2%), Energy, Gas, Water (11.2%), which were included in industrial production, were prioritized. When the service sector is analyzed, we see that a growth rate of 6.9% was targeted. In the intra-sector development of the service sector, it was expected that public services would grow 4.5% and shrink within the sector.

Table 5. Targets of the Production Structure of SFYDP

Sectors	1989		1994		
	Production Value	Intra-Sector %	Production Value	Intra-Sector%	Growth %
I. AGRICULTURE	26277,4	100	32279,1	100	4,2
a. Herbal Production	14598,6	55,6	17527	54,3	3,7
b. Farming	8622,3	32,8	10950,2	33,9	4,9
c. Forestry	1787,4	6,8	1963	6,1	1,9
4. Fisheries	1269,1	4,8	1838,9	5,7	7,7
II. INDUSTRY	92597,1		133576,1		8,4
a. Mining	3653,7		4951,1		6,3
b. Manufacturing Industry	84416,1	100	125741,7	100	8,3
i. Consumer Goods	32456,2	38,4	47447	37,7	7,9
ii. Intermediate Goods	38112,1	45,2	54793,4	43,6	7,5
iii. Investment Goods	13847,8	16,4	23501,3	18,7	11,2
c. Energy, Gas, Water	4627,3		7883,3		11,2
III. SERVICES	79505,7	100	110990,8	100	6,9
a. Construction	12725	16	18735,5	16,9	8
b. Trade	25740,2	32,4	36440,3	32,8	7,2
c. Transportation, Communication	23960	30,1	33325	30	6,8
d. Financial Bodies	3301,8	4,2	4426,6	4	6
e. Household Ownership	4479	5,6	5939,9	5,4	5,8
f. Personal and Professional Services	3964,8	5	5469,2	4,9	6,6
g. Public Services	5334,9	6,7	6654,3	6	4,5
Total Gross Production	198480,2		281846		7,3

Source: 6th Five-Year Development Plan

General Balance Targets of the Economy

In spite of targeting an annual average increase of 7.0 percent in fixed prices in the Plan period; 1.911.6 billion TL in 1989, 5.847.5 billion TL in 1994. Total resources used in the economy are expected to increase by an average of 6.5 percent annually, depending on the external surplus. During the plan period, it is aimed to increase the total investments by an average of 9.2 percent per year. When Table 6 is analyzed, it was 38,905.6 billion TL in 1994, compared to TL 25,091.2 billion in 1989. The level is expected to be reached. 161,310.2 billion TL with fixed prices planned for this period. 155.388.4 billion TL of the total investment is due to fixed capital investment and the remaining 5.921.8 billion TL is due to stock increase. The ratio of external surplus to GNP, which was 1.8 percent in 1989, was projected to be 4.0 percent in 1994.

Table 6. Targets for the General Balance of the Economy

	1989(1)	1990	1991	1992	1993	1994
GNP	103692,00	109592,00	116825,10	125119,70	134628,80	145547,20
Foreign Deficit	-1911,6	-2371,6	-3419,8	-4457	-5379,3	-5847,5
Total Sources	101780,4	107220,5	113405,4	120662,8	129249,5	139699,7
Total Investments	25091,2	26864,8	29058,5	31655,3	34826	38905,6
Fixed Capital Investment	24591,6	26060,7	27993,6	30452,7	33468,9	37412,5
— Public	10617,5	10983,7	11532,8	12138,3	12805,9	13535,8
— Private	13974,1	15077	16460,8	18314,4	20663,0	23876,7
Change in Stock	499,6	804,1	1064,9	1202,6	1357,1	1493,1
— Public	343,3	644,1	900,9	1035,3	1148,8	1315,6
— Private	156,3	160	164	167,3	208,3	177,5
Total Consumption	76689,2	80355,7	84346,8	89007,5	94423,5	100794,1
Public Disposable Income	17870,5	19127	20572,5	21867,5	23464,4	25206,2
Public Consumption	9095	9485,9	9903,3	10348,9	10825,0	11333,7
Public Saving	8775,5	9641,1	10669,3	11518,6	12639,4	13866,5
Public Investment	10960,8	11627,8	12433,7	13173,6	13954,7	14851,4
Public Saving-Investment Difference	-2185,3	-1986,7	-1764,5	-1655	-1315,3	-985
Private Disposable Income	85821,5	90465,1	96252,6	103252,2	111164,4	120347
Private Consumption	67594,2	70869,8	74443,6	78658,5	83598,6	89460,3
Private Savings	18227,3	19595,3	21809	24593,7	27565,8	30886,7
Private Investment	14130,5	15237	16624,8	18481,7	20871,3	24054,2
Private Savings-Investment Difference	4096,9	4358,3	5184,2	6112	6694,5	6832,5
Private Savings Rate	21,2	21,7	22,7	23,8	24,8	25,7
Total Domestic Savings	27002,8	29236,4	32478,3	36112,3	40205,2	44753,1
Fixed Capital Investment / GDP	23,70	23,80	24,00	24,30	24,90	25,70
Domestic Savings / GDP	26	26,7	44070	28,9	29,9	30,7

