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A comparative study of planning and economic development in Turkey and France: Bringing the state back in

Milor, Vedat Halit, Ph.D.

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U·M·I
300 N. Zeeb Rd.
Ann Arbor, MI 48106

A Comparative Study of Planning and Economic Development in Turkey and France:
Bringing the State Back In

By

Vedat Halit Milor

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Completing a Ph.D. in Berkeley is a demanding process. Because of the standards of excellence built into the structure of the sociology department, the student often feels that he/she should try to equal the best published works in his field. In the meantime, it takes quite long to come up with a product acceptable to oneself, before it is acceptable to others. In this context, I would like to express my deep gratitude to my mother who never lost her confidence in me, and never ceased to encourage me to give priority to my dissertation above anything else.

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I. INTRODUCTION

1. AN OVERVIEW OF PLANNING AND ECONOMIC DEVELOPMENT

1. Foreword

To people who are accustomed to think that the extent and the modes of state economic interventionism in contemporary society are a product of political orientation, certain political developments in the early 1980's may seem as quite baffling. Take France for instance. In 1981 a socialist government came to power in France, for the first time in post-second war history, and set out to reform the basic structures of the state and society. The concise slogan of 'nationalization, planning and decentralization' summed up the main contours of a comprehensive reform program that socialists intended to achieve to alter the capitalist parameters of the French society. Before coming to power, socialists sincerely believed that the delicate balance between public and private economic management was tilted too much in favor of the latter and that without a radical redefinition of roles and mutual expectations, a complete overhaul and modernization of the French economy was infeasible. To those who expected that this diagnosis would translate into more state *dirigisme* over the economy and a smaller role for the market which would be limited to a 'free' yet gradually diminishing arena comprised of small producers, the declaration of the Ninth French macroeconomic Plan came as a surprise. In effect, this so-called First Socialist Plan of 1984-1988 neatly epitomized the socialist government's changing economic philosophy, as well as its inclinations. A certain mood of panic set the general tone of the Ninth Plan's text. Unless France rejuvenates its productive apparatus, it was claimed, the whole country would go down the drain during the crises stricken years of the 1980's and the country would miss forever the chance of joining the ranks of advanced industrial nations. Therefore a creative 'mutation' of French industry was in order, to prevent such a calamity. But how would this 'mutation' be made possible? The answer which is scattered throughout several hundred pages, signified a critical turn in French socialist thinking about 'economy' by adopting the basic tenets of neo-classical liberal economic orthodoxy. Government intervention in the economy, irrespective of whether it occurs in the sphere of distribution or production, and where it occurs (whether in capital or labor markets) and how it occurs (whether via 'selective' or 'general' measures) was condemned as inefficient and counterproductive.

Instead almost a complete faith was invested in 'individual' initiative and the decisions of private entrepreneurs to secure the optimum allocation of resources. The state's economic role was defined as helping private enterprises to enhance their profitability by reducing their fiscal charges and loosening the rigid employment rules, hence creating an environment conducive to their full fledged expansion. As to the fate of planning, despite this about turn to markets, it would continue because it provided useful information for industrial leaders. Planning was in fact a pragmatic tool, not an ideological weapon in the service of socialism. And, already in 1981, M. Rocard, the first socialist minister of planning, when giving an interview to the press would claim that the plan should be detached from its 'ideological' content, so that it could serve better its (undefined) purpose.[1]

A few months after Rocard's rejection of planning as a socialist device, Y. Akturk, the head of the State Planning Organization (SPO) in Turkey, was interviewed by the prestigious and pro-market 'Euromoney' magazine.[2] He was the right hand man of the would be Prime Minister and then Minister of Finance, Turgut Ozal, and Mr. Ozal had proclaimed himself as the sole champion of economic 'liberalism' among politicians in Turkey. He and his team, including Mr. Akturk, held economic *dirigisme* responsible for the ills of Turkish capitalism in the post-World War II period and promised to radically retrench the economic interventionism of the state. To them, economic planning was like the 'symbol' of everything that was wrong with the state: a heavy and bureaucratic machine giving irrational investment decisions, leading to a misallocation of resources, especially in the state sector, etc. So when Mr. Ozal and his team came to power in 1981, following a military coup, and was accorded full discretionary authority by the ruling Junta over economic matters, most observers expected him to dismantle the S.P.O. This did not happen. Instead, first his close associate, Harvard educated Mr. Akturk, followed by the Prime Minister's own brother, Mr. Yusuf Ozal, who had five years experience with the World Bank behind him, came to head the S.P.O. "Akturk, the Planner Who Longs to Plan Less" proclaimed the title of the interview with him in Euromoney journal. A close reading of the interview, however, gives a totally different picture. That is to say, although Mr. Akturk makes clear

[1] See his interview in *Le Monde*, September 9, 1981.

