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**TURGUT OZAL: REFORMS, IDEOLOGICAL SEARCHES, AND
POLITICAL LEGACY**

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Abstract

Turkey claims today to be a political leader in the region and to be included in the top ten largest economies in the world. However, the ambitious plans of the country's leadership at the current stage look feasible. Exploring the formation of economic and political modern Turkey, the authors of the article turn to the phenomenon of the so-called *Turkish economic miracle* of the 1980s, the reforms of Prime Minister Turgut Ozal in the 1980s and 1990s, aimed at liberalizing the economy and political structure of the country. In 1980–1982 Ozal carried out reforms in the status of Deputy Prime Minister in the military-formed technical government of B. Ulus, and since 1983 in the status of Prime Minister. From November 1989 until his death in April 1993, T. Ozal held the chair of the President of Turkey. Despite the tangible initial successes, the activities carried out during this period had contradictory results. The rapid development of industry was provided by external loans, in particular loans from the International Monetary Fund, and, accordingly, the growth of external debt. At the turn of the 1980s–1990s inflation and budget deficit increased again, and corruption scandals took place, which caused a return to political turbulence after the death of T. Ozal in 1993. Thanks to T. Ozal, a middle class of entrepreneurs was formed, called the *Anatolian tigers*. This class was the social support for the victory in the 2002 elections of the Justice and Development Party, which still rules Turkey.

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1. Introduction

Throughout the second half of 2021, the Turkish economy was in a fever. The most striking external manifestation of the unhealthy situation in the country's financial system was the galloping inflation of the Turkish lira. The reason for such phenomena was the pressure of Turkish President Erdogan on the country's Central Bank to lower the key rate. The official pretext for such pressure was Erdogan's desire to stimulate investment growth and, in general, the export orientation of his economic program (Belyaev, 2021).

Due to the vicissitudes experienced by the Turkish economy, the experience of overcoming the crisis even more severe than the current one, known as the Turkish economic miracle, is becoming relevant again today. The creator is called Turgut Ozal, who alternately held the positions of Deputy Prime Minister, Prime Minister, and President of Turkey in 1979–1993.

2. Problem Statement

Usually, T. Ozal's activity in the field of economics is interpreted in the context of similar neoliberal reforms of the 1980s in the USA and Great Britain. However, it would be wrong to see him as an imitator of the economic policy of the Reagan and Thatcher administrations, the fact is that he formulated his own project of liberalizing the Turkish economy back on June 15, 1973, in his report to the leader of the Justice Party Suleiman Demirel. In 1979, as the head of the State Planning Organization, he sent all the same to Demirel, who by this time had re-occupied the chair of the Prime Minister of the country, a report of a similar content under the heading *Principles of a new vision of economic development*. With the support of the Prime Minister, Ozal introduces professional economists, technocrats to the organization headed by him (Uturgauri & Ulchenko, 2009).

According to T. Ozal, the main reason for the stagnation of the Turkish economy was the Kemalist principle of statism, that is, active interference in the economy by the state. In particular, he believed that protectionism made Turkish industry inefficient, uncompetitive, and expensive. Ozal argued, that strong state does not mean that it should be backward. The goal is not the wealth of the state, but the wealth of the nation. If citizens are rich, then the state is rich. In the spheres of economy and politics, the state should not suppress, but support the population. Society is not a servant of the state, but the state should be a servant of society (Sever & Dizdar, 1993). The economist was a supporter of encouraging private initiative of citizens, free competition in the economy. The share of public investment in the economy was over 50 % by the end of the 1970s (Kireev, 2007).

It is necessary to say a little about the state of the country's economy during this period. In 1979, even in large cities, the population stood idle in long queues for essential food. At the same time, it was impossible to purchase anything at the established official prices. The high cost was caused by rising fuel prices (Ulchenko, 2016).