Source: 6th Five-Year Development Plan

Seventh Five-Year Development Plan Period (1996-2000)

The Seventh Five-Year Development Plan focuses on institutional and legal regulations more compared to previous plans. In addition, it is aimed to bring human capital to

the fore, to ensure sustainable growth, increase the welfare of the society, increase employment and ensure justice in income distribution (Özdemir, V.,2014).

In the Plan period, it is estimated that the annual average increase in value added by main sectors will be 2.9-3.7 percent in the agricultural sector, 6.0-7.7 percent in the industrial sector and 5.1-6.8 percent in the services sector (Table 7). Thus, at the end of the Plan period, the share of the agricultural sector in GDP is expected to decrease from 15 percent to around 13 percent, on the other hand, the share of the industrial sector will increase from 25.8 percent to 27 percent, and the share of the services sector is expected to remain around 59 percent.

Table 7. Targets of the Structure of Gross Domestic Product in the 7th FYDP

Sector	Average Growth rate	Share in GDP %	
		1995	2000
I. Agriculture	2,9 - 3,7	15,0	13,5 - 13,0
Ii. Industry	6,0 - 7,7	25,8	27,0 - 27,2
Iii. Services	5,1 - 6,8	59,2	59,4 - 59,8

Source: 7th Five-Year Development Plan

Structure of Production

During the Plan period, it is expected that the increase in fixed prices in the agricultural sector will be by 2.9-3.7 percent, in the industrial sector by 6.0-7.8 percent, in the services sector by 4.9-6.8 percent and the total production increase was 5.2-6 percent (Table 8).

Table 8. Targets of the Production Structure of the 7th Five-Year Development Plan

SECTORS	1995 (1)	1995 Percentage Distribution	1995 - 2000 Annual Average Percentage Change		2000 Percentage Distribution
Agriculture	826,1	12,4	2,9	- 3,7	11,2 - 10,7
Industry	2 777,8	41,8	6,0	- 7,8	43,6 - 43,7
Services	3 039,1	45,8	4,9	- 6,8	45,2 - 45,6
TOTAL	6 643,0	100,0	5,2	- 6,9	100,0 - 100,0

Source: 7th Five-Year Development Plan

General Balance Targets of the Economy

In the 7th Five-Year Development Plan, two different scenarios based on econometric estimates were prepared differently from previous plans. Accordingly, it is estimated that the real increase in GDP will be between 5.0-6.6 percent annually.

- Annual increase in net external factor revenues of 5.5-7.1 percent
- The share of foreign resources in GNP is between 4.2 and 3.2 percent at the end of 2000

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- An annual average increase of 6.3-7.6 percent in total demand
 - Increase of total investments at an annual average rate of 8.8-12.3 percent and its share in GNP from 22.1 percent in 1995 to 25.8-28.1 percent in 2000
 - Average 5.5-6.1 percent increase in total consumption expenditures
 - Private consumption increased by an annual average of 5.9-6.6 percent and public consumption increased by 2.7-2.6 percent
 - Due to the increase in public revenues and the decrease in interest expenditures, the share of public disposable income in GNP is expected to increase from 7.6 percent in 1995 to around 12 percent in 2000, at fixed prices.

In order to realize the foreseen growth, a fixed capital investment of 5.604.6-6.439.3 trillion TL should be made at 1994 prices during the Plan period. It is expected that 4.280.9-4.918.5 trillion TL of the total fixed capital investments will be realized by the private sector and 1.323.7-1.520.8 trillion TL by the public sector.

