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**Development of the Republic of Turkey since
Ataturk's statism to the current Erdogan's
government**

Master Thesis

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Olomouc 2016

I declare in lieu of oath that I wrote this thesis myself. All information derived from the work of others has been acknowledged in the text and are noted in a list of references.

Olomouc, 12th December, 2016

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Signature

Acknowledgement

I would like to address thanks to my supervisor Ing. Mgr. Jaromír Harmáček Ph.D. for his valuable advice and patience.

Zadání

Zadání

ABSTRACT

The aim of this thesis is to compare the two greatest economic and social changes in modern Turkey in its history. The main representatives of these changes are Mustafa Kemal Ataturk and Recep Tayyip Erdogan. The two main parts are analyzed in the social and economic aspects. Carried out research showed, although the two main leaders had a different vision of the direction the country, so both of them at that time did they best and move Turkey among the developed countries.

Key words:

Mustafa Kemal Ataturk, Recep Tayyip Erdogan, Kemalism, Turkish economy

ABSTRAKT

Cílem této práce je porovnat dvě největší změny v historii Turecké republiky. Tyto změny jsou představovány Mustafou Kemalem Atatürkem a Recepem Tayyipem Erdoganem. Obě dvě hlavní části jsou analyzovány v sociálních a ekonomických aspektech. Provedeným výzkumem bylo zjištěno, že ačkoliv oba hlavní vůdci měli jinou vizi směřování země, tak ve své době udělali maximum a posunuli Turecko mezi vyspělé země.

Klíčová slova:

Mustafa Kemal Atatürk, Recep Tayyip Erdogan, Kemalismus, ekonomika Turecka

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1 Introduction

The aim of this thesis is to compare the two greatest economic and social changes in modern Turkey in its history. The main representatives of these changes are Mustafa Kemal Ataturk and Recep Tayyip Erdogan.

Turkish Republic was established by Mustafa Kemal Ataturk and became the first republican form of government in Muslim world. Ataturk secularized state in Turkish society, introduced fundamental reforms and changes, which were represented by six arrows of Kemalism (republicanism, nationalism, populism, statism, secularism, and evolutionism). During Ataturk's government, Turkey turned its back to its Ottoman past and began its westernization. The purpose of modernization of the country was to come closer to Europe to become its part. Western values and thinking became state's priority. This change affected all aspects of the country from economy dependent on agriculture, through foreign policy based on the principle of Peace at home, peace in the world, to the culture for the first time in the history independent on religion. All these principles and their adherence were under supervision of the army which represented the guarantee of secularism of the country.

During last two decades, Turkey is gradually changing and moving away from the mentioned principles of republic establishing and its heading to the West, particularly as regards to connection of the state and the religion. These changes which are currently being in process are represented by Recep Tayyip Erdogan and his Justice and Development Party which came to power in 2002. Erdogan is turning to the East and refers to Ottoman past and its influence in the region, with aim to become the dominant force in the Middle East region.

The thesis is divided into three main parts, which are further divided into subchapters. The first part of thesis deals with Ataturk's Era. It is dedicated to global politico-economic situation, formation of Turkey and Mustafa Kemal, foreign policy, socio-political changes, economic principles and impacts of these reforms.

Statistical sources for this period are considerably limited. Although the first attempts to statistical records were at the end of 19th century, data was purposefully adjusted and therefore as objective data can be considered data from 80's. Neither international

institutions have such data available and the first data from international organisation is available from 50's of the 20th century. Data which is mentioned in the thesis for these periods was gained during my studies in 2013/2014 at Fatih University, where I was cooperating with Turkish Prof. Dr. Zehra Vildan. These data is from Turkish political and economic literature which is not available in English language. Also world banks of statistics data such as databank.worldbank.org or OECD have the first available data from 50's and more detailed data from 80's.

The second part of thesis is dedicated to economic and political development in Turkey between Ataturk's and Ergodan's government and is divided into three periods: from World War II to 70's, 80's and 90's of 20th century.

The third part of the thesis is dedicated to election of Recep Tayyip Erdogan and his Justice and Development Party. It describes socio-political changes, economical principles, government reforms and impacts of such changes. The development is also set in international context and development of world economy.

The last part compares these two considerable periods of Turkish development, i.e. the era of two significant leaders of the country, Ataturk and Erdogan. In order to compare actions of both leaders in context of their era and subsequently evaluate their importance for the country development. Ataturk was elected as a president in the postwar period and even though Turkey was parliamentary democracy he has such authority and influence as first man of the country that we can talk about Ataturk's era. As regards Edogan, the thesis is dedicated to the period when he was a prime minister, before his election to post of president, because the function of president is formally only representative. In spite of this fact, Erdogan is attempting to significantly intervene into politico-economic events and in this context also to change the Constitution charter.

Therefore the thesis compares periods of Attaturk's presidency and Erdogan on the post of prime minister and asks fundamental questions: Are these two periods complementing each other, or do they stand in opposition? What are their roles in the development of modern Turkey?

In the conclusion of the thesis the results of the research are evaluated to provide answers for the basic questions.

This thesis is based on the comparative method and critical analysis of the results.

2 Ataturk's era

2.1 Global Economy

The First World War and the Treaty of Versailles caused the end of three great empires: the Ottoman Empire, the Austro-Hungarian Empire and the Russian Empire. But the newly introduced world order soon turned out to be very unstable. The winners wanted to gain as much as possible from their victory and the losers wanted to minimise the consequences of their defeat. Germany paid high war reparations and lost part of its European territory and African colonies whereas the European superpowers kept their colonies. The Turkey took over the commitments of the Ottoman Empire and Europe witnessed the establishment of many new countries.

In the 20's, the post-war optimism led to the expansion of international trade and enabled a faster development of economic connections in the world. However, the production was done on credit which resulted in even greater national debts of the European superpowers borrowing from the USA whose economy was not struck by the First World War.

The extensive role of the American economy on credit resulted in the Great Depression and since the economies of individual countries were globally interconnected, it affected the whole world. The 30's meant the return towards protectionism and diversion from classical ideological beliefs such as economic liberalism, which necessarily led towards the reinforcement of the state control and towards increased tension in the world. The international business was greatly affected and cut down by the crisis, which impacted the countries both economically and politically, because not only the economic interconnectedness but also the relationships among individual states weakened. There was a widespread mistrust, each country held another responsible for the crisis.

As the crisis became worse, the governments of individual states were not capable of cooperation. Instead they imposed duties in order to protect local business people, who caused a lack of traditional markets to sell the goods at. The currency depreciation, increased unemployment and populism became major issues.

The bad economical situation of the middle class, which was on the verge of poverty in some cases, resulted in radicalization of the population and paved the way for new ideas such as nacism, fascism, or theories of Zionist conspiracy.

2.2 The foundation of Turkey and Mustafa Kemal

The long history of Turkey involved various regres and state forms, but it always works in cooperation with Europe. In the 14th and 15th century, Turkey became, in many aspects, a unique social model, which is, in its initial form, known as “military democracy”. It was the society with clearly set socio-economic relationships within individual classes of the population, which enabled the rise of the Ottoman Empire to power in the Middle Ages and early modern times. The first conflict between Turkey and the West dates back to the period when the Turks started to infringe on the territory of the Eastern Roman Empire. Both of these regions had a strong reciprocal influence on each other and they were in a military collision. In spite of a rather strong cultural reciprocal influence, the origins of both the units were different and are different to this day.

The expansive policy of the Ottoman Empire collided with natural defensive mechanisms of Europe which struggled to protect its states. Despite this fact, the Turks managed to enlarge their territory during the grand era of the Empire and annexed the countries of the former Yugoslavia, for some time the territory of Hungary and in the years 1529-1683 the Ottoman armies approached Vienna. While the Ottoman Empire was occupied with different invasions, Europe went through significant periods of which greatly influenced on the European society. The Ottoman Empire never went through renaissance, reformation or any Enlightenment reform, which is form an inherent part of the Eroepean history. In fact it kept the same philosophy until its fall and new establishment of the republic in 1923. The backwardness of the economic circumstances in the Ottoman Empire started to clearly show in the middle of the 18th century and it became one of the important factors which played the role as weakness in the socio-political cohesion of the country and finally led to its downfall.

When the Ottoman Empire entered the First World War on the side of Germany and Austria-Hungary, it was already quite weak. The consequence of WW1 for the Turks was the loss of territories in the Balkan and the Middle East and also in 1918 the capital city, Istanbul, was taken by allied powers. That was time when the country began to collapse.

The subsequent Turkish nationalism resulted the Greco-Turkish war (1919-1922), which was a success for the Turks, mostly because of the leadership of Mustafa Kemal, who brought peace back to Anatolia and who later became the first president of the republic of Turkey.

The Treaty of Lausanne provided for the independence of the Republic of Turkey in 1923. The borders, which are the same even today, were set and Ankara became the capital city. Mustafa Kemal Atatürk dissociated himself from the expansive policy of the Ottoman Empire and attempted to found the new republic on European principles. To give his nation a modern outlook, Atatürk also introduced many reforms

2.3 Foreign Affairs policy

Atatürk's motto "*Yurtta sulh, cihanda sulh*", i.e. "*Peace at home, peace in the World*" was accepted as Turkey's foreign policy during the interwar period. Since the Treaty of Lausanne left some of the issues open, Turkey claimed the Iraqi city of Mosul, which was also demanded by the United Kingdom. This province where oil reserves was inhabited mostly by the Kurds and in small numbers also by Arabs and Turks. In 1925, the UN assigned the territory of Mosul to Iraq where was a mandated territory the United Kingdom. Turkey was promised a compensation in form of proportional profit from Mosul's oil for 25 years. Turkey renounced the compensation and received a one-time payment of 700 000 pounds from the United Kingdom.

As a consequence of the course of the world was the Turks remained distrustful of the West for long. The Soviet Union became their key partner. In 30's the relationships with neighbouring countries and western superpowers was improved significantly.

The gradual aligning of the United Kingdom and France took place because of fear of German and Italian intentions in Europe. In spite of the Turkey's fear of Italian plans to transform the Mediterranean to *mare nostrum*, Hilter's Germany remained as a good ally. The relationship with Greek improved after 1930, when the Greek premier Eleftherios Venizelos visited Ankara. It was a pragmatic response of both the state to Italian ambitions in the region. Four years later Turkey signed the Balcan Pact with Greece, Yugoslavia and Romania. The symbolic conciliation with Greece was strenghtend the transformation of the dome Hagia Sophia in Istanbul from mosque into a museum of Byzantine culture.

The Treaty of Saadabad brought better relationships among Iran, Iraq and Afghanistan. The friendly relationships with Iran¹ reached at its peak in 1934 when Reza Shah visited Ankara. Shah was inspired by Atatürks pro-Western reforms.

The country achieved considerable success on the world stage. In 1932 Turkey joined the United Nations. At the conference in Montreux in 1936 it took full control of Straits in the Black Sea region because the member states accepted the restriction of military naval traffic in Bosphorus and Dardanelles. The commercial vessels had to demonstrate with its flag that Turkey was not in war.

When France decided to grant Syria independence in 1946, the old dispute over Iskenderun flared up once again. The territory called *Hatay* (the land of the Hittites) by Turkish nationalists was inhabited by an influential Turkish community. In 1937 the UN concluded that the Turks is majority in that province. The United Kingdom mediated the negotiations of the interested parties. Hatay became an “independent subject”, which would be in international affairs represented by Syria. Bloody riots ended in escalation of tension and France made a decision to accommodate the Turks. In 1938 the Republic of Hatay republic was declared and the Turks had a slight majority in its parliament over the Arabs. In the summer of 1939, the Republic of Hatay was finally united with Turkey but Syria has never acknowledged this fact.

2.4 Socio-political environment

Mustafa Kemal Atatürk dissociated himself from the expansive policy of the Ottoman Empire and attempted to found the new republic on European principles. To give his nation a modern outlook, Atatürk also introduced many reforms. He never refer these reforms as western but he refer it as modern. He wanted every Turk to accept these principles of the new republic and thought some foreign ideologies and principles would be rejected.

The purpose of these reforms was the modernization and secularization of the society and replacement of Islam from the public life into private life. Since his childhood, Atatürk fought against traditional Islam and religion. He belied that the Arabic and Persian cultures

¹Persia in that time. Year later in 1935 renamed to Iran, which mean Land of Arya. The purpose was united rich ethnic group of nation

were the sources of all evil. He wanted to see the outcomes of his reforms in his life and so he vigorously enforced them regardless of the social tolerability.

The founding ideology introduced by the first president of Turkey was called *kemalism* (Kissinger, 2014:185), also known as the Six Arrows: nationalism, laicism, republikanism, statism, reformism, and populism. All of these six principles should enable the modernization of the country. Kemal never wanted these to become the state ideology, but this is what practically happened over the course of time in modern Turkey.

2.4.1 Republicanism

The principle of republicanism defined the new Turkish regime established in 1923. However the term republicanism is not original. It used to be used to describe the form of government in Venice or in republican France. Two major models of republicanism were considered by the Young Turks: the American and the French model. It is not clear when Mustafa Kemal developed a clear outline for the project. Given the preserved written sources that it could be presumed it happened no later than during the Turkish War of Independence (Landau, 1984: 26-28). The principle of republicanism states that the republic is the only right state form for modern Turkey. Republicanism determines that only the regime of republic may apply the ideal of people's sovereignty. Republicanism highlights the equality of all people before the law regardless of the ethnicity or religion. Republicanism became some sort of "belt" for the new regime in defence against attempts to renew the sultanate or the theocratic monarchy (Bagdonas, 2008: 26-27).

The principle of republicanism does not only stand for replacing the sultanate with the republic, but also for elimination of the whole Ottoman society through a small government and mass support. The old institutions should be revoked and substituted with new ones (Gombár, 1999:56) According to Baran Dural, the importance of republicanism consisted in several major aspects.

Firstly, the historical dynastic state responded to this principle and introduced radical detachment from other Turkic states. Over the course of time, the Turkic states worshipped dynasties and generally accepted names of their founders. But when the republic was founded, the Turks turned towards the West. The new state could no longer be ruled by random decisions proclaimed by a small number of individuals. Instead, the primary principle was the self-government of the citizens.

The principle of republicanism highlights the idea of homeland. A modern homeland represents a land and borders in hearts and minds of the people. During the Ottoman imperial ruling, the homeland was practically the village or the city where the citizen was born or where they lived. In Kemalist discourse, the homeland was no longer restricted to territory where someone lived or was born, but it was considered as the whole country (Dural, 2007: 149).

2.4.2 Nacionalism

One of the key principles of Kemalism is undoubtedly nationalism. It was introduced at the end of the 18th century and was sanctified by the French Revolution, which acknowledged the nations the right to self-determination and their own state. In the Ottoman Empire's perspective nationalism meant religious compactness of various Islam believers, e.g. the Turks, the Arabs, the Persians, the Kurds and the Albanians. The Ottoman Christians perceived nationalism only as ethnic compactness (Pirický, 2006:50).

The Kemalist arrow of nationalism attempts to create new Turkish identity, which would replace the identification of the Turks with Islam. Nationalism creates the superciliousness of the Turkishness and supports the symbols of cultural identity of the new state. In an attempt to create the Turkish nation. The Turkish ancient history started to be celebrated (Alaranta, 2011: 58).

The Kemalist ideology perceives the Turkish nationalism as a mixture of universal enlightenment and specific concept of Turkish national identity. The Kemalist nationalism resulted elimination of the Ottoman past and turning back to pre-Ottoman and pre-islamic Turkish history.

Kemalism takes a stand against national heterogeneity and rather strives to create a homogenous nation. The heterogeneity is seen as a hindrance of a full integration of the citizens. Kemalism strives for unity of all citizens through creation of one indivisible homogenous nation whose borders should not be subject to any changes.

Kemalism was inspired by the French concept of the civil nationalism and citizenship and strongly rejected multiculturalism. Unlike the former Ottoman Empire, Kemalism takes a stand against multiethnic, multinational and cosmopolitan elements. Kemalism perceives nation as one social and political entity, consisting of fellow citizens who speak the same

language, share the same culture and the same ideal. The Kemalist definition of a nation differs from the Ottoman definition. One could say it is its exact opposite. The Ottoman period united people from different cultures, who did not speak the same language, but they shared the same religion.