On January 24, 1980, the new economic program was made public. The purpose of the program, which received its name on the above date, was to solve the problem of economic instability that dominated the country over the previous decade. As measures to achieve this goal, it was proposed to limit government spending by selling state-owned enterprises, reducing wages, introducing a free

exchange rate for the national currency, which, according to the plan of T. Ozal had to eliminate such factors of economic turbulence as the budget deficit, production cuts and the formation of a black market.

3. Research Questions

On September 12, 1980, a revolution took place in Turkey. The Prime Minister of the country and the heads of the leading parties were arrested. Unlike most of the other associates deposed by the military S. Demirel, T. Ozal not only retained, but even strengthened his former positions and was promoted to the post of Deputy Prime Minister. This fact can be explained by T. Ozal's close ties with international financial institutions, in obtaining loans from which the military elite was also interested. In addition, the military, who had their own program to restore political order in the country, had little understanding of the economy and saw in the *January 24 Program* the most acceptable plan for improving the economy (Uturgauri & Ulchenko, 2009).

In 1980–1983, thanks to the support of the military, who suppressed all resistance, the technical non-party government of B. Ulus, appointed Prime Minister on the advice of Ozal, created new labor institutions (arbitration councils) to replace the liquidated or weakened trade unions. Arbitration councils demanded that employers in no case dismiss employees. However, unemployment remained a serious problem throughout the 1980s.

As part of the implementation of the *January 24 Program*, large-scale privatization of state property, reduction of salaries, pensions and benefits, and an increase in taxes were carried out. Thanks to such measures, a regime of budget austerity was systematically implemented. The budget deficit decreased from 8 % in 1980 to 1.5 % in 1981–1982. Within one year, the newly appointed government managed to reduce the inflation rate by more than three times. At the same time, exports tripled (Ulchenko, 2016).

Naturally, not all successes can be explained only by the activities of the economic bloc headed by Ozal. Under the pressure of military and political factors (the Islamic Revolution in Iran and the entry of Soviet troops into Afghanistan), Turkey received significant economic assistance of \$4 billion from the Organization for Economic Cooperation and Development. The IMF and other international organizations have also accelerated the provision of loans to Turkey. However, Ozal also managed to secure the allocation of external loans to the country on relatively favorable terms. In the first three years, the IMF provided her with a loan of 1.2 billion. However, loans were allocated in subsequent years, albeit in a smaller volume. In addition, Turkey has received loans from the International Bank for Reconstruction and Development, the European Economic Community and Saudi Arabia. During the stabilization period, that is, from 1980 to 1985 (and loans were provided for this purpose), their total amount amounted to more than \$5 billion (Ershlag, 1988). At the same time, Turkey had to steadily fulfill all the agreed conditions aimed at reducing inflation and conducting a tight monetary and financial policy. Here it is permissible to draw a cautious parallel with the so-called *Chilean economic miracle*, which was also carried out under the tight control of the military and active US assistance.

The new Constitution of 1982 significantly expanded the rights of the Government, giving it the right to adopt instructions, having previously given them the force of law. However, in 1982, the collapse of the pyramids that had flourished in the previous two years broke out in the country. Despite the

absence of his own guilt in this phenomenon, Ozal, without waiting for his official resignation, resigned from the post of deputy Prime Minister. This decision was probably dictated by considerations of preserving reputation and confrontation with Evren, who defended statist principles in economics (Kireev, 2007). Taking advantage of free time Ozal has begun preparations for the upcoming elections.

Together with a group of like-minded people, Ozal founded the Fatherland Party. The ideology of the party was an eclectic synthesis of technological Westernization and Turkish nationalism and Islamism in culture. Therefore, Turkish scientists called his ideology a *Turkish-Islamic synthesis* (Eralp et al., 1993) and in this respect anticipated the self-presentation of the now ruling Justice and Development Party in the early 2000s.