Evaluation of Development Plans in Terms of GDP, Production Structure and General Balance Targets of the Economy

In Turkey, economic liberalization, which was located in the center of the stabilization program implemented in 1980 and has been an integral part of economic policy since then. The theoretical core of the economic reform program is to achieve efficiency in the allocation of scarce resources and channel unproductive resources to investment and thus stimulate economic growth. (Kar, M., Peker, O., & Kaplan, M. 2008).

In the 1980-2000 period, 4 different development plans were prepared. The first two of these plans were prepared and implemented by the same government led by the prime minister. In the period of 1990-2000, development plans were prepared by different coalition governments amounting to 11.

It may be thought that political instability led by the fact that Turkey was governed by 11 different governments in the period 1990-2000 adversely affected the Turkish economy. In Table 9, information including the governments established during the period, their terms of office, negative developments and the 6th and 7th Five-Year development plans are included.

Table 9. Governments Established in 1990-2000 Period, Terms of Office, Major Events

Government	Date	Term of Office (Day)	Events	
47.Government	9 November 1989 – 23 June 1991	591	1. Gulf War	6th Five-Year development plans
48.Government	23 June 1991 – 20 November 1991	150	1994 Crisis	
49.Government	20 November 1991 – 16 May 1993	541	5 April Stability Program	
50.Government	25 June 1993 – 5 October 1995	832		
51.Government	5 October 1995 – 30 October 1995	25		
52.Government	30 October 1995 – 6 March 1996	128	Customs union agreement	7th Five-Year development plans
53.Government	6 March 1996 – 28 June 1996	114	February 28 Government Coup	
54.Government	28 June 1996 – 30 June 1997	367	1997 Asian Crisis	
55.Government	30 June 1997 – 11 January 1999	560	1998 Russian Crisis	
56.Government	11 January 1999 – 28 May 1999	137	Marmara Earthquake	

The graph of the growth rates targeted in the five-year development plans covering the period 1980-2000 and the actual growth rate are shown in Figure 2. As a result of the internal turmoil in the 1970-1980 period and the subsequent coup, the growth rate was at its lowest. It is seen that the scissors gap targeted and realized in the 5th Five-Year Development Plan was more successful than the other plans. The impact of the 94 crisis in our country affected negatively the growth targeted for 6th FYDP. The targeted growth rate of the 7th FYDP could not be reached due to the 1998 World Financial Crisis and internal dynamics.

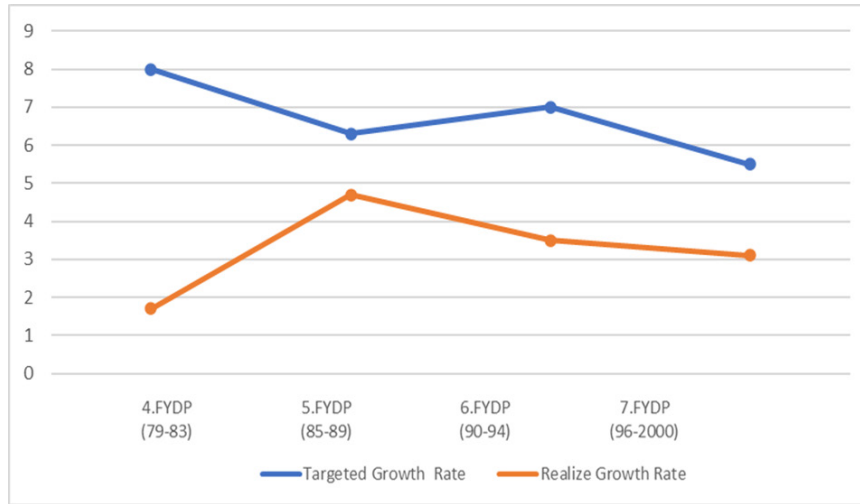


Figure 1. Targeted and Actual Growth Rates for the 1998-2000 Period

Source: Turkish Statistical Institute

Information on the shares of sectors in GDP in the period of development plans we are examining is given in Figure 2 below. When Figure 2 is examined, it can be said that there is no significant change in the shares of the sectors in GDP.