Atatürks attempt to create a unified Turkish national identity left no space for cultural pluralism. Also the principle of nationalism goes hand in hand with populism.

Atatürk believed that the creation of a new Turkish nation would also mean a creation of an educated nation. He was convinced that his primal task is a formation of educated class of Turks who would be devoted to the modern reforms and would continue to propagate them. This new generation should be proud of their country and should see the necessity of these Kemalist changes with respect to needs of changing the country (Alaranta, 2011: 63).

Kemalism, as a specific form of nationalism, defines the identity of the Turkish state and influences on the foreign policy. The Kemalist state identity offers a good frame for an analysis of Turkish foreign policy. It is careful, peaceful and shows only little care for Turks living outside the country and focuses predominantly on Turks living on the territory of Turkey.

2.4.3 Populism

The principle of populism is a mixture of democracy and intellectual activity which aim at leadership of people who make their way to progress. It is a vision of the Turkish nation, based not on the classes but on mutually independent groups of people. After the Young-Turks Revolution in 1908, the word *halk* (people) and its derivations became the mostly used Turkish expressions. After the First World War, the former vision of populism such as the mobilization of the intelligence in favor of masses has moved aside. The Kemalist principle of populism represents one of the major pillars of democracy. It is thanks to the populism that the state becomes a state of people. Populism is a principle portraying national independence. This principle is one of the key principles of the Kemalist national policy and statism (Dural, 2007: 156-158). This principle has a number of manifestations. All the citizens are equal regardless of the class, religion and profession. In the 1924 Constitution set that the citizens of Turkey are Turks, regardless of religion or race. Government plays a vital role in populism. The institutions should enable the citizens to

partake in government. The principle of populism is partly a result of Atatürk's early studies of history, philosophy and religion. Mustafa Kemal added a populist dimension to democratic concepts of the French Revolution. He believed, that people are the foundations for every success, power and authority. Mustafa Kemal never used the word people in favor of any social class. He claimed that the Turkish War of Independence was gained with the help of all classes of the Turkish society. Populism also justified the system of one party. Since society was classless it was pointless to have more parties to defend particular interests. Populism also goes hand in hand with the idea of national solidarity. The populist's thoughts seemed to be universal. The majority of intellectuals believed populism was an adequate response to many problems of the country. This Kemalist view was easily accepted (Pirický, 2006, 65).

2.4.4 Statism

Statism is economic, ethical, social and national term. The principle of statism highlights the importance of ensuring justice in the national wealth distribution and providing for a harmonious life in the Turkish society. The protection of national unity and independence of the country were dependent on statism. Tekinalp claims that the principle of statism involves the society and the directed culture. The state and the party became one and their obligations and authority complemented each other. The state was the helm, party was the compass. (Tekinalp, 1938: 198-199).

Since Kemalism was not people's but rather elitist movement, the statism promoted the basic tasks of the state in economy, including the nationalization of key industries. Statism presumes the interventions of the state into the economic system and development of an important industry. The purpose of it was the accelerated development of the Turkish economy. It was reflected especially in the 30's when the Great Depression took place. The Turkish government decided to step into economy and deflect state funds in order to create some important projects. Statism could be defined as state capitalism.

It is a principle needed to transform the economic part of the socio-political Ottoman society into modern state. Statism helped to create independent economy instead of economy controlled by state. The communist economy was never a Kemalist goal. Statism should enable Turkey to catch up with more developed western countries.

2.4.5 Laicism

Laicism or secularism together with nationalism is considered to be the most important principle of Kemalism. The arrow of laicism means secularization of the public life in Turkey. It is considered as a mean of displacement of traditional Islam from all areas of public life and implementation of a full state control over the religious institutions. In the new Turkey, religion became a symbol of the old regime and opposition to republic. Laicism became the border line between enlightenment and reactionism and between modernity and tradition (Taspinar, 2008: 4-5). The principle of secularism does not only involve the detachment from the state, but also liberation of thinking from traditional Islamic restrictions. Secularism led towards modernization of all aspects of the state and the society. It became a worldview and a way of life for Kemalism.

The Kemalist civilisation mission is strongly influenced by the French Revolution and especially by the French tradition of *laïcité*, which strictly adhered to separation of state and church. In both France and Kemalist Turkey, religion became a symbol of contrarevolution. Kemalism insists on a strict control over Islam, because religion is seen as a political threat and a cause of political, economic, cultural and social decline. (Taspinar, 2007: 118-119). One of the goals of laicism is the redefinition of the Turkish identity through elimination of every single reference to Islam.

Kemalism adopts a radical positivist opinion. Science and emphasis of rationality became new sacrament of Kemalism. Science and technology are the new truest leads on the way of life. Kemalism creates a new set of dogmas which could be, in a way, called some kind of religion. Thanks to Kemalism, Islam is no longer a state religion, while the religious language is implemented into the nationalist discourse. Atatürk regarded secularism a key pillar of the Kemalist ideology. He linked secularism to freedom of thinking, which should help the Turkish republic on its way to new society and with bridging the gap to developed states. Religion becomes secondary and in contradiction with the goals of the state, which strives for rational principles of public administration as foundations of the social life. Science and technology should be used as managing tools. Kemalism attempts to create notional set of national myths, rituals and symbols to replace Islam. The primal goal is to lessen the need for religion and undermine the importance of religion in public life. This

extreme interpretation of secularism was a fundamental part of reforms for the nation as a whole.

2.4.6 Revolutionarism

The term of revolutionarism was not just like other key terms of Kemalism, a new thing. This term was already used during the rule of Young Turks. The important revolutionarist Mehmed Bey used this term for a weekly journal founded in Genova, where he spread his extremely radical opinions. Later the term became a part of common vocabulary of Turkish nationalis. The principle revolutionarism denotes the fight for social, political and economic transformation of the country and the nation. The traditional Ottoman society should be replaced by a modern society. The transformation of the society seemed to be of great importance, especially in defence of the state against its enemies and to justify the radical changes.

Revolutionarism includes the goals of Mustafa Kemal, which ensures the continuity and development of these principles in the future. Science plays a key role, because it brings a systemic criticism and scepticism in attempts to find the truth. The principle of revolutionarism highlights the need for a constant monitoring of new scientific findings to catch up with the modern times (Dural, 2007: 166).

It was designated to ensure the development and modernization of the new state. Revolutionarism tried to protect Kemalism from dogmatism and to interpret it in a flexible way with respect to changing political circumstance. Revolutionarism forestalls stagnation and decline of the system, because it keeps it open to changes. Revolutionarism is not about adventure, theories or made up words, which could forever remain a theory. It designates the fight and the way, in which the society eliminates the obstacles in the process when it goes through (Dural, 2007: 167).

The two major meanings of revolutionarism are: (1) reforms, which have been achieved through the revolutionary new republic, should be protected and conserved; (2) the spirit of revolutionarism should rule the future of the Turkish society. Revolutionarism is indispensable principle of Kemalism responding to the old structure. The common denominators of all previously described arrows of Kemalism are the concepts of full independence, national sovereignty, territorial integrity, anti-Ottomanism, and anti-panislamism (Bagdonas, 2008: 26).

2.5 Economic principles

In 1924, a year after the republic was founded, the constitution ensures that the personal ownership was accepted. In the interwar period, Turkish policy opted for economic isolationism and statism, which was at that time a rather common practice even in Europe. The leading principle in the domestic affairs and foreign affairs became the economic self-sufficiency.

With respect to the legacy of the monarchy, the Turkish economy was at a difficult starting point at that time. The economy was consisted mostly of small manufactures producing basic products for domestic market. The new government based the industrialization on private entrepreneurship, yet it intervened with it in matters of capital relocation, whenever it seemed to be right. Therefore it can not be quite talked about a liberal approach or market economy. This period of time is characterized by a very fast growth of the Turkish economy, and, as is typical for post-war periods, the growth in production was fueled especially by the domestic demand.

The worldwide economic crisis in 1929 and 1932 hit Turkey quite strongly. In response, the Turkish government changed its economic attitude and resorted to strong interventions. In 1931, the new course of economic policy became statism. The country was heavily stroke by the worldwide economic crisis, because of Turkey's strong dependence on export.

The crisis caused a slump in trade. This was why the Turkish government resorted to strong state interventions. High state investments fueled the industrial development of the country and economy grew very quickly in the 30's. The gross domestic product (GDP) was about 10 % at that time. In 1934-1938 the government followed the so called first five-year plan, which was a list of planned investments into industry and power engineering. The government managed, more or less, to reach all of its goals set in the plan. It was followed by the second five-year plan, but this one was never implemented, because of the start of the Second World War (Seyidoglu, 2003:115).

2.6 Economic performance

The years between 1908 and 1923 indicate a period when the Ottoman Empire was underdeveloped in terms of foreign trade and industrialisation. Agricultural production was

developed to important extent between 1908 and 1914. Industry improved after 1908. 28% of 255 industrial undertakings that were detected in 1915 census were built after 1908. However, industry is regarded as embryonic/immature. This is because Ottoman industrialisation is based on activities such as tobacco production, wheat granulation, traditional silk industry and tanning industry. This indicates that industrial products were supplied through import. Of the consumption of soft goods in 1915, only % 9.5 of cotton and % 20.5 of cotton thread was domestically produced, and the rest was provided by import (Borataş, 2003:49).

During National Economics Congress gathered in 1923, important decisions were made in order to achieve progresses in national industry. According to National Economics Congress decisions, Maadin Bank was established. Incentive policies for private industrial enterprises were developed.

In 1927 provided incentives for industrial investment The Law of Encouragement of Industrial Investment. The industries that are export-oriented would be exempted from taxation of imported goods necessary for production. In other words, the privatisation of industrialisation was given importance through such regulations in an environment where political independence was newly acquired (Kepenek & Yentürk, 2000:78).

A treaty which was supplementary to Lausanne Treaty was signed that had significant impacts on Turkey's foreign trade. Taxation upon not the value of imported-goods but the physical unit of measurement such as kilogram spread out a five-year period. This period also witnessed an increase in agricultural production.

In 1929, Great Depression impacted Turkey's as well as world economy in a negative way. Export in Turkey increased at the first but later it decreased because the fact that Great Depression had a negative impact on the countries where Turkey exported goods and materials.

The prices of raw materials were low. Hence, period affected Turkey negatively since Turkey was an exporter of raw materials and importer of industrial goods.

As Turkey tended to introvert with the Great Depression, there appeared a situation triggering national industrialisation, and protectionist and statist industrial period began.

Table 1: The Data of Foreign Trade between 1923-32 (current price, million of TL)

Years	Export	Import
1923	85	145
1924	159	194
1925	192	241
1926	187	235
1927	158	211
1928	173	223
1929	155	256
1930	151	147
1931	127	126
1932	101	86

In the following years after Great Depression, there was no intervention in domestic economic activities but in foreign trade. In the period of 1930-1939, except for 1938, current account deficit was high.

This period was considered as statist industrialisation period and it was aimed to produce common consumption goods in the country. Then, Turkey produced textile, flour and sugar themselves. The development of textile industry is a significant step towards establishing private businesses in the regions of Çukurova and Aegean. Such development of textile industry brought the meeting the domestic demand for manufacturing of textile products up to 80% (Yentürk & Kepenek, 2000:86).

In order to catch light industry, it was quiet a right decision to produce the common consumption goods in the country. In order to make developing countries to get industrialised, it is necessary to move the total domestic demand from imported goods to domestic goods according to the policies of import substitution for industrialization. (Erwards, 1993:31).

However modern industry branches producing investment and intermediate goods such as iron and steel, metallurgy, and chemistry were founded in this period.

Machinery and equipment investment having 10 % growth rate, the annual average value was measured (Boratav, 2003:145).

The main aim of foreign trade policy is to develop policies that may either provide finance for paying current account deficit or taking measures preventing an increase in current account deficit.

Some of the policies of the time may be exemplified, for example: limiting export of locally produced goods, importing goods from the country that Turkey exported goods and entering clearing agreement with many countries, initially Germany.

The policy promoting free trade pursued in 1937 when clearing agreements were put an end was left in 1938 due to the deficit in foreign trade (Kepenek & Yentürk, 2000:102).

3 The Turkish economy after Ataturk till 2002

3.1 2WW – 70's period

3.1.1 The global economic and political environment

50's and 60's

During this period of time, two world economic systems were introduced: a command economy and a market economy. These changes had a huge impact on the further development of the world economy.

1960 is referred to as the Year of Africa because the colonial system broke up. A great number of African countries gained their political independence. Although these so called developing countries were politically independent, their economic dependency was rather strong.

The structure of the world economy split into three categories over the two decades: the market economy, the command economy and the developing economy. The latter functioned in former colonies, which remained underdeveloped.

In this time, three centres of the world economy are formed, a so called "Triad", which included the oldest economic centre Europe, the USA, which was the strongest economy after the WWII, and Japan, thanks to its economic miracles. The United Kingdom used to be one of the centres, but by the end of the 60's it is obvious, that it is no longer a superpower and that it needs Europe to cooperate with.

In the 60's the European Integration gained fundamental features. Basic rules for the primal policies of the Union were outlined: the customs union, common trading conditions, or common agricultural policies. The practice of how key issues should be solved was settled down, the foundations for the legal system were laid.

The International Money Fund (the Breton-Wood system) looked after the properly chosen rules for money relations among individual states and sought the maintaining of fixed exchange rates (the states could not affect it). All these measures helped the development, because the traders and investors perceived stability (Karakayali,2003:25).

The international economy developed, especially the market economies experienced a boom with a strong service industry. The central planned economies focused mostly on development of industry. This period was definitely a prosperous. A rather fast economic growth is a characteristic of the post-war quarter-century. In the 50's, the average GDP was about 4 % in developed countries and it grew to 5 % during the following years. Germany, Italy and Japan experienced even faster economic growth called the "Economic Miracle". Conversely, the USA and the UK experienced a below-average growth, although it was still better than in the inter-war period. The developing countries also experience a positive development.

70's and 80's

The presage of the turn in the growing trend was the recession in the 70's. It is different from previous recessions qualitatively because of its numerous wide-ranging effects, and it is said to be a turning-point of the post-war development. The crisis introduced two new phenomena in the economy: stagflation and structural crisis.

The impulse for the crisis was the substantial rise in prices of the raw energy materials, especially oil. The overproduction of industrial goods was marked with a lack of fuels, some materials, food and feed materials, which resulted in the inflationary rise in prices. This stagflation was a new phenomenon in the history of economic cycle, because in previous crisis the prices decreased. Unlike the post-war recessions, this crisis occurred in all major capitalist states and hence the time alignment of the cyclic development was renewed.

The oddness of this crisis consisted in the fact that it involved the structural crisis (energetic, material and food) and the inflation became stronger. A structural crisis is a

defect of a particular economic sector, which does not have a cyclic character and which can be caused by political or climate factors or economic decisions. It was the first time that the world economy experienced a structural crisis.

In 1975, the decrease in the industrial production was on average 7.5 % for the whole capitalist world and for the first time in the post-war period the world trading volumes decreased. The unemployment rate reached at the highest numbers since the 30's. Only in the developed capitalist countries it numbered 15 milion people (T.C.M.B,2002:20).

The food crisis burst out in 1972 with a lack of agricultural crop. This crisis affected on especially the developing countries where experienced the hundred year crop failure. The developed countries had reduced areas to be sown because there was the overabundance of food and the states had not wanted to decrease the crop prices.

In 1973 the oil crisis was followed. It was a political decision based on a long conflict (since the 60's) between Israel and Arab (Čejka, 2007) states which led to another war. As a result of this war, the oil production in the area was limited and the oil prices got five times higher. This rise in oil prices led to the rise in prices of other products in the chemical and pharmaceutical industries and in trasport. The countries had no plan to control the inflation. The crisis hit all states and resulted in a crisis of economic policy. New fields were discovered and new mining technologies were improved to enable the extraction in sofar inaccessible locations such as at the seacost of the UK or Norway.

By the end of the 60's and 70's it became obvious that under these circumstances the rules set by the monetary system do not work any more. The Breton-Wood system broke down, because the rules could no longer kept. In the mid 70's, it become obvious that a new monetary system and a new enomoic policy is necessary. The global problems continue to grow, such as the food shortage together with the fast population growth or ecological problems such as the ocean pollution or exploitation of rain forests. The debtor crisis of developing countries was caused by the food crisis (credits on the purchase of food). The oil countries were getting richer and banks provided loans to the developing countries; this money, in fact, were petrodollars from the oil states. With respect to the structural crises and their consequences (inflation, rise in prices, growing interests, etc.) the developing countries were getting into situations, where they could no longer pay off the loans and meet the liabilities. No poor country can deal with its debts on its own.