Despite criticism from the organizer of the 1980 revolution and the incumbent President Kenan Evren, on December 19, 1983, the Fatherland Party managed to come to power alone, gaining 45.1 % of the votes in the elections and, accordingly, 211 out of 400 seats in the Grand National Assembly (Akin, 2018). The victory of the party was naturally due to the ban of traditional Turkish parties and the ideologically close Demirel Justice Party, automatically inheriting the support of the latter's voters. Without directly opposing the military, Ozal managed to present his party to Turkish society as the only civil alternative to their power (Kireev, 2007).

The occupation of the post of Prime Minister – the de facto head of the country's executive power naturally provided the policy with new levers and resources to continue the planned transformations. An important milestone in the countdown to the beginning of a new stage of reforms was Ozal's report on the government reform program, read out by him at a meeting of the Grand National Assembly of Turkey in 1983 at the inauguration as Prime Minister (Temel, 2017).

The fall in oil prices has also greatly strengthened the energy-dependent Turkish economy. By the end of the 1980s, the definition of an *economic miracle* was fixed for the results of Ozal's reforms. The government's successes in the economy, foreign and domestic policy allowed the Fatherland Party to consolidate its previous success and occupy 65 % of the seats in the Grand National Assembly of Turkey (Kireev, 2007). On November 9, 1989, Ozal was elected President of the country (Uturgauri & Ulchenko, 2009).

In June 1992, the Third Economic Congress was held in Izmir, at which Ozal read a report entitled *Our economic policy was correct, most of the goals were achieved*, in which he listed the following successes of the reforms carried out:

1. Rejection of statism in favor of the laws of market regulation. Full liberalization of imports. Increasing the role of personal initiative within the framework of the free market and the transition to the convertibility of the Turkish lira. A fundamental solution to the problem of currency shortage, which has remained the main obstacle to the development of the Turkish economy over the past 150 years.
2. Creation of a banking system capable of competing with the banks of the advanced countries of the world and the real capital market represented by the Istanbul Stock Exchange.
3. Breakthrough in the development of infrastructure and energy, the backward state of which threatened in 1981 to turn into an obstacle to the further development of the country.
4. Completion of the largest dam named after him in record time. Ataturk is an important part of the Southeastern Anatolia development project.

5. The growth of tourism revenues from \$300 million to \$3.5 billion.

6. A 5-fold increase in the value of exports, which at the same time represented more than 80 % of five thousand names of industrial products. Thus, incredible changes were achieved in the structure of exports in a short time.

7. Significant shifts in solving the problem of urban housing (Uturgauri & Ulchenko, 2009).

Liberalism in the economy was combined with a conservative bias in the ideology of the ruling Fatherland Party. As Prime Minister, Ozal openly acknowledged and demonstrated his own religiosity, including by performing Hajj, which was impossible for senior Turkish officials in the previous period. The number of mosques and Muslim schools has increased (Savin, 2014). Ozal played a great role in the emergence of a new group of businessmen in Turkey, later known as the "Anatolian tigers", who relied in their activities on religious traditions and, to a large extent, on Islamic banking, the development of which was initiated by the Prime Minister in the first months of his reign (Heper, 2013). The Prime Minister also had warm relations with the head of the Nurdzhist organization, the notorious Gulen (Kireev, 2007). Last but not least, thanks to the support of the religiously conservative circles of the provincial population, Ozal managed to take the prime minister's post for the second time.

Ozal sought to synthesize Islamic values and a market economy and liked to emphasize that the Party he led simultaneously supported both Western and Muslim values. Ozal promoted the introduction of representatives of provincial business circles into the circle of the capital's establishment and created conditions for them to successfully compete with the former elites, which subsequently, ten years later, allowed this new force to take a dominant position in politics.