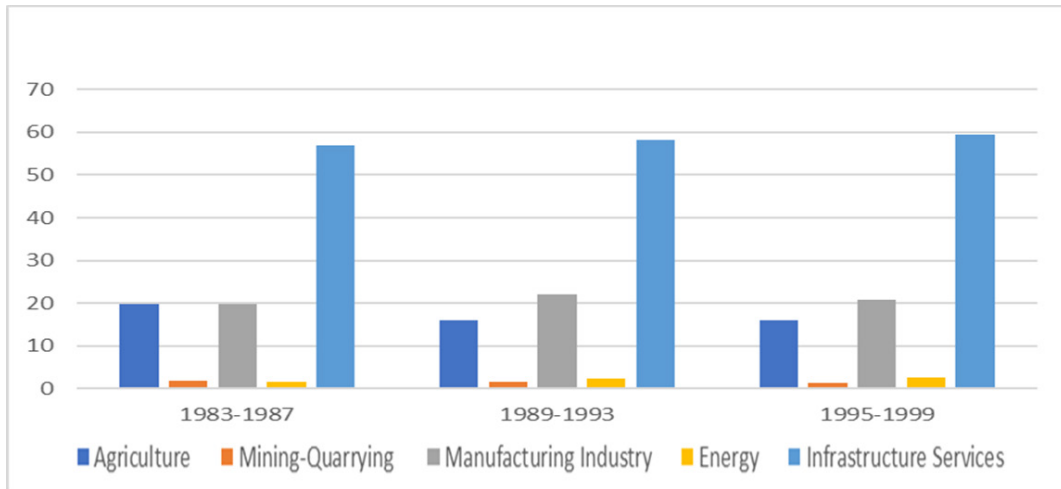


Figure 2. Shares of sectors in GDP

Source: Turkish Statistical Institute

Information on the growth rates of the sectors is given in Figure 3 below. According to Figure 3, the average annual growth rate of the sectors was 1.2% in agriculture; mining and quarrying 2.5%; manufacturing industry 7.5%; energy 8%. We can say that the growth slowed down after 1995 in general.

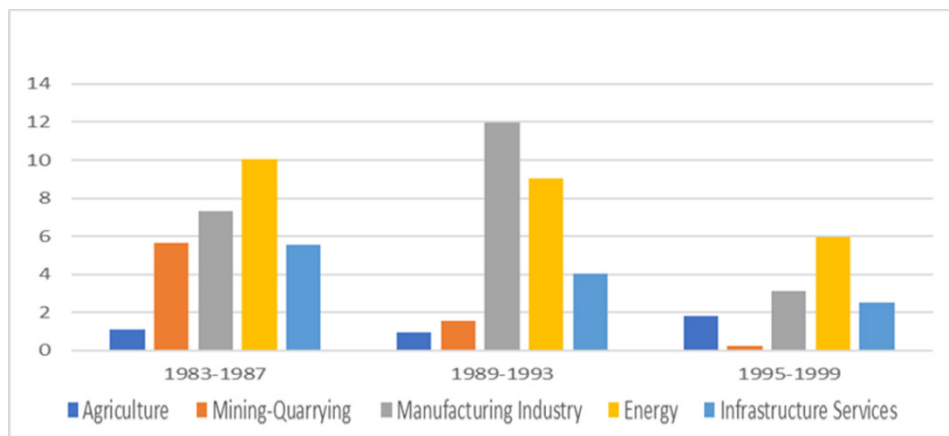


Figure 3. Growth Rates of Sectors

Source: Turkish Statistical Institute

Although the goals in the development plans were diversified, economic stability could not be achieved. We can find an answer to the question of why there was no stability by looking at the Consolidated Budget expenditures. Distribution of Consolidated Budget Expenditures by Administrative / Functional Expenditures is given in Table 10.

Table 10. Breakdown of Consolidated Budget Expenditures by Administrative / Functional Expenditures in the 1980-2000 Period