The command economies experienced some troubles as well. The sources of growth were depleted, the states were not able to apply new scientific and chase over to new intense sources.

3.1.2 The Turkish economy

A new course of the Turkish economy (40's)

In 1940 – 1945 the GDP declined on average by o 6,3 % per year. The lack of goods and the inflation of 500 % also complicated the situation (Yenturk, 2000). During the war the government began to control the economy through state companies. In February 1945, Turkey declared war to Germany and joined the coaliton of the future winners. After the WWII the country got under the influence of Russia, which supported local Communists.

But it was the Kemal's legacy – the effort to rank amongst other European countries signified by the fear of expansive communist Soviet Union – which led Turkey to become members of Western organizations. The Turkish affiliation with the West was confirmed by the Turkish-American deal about military aid and cooperation signed in 1947. In the same year, Turkey also joined the Marshall's Plan. In 1948it joined OECD and in 1949 the Council of Europe. Turkey did not want to fall within the Soviet sphere of interest after all the efforts it made to become a legitimate part of Europe. After the uncomfortable pressure from Moscow Turkey changed its orientation towards the USA and in 1952 it became member state of NATO. The Western world welcomed such attitude, because Turkey was the important strategic point against the Soviet expansion to the southeast of Europe. It was also very welcomed that Turkey was able to provide troops which, with the help of the USA, modernized quickly and their numbers grew so much, that the Turkish army was the second largest army within the NATO. The Cold war represented opportunity for Turkey to show the world its determination to become a valid member of the Western community and it was also an impuls for Turkey to carry on with these efforts. On the other hand it was never quite clear, if the Western states and communities valued Turkey in the same manner.

The liberalization of economy (50's)

The 50's are characterized by the beginning of a new economic policy. The Democratic Party supported the development of private enterprise. The government took measures to

reduce the isolationism of economy and to liberate the foreign trade. The first part of the 50's is seen as the period of economic boom and liberalisation of most of the industries.

The agriculture gained a lot of attention since it prospered a lot in the first years. A mechanization was implemented and the farmers received loans. The GDP growth was about 11 % due to the fast growth of production. The food industry and the building industry developed as well. But the new policy was successful only in the first half of the 50's. „In the end, the uncoordinated economic policy, though called liberal, was a pitfall for the Turkish economy. After a crop failure in 1954 the economy began to slow down significantly, agricultural yields fell and the GDP growth was only about 4 %.”

The economic slowdown was accompanied by financial instability. State companies covered their deficits with loans from the central bank, which boosted the money supply, which increased the inflation. Turkey was getting into debts also abroad, because the exports showed a faster decrease than the imports and the trade deficit got higher. “The volume of exports fell from 7.6 % GDP in 1951 to 2 % GDP in 1958 and the imports fell from 9.7 % GDP to 2.5 % GDP (Kepenek, Y., & Yenturk, 2000). In August 1958 the government was forced to accept the stabilization program, which should renew the macroeconomic stability. The major goals were the depreciation of currency and the liberalization of export. The results were favorable, because the Turkish economy was restored. The greatest achievement was the decrease of inflation. This ambitious program could not be supported solely by Turkish sources and so the foreign debt kept on growing. Even additional loans from the IMF and the USA were not sufficient. The economic crisis led to a political crisis and the rule of the Democratic Party ended in 1960 by a military coup.

New political course (60's and 70's)

The new 1961 Constitution introduced a number of changes. The most significant one was probably the foundation of the State Planning Organization. At that time a new strategy of the economic growth was created as well. Turkey opted for the substitution of imports. Practically it means that an enterprise contacted some foreign enterprise, which provided the know-how, all needed licences and substantial amount of materials. The Turkish party provided a cheap labor, distribution network and some capital. The State Planning

Organization created five-year plans for economy. In the course of the first five-year plan (1936 – 1967), the economic policy focused on powerful role of the public sector and government interventions. Conversely, the second five-year plan (1968 – 1973) prioritized faith in cost incentives and private sector. The goal of both these plans was to reach 7 % GDP growth and to reduce the economy dependence on foreign funding. The Turkish economy registered satisfactory results, especially in industrialisation. The industry share of GDP grew from 16.2 % in 1963 to 22.6 % in 1972. Until 1970 the revenues and expenditures were app. the same. According to World Bank data, the Turkish state budget deficit was kept at the level of about 5%.

The increasing unemployment became a real problem of this period. It increased especially in cities, because the villagers migrated to larger cities to get work. No exact data is available, but the World Bank estimates, that the labour demand grew twice the fast as the job offers. The outflow of Turkish workers to Western Europe partly helped to solve the situation. The deal signed in 1961 with Germany enabled thousands of Turks to work in German industry. The disadvantage of the outflow was the loss of highly qualified labour.

In the international trade, the Turkish government applied the policy of import substitution in an attempt to protect the domestic industry. The import regime specified two groups of acceptable imports, which were not subject to various quotas and licenses. The goods listed in neither group could not be supplied. Additionally, all imported goods were liable to high duties and stamp duties. In 1969 it became obvious that Turkey is getting into a similar economic situation as at the end of the 50's. The loan demand from the central bank grew to balance the growing government deficit, the currency was heavily overvalued and the government was not able to pay off the foreign debt (Karakayali, 2003).

The stability program from the end of the 50's helped to improve the inflation and Turkey managed to keep the annual inflation for the next decade at 5 %. The situation changed with the beginning of 1970. The reason for that was the new legislation which granted higher wages to state employees and also the growing deficits of the state companies.

The political situation in the country was poor. The ruling party, the Justice and Development Party (AKP), faced strong opposition and civil unrests. The political hostility stemmed from the increasing social inequality between agricultural and industrial sectors. Political hostility also prevented the government from dealing with economic problems.

The devaluation of Turkish lira was postponed until 1970 and unlike the previous one in the 50's it was not accompanied by any stability program. The changes in the fiscal policy did not take place. The increased wages for state employees were sanctioned and farmers received dotations. The government was trying to gain the electors.

However, the devaluation helped to avert the imminent economic crisis. The exports were prone to the change the most and in 1971 they grew by 15 % and a year later even by 30 %. The devaluation also fueled the money inflow from workers working abroad at that time. These transfers could improve the current account which was in 1971 and 1972 in surplus. The boosted improved the confidence of foreign creditors who were now willing to lend money. Although the economic situation partly improved, the politic unrest could not be prevented. The army stepped once again in in March 1971 and forced the prime minister to resignate.

The Turkish economy was not isolated from the outside world. The first oil shock in 1973² affected the Turkish economy significantly. Turkey – a country dependent on oil import – could not respond to the growing prices of this feedstock. The oil consumption in Turkey was further increasing causing the increased trade deficit. The country's debt was getting bigger, because the government paid for oil with money from foreign creditors. These creditors became soon overawed by the growing Turkish debt and in 1977 they restricted the loans. This was a heavy blow to industry, because in the following period the government had to limit the investments. Another misfortune was the crop failure in 1977. Turkey could not export as much agricultural crop as it had presumed, the income from abroad decreased and in autumn 1977 the country was no longer able to pay off its debts. Another negative effect of the energetic crisis was the increased inflation. During the first half of the 70's the average inflation rate was about 20 %, which is four times as high as in the previous period. The economic decline in 1977 caused the rise in prices and inflation accelerated so much, that in 1980 it reached 100 %. The money supply growth (and subsequently the increased inflation) was fueled by the public sector deficit. The budget deficit was largely funded by central bank (Karakayali,2003).

The government attempted to implement the stability program to help the economic situation. The major measure was the currency depreciation. The plan also included the

² The Yom Kippur War – Egypt attacked Israel

deferred external debt payments and the foreign investments incentives and the adjustment to the prices. However, the situation did not improve; on the contrary. The inflation continued to accelerate and the industrial production decreased and the unemployment rate increased. Moreover, the black market started to develop. It must be noted that the number of extra-legal export was higher than legal export. Turkey tried to solve the debt crisis and asked international institution for help.

After another oil shock in 1979, it became clear that the measures of the social democratic government are ineffective and the government resigned. At the turn of the 70's and the 80's there was a growing political and economic instability, which resulted in the rise of pro-Islamic groups and it peaked with a military coup in September 1980. Since then the country was ruled by the army, which continued in the pro-Western course, but the Turkish domestic affairs concerned the EEC. After the situation was settled, Turkey officially submitted a request to be accepted as a full member of the EEC. It was done in April 1987 by the Turkish Prime minister Turgut Ozal.

3.2 80's neoliberal "coup"

3.2.1 The global economic and political environment

Shake during the 70's shows that the existing system of state regulation proved ineffective and Keynesian economic policy came under fire proponents of neoliberal theories. Neoliberal (neoclassical) conception of economic policies applied since the turn of the 70's and 80's years of Conservative government, which at that time replaced the previous social reformist government. It's focused mainly on struggle with inflation and to broader market forces, regardless of the social consequences of conviction, that the market alone will solve the economic problems. Part of this development was the reprivatization of state enterprises and a departure from the indicative planning.

Neither the new economic policy did not completely abandon state intervention in the economy, but their emphasis shifted in the spirit of monetarist theories on influence market capital and monetary developments. Economic policy neoliberal type in the '80s prevailed in most major countries and supported the tendency of internationalization and globalization of economic processes. The price for this was to start reduction of social achievements, long-term unemployment and indirectly worsening conditions for economic

development in the Third World. Gradually it became clear that the fall of centrally controlled systems, which were crossing in late 80's to market economy. The markets of these countries was impaired, which led to the economic downturn (Telatar, 2009:70).

The Turkish economy - Beginning of permanent liberalization (1980 - 1989)

Eighties called path to a market economy or beginning of permanent liberalization. It is characterized by more or less successful fulfillment of the economic program created at the beginning of the period. Crisis in the late 70s had pointed out that to improve the situation it is not enough just economic stabilization, but an entirely new approach to economic policy. The existing closed economy will be transformed into an open economy, free, transparent and inclusive world economy. Attempt stabilization and structural change significantly supported institutions, as the International Monetary Fund and World Bank.

In the first phase of the reform, the government departed from the policy import substitution and started export promotion. Another step towards strengthening exports has been the depreciation of the Turkish lira and the introduction of more flexible exchange rate policies. The government has also tried to limit domestic demand and with that related to the transfer of goods from domestic to foreign markets. The reform was also import liberalization. In 1983 he changed the import system, which allowed free import of any goods, which was not subject to special restrictions or licensing. At the same time decreased the average tariff rate from 19% to 12%.

Export-led strategy resulted as the good way out of crisis. Export's led strategy seems to be a good way from crisis. During the 80s Turkey shows Turkey, outstanding performance in increasing amount of export. Especially in the first half decade was the volume of exports increased from 2 910 mil. American dollars from 1980 to 7 958 mil. USD in 1985, which was the biggest grow. In the second half of the export volume recorded again significant, but slower growth. In 1989, exports totaled 11,625 mil. USD. With increasing volumes of exports is declining ratio between the debt of the country and its exports, it separated Turkey from other countries with debts and therefore it greatly contributed to restoring solvency of Turkey (Telatar, 2009:86).

Turkey has always had problems with the balance of payment. Plan of liberalization was trying to solve that it would increase the share of trade in the country's production capacity. Still, investment growth was driven mainly by government investment, which mostly were

pointed into non-tradables sector. High export growth had a positive influence on the growth of private investment in the tradables sector, how the government expect. Some authors ascribe this failure particularly unclear government policy. For further obstacles for expansion of private investment are considered high inflation and high real interest rate.

Among the successful actions of the Turkish government is the repeated devaluations. It began in January 1980 and New Turkish lira was devalued from the original 47 to 70 YTL / USD. Politics persistent of real depreciation, lasting until 1988, was an indispensable element of high growth strategy, which Turkey chose to solve its debt problem. That well targeted exchange rate policy can be attributed to a large share of the fact that Turkey has achieved such significant volumes of exports. Success was also the average growth in gross domestic product during the entire decade in excess of 5% per annum. This performance can be assessed only positively, especially in many adverse conditions, in what was at that time the world economy be situated.

In the first half of the decade also be attributed to the government for the good of a significant change in the structure of GDP for industry. In 1981, the share of industry in GNP of 55.6%, about four years later it was 58.4%. In the second half of the decade, however, a further significant shift in GDP structure in favor of the industry no longer occurs. First, the share of industry in GNP has even fallen to below 56%, but in 89 returns to the value of 58.4% (Telatar, 2009:105).

If we try to compare the first and second half of the eighties in Turkey, we conclude that in the late 80s did not reach the Turkish economy such as success in their course. According to macroeconomic indicators, there has been a slowdown in the growth of exports which was leading the whole economy, and HNP. HNP growth in 1985 reached 5.1% in 1987 and even 7.5%, but since then has declined to 1.9% in 1989. High growth of budget deficits then led to a further increase in the external debt of the country.

Growth in the public budget deficit can be partly attributed to the worsening of the political situation in the late eighties. Government in an effort to please the public and succeed in the next election withdrew from until stricter expenditure policy. At the end of the eighties also once again leads to an increase in inflation. Inflation was successfully managed to reduce from 107% in 1980 to 30.5% in 1983. Although in the following year rose again

significantly, the situation get worse later. From 32% in 1987, there was a jump to 68.3% in 1988 and almost 70% a year later. There are also uncertainties in the assessment of unemployment. The numbers are around 10% at the beginning of the decade, falling slightly in its course. Some experts, however, warn that the officially published figures can be misleading, and that unemployment, according to their calculations, increased during the decade. It would rather correspond to an increase in real wages in the second half of the decade. According to some calculations, unemployment in the eighties grew to about 2 million.

3.3 90's end of bipolarization

3.3.1 The global economic and political environment

During the last decades of the 20th century was characterized by structural changes of the world economy and changes in relationships. An important element was a trend toward globalization. The beginning phase is identified with the collapse of centrally planned system, which in the long run resulted in a number of countries in Central and Eastern Europe to a gradual exhaustion of growth opportunities. In addition to Cuba, North Korea and China, partially passed all the countries of market economy management system and centrally planned economies have been unable to keep pace with economic growth of market economies. The world economy back into a unified operating structure. Communist regimes collapse led to a decline in macroeconomic variables in post-communist countries after the beginning of its systemic transformation. Germany was unified and there were further impetus to the deepening of integration processes in Europe. Slowed growth in Japan and China took the path to economic power.

Effects of globalization inexorably heading towards widening gaps between rich and poor countries. There was a sharp escalation of relations between developed and developing countries.