Active Kemalists and personally President Evren actively criticized Ozal for supporting the Muslim clergy. The crisis caused by Ozal's desire to legalize the wearing of hijab headscarves by girls in educational institutions turned out to be particularly acute (Savin, 2014). The politician closely linked his steps towards the return of traditional Muslim attributes and symbols with the general course of democratization and liberalization of public life. There is no doubt that with his references to the Ottoman heritage and confrontation with the traditional Kemalist establishment, Ozal cleared the way for R. to come to power. Erdogan and his supporters, among whom there were many former members of the Fatherland Party. Thus, the West, which sought with the help of Ozal and his neoliberal reforms to weaken the possible spread of the impulses of the Iranian Islamic revolution to Turkey, contrary to its own intentions, contributed to the restoration of the positions of political Islam here in an evolutionary way.

In the 1991 elections, the first place was taken by the Party of the True Path (Doğru Yol Partisi-DYP) of Demirel, the Refah party led by N. Erbakan also significantly increased in votes, and the Fatherland Party, on the contrary, lost 177 seats. In fact, it was the defeat of Ozal's political course. Even though the politician retained the post of president, the former authoritarian style of government was out of the question (Heper, 2013). The reasons for the defeat were both the disappointment of the population in the results of economic liberalization, and the return to politics of Demirel and Erbakan, popular among the conservative part of the rural population (Baykal, 2019). The behavior of his relatives, who aroused suspicions of corruption in society, did not add popularity to Ozal (Uturgauri & Ulchenko, 2009).

After the death of Ozal, the Fatherland Party quickly ceased to exist as a significant political force. This is a typical example for modern Turkey, where the ruling Justice and Development Party is also called the same *one-man party*. In the 1990s, the country was again plunged into a series of corruption scandals that swept away one weak coalition government after another. The culmination of this political turbulence was the *postmodern* military coup of 1997 (Akin, 2016). Paradoxically, perhaps the most successful and viable legacy of the reforms of T. The reason was the formation of a group of *Anatolian tigers*, which brought to power first the *Refah* of Erbakan, and then the Justice and Development Party of Erdogan.

The Justice and Development Party, which came to power in 2002, in the first years of its rule actively continued and deepened Ozal's neoliberal reforms, creating the most favorable conditions for foreign and Turkish capital to invest in the country's economy. However, in the 2010s, the leaders of the party and R. Erdogan began to consistently depart from their former neoliberal principles. The government's active intervention in the economy is caused by large-scale projects (for example, the Istanbul Canal), and by claims to leadership in the region, which the Ozal's government for the most part only declared (Erdogan, 2019). The lessons of the reforms of the 1980s, in our opinion, are also relevant for the modern Turkish government, which is often inclined to exaggerate its own resources in the struggle for regional leadership and thereby expose the relative socio-economic stability that has developed over the past four decades, in the formation of which Turgut Ozal also played a big role.

4. Purpose of the Study

The purpose of the study is to determine the place and role of Ozal in the formation of modern Turkey, and based on the knowledge gained to outline possible actions of the Turkish leadership in the field of economics.

5. Research Methods

The methodological basis of our research is the principles of historicism and comparativism, which allowed us to consider the activities of T. Ozal for 14 years, during which he alternately held the positions of Deputy Prime Minister, Prime Minister, and president, as well as compare it with the activities of the current President of Turkey, R. Erdogan.

6. Findings

T. Ozal's economic and socio-political reforms, his confrontation with the military and the traditional Kemalist establishment, the formation of a broad layer of the religious middle class because of his reforms, cleared the way to power for the Justice and Development Party and its leader, R. Erdogan.

7. Conclusion

Turgut Ozal plays an outstanding role in the modern history of Turkey. This is expressed both in large-scale reforms that brought the country out of a deep economic and political crisis that threatened to

turn into a civil war, in turning it into a rapidly developing industrial state, and in revising several secularist principles and reviving the positions of Islam in the public life of the country. In fact, it is Ozal, of all the predecessors of Erdogan, who can be called the architect of modern Turkey with the greatest right. In this regard, in our opinion, the successes and failures of the reforms of Ozal can serve as an important and useful lesson for the Turkish leadership, warning against the continuation of the authoritarian style of government and adventurous experiments in the economy.

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