	1983	1985	1987	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
1. General Administrative Services	54,4	50,4	46,8	40,6	37,4	41,6	38,9	39,4	38	39,7	37,9	45,4	36,2	38,6	33,8
General Services	30,7	25,9	26,6	24,2	19	24,3	20,1	24	22	23,8	24,3	30,6	22,2	25,1	21,3
Defense	20,1	21	16,3	13	13,3	12,1	13,5	10,9	11,9	11,9	10,1	10,9	10,4	10,1	9,5
Justice-Safety	3,6	3,5	3,7	3,4	5,1	5,2	5,3	4,5	4,1	4	3,5	3,9	3,6	3,4	3
2.. Economic Services	22,3	22,8	20,6	15,5	16,7	17,3	17	14,8	10,8	10,1	9,3	10,2	7,9	7,6	9,1
Agriculture-Forestry-Rural Affairs	5,8	5,4	5,2	4,3	5,7	6,6	6,2	5,2	3,9	3,3	2,8	3	2,4	2,6	2,6
Water Works	5,5	7,1	7,7	5,8	5,6	5,6	5,2	4	2,8	3,1	2,8	3,2	2,4	2,3	2,3
Highways	4,7	4,9	3,9	2,9	3,1	3,2	3,1	2,9	2,3	2,2	2,1	2,4	2	1,8	1,8
Public Works	3,7	3,2	2,1	1	1,5	1,3	1,7	2	1,2	1	1,1	1	0,8	0,6	1,9
Transportation	2,2	1,8	1,3	1	0,5	0,4	0,5	0,3	0,3	0,3	0,3	0,3	0,2	0,2	0,2
Mining	0,4	0,4	0,4	0,5	0,3	0,4	0,4	0,4	0,3	0,2	0,2	0,3	0,1	0,1	0,3
3. Social Services	15,7	15,6	15,9	15,9	25,5	22,9	26,1	22,1	18,1	16,6	15,1	16,2	16,3	15,6	13,3
Education	12	11,6	11,6	12,1	18,8	17,3	19,7	16,6	13,4	12,2	11	11,9	12,4	11,8	10,1
Health	2,6	2,7	3	12,6	4,7	4	4,7	3,9	3,5	3,3	3	3,2	3	2,9	2,4
Culture-Tourism	1,1	1,3	1,3	1	0,9	0,7	0,8	0,7	0,6	0,5	0,5	0,5	0,4	0,4	0,4
Other Social Services	0	0	0	2	1,1	0,9	0,9	0,9	0,6	0,6	0,6	0,6	0,5	0,5	0,4
4. Loan interest payment	7,6	11,2	16,7	28	20,4	18,2	17,9	23,7	33,1	33,4	37,8	28,2	39,6	38,2	43,8

Source: Konukman, A. (s:53, 2003).

When Table 10 is analyzed, it is seen that the biggest increase in expenditure items in the consolidated budget was in debt and interest payments. When we look at what was done during the period, not what the development plans state, we can see the unsustainable increase in borrowing and interest expenses. Thus, it can be said that the goals in the prepared development plans could not be achieved.

Conclusion

Turkey opted for an outward-oriented economy model instead of the import substitution policy in economic policy in the post-1980 period. Thus, new financial and economic regulations were implemented, and particularly, Turkey was integrated into the outside world with the enactment of practices which encourage foreign trade. There are a number of special cases of the 1980-2000 period that form the basis of the study. The analysis to be made on the aforementioned process will be incomplete and insufficient, ignoring the conditions of the current period. Therefore, the relationship between development plans and some macroeconomic indicators cannot be handled within the framework of these two parameters alone.

We can list the developments and factors affecting these two factors in the said period in general terms as follows;

- 1-The years of the 1980s were a period in which liberal political movements and practices were based on privatization, not policies based on planning.
- 2-Turkey became one of the 3 pioneering countries in the world (US, United Kingdom and Turkey) in liberal economic approaches that appeared. While

the governments of Turgut Özal introduced the country to the world economy with their privatization practices and open policies in the said period, they also pioneered liberalist practices.

3-Intense political problems, internal political and financial instabilities and regional-global negative developments that necessiated an evaluation separating the period 1990-2000 from 1980s.

These three realities, whose general framework we determined, had a strong content that would affect the correlation between the aforementioned two parameters. It was observed that the economic and social contributions of development plans were felt before the society. An interesting success of the development plans realized on the liberal ground was observed.

In 4 different planned periods, the most successful periods are the periods when the 4th and 5th development plans were implemented, in which intense liberal policies were implemented. Is this situation, which seems like a contradiction, that liberal thought positively affected the success of planning practices that seem like an alternative to liberalism? This is the subject of discussion for a separate study. The planned development results that could be considered successful could not be obtained from the economic and political greenhouse of the 90s, which was full of adversities. It was concluded that development plans cannot positively affect macroeconomic indicators under unsuitable ground conditions.

This study revealed interesting details in terms of content. As a result, it is another finding of this study that development plans may be successful or unsuccessful under the influence of their conditions.

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