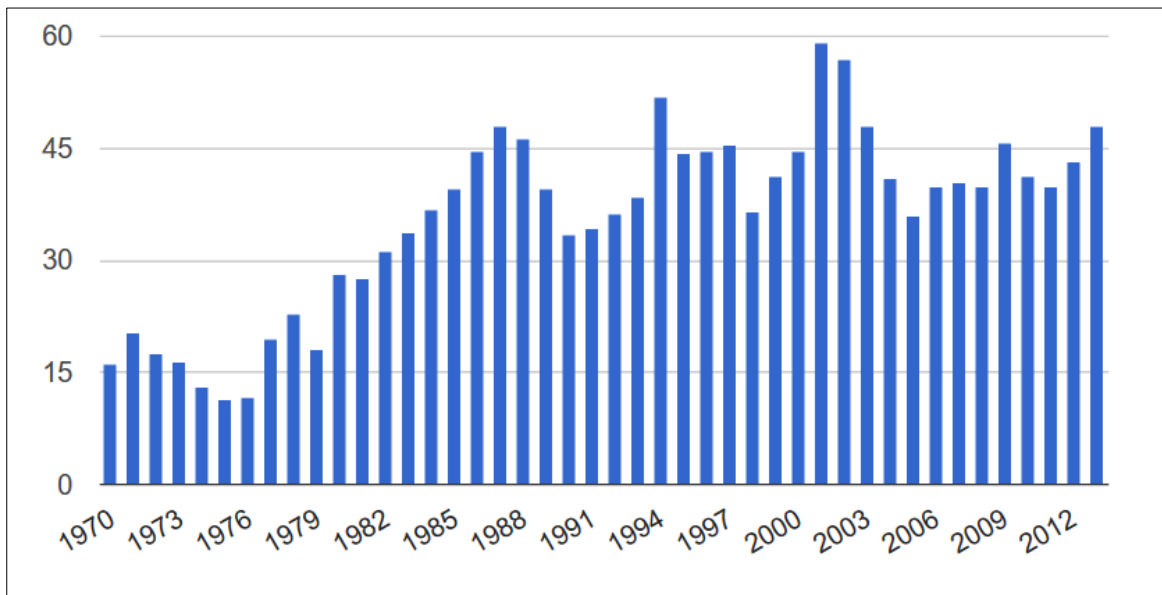
In the early 90s developed market economies experienced a slowdown in economic growth in some major countries was also an absolute decline in macroeconomic variables. This recession was not deep, but it took quite a long time. What was, however, a trend widening gap between developed and developing economies, which can be monitored by comparing the value of GDP per capita. These values in developed countries grew faster than in

developing countries. Thus, the difference between these two groups steadily grew larger. Developed countries are characterized by high levels of lifestyle. Their economies are dynamically developed, oriented to the development of services, the share of industry in total product is decreasing, the share of agriculture was very small. At the end of the 20th century it produced about 66% of value added in services, 30% in industry and 4% in agriculture. In exports dominated advanced technology. They were centers of scientific and technical research and characterized by high labor productivity. Among developed countries we can include in the G7 countries (USA, Japan, Germany, France, Italy, United Kingdom, Canada), other developed economies (the other countries of Western Europe, Australia, Israel, Cyprus and New Zealand) and the Asian newly industrialized countries (South Korea, Taiwan, Singapore and Hong Kong). Again, in the end of the 20th was most of the added value made by service, by the developed countries.

3.3.2 The Turkish economy – Crisis and instability (1990-1999)

Nineties were in the Turkish economy as a period full of twists and large fluctuations. Turkey at this time experienced two crises, caused largely by the political situation in the country. The various political parties have found that implementing unpopular reforms is soon brought into opposition and acted based on it. Thus the government in the late eighties abandoned from prudent fiscal policy, which led in thenext decade, to the significant increase in fiscal deficits. Already at the end of 1990 but came to a halt the trend GDP growth. It was clearly influenced by external events, exacerbation of the situation in the region, the Middle East and following by the Persian Gulf War. This situation has threw the Turkish economy in an adverse situation – situation of uncertainty and pessimistic expectations. A certain percentage share of guilt can also be attributed to political situation. Early elections announced in 1991 uncertainty rather further magnified. Fear of the outcome of early elections again meant a lack of political will of the government forces. This led to undisciplined fiscal and monetary policy and further debt.

Chart 1: Turkey External debt, percent of Gross National Income



http://www.theglobaleconomy.com/Turkey/External_debt/ **Turkey External debt, percent of Gross National Income:** For that indicator, The World Bank provides data for Turkey from 1970 to 2013. The average value for Turkey during that period was 35.77 percent with a minimum of 11.37 percent in 1975 and a maximum of 59.28 percent in 2001.

The government began to raise wages of public employees, provide subsidies to the agricultural sector and, moreover, worsened the performance of state-owned enterprises. The growth of budget expenditures forcing the government to debt financing. Most credit accounted for short-term home loans with high interest rates. Over time, the Ministry of Finance appealed to foreign investors and central banks. The central bank began to lose control over the money supply, which went hand in hand with high inflation, large fiscal deficits and the loss of confidence in the Turkish lira, which in turn led directly to a currency crisis in early 1994.

As a response to the economic instability created by the government in cooperation with the IMF stabilization program. It was published April 5, 1994, and Turkey will commit to reduce inflation and improve the external balance and achieve stability in the foreign exchange market. The inevitable was immediately reduce spending public budgets and the modernization of the tax system. At the same time should lead to structural changes, reform of the agricultural sector and the privatization of state enterprises. The plan also counted even with an increase in income budgets, in particular by introducing a range of one-off taxes. There was also an increase in the regulated prices of products of state-owned

enterprises. That increase budget revenue, together with a reduction in primary expenditure, led to a very successful and rapid improvements budget. On the contrary, the plan failed to meet in the privatization of state enterprises. Lack of political forces that caused very low incomes from privatization of the minimum number actually privatized firms more than originally planned. The government also demonstrated its inability to effectively control and suppress inflation. This is mainly rise in prices of products, state-owned enterprises (one of the program measures) and the sharp depreciation of the currency surged again, for the first time since 1980, to three digit numbers.

At the end of 90 years, Turkey has once again entered into big problems. This time, however, was the cause of the negative impact from abroad. In 1997, the onset of the Asian financial crisis a year later it was the crisis in Russia. Both events caused an outflow of capital from foreign investors. The situation is further worsened two destructive earthquakes in northwest Anatolia in 1999. The economy was in a deep recession. In December 1999, the Turkish government has signed a three-year stabilization program, again with the support of the IMF. The goal was to decrease the rate of inflation, reducing public debt, fiscal tightening and introducing structural reforms. The program was adopted in January next year, but the positive results brought only for a short time. In 2001, Turkey had been hit by another economic crisis.

4 Erdogan's era

4.1 General specification of global economy

At the beginning of the second decade of the 21st century it is possible to witness substantial transformation of the whole current international system, which started to form during the past three decades of the nineteenth century. The world economy at beginning of the new millennium was negatively influenced due to the economic decline of trade markets in the USA. Not long after this uneasy take-off when the world economy grew merely a 2 % per year, situation had changed for the better as already in 2004 growth of 4 % (together with contribution of developing countries, mainly China). This period was also characteristic for a world trade surpassing world GDP growth roughly by 4 %. This steady growth was suddenly hampered by 2007 mortgage crisis in the USA closely followed by a financial crisis of 2008.

Global financial crisis uncovered flaws of previous economic systems. The path to a formation of a new system of economy depends besides other on changes in lifestyles and thinking within society. The evolution of the global fiscal politics was connected mainly to the necessity of overcoming negative impacts of the financial crisis. One of the widely used governmental solution was a stimulation incentive packages by a state capital inflow. The rise of public expenditure played a key role in proposed solutions to counter low rates of a private sector. Large scale fiscal stimulation was adopted by the USA, European Union, China, Japan and Russia as a reaction to the 2008. Unfortunately, fiscal stimulation have not met its supposed goal in lowering the impact of the financial crisis, as rising massive public debt of the economies showed, it was rather on the contrary (Larrabee, 2003:142-144).

The impact of financial and economic problems of 2008 and 2009 took different forms in different world territories. The biggest losses were monitored in highly developed economies resulting in abrupt drop of their GDPs. The effect on emerging economies in Asia and Latin America was only moderate, mostly meaning a slowing down of rate of growth. Monetary expansion of the USA, Europe and Japan did not meet sound success, unlike the decision of restricting of monetary policies in developing countries. Within

international trade the leading role of China further increased. This was caused by both, Chinese entering into the WTO as well as maintenance and evolution of trade liberalization policies. On the other hand the USA and states of the EU plunged into a negative balance of their international trade. This imbalance within the world trade flows is alarming mainly due to its potential of disbalancing the world economy once again.

4.2 Socio-political environment

The direction of both external and internal Turkish political scene was significantly influenced by formation and rise of the Justice and Development Party (AKP/Adalet ve Kalkınma Partisi). Its roots can be traced to the Islamist Honour party (FP/Fazilet Partisi), which was banned for its anti-secular behavior by the government in 2001. Former members split and formed two new political parties. Conservative Party of Bliss (SP/Saadet Partisi) with Recai Kutan in lead and modernist wing AKP with by then mayor of Istanbul, Recep Tayyip Erdogan. In 1998 Erdogan was sentenced and jailed for 10 month for reciting a controversial poem in the South-East of Turkey. (Larrabee, 2003)

The poem contained a citation that all mosques are our military quarters, minarets our bayonets. Domes are our helmets, the believers are our soldiers. Erdogan was accused of infringement of the Kemalist principles of the state and was forced to resign from his post of mayor of Istanbul. He was also banned from carrying out the public functions. However, Erdogan's imprisonment was not the end of his political career, rather the opposite: it was quite a new beginning for him. His imprisonment only added to his popularity.

In 2001, when Recep Tayyip Erdogan and Abdullah Gül founded the AKP, they strictly refused the attribute "islamist" and described their ideology as a "conservative democracy". Both politicians had a clear common interest in the fact, that the AKP could not be easily cancelled. The politicians from the AKP were well trained at suppress their Islamic views and they managed to gain popular support and political legitimacy. The Turkey's membership in the European Union topped the political agenda of the AKP, because the party was aware that the European democratic demands will expand the party's influence to the detriment of the army. In 2002 AKP won parliamentary elections and gained 34 % of the votes. The Kemalist Republican People's Party gained 19 % of the votes. Neither of the parties surpassed the electoral threshold. 45 % of the voters were left

without representatives. For the first time since the 80's the Turkey had the first single-party government. This electoral victory of the AKP was entirely unforeseen.

It is possible to define several major factors which resulted in the AKP's electoral victory. The poor economic situation caused reluctance of the population to vote for parties who had been in power in the last parliamentary terms. Another important factor was the strengthening support of the middle and lower classes in favour of Erdogan. The voters wanted a new corruption-free face which could not be associated with previous governments. The AKP greatly benefited from this situation. It declared the continuity of Turgut Özal's policy and it highlighted family values. The conservative AKP emphasized the role of the Ottoman history and of Islam in its election programme. The AKP sought the redefinition of a good society based on faith and historical unanimity. The major ideological principle of the party was the pragmatism. The AKP was a party which was (not only on the ideological basis) oriented on the provision of services. This characteristic corresponds with the electoral victory, because the voters did not vote for identity or ideology. Erdogan's ability to represent the nation's interests rather than ideology brought him a clear victory. Given Erdogan's charismatic personality, the question of ideology or identity became secondary. Although Erdogan was formerly not a supporter of Turkey's membership in the EU, his opinions abruptly changed. He was aware that if the party continued in its confrontation with the West and if it publicly declared its efforts to create a religious state, it might be easily banned. Instead, the AKP opted for friendly relationships with the EU which won the voters from the secular middle class and business people in the country. The AKP became the advocate of Turkey's integration into the EU and it supported global capitalism and free market. It was the support of the Turkey's membership in the EU what helped the party win its legitimacy. The AKP highlights conservatism, which consists of three major levels: the family, the Ottoman identity and the religiousness. The family is seen as an institution and also a specific set of values. The emphasis on family is no novelty in Turkey. In the Turkish context, family values could be interpreted as religious values. The second level consists in specific portrayal of the Ottoman history. The common unifying factor AKP's belief is that the Ottoman past is the key to the future of the Turkey. The members of the AKP feel deep nostalgia with respect to the Ottoman Empire and this fact impacts the course of the Turkish foreign policy. The third level represent religiousness which emphasizes the

importance of religion (Islam) in the life of every individual. On the one hand, the AKP submits secularism, but on the other fights against it.

The AKP conceals its true opinions and publicly shows harmony with the Kemalist secularism. In doing so it attempts to avoid criminalization and possible banning, because all former Islamic parties had been banned because of their anti-secularism. In its official party program, the AKP identifies Atatürk's principles and reforms as the crucial means in pursuit of the current civilization standard. Secularism represents the basis for freedom and social peace. The AKP refuses undermining of secularism as well as the interpretation of secularism as the enemy of the religion. However, it is crucial to mention the fact that in its program, the AKP refers to Allah's help with a quotation: "God willing, we will make things better." AKP since his rise to power was systematically sought to limit the power of the army.

The adopted reforms significantly restricted the power of the army and limited the competences of the National Security Council. It was possible now to appoint the civilian leader as the Head of the National Security Council. The parliament gained increased supervision over the military budget. These reforms significantly reduced military power and reduce the powers of the National Security Council.

Controversy provoked mainly an effort to reform (Islamize), two of the cornerstones of Turkish secularism. The judiciary and educational system. Especially the draft law on the National Council on Higher Education was controversial. This government bill changed the admissions procedures and favoured students of religious schools (Larrabee, Rabasa, 2008: 19). The then president Ahmet Necdet Sezer vetoed the act and declared it violated the principles of secularism. In 2004, the AKP failed to impose legal sanctions on adulterers. The attempt to implement the clause on adultery into criminal code was criticized both inside Turkey and in the EU. As a part of the debate about adultery, Erdogan said that "Europe is not a perfect role model of everything". Turkish secular media did not hesitate to make use of this issue in speculations about true intentions of the AKP (Larrabee, 2008:36-50).

The issue of wearing headscarves still causes much tension between the AKP and secularists. The AKP attempted to lift the ban on head covers for women at universities and state facilities but the Constitutional Court of Turkey finally banned the duty to wear

headscarves at universities and state facilities. The European Court of Human Rights supported this ban in a verdict which was a response to a complaint of a Turkish female citizen who had been expelled from university for wearing a scarf.

In 2006, Mustafa Yücel Özbilgin, a judge of the Turkish Supreme Court, who voted for maintaining the ban on headscarves, was killed by terrorists. This accident polarized the society. Tens of thousands of people gathered in front of Atatürk's mausoleum to express their indignation. Top judicial authorities and president Sezer accused government of partaking in this tragedy. The assassination of judge Özbilgin was generally seen as an action against secular character of the country. The judge's funeral turned into a demonstration against the government. Thousands of people flooded the streets and chanted slogans such as "Turkey is secular and will remain so", or "Islamists, go away to Iran", or "Get rid of Sharia" and waved with flags and Atatürk's portraits. The outraged crowd threw plastic bottles at ministers of the ruling party AKP and called Erdogan, who was at that time travelling to another part of country, a "murderer" (Yavuz, 2009: 167-168).

This event has however not ended the demonstrations. In April fourteenth in 2007 to protest a million Turks against the growing Islamization of the country. It was the biggest demonstration since the founding of the republic in 1923. A run of the former Islamist Abdullah Gül for president caused revulsion. In 2008, the Constitutional Court dealt with a proposal to cancel the ruling party AKP. The reason for that should be undermining of the Kemalist principles. Although the party was not cancelled, it received a financial penalty. The AKP never gave up its efforts to change the Turkish society.

The Islamist parties always provoked controversies in the secular circles and they were on several occasions banned. But it must be stated here that these parties also managed to attract the attention and to gain votes of a part of the Turkish population. But these political subjects were a rather rare occurrence. The success of the AKP in the last three elections (2002, 2007 and 2011) shows the growing strength of political Islam in the country.

But the elections in 2015 showed that Kurds do not hear for the call of Islam. Their desire for their own state is still strong and Erdogan did not count with this fact. Therefore the ruling group's charges did not forget and revenge nowadays within the fight against ISIS, as in Syria and Iraq are the Kurds virtually independent.

For justice under the Erdogan's command was important year 2006. During the year 2006 Erdogan was accused by the Supreme Board of Judges and Prosecutors that Erdogan does obstruction against the appointment of judges to the high courts for more than 10 months. He was accused that he wants them to be replaced by his faithful. Year after in May 2007 was Erdogan accused by the head of Turkey High Court if he should not be charged for comments based on the election of Abdullah Gül.