[2] See his interview in *Euromoney*, February 1982, pp. 15-19.

his objections to the Fourth Turkish Plan of 1979-1984, prepared by a 'social democratic' government, his main objections remain limited to the 'unrealistic targets' of this plan, not to the notion of planning 'per se'. On the contrary, Mr. Akturk makes it clear that he believes in intervening in the economy when market forces can not do their job properly. Yet, rather than an across the board and general interventionism, he prefers a selective one, designed to increase competitiveness especially in key export sectors, not of the state economic enterprises only, but also of private enterprises. He calls this 'indicative' planning. And the Fifth Turkish Plan of 1984-1988 prepared by Mr. Ozal's team illustrates the new active role expected of indicative planning, ironically, by this fanatically 'liberal' pro-market government. This plan also makes it clear that although planning is not intended to replace 'market' forces, it would nonetheless guide businessmen to their true interests as a good traffic policeman. The worst thing that a policeman can do, proclaims Mr. Akturk, is doing half his job right -- blowing the whistle but not waving his hand -- then everything goes into a jam.[3] Good 'indicative' planning therefore should both 'wave' its hand and 'blow' the whistle when necessary.

This analogy of planning as a traffic policeman captures the essence of capitalist planning in the post-second World War period. The indicative component of capitalist planning refers to the pilot role of a State Planning Organization which is expected to design, direct, coordinate and control the macro balances of economic development. Planning in this sense serves as a synonym for what French planner, P. Masse, called "*une aventure calculee, une lutte entre le hasard et l'antihasard ...*",[4] attempting to minimize the future uncertainties stemming from the (irrational) operation of free markets both in national and international scales, by trying to adequately forecast future trends of major economic indicators such as price, production, investment, consumption levels, etc., so that major economic players such as the government and private investors can adjust their own economic behavior in accordance with planners' forecasts. At this 'indicative' level, planning tries to influence economic behavior on a purely informational basis without recourse to sanctions or incentives. No 'conscious' effort to direct economic development is undertaken and economic actors are 'free' to decide whether or not to heed

[3] *ibid.*, p. 17.

[4] P. Masse, *Le Plan ou l'anti-hasard*, Gallimard, Paris, 1965, p. 7. Translation: Planning is a calculated adventure, a struggle between chance and anti-chance.

planners' advice.

Capitalist planning however, sometimes blows the whistle by imposing sanctions and vetoing certain investments (especially the state's investments) that violate the plan. Furthermore as traffic policemen, planners can also decide on who has priority to go ahead, among people waiting in the intersections. Naturally, the clients of planners consist of various industries and economic sectors, be it privately or publicly owned. Given that planning in capitalist societies blossomed in the first place to fill 'functional gaps' created by the irrationalities of the markets, rather than to substitute for the market economy and its foundation, that is the private property of the means of production, planners are driven by the desire to 'perfect' the markets. The markets, planners claim, are sometimes too slow to respond to new growth opportunities due to certain 'structural obstacles' and not because markets are imperfect mechanisms to decide investment priorities but because they are not 'free' to operate. The term 'structural' may refer to both 'external' or/and 'internal' obstacles restraining the operation of the markets. Internally, the existence of monopolies or of producers' or buyers' cartels stifle productivity by preserving the economic status quo because inefficient producers are shielded from the effects of free competition. Externally, planners face an unyielding international market, benefiting the relatively more advanced economies specializing in high value added and capital intensive fields. These fields are hard to enter into since they call for large scale investments for which many countries lack sufficient capital funds and accumulated know how. Private investors, especially in the less developed countries (LDC) specialize in light industrial sectors where worldwide profit margins are often lower (due to stiff competition from other LDC's) than knowledge and capital intensive fields in which only a few countries specialize. Moreover the state in many LDC's may be the sole agent in the economy which possesses necessary funds to invest in fields where worldwide profit margins are higher, but in which private investors are either incapable or reluctant to specialize. Thus, in the eyes of the planners, economic expansion and modernization requires the state's *indirect intervention* in the economy to create the most rapid expansion of capitalist economy by liberating the markets, and/or the state's *direct intervention* via investing in high value added sectors thereby creating a 'mixed' capitalist economy where the public and private sectors coexist. In short, "modernization or decadence", the opening sentence of the

First French Plan in 1947, becomes a driving motto for all capitalist planners, all over the world. Their reason of existence stems, in their own eyes, from their (undefined) mission as economic modernizers.[5]

To translate the idea of modernization into actual practice, planners are endowed with some tools. *First,* they exercise direct control over the investments in the public sector of the economy, and they aspire to accelerate the rate of growth in the capital intensive industries comprising the public sector so as to close the developmental gap with the more advanced economies. To this end, planners often advocate a rational employment policy in the nationalized sector to minimize costs and industrial protectionism for a *limited amount of time* to nurture the public companies before they face stiff competition. *Second,* planners dispose of a wide assortment of economic favors, called *incentives,* such as cheap investment capital and tax reductions, which can be used to make an investment project desired by them profitable for the enterprises. So planners intervene in the economy to promote growth and modernization in selected industries giving a green signal to some, allowing certain investment projects go ahead at the expense of others. Accordingly they initiate an active dialogue with the managers of key industries in capital and intermediate goods sectors who are to carry out their commitment to economic rationalization, high investment and rapid growth. They view their economic interventionism not as favoritism and protectionism but as necessary to realize their objectives of 'growth' and 'efficiency'. As to the indicators of these abstract notions, "the rate of increase in the GNP is their most important measure of growth, and international competitiveness is their most important measure of efficiency."[6]

So far I have been mostly describing the role of the state economic managers in economic development as it is seen by planners themselves. One should beware however not to mistake the ideological legitimation of the state managers' own functions, for social reality. In a similar vein, I claimed that despite their anti-market rhetoric, French socialists could not or did not change the capitalist nature of French planning. And in contradistinction, the most liberal pro-market government in Turkey did not

[5] This modernizing mission can easily be detected from a didactic text published by Turkish planners in 1963: *Planning,* SPO Publication No. 14, Ankara, September 1963. See also J. Monnet's (the founder of French planning) autobiography: *Memories,* Fayard, 1976 (in French).

[6] S.S. Cohen, *Modern Capitalist Planning: The French Model,* University of California Press, Berkeley and Los Angeles, 1977, p. 39.

see economic planning as a threat to the market economy. The fact that capitalist planning is not really antithetical to the market economy partly explains the Turkish government's reluctance to dismantle it, despite its pro-market rhetoric. Another possible explanation that can make sense of the Turkish and French anecdotes is to claim that irrespective of their political philosophies and orientations, all governments in capitalist countries perform similar economic functions.[7] In its most simple form, this line of reasoning claims that the state in capitalist nations plays a crucial economic role in countering market capitalism's tendency to destroy itself through serious structural economic crises. Namely, the tendency of the rate of profits to fall and crises stemming from underconsumption/overproduction of manufactured goods, constitute the two main built-in law-like potential crisis tendencies threatening the stability of all capitalist economies. The state therefore, via planning and other means -- such as Keynesian demand management -- tries to overcome these problems rooted in the structure and functioning of the market economy.

This mode of argumentation falters on many counts. *First,* its functional logic blurs the distinction between 'why' and 'how' questions insofar as the state's economic action is concerned. Even if the state performs certain uniform functions, necessary for the reproduction of the economic system, such requirements may not constitute an explanation of the role assumed by the state. The need to account for the *political processes* of interest creation and mobilization urging the state managers to assume certain well defined economic roles does not arise within a functionalist framework. *Second,* this framework can not account for the diversity of political-economic arrangements in the modern world. I will try to show how, by using the Turkish and French political economies as historical examples, the way in which politics and economics are related to each other varies not only over time in a single country but also from one country to another. *Third,* even if the state managers do take into account certain universal imperatives when they intervene in the economy, they are still 'free' to choose among a range of policy options. Their actual choices among policy options are in fact contingent on the balance of forces in politics as well as they are conditioned by certain economic imperatives. And *finally,* the fact

[7] This argument has been put forward by the so-called State Derivation or Capital logic theory. See J. Holloway and S. Picciotto, eds., *State and Capital: A Marxist Debate,* Arnold, London, 1978. For a slightly different perspective trying to synthesize the work of N. Poulantzas with C. Offe, see F. Block, "The Ruling Class Does not Rule: Notes on a Marxist Theory of the State," *Socialist Revolution,* 7 (3), 1977.

that the state performs certain functions necessary to reform the system, does not mean that its policies are always effective and functional. On the contrary, as we will see in the context of planning, certain policies may either be ineffective or generate new problems and conflicts with which the existing system of interventionism may be ill equipped to deal.