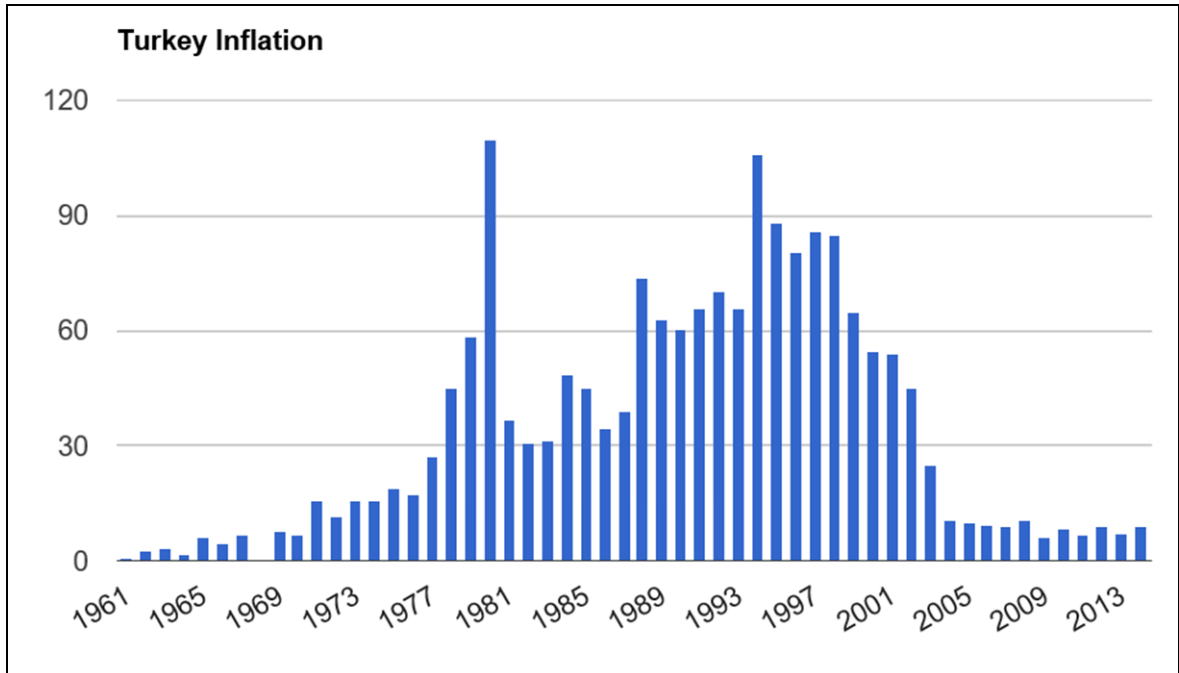
Economic principles and development

At the beginning of the new millennium the Turkish economy was in a great depression. At the end of 1999, another program which should solve the crisis was introduced. It was presented with the help of IMF and once again it relied on savings in public expenses. The IMF also helped with the implementation of the program through its supervision and it also provided a generous financial help of 20.6 billion USD. A year after the program was implemented it became clear, that it was not going to be successful due to overdependence on the inflow of the speculative short-term capital. This brought the Turkish economy to another financial crisis in 2000. Three months later the program was abandoned.

A definitive turnaround was at the end of 2002. With the absolute majority, the winning party AKP was able to create a stable government, which had political power to enforce reforms. In cooperation with the IMF another plan was created. Its three major goals were financial savings in public budgets, careful money policy enforcement of structural reforms. The program was in many aspects very successful. The government attempted to make use of successful implementation of the program to strengthen its credibility, which could affect the entire Turkish economy. The Central Bank cut interest rates, which fuelled the domestic consumption and investments.

One of the greatest Erdogan's successes was undoubtedly and significantly reduction of inflation. It decreased from about 90 % in 2002 to 10 % in 2004. The inflation however started to increase again in 2008. In 2009 it was at its lowest level since 1970 – 6.25 %. The trend is very favourable trend.

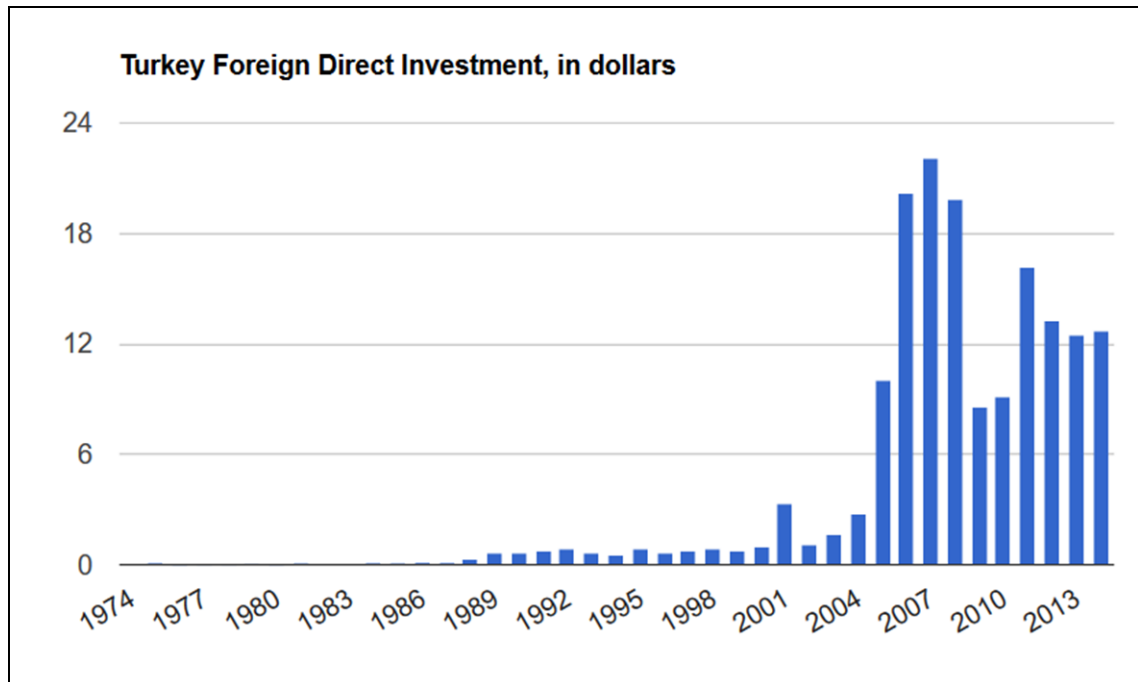
Chart 2: Turkey Inflation: percent change in the Consumer Price Index



<http://www.theglobaleconomy.com/Turkey/Inflation/>For that indicator, The World Bank provides data for Turkey from 1961 to 2014. The average value for Turkey during that period was 33.84 percent with a minimum of 0.4 percent in 1968 and a maximum of 110.17 percent in 1980.

On the turn of the millennium the GDP reached a very interesting growth rate and except for 2001, the GDP rate kept above 5 %. In 2004 the economy grow threaded 9%, which made Turkey one of the most dynamic economies in the world. The growing domestic consumption and the investments inflow also had a positive impact on the increased GDP.

Chart 3: Turkey Foreign Direct Investment

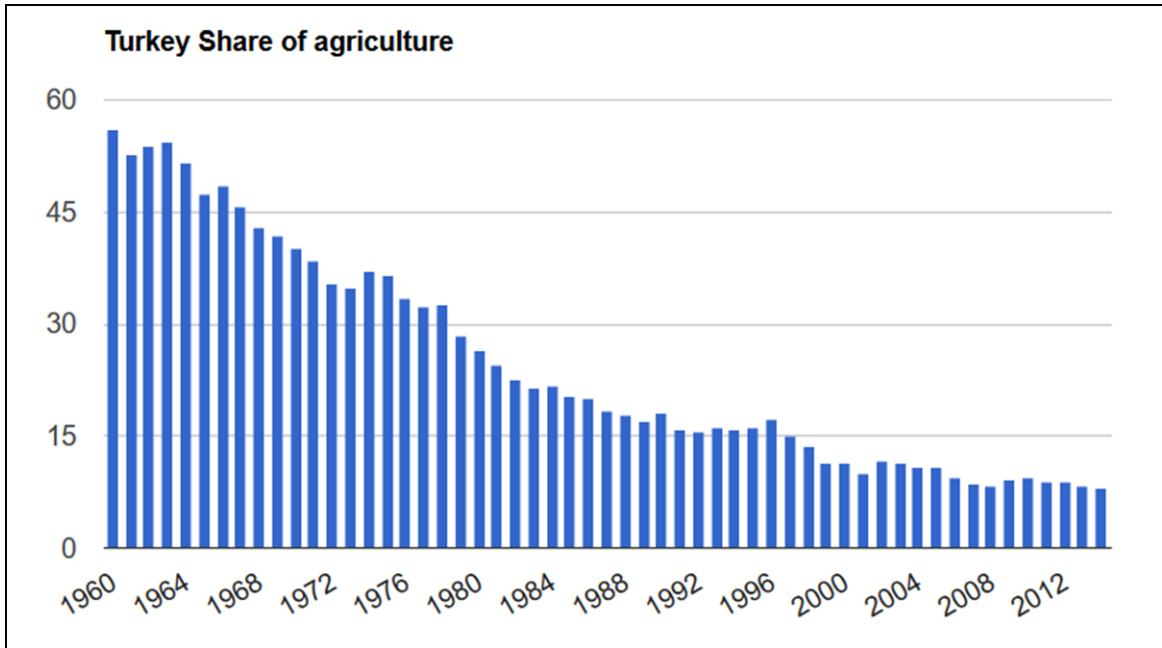


http://www.theglobaleconomy.com/Turkey/fdi_dollars/Turkey Foreign Direct Investment, billion USD: For that indicator, The World Bank provides data for Turkey from 1974 to 2014. The average value for Turkey during that period was 4 billion U.S. dollars with a minimum of 0.01 billion U.S. dollars in 1976 and a maximum of 12.76 billion U.S. dollars in 2014.

This growth was however quite fragile. We see a sharp decline after the world economy crisis at the end of the decade. The strong relationship between the inflow of foreign capital and the level of growth of GDP is another proof for this statement. A rather low export share of GDP has a negative effect too.

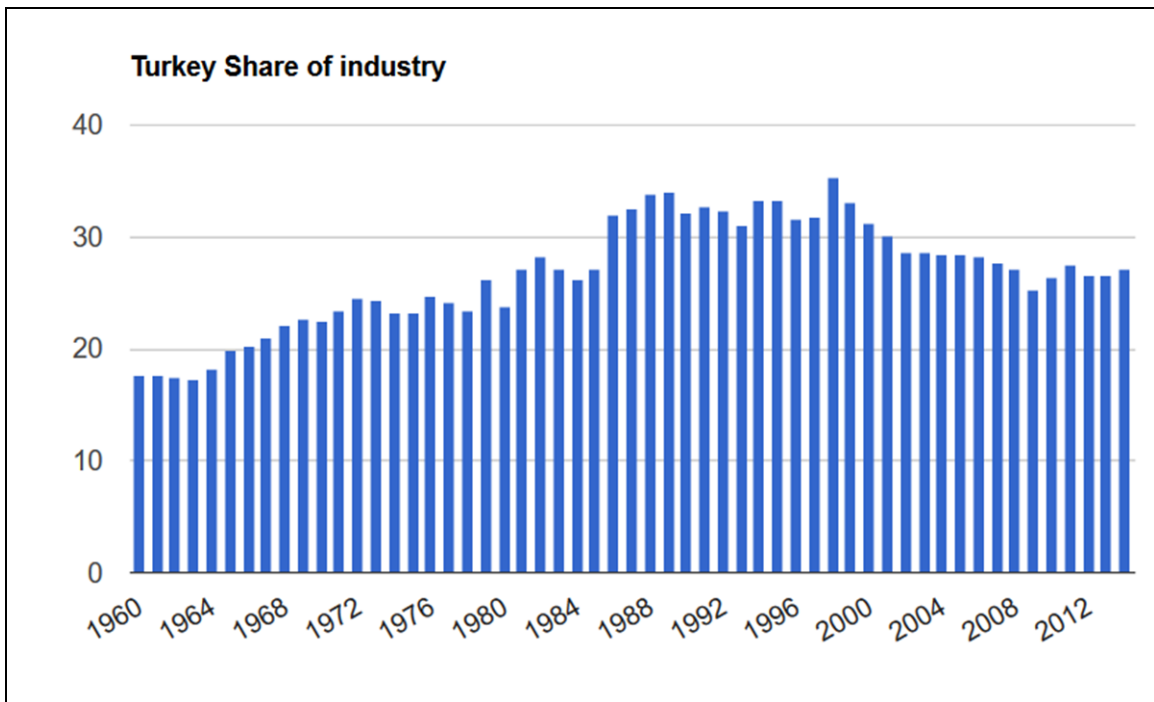
Turkey still remains a country with a significant importance of primary sector, but the tertiary sector is gaining importance. Currently the agriculture share on GDP is 8 %, industry makes 27 % and services make 65%. The decrease of agriculture share and the increase of services is a trend that has not changed since the 60's. The industrial boom took place in the 80's and the 90's. In the new millennium this trend is slightly downward.

Chart 4: Turkey Value added in the agricultural sector as percent of GDP



http://www.theglobaleconomy.com/Turkey/Share_of_agriculture/For that indicator, The World Bank provides data for Turkey from 1960 to 2014. The average value for Turkey during that period was 24.66 percent with a minimum of 8.01 percent in 2014 and a maximum of 55.99 percent in 1960.

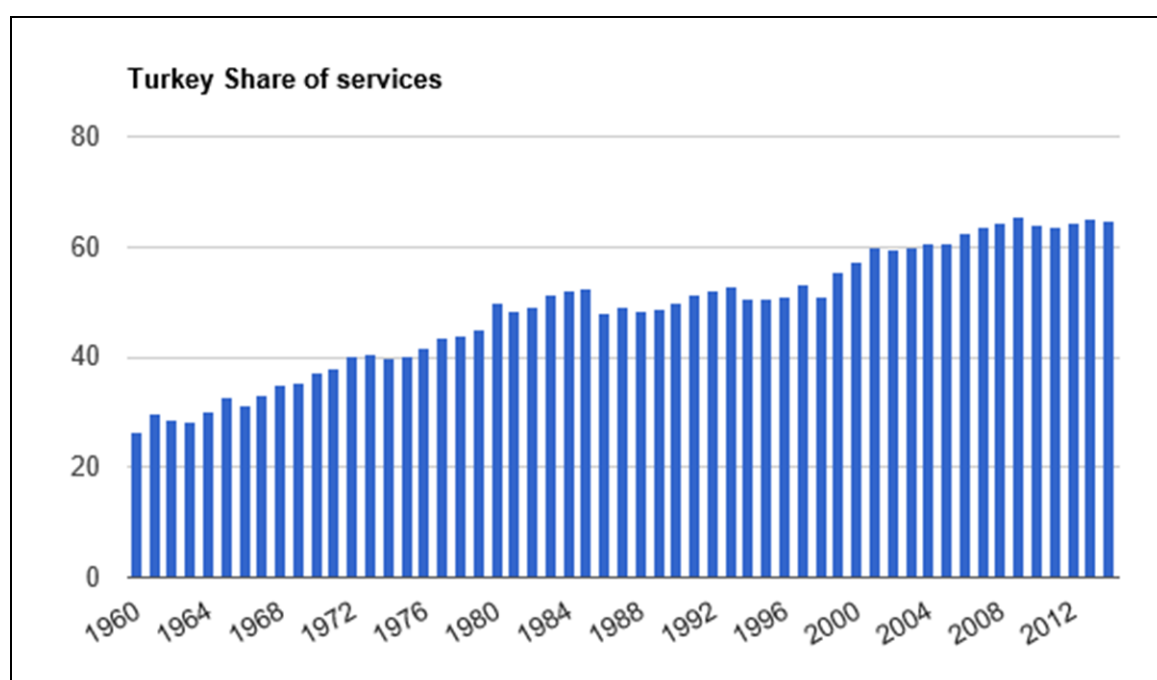
Chart 5: Turkey Value added by industry as percent of GDP:



http://www.theglobaleconomy.com/Turkey/Share_of_industry/For that indicator, The World Bank provides data for Turkey from 1960 to 2014. The average value for Turkey during that period was 26.75 percent with a minimum of 17.29 percent in 1963 and a maximum of 35.34 percent in 1998.

The structure of Turkish economy is gradually changing in favour of the industrial production and especially in favour of services. One half of the workers works in services, about one fourth in agriculture and the rest work in industry and building industry. The most important articles of the industrial production (and also of export) are cars and fixtures, apparel, boilers, machines and facilities, electric devices, consumer electronics, white goods, iron and steel, mineral fuels, oils and plastics. In the service sector, the incoming tourism, hotel industry and gastronomy are the most important areas.