The analysis of state intervention in the economy therefore can never be deduced solely from some universal trends of the capitalist economies. This is not to say that states are 'free' to intervene as they would like to, and certainly both international trends in the world economy and the prevailing political balance of social forces set limits upon and shape the evolution of state economic policies.

Globally speaking, external and internal dynamics affect the configuration of power relations between the state administrators and business groups and the resulting direction of state interventionism in the economy. Hence, *the comparative analysis of economic planning reveals to us the differing nature of economic interventionism in the Third World and the West and specifies the role the state economic administrators-technocrats play in economic development in different socio-political settings.* In this context, the metaphor of the traffic policeman used by the Turkish planner Mr. Akturk captures the limitations imposed upon the planning of 'peripheral' nations in imitating 'indicative' planning designed for the advanced capitalist countries. In fact, why can't Turkish planners guide private investors to their true interests, as inept traffic policemen can't impose their authority on the drivers who refuse to obey traffic rules? One explanation can be that Turkish planners failed to deliver the material benefits expected of capitalist planning because of certain technical constraints such as the nonavailability of data or certain methodological flaws in the forecasting techniques of the plan. Such an explanation is quickly rejected, however, given that the early French plans which were also the most successful ones in disciplining private investors and imposing certain investment priorities on them, were, technically speaking, based on questionable assumptions and methodologies.[8] On the other hand, many prominent foreign experts took part in the preparation of the First Turkish Plan, and methodologically speaking, the First Turkish Plan (1963-1968) was then unsurpassed in econometric sophistication. But despite the methodological wizardry, planning in Turkey failed to contribute to successful economic

[8] S.S. Cohen, *Modern Capitalist Planning: The French Model, op. cit.*, part III.

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development, whereas in France planning became a significant factor in the modernization of the economy. *Why?*

2. Indicators of the Performance of the French and Turkish Economies in the Planned Period and Principal Claims

Two substantive claims will be developed throughout my dissertation to answer the question above, i.e. the role of planning in contributing to successful economic development in France as opposed to its failure in Turkey. By the term 'successful economic development' I mean a particular form of economic development in a country characterized by the deepening of the industrial profile via the establishment of internationally competitive investment and capital goods industries. Furthermore, I hope to show throughout this study that 'market mechanisms' are not the sole determinants of such economic and the related social outcomes in the economy, and planners both in Turkey and France play interactively with the market a *decisive role* in the determination of these socioeconomic outcomes. Hence assuming that both Turkish and French economic planners did have the same desire to intervene in the economy to ensure internationally competitive industrial deepening, we can ask ourselves why it was in France and not in Turkey that the state economic managers could develop not only an active interest in but also a capacity for successful interventionism. In this context, relative 'success' in interventionism refers to, first, the ability of planners to mobilize the economic resources necessary to finance rapid economic growth; and second, the problem of the allocation of these resources among alternative investment projects in a way that would privilege productive investments in capital goods sectors.

In short ensuring that deepening of the manufacturing industry, while attaining high rates of growth without chronic recourse to foreign aid can be singled out as the overriding *objective* of economic planning in both Turkey and France. Yet, it is interesting to note that measured either in absolute or relative terms, the gap between the French and Turkish economies did not decrease but widened after the onset of economic planning in these countries. In other words, if we take the beginning of economic planning as the base year (1946 in France, 1960 in Turkey), and compare the economic situation a quarter of a century after the onset of planning with the situation at the very outset, we notice that although Turkey and France did not start from diametrically dissimilar levels of economic development, they ended up in the opposite poles of the world economic division of labor. Indeed, as I will later document in Chapter 4, Turkey had emerged at the end of the Second World War as a relatively developed Third World nation akin to Brazil, Mexico and Argentina in terms of production profile and national income. Moreover, thanks to not taking part in the war, it had accumulated substantial currency reserves and was ready to finance its industrialization without excessive recourse to foreign resources. The French economy, on the other hand, had grown more slowly compared to other industrialized economies. In fact, *Table 1* below shows that over the 60 year period before the war as a whole, real national income less than doubled in France, whereas it rose more than fourfold in Germany and more than threefold in Great Britain. Moreover, the pre-second world war years (1929-1938) witnessed a severe depression in the French economy as indicated by declining industrial output in real terms,[9] whereas other advanced economies overcame the 1929 world economic depression and did not experience negative rates of growth afterwards. (For more details on the dismal performance of the French economy before planning see Tables 1 and 2 in Chapter 3.)