Chart6: Turkey Value added in the services sector as percent of GDP:

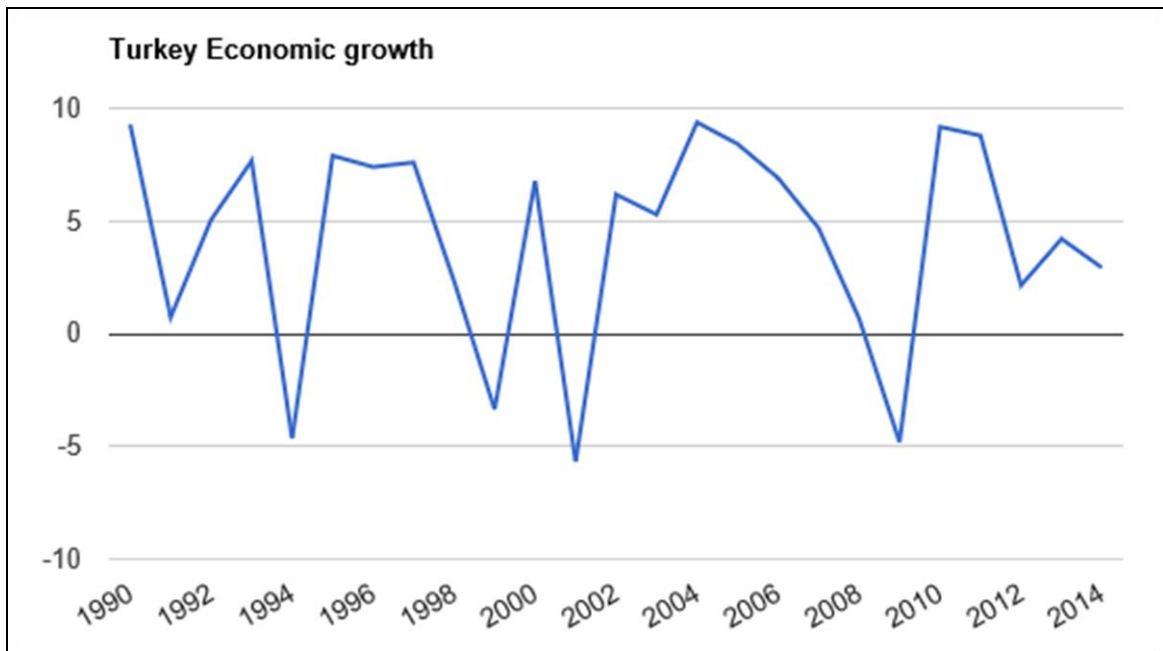


http://www.theglobaleconomy.com/Turkey/Share_of_services/ For that indicator, The World Bank provides data for Turkey from 1960 to 2014. The average value for Turkey during that period was 48.59 percent with a minimum of 26.5 percent in 1960 and a maximum of 65.64 percent in 2009.

The financial crisis in the world, which firstly struck the mortgage market in the USA and quickly spread to other states, did not have such an impact in Turkey as it was anticipated. Turkey was not severely affected for two reasons: after overcoming the crisis in 2001, the financial supervision became stricter, the banking system underwent a major reform and the volume of mortgage loans in Turkey is rather low. However, what affected Turkey strongly was the decreased export as a consequence of sharp decline in demand, especially in Europe, caused by the global crisis, given the previously described circumstances, the Turkish economic development is affected by great fluctuations. The years of the high growth of GDP were interrupted by years of sharp decline. In 2004 the growth peaked at

9.36 % and it was followed by a decline to -4.83 % in 2009. The first signs of progress in economy appeared in the last quarter of 2009. For the first time in the last five quarters the country's economy experienced a 6 % growth as opposed to 2008. In 2010 the market recovered and the growth reached 9.16% (see the following chart).

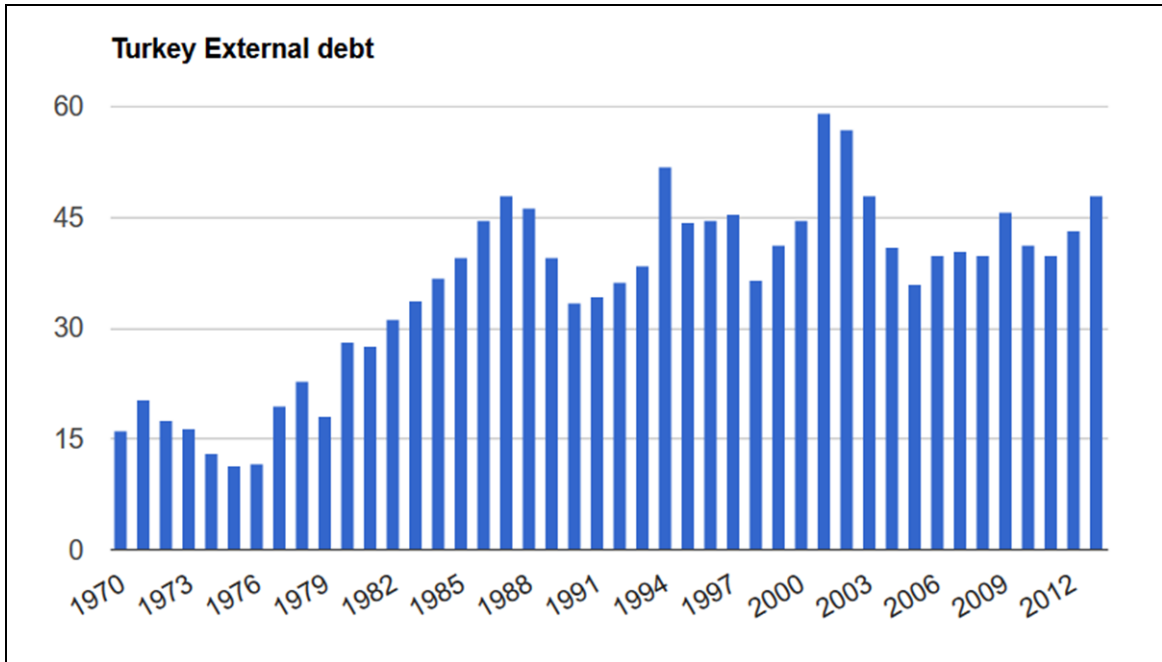
Chart 7: Economic growth



http://www.theglobaleconomy.com/Turkey/Economic_growth/The World Bank provides data for Turkey from 1961 to 2014. The average value for Turkey during that period was 4.51 percent with a minimum of -5.7 percent in 2001 and a maximum of 11.21 percent in 1966.

The exchange rate development and the rate of the foreign debt reaching 40 % of GDP were the negative signs of the period.

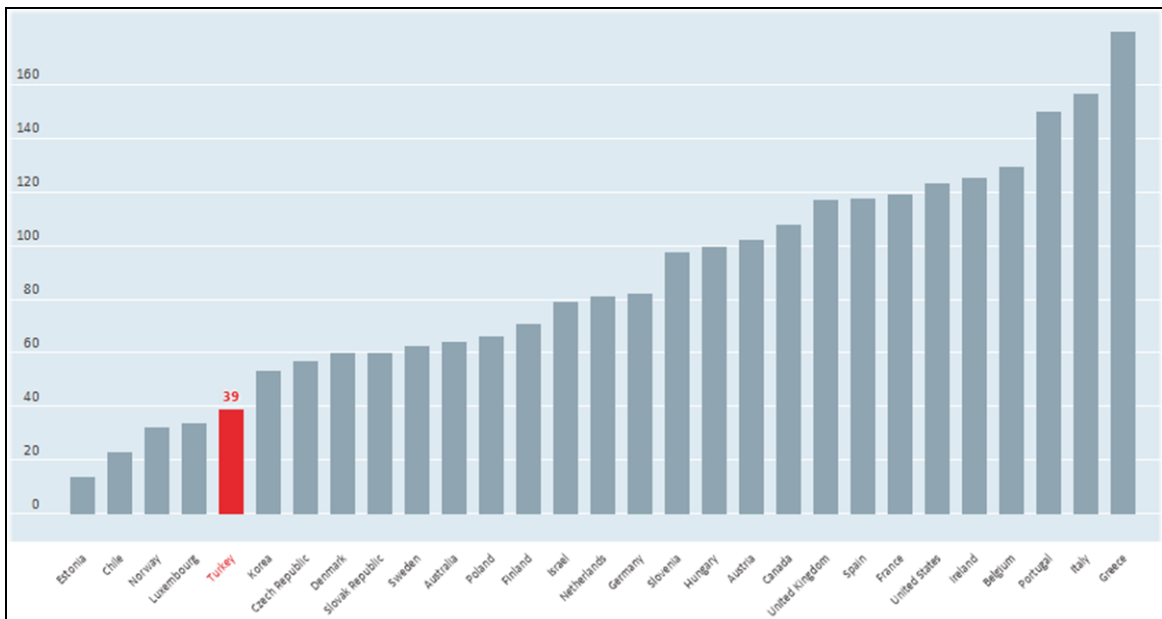
Chart 8: Turkey External Debt



http://www.theglobaleconomy.com/Turkey/External_debt/Turkey_External_debt,_percent_of_Gross_National_Income: For that indicator, The World Bank provides data for Turkey from 1970 to 2013. The average value for Turkey during that period was 35.77 percent with a minimum of 11.37 percent in 1975 and a maximum of 59.28 percent in 2001.

The deficit is largely caused by the foreign interest repayment obligations which make more than 40 % of the expenditures of the central government. Nevertheless in comparison with other OECD member states the debt is ether low.

Chart 9: General government debt

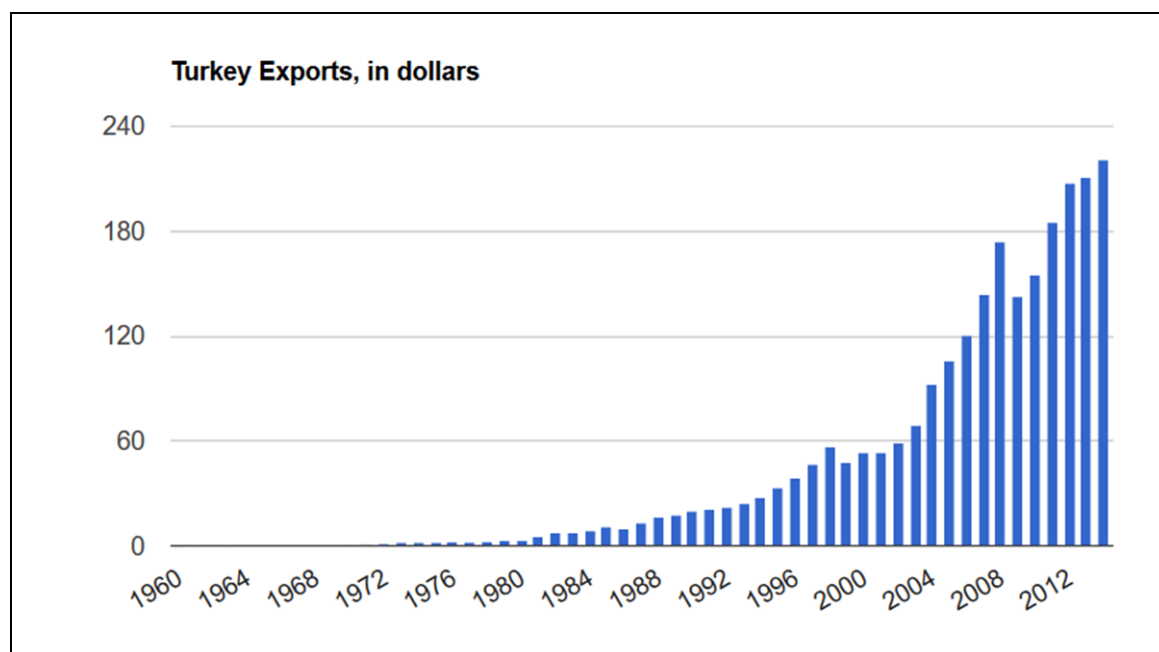


<https://data.oecd.org/gga/general-government-debt.htm>, OECD (2016), General government debt (indicator). doi: 10.1787/a0528cc2-en (Accessed on 19 April 2016)

The foreign capital inflow also greatly affected the foreign exchange market. The Turkish lira was under the pressure of foreign financiers, who sought high profits from financial arbitration at the Turkish market. The Central Bank focused the monetary policy at reducing inflation. After 2000 the Turkish lira offered the financial arbiters revenues so high that Turkey actually could not allow for the long-term capital inflow. Lira could not resist the pressure of financiers and sharply appreciated up to 50 % against USD and 25 % against EUR.

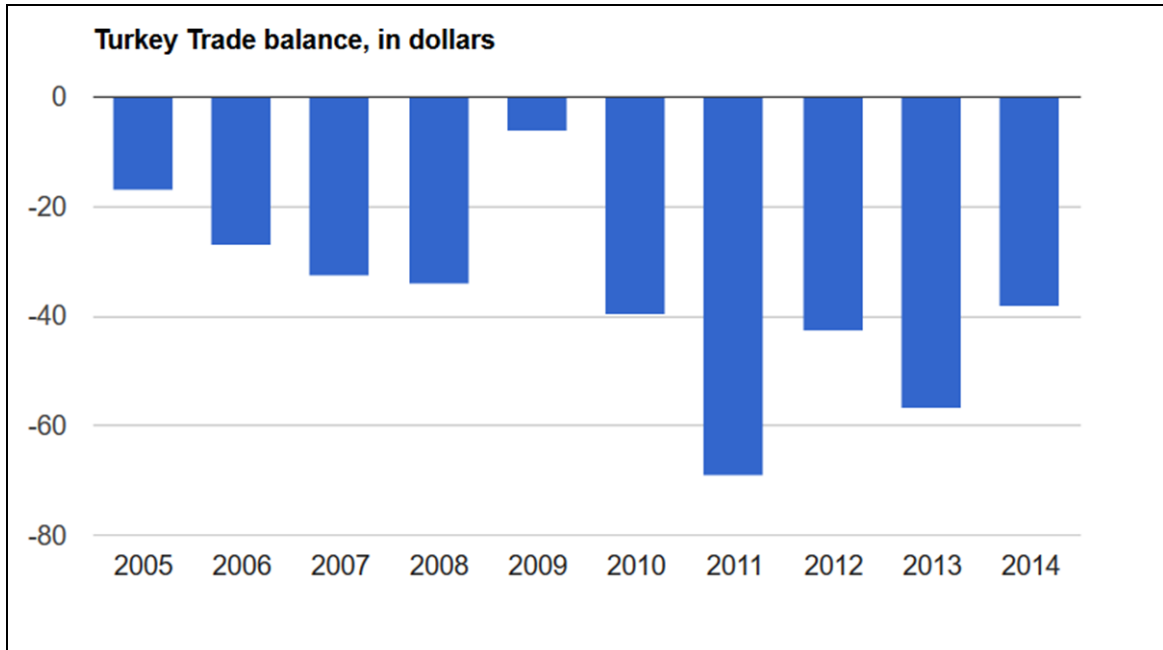
The appreciation of the Turkish lira had other negative consequences. The Turkish exports got more expensive and their competitive ability at foreign markets worsened. It resulted in the change in the exports structure. The new structure however led to higher demands on intermediate product import which deepened the trade deficit. Both the import and export continuously grow, but the import has a primary role which causes negative trade deficit of the Turkish economy.

Chart 10: Turkey Exports of goods and services



http://www.theglobaleconomy.com/Turkey/exports_dollars/Select indicator Turkey Exports of goods and services, billion USD: For that indicator, The World Bank provides data for Turkey from 1960 to 2014. The average value for Turkey during that period was 44.83 billion U.S. dollars with a minimum of 0.29 billion U.S. dollars in 1960 and a maximum of 221.46 billion U.S. dollars in 2014.

Chart 11: Turkey Trade balance, billion USD



http://www.theglobaleconomy.com/Turkey/trade_balance_dollars/Turkey Trade balance, billion USD: For that indicator, The World Bank provides data for Turkey from 2005 to 2014. The average value for Turkey during that period was -36.46 billion U.S. dollars with a minimum of -69.04 billion U.S. dollars in 2011 and a maximum of -17.06 billion U.S. dollars in 2005.

The developing countries experienced after the crisis an export-driven recession. The reasons for that were two. Firstly, the global economic growth stilled which means that the demand for imports slowed. The countries depreciated their currencies but not all of them could benefit from it, because not every country is solely an importer. And secondly, the substantial percentage of exporters on the developing markets depends on materials. However their price decreases in a long term, which is quite beneficial for Turkey that depends on materials.

The major Turkish business partner in both the import and export are the European countries and Russia. The most common articles of the Turkish export include engineering goods, transport equipment, textile materials, industrial intermediates and finished goods. The most common articles of the Turkish import include mineral fuels, steel and iron, engineering goods and consumer goods.

The major destinations of the Turkish export are Germany, Great Britain, Italy, France, Russia or United Arab Emirates. The materials needed for production is imported from Russia, Germany, China, the USA and Italy. Although the volume of deliveries between

the EU and Turkey has not changed significantly (except for the decrease in 2009 which was a result of the world crisis), the percentage of trade with the EU decreases to third countries, notably Russia, China and nearby Asian countries.

Erdogan understood correctly need of good infrastructure. During his government was number of airports increased to double to number of 50. During the founding of the republic was builded 5700 km of dural carriageway roads. During the time, when Erdogan was prime minister was build 13500 km of expressway. Also high speed railway lines were made and high speed train began to run since 2009. During his time was builded another 1000 km of the railway. And the most important place in Istanbul, tunnel under the Bosphorus strait. Which is going to be the longest tunnel in area (Pirický,2006).

Another significant problem is that the country remains divided into rich West and poor East. Economically speaking, almost 80 % of total production takes place in the western part of the country which makes Turkey a country with the greatest regional disproportions in Europe. This disproportion goes hand in hand with high urbanization and predominantly excessive labour drain from the east to agglomerations in the western Turkey.

Erdogan, dreaming of new Ottoman Empire, understands that Empire is dependent on the number of population. Erdogan called on Turkish women to have "at least four or five children" due to "strengthen" the country and faster economic growth. Informed about the Hurriyet sheet. Erdogan has so far asked for Turkish women to have at least three children. He and his wife Emine have four children. Sixty percent of Turkey's population is younger than 30 years old. But higher living standards caused about the Turkish couples will have less number of children, which is a trend in western countries. Erdogan in his speech after the wedding ceremony in Gaziantep urged to "family were four or five children." "If we look at the trend in the birth rate, the forecasts for the years 2037 to 2040 are alarming," he said. Large family, he explained, "has enormous significance for the future of our nation." Turkey currently has 75 million inhabitants and the number in 2025 will grow to 100 million³. The country wants to become one of the ten world economic powers. Currently is the 17th. To increase the population of the necessary reforms in the health sector. Sharply increased the number of hospitals and the number of universitis fields connected with

³ Erdogan vyzývá turecké ženy, Eretz.cz, <http://eretz.cz/2013/02/turecko-erdogan-vyzyva-tureckezeny-aby-mely-alespon-4-nebo-5-deti/>, 15.8.2016

medicine. People younger than 18 years have guaranteed health care and others social reforms.

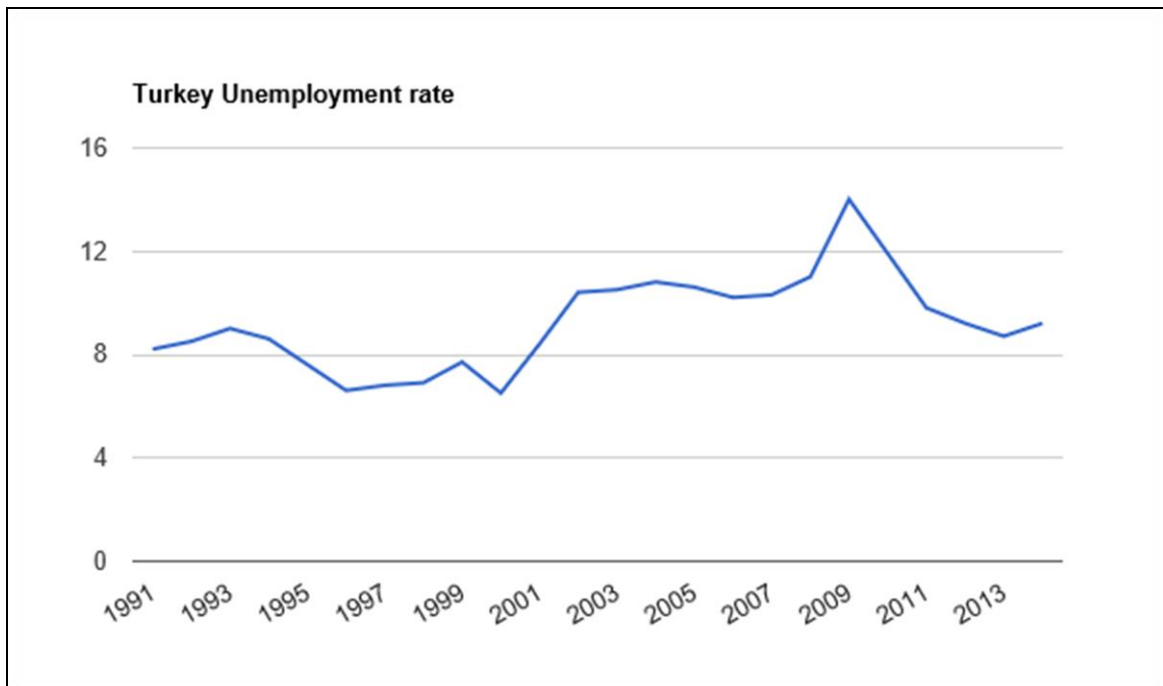
Figure 1: Population

Year	Population	Yearly %	Yearly	Migrants (net)	Median Age	Density (P/Km ²)	Urban	Urban Population	Country's Share of	World Population	Turkey
		Change	Change				Pop %		World Pop		Global Rank
2016	79,622,062	1.22 %	956,232	-84	30.2	104	71.9 %	57,251,665	1.07 %	7,432,663,275	19
2015	78,665,830	1.7 %	1,271,083	400	30	102	71.6 %	56,288,353	1.14 %	7,349,472,099	18
2010	72,310,416	1.28 %	889,96	-10	28	94	70.5 %	51,011,925	1.11 %	6,929,725,043	18
2005	67,860,617	1.42 %	924,092	-20	26	88	67.7 %	45,918,585	1.11 %	6,519,635,850	18
2000	63,240,157	1.56 %	943,567	-30	25	82	64.7 %	40,899,833	1.1 %	6,126,622,121	18
1995	58,522,320	1.62 %	905,543	-40	23	76	62.1 %	36,355,820	1.1 %	5,735,123,084	18
1990	53,994,605	1.89 %	963,305	-30	22	70	59.2 %	31,966,194	1.11 %	5,309,667,699	21
1985	49,178,079	2.29 %	1,054,458	-15,5	21	64	52.4 %	25,793,140	1.11 %	4,852,540,569	21
1980	43,905,790	2.3 %	944,031	-73,6	20	57	43.8 %	19,222,062	1.08 %	4,439,632,465	20
1975	39,185,637	2.42 %	882,721	-63	19	51	41.6 %	16,295,737	1.06 %	4,061,399,228	20
1970	34,772,031	2.32 %	754,373	-64	19	45	38.2 %	13,294,704	1.05 %	3,682,487,691	21
1965	31,000,167	2.39 %	689,377	-4	20	32	22.3 %	6,924,965	1.03 %	3,322,495,121	20
1960	27,553,280	2.58 %	660,016	-18,5	19	36	31.5 %	8,683,368	1%	3,018,343,828	20
1955	24,253,200	2.69 %	602,941	-4	20	32	28.6 %	6,924,965	0.96 %	2,758,314,525	20

<http://www.worldometers.info/world-population/turkey-population/>

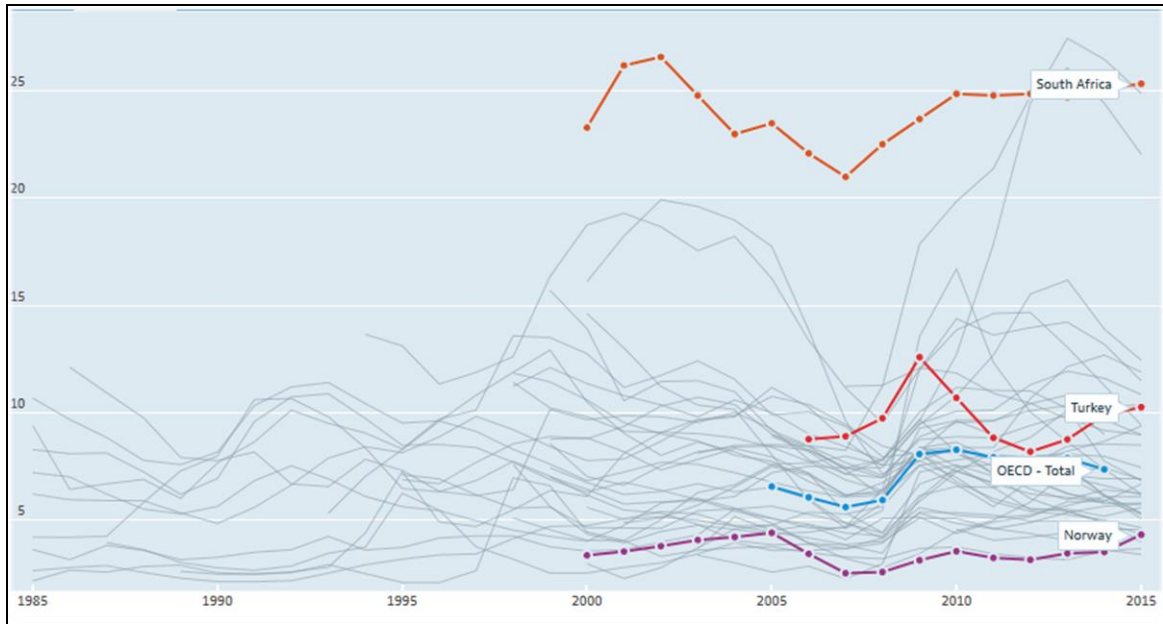
In the last few years the unemployment rate has been about 10 %, though it varies in different regions, which is caused by the regional disparities. But these disparities started to disappear recently. However, the unemployment rate among young absolvents reaches up to 20 %. The warning sign is also the number of long-term unemployed who make up more than one half of the unemployed. In fact, the number of the unemployed is much higher. A number of those Turks who lose their job do not register at the employment office and so the official statistics are only indicative. It happens because of the insufficient state support of the unemployed (and people try to “make a living on their own”), but also because of the traditional way of life, when a number of family members work in agriculture for free.

Chart 12: Turkey Unemployment rate



Turkey Unemployment rate: For that indicator, The World Bank provides data for Turkey from 1991 to 2014. The average value for Turkey during that period was 9.23 percent with a minimum of 6.5 percent in 2000 and a maximum of 14 percent in 2009. http://www.theglobaleconomy.com/Turkey/Unemployment_rate/

Chart 13: Unemployment - OECD



OECD (2016), *Unemployment rate (indicator)*. doi: 10.1787/997c8750-en (Accessed on 19 April 2016)

The official employment rate is now about 46 %, which is roughly 20 % less than the average rate of the EU (65.4 %). The employment rate of women in Turkey is even lower reaching only 23.8 %, whereas in the EU it is 58.3 %.

In 2003, Erdoğan's government pushed through the Labor Act, a comprehensive reform of Turkey's labor law. The law greatly expanded the rights of employees, establishing a 45-hour workweek and limiting overtime work to 270 hours a year, provided legal protection against discrimination due to sex, religion, or political affiliation, prohibited discrimination between permanent and temporary workers, entitled employees terminated without "valid cause" to compensation, and mandated written contracts for employment arrangements lasting a year or more.

5 Comparison

5.1 Ataturk vs Erdogan and global politico-economic configuration

Ataturk's development was already mentioned before. All the policies of the country were affected by the above mentioned Kemalism and its six arrows that have influenced and Everyday life of the population. We do not have so many indicators as we have about Erdogan. As it was mentioned before, dates and numbers cannot be trust as we can see about Erdogan's time. Turkey has good statistical data mainly from the late 80s and is available in English. Until then, the data used as a propoganda tool. Therefore Ataturk results of the work can be judged primarily on the basis of changes that were visible. And that had the unmistakable implications for the future of Turkey.

Ataturk also sought the emancipation of women, especially in public life. Talk about the emancipation of women took place in the Ottoman Empire from the 19th century. Young Turkey regime was one of example. For young girls the gate to primary and secondary school has been opened and ultimately allow them to access to universities. Although active women who mostly came from the highest social part of Turkey⁴, major changes in their social status has occurred in Turkey in the 20th and 30th of the 20th century. Epochal significance of changes does not reduce the fact that in the first period concerned almost exclusively women who lived in cities. After all, there are women who participate in public life and to get the first time employment outside the home. A model for modern Turkish women was Western European woman.

Symbol of new Turkey contains a female parliamentarian, female writer, female-pilot, but also a woman dancing on a ball in the evening Robe or woman riding the bike. To improve the position of women in 1929, for the first time a symbolic action was made: competition for Miss Turkey. A few years later and public beaches were opnede to women. In 1926 Turkey adopted a new Civil Code modeled on Switzerland while the Penal Code was taken

⁴ It started in the Ottoman Empire already, but based on Sharia law women could not get equality of rights in amount as in the beggining of the Republic

from Fascist Italy. Code also contained a section that banned create organizations that preach the idea of class struggle.

Kemalists abolished polygamy and religious marriages, which intervened in family law, which still remained the exclusive domain of Islamic law. Introducing active and passive voting rights for women in the first half of the 30th Turkey overtaken even some developed Western European countries such as France. While the general concept of the state Kemal took over from Europe so application was intensely than in most European countries. These changes should prove democracy and progressivism Republican organization of the country.

"Europeanization" continued by reform of the calendar. Islamic calendar was replaced by introducing of the Gregorian calendar. Ten years later it was adopted provisions that day off work instead of Friday to Sunday⁵.

In 1934 it was introduced compulsory use surnames. Mustafa Kemal was given the decision of Parliament surname Ataturk, or "Father of the Turks" (literally "Father-Turk"), while Premier Ismet became Inonuem, which was to commemorate his victory in the war against the Greeks at the eponymous site.

The biggest change which Ataturk launched, was the reform of the Turkish language. He replaced the modern Turkish Ottoman Turkish, which was heavily influenced by Arabic and Persian. Fundamental change was the modification of Latin alphabet, which the country brought closer to the West and at the same time introduced a modification of Latin alphabet, which replaced the Arabic script. The whole nation began to be educated. Children for first time had to compulsorily to school. Given that the overwhelming proportion of the population was illiterate and Ottoman Turkish language was difficult, learning a new language and font was not significant problem at all. Of course, these reforms provoked resistance among the imams, who had by this time exclusive know-how literacy. The top of this schism between Ataturk and spiritual force in the country can be considered a translation of the Koran into Turkish language and closure of religious schools.

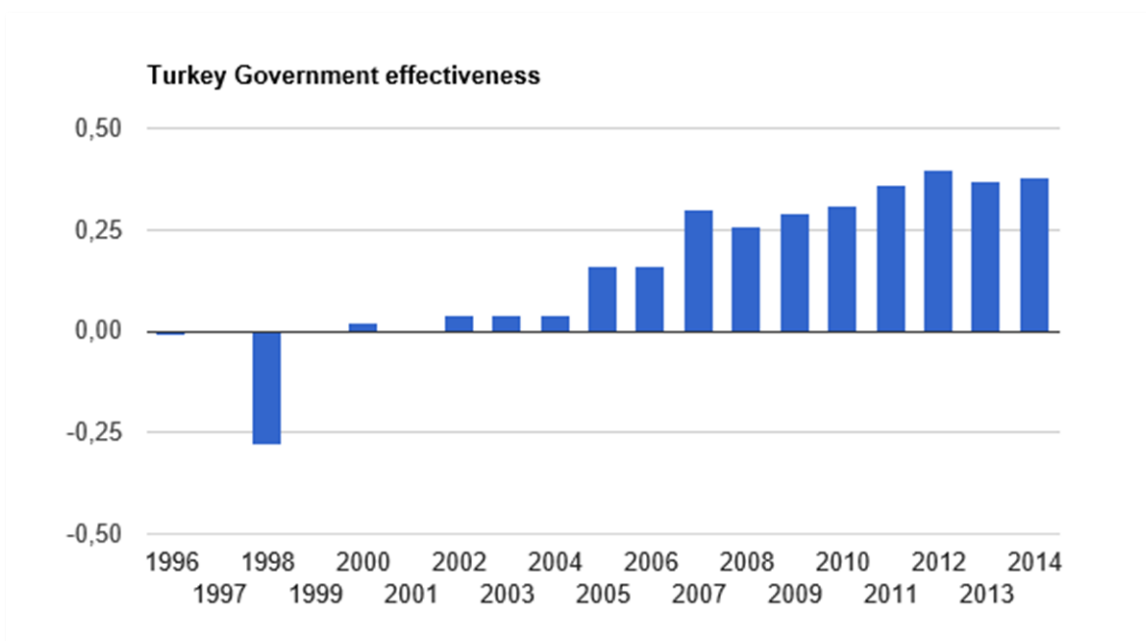
⁵ Only a few Muslim countries still use Friday as a day off. Although large Friday prayers remained, economic considerations triumphed over religious.

We can say that Ataturk did not bring these reforms the country for immediate economic prosperity. But these were important and required time. Many of them were carried out at the cost the population that prospered more under the previous regime. Ataturk prepared way for next generations.

After several decades came to power Erdogan. And he took these to his own advantage. Unlike Ataturk period, we have enough quality data of Erdogan period.

Effectively with the government, we changed, we can measure and evaluate different ways. One of them is an index of Government Effectiveness which captures perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies in Turkey. The chart below can be read in significant progress in period of rule of the Erdogan.

Chart 14: Government Effectiveness

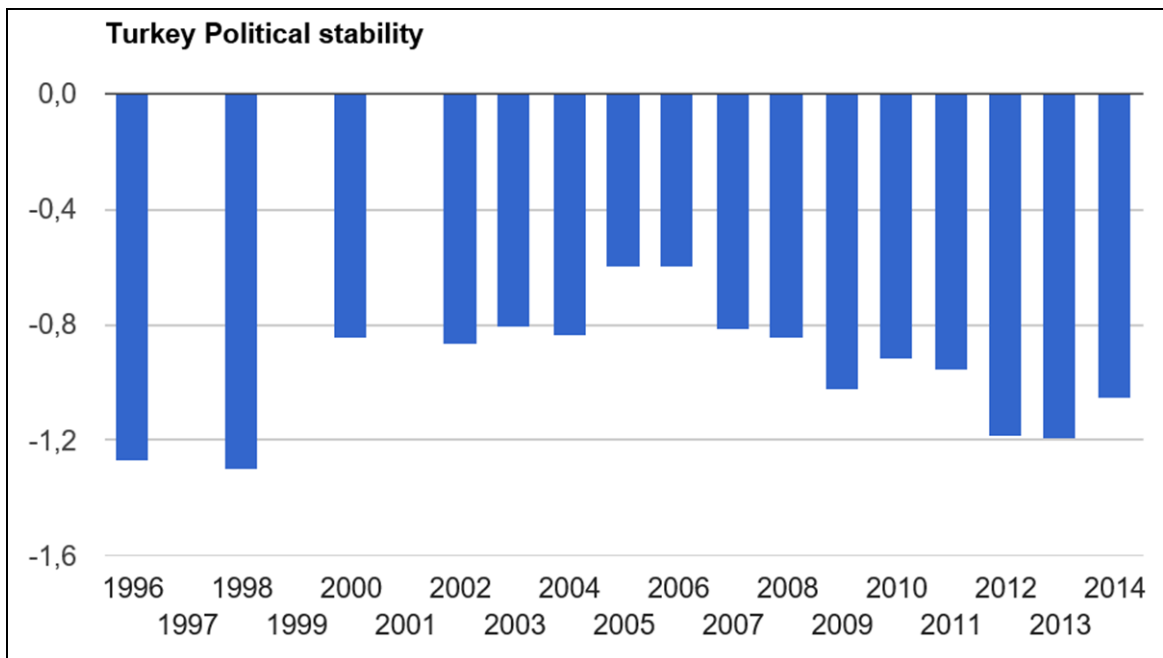


http://www.theglobaleconomy.com/Turkey/wb_government_effectiveness/Government_effectiveness_index (-2.5 weak; 2.5 strong): For that indicator, The World Bank (govindicators.org) provides data for Turkey from 1996 to 2014. The average value for Turkey during that period was 0.18 points with a minimum of -0.28 points in 1998 and a maximum of 0.4 points in 2012.

Another indicator is political The index of Political Stability and Absence of Violence/Terrorism that measures perceptions of the likelihood that the government of Turkey will be destabilized or overthrown by unconstitutional or violent means, including politically-motivated violence and terrorism. The index is an average of several other indexes from the Economist Intelligence Unit, the World Economic Forum, and the Political Risk Services, among others.

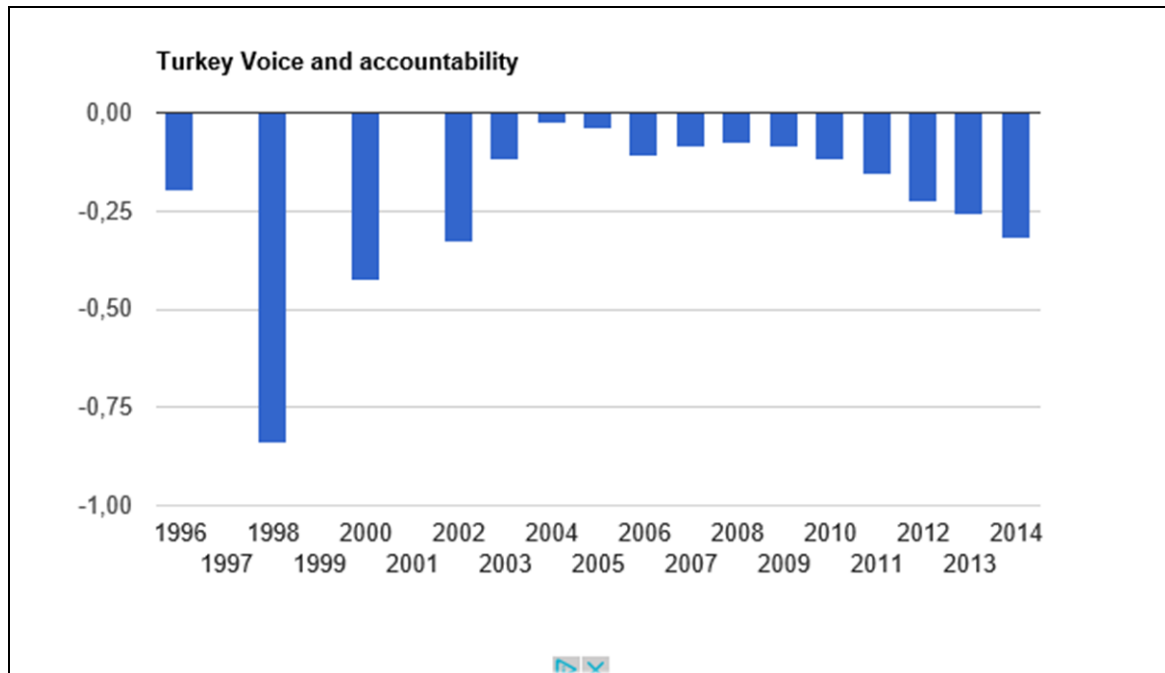
With the advent of the new government was to stabilize several years, but after the subsequent years the value rose again.

Chart 15: Turkey Political stability index (-2.5 weak; 2.5 strong):



http://www.theglobaleconomy.com/Turkey/wb_political_stability/

Chart 16: Voice and Accountability Index



http://www.theglobaleconomy.com/Turkey/wb_voice_accountability/ The index for Voice and Accountability in Turkey captures perceptions of the extent to which the citizens of Turkey are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media.

5.2 The main structural changes

Comparison and change in Turkey can be observed on several factors which the two leaders tried to change. And that are key in Turkey. On the military, education, wealth and inequality, relations with neighbours and religion.

Army position

One of the reasons for the strong position of the military in Turkey has its historic roots in the Ottoman Empire, where the army was a very important part of society. This historical factor helped the army to maintain a strong position in modern Turkey. The second and equally important reason was the role which the military played in establishment in Turkey. Under the command of Mustafa Kemal it was the army who ensure the emergence of a new state. During his reign the army gained almost full sovereignty to the state apparatus. In Turkey, at this time, and even later, there was no integration of the army under civilian control. This almost complete sovereignty, the army maintained throughout the 20th century. The main reason why the army became the guarantor of the secularized state, has been the emergence of powerful Kemalist tradition within the army itself.

Kemalism, as already mentioned, regarded religion as something that is incompatible with modernization of the state and the free development. Army due to intensive contacts with the Western world and the frequent broadcasting of senior officers in western countries, where these commanders receive modern education remained throughout the 20th century, true to its Kemalist tradition. This powerful Kemalist influence then also determine the behavior of the army in situations where the political scene in Turkey has been influenced by religion. The army in the second half of the 20th century, intensively supervised the political scene and intervened when got the feeling that are restricted kemalism view of Turkey. The first such surgery was a military coup in 1961, when actively spoke out against the DS, which began to use religion to support his policies. This procedure, although lacked legitimacy because military commanders are not elected officials, but was in line with Kemalist tradition and avoid the Islamization of the Turkish political scene. To gain greater control over the political situation created by the new constitution of the National Security Council. This body, controlled by the army, oversaw the Turkish Government and the National Assembly. His recommendations were taking the forms of ultimatums, as it was in 1971. With this authority, paradoxically gained military control, but never absolute over the Turkish government. Its powers have been strengthened after the coup in 1980, when the army intensified its pressure against the Islamist groups. Due to the combination of different influences losing army in the last decades of the 20th century his position of power in society. He gets so slowly but surely into the position that the army in the western democracies. One of these effects was due to contravention of Kemalism and rough control company applied by them. Unless the army wants a result of its Kemalist orientation modernize the company, not the other way suppress the freedoms that this modernization brings. The most intensive and influence, who served in the armed forces, the pressure Europe Union. From the perspective of Europe Union was undemocratic military element that resisted the admission of Turkey to the EU. As a result of its pressure against standing armies and criticism of Nation Security Council to remove the influence. From the perspective of EU it was a step in the right direction, but it also had many negative aspects. To remove the army secularization influence and control that the army had over the political scene. The move toward greater democratization in Turkey apparently had not resulted in an increase in Islamist groups. In elections in 2002, won the Islamist party, which began to break down the existing secular state. The European Union

as a result of their pressure on the position of the army strengthened the chances Islamic fundamentalists. Such groups can now freely group, and it is possible that their influence in society and the political scene will continue to grow.

Education

Education in Turkey went through a rather political changes. Ataturk secularised education. Banned religious symbols. The biggest symbol of the scarves. They hid her hair. Erdogan's government has authorized scarves again. Another symbol of political change was the reopening of religious schools, which also have been banned. The irony is that currently study in college more girls than boys. Despite that fact that government wish to see girls at home and giving birth to build empire again.

Relations with Western world and closed neighbours.

The enter political part of Part of Justice and development (AKP) changed political foreign relations. New government didn't see West as the only priority of diplomacy. Turkey turned and start to do new concept of Turkish foreign politics the view was back on Middle East. It was based on Turkish ministr of foreign affairs Ahmet Davutoglu who said that Turkey is natural legatee of Ottoman Empire. The Turkey started to build relations with countries in the Middle Easty which compare to the past weren't seen for a long time. Davutoglu says that Turkey's foreign policy in the twentieth century is limited and unbalanced, because it focused too much on ties with Western Europe and the US States of America. Conversely, neglecting Turkish interests in the Middle East. As the main reason called the marginalization of the Ottoman heritage. Now Ottoman legacy may in the current foreign minister to fully evaluate the potential of the Turkish historical and geopolitical depth. The primary condition for the proper assessment of Turkey's potential is associated with oprostěním from prejudices against the Middle East. Turkey must also stop perceiving as a regular player in the region and acknowledge its Ottoman heritage. Davutoglu declared that this approach does not involve Turkey choice, but a necessity. If Turkey has taken an active role in the Middle East, and then the Middle East will be active in Turkey.

Wealth and inequality

Turkey is based on the economic performance of recent years, a country with newly industrialized and rapidly developing economies. The Turkish economy is among the strongest in the group of growing countries in markets. Despite the global economic

slowdown after 2008, Turkey maintained economic growth. Countries cope with the impacts of the global crisis better than other countries in the region thanks to fast economic measures introduced by government. Nowadays Turkey is the biggest economy in the area and 7th biggest economy in EU. Economic facts and GDP telling us that prosperity grows the most during the Erdogan's government, especially thanks to foreign investment. But what failed Ataturk and Erdogan is that the disparity between the east and west of the country still remains. West is not just rich by investment but also Turkey has a problem with brain-wash. It is difficult for state to keep educated people in east of country when all the modern Turkey is divided by Ankara to West. Turkey try to keep educated teachers and doctors in east of country by law. They are excluded from military service and ordered to serve in undeveloped part of the east of Turkey. But it is temporary solution because as teachers as doctors do not stay there and they go back. Both rulers were not able to solve this problem.

Role of the religion

As it has been written above Ataturk did secularized Turkey. There was no place for political Islam in country. The biggest change was change of language. The Ottoman language was abolished by decree in 1928. It was written in Arabic script. The new language replaced Arabic script with Latin alphabet. Vocabulary based on Arabic or Persian were replaced by German or French. Why it is so important? The thing is that many reforms it can be done literally overnight but change of language and change of writing is something that affect all of the population in country. Koran has been written in formal Arabic, which no one speak nowadays. But learn formal Arabic and be able to read Koran, the voice of God, is much easier if your language is from the same language family. That was large dot after all reforms which Kemalism brought to Turkey and also absolute end of Ottoman Empire. Of course that is what Erdogan does not like. He see Turkey as the heir of Ottoman Empire where the Islam was key position within. His reforms start by allowing wearing scarfs in schools and also pressure on highschool to learn Ottoman again. Despite views that only historians need this knowledge he said: "Whether they want it or not, Ottoman will be learned and taught in this country" and: "They say, 'Will we teach

children how to read gravestones? 'But a history and civilization is lying on those gravestones⁶.'"

⁶aljazeera.com,<http://america.aljazeera.com/articles/2014/12/10/remodelling-turkeyinerdogansimage.html>, available 8.10.2016

6 Conclusion

In conclusion, based on my comparative method and despite the lack of independent international data, it is obvious that the policies of Turkey made a giant U-turn between the kemalist and Erdogan eras. Although there are many areas, approaches and problems which remain the same throughout both studied periods and systems, some policies of nowadays Turkish policies are in direct opposition to the previous kemalist period.

But it is important to note that some things have not changed. Turkey has been and still is a country that is dependent on resources. That affects the security of the country, which is now mainly connected with energy security and Turkey's industry is based on resources. And this, again, significantly affects Turkey's foreign and trade policy. Still it is dependent on foreign know-how. Even it is newly industrialized country and slowly changing from a developing to a developed. Still is the country which is based on "great leaders" and to parliamentary democracy is skeptical - A strong leader as national trait. Turkey will, as ever, on the border of Asia and Europe, dependent on either of two directions, not only culturally but also economically.

It can be said that if Ataturk opened the country to Western values, Erdogan opened country border to the West and to the Western capital.

Despite all the socio-economic changes and contrasting policies brought by both of the two compared systems, I would argue that both of them led to a positive development and the latter gained momentum from the successes of the former one. The protectionism, enclosed economic system and political and cultural inclination towards the West set by Mustafa Kemal led to the inner development of the country, but also to an encroaching stagnation since the 1980's. The changes brought by the Erdogan policies of economic opening and democratisation of the country stopped the stagnation, capitalized on the former development, revived the economy by letting in foreign investments and set a completely new geopolitical challenges to the country. I would say that both changes – the kemalist and Erdogan's – came at the right time to keep the country between the strongest developing countries (although never truly crossing the line into the fully developed world).

However, considering the current turbulent social developments in the country and the geopolitical changes in the Middle East, it is hard to say if Erdogan's policies will succeed

in the long run. Turkey has always been and will be reliant on its relations with both West and East and those are currently being restrained by Turkey's risky and erratic foreign policies (especially considering the Syrian civil war). There is also a still yet growing friction inside the Turkish society, mainly between those favouring the old kemalist system and the new one. Erdogan's power grab already led to an unsuccessful military coup last year and other such tremors may yet to come, constraining a peaceful development of the whole country. Right now, the future of Turkey seems quite uncertain.

7 List of Abbreviations

- AKP Justice and Development Party
- EEC European Economic Community
- GDP Gross domestic product
- GNP Gross national product
- IMF International Monetary Fund
- NATO North Atlantic Treaty Organization
- OECD Organisation for Economic Co-operation and Development
- UK United Kingdom
- UN United Nations
- USA United States of America
- WWII Second World War

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