Table 1

Real National Income in Billions of "International Units"[d]			
	France	*Germany*	*Great Britain*
1870-1876	7.66[a]	7.69[c]	8.14
1911-1913	10.91[b]	19.72	18.26
1929	14.35	20.84	23.22
1938	12.38	35.7	27.55

a. For the period 1870-1879.

b. For the year 1911.

c. For the year 1876.

d. An international unit is defined as the average value of the U.S. dollar the period 1925-1934. Real national income includes farm consumption inputs retail prices. Data for Great Britain exclude Ireland.

Source: W.C. Baum, *The French Economy and the State,* Princeton University Press, Princeton, 1958, p. 16.

The slow growth trend in the French economy was reversed in the planned period. In fact, as can be observed from *Table 2* , the annual rate of growth of the GNP averaged more than 5 percent in

[9] See J.J. Carre, P. Dubois, E. Malinvaud, *French Economic Growth,* Stanford University Press, Stanford, California, 1975, p. 30.

France and such a performance was better than the performance of many other industrialized economies.

Table 2

Growth Rates of the Gross National Product, 1953-1978				
	1953-58	1958-63	1963-68	1958-73
Belgium	2.7	4.6	4.3	5.9
France	4.8	6.0	5.3	5.2
Germany	6.9	5.5	4.2	5.1
Italy	n.a.	6.4	5.0	4.4
Netherlands	n.a	1.5	5.6	5.6
Norway	2.9	4.8	2.0	7.4
Sweden	3.5	4.7	4.1	3.4
United Kingdom	2.3	3.4	3.1	3.1
United States	1.8	4.1	4.8	3.3
Japan	7.0	10.8	10.8	9.6

Source: B. Balassa, "The French Economy Under the Fifth Republic," in S. Hoffman, *et. al.* (ed.), *The Fifth Republic at Twenty*, p. 225.

Not only did the French economy grow rapidly after the introduction of planning in 1947, but also a complex and diversified production structure was created during a time span of 20 years. Thus, in contrast to Turkey, not only did France allocate a larger percentage of its national income for investments, but the share of investment goods (plant and equipment) in the total manufacturing output was much higher. In fact *Table 3* below shows that the state has been able to allocate capital for investment goods sectors primarily -- as we will see -- through its control of the financial system. Therefore, it should be noted that in addition to the high growth of output in all sectors of the French economy in the post-second war period, the growth was particularly marked in the four heavy industrial sectors (electricity, metallurgy, mechanical and electrical industries, chemicals) whose average growth rates by far exceeded those of consumption goods industries (see *Table 4).*

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Table 3

Investment in Gross Fixed Capital as a Percentage of Gross Domestic Production, 1949-69 (1956 prices)

Category	1949	1952	1954	1957-1960[a]	1963	1966	1969[b]
Total investment	19.7%	17.8%	18.5%	21.2%	22.7%	24.1%	25%
Productive investment	14.6	11.7	11.3	13.4	14.4	14.1	15

a. Four-year average.

b. Estimates theoretically comparable with those of preceding years.

Source: J.J. Carre, P. Dubois, and E. Malinvaud, *French Economic Growth,* Stanford University Press, Stanford, California, 1975, p. 114.

Table 4

The Growth of Real Value Added by Sector, 1949-69 (Percent per year)

Sector	1949-1966	1951-1957	1957-1963	1963-1969	Gross value added, 1956 (000 francs)
1. Agriculture and forestry	2.9%	2.4%	2.8%	1.9%	17,883
2. Processed foods and farm products	3.6	3.3	2.2	5.0	13,289
3. Solid mineral fuels and gas	1.6	1.9	0.3	1.5	2,961
4. Electricity, water, and kindred products	9.5	8.0	9.3	7.5	2,193
5. Petroleum, natural gas, and oil products	10.1	7.0	10.0	10.1	5,846
6. Building materials and glass	6.2	5.6	5.2	7.9	2,678
7. Iron mining and metallurgy	4.8	5.9	3.5	5.3	3,686
8. Nonferrous minerals and metals	7.9	7.0	7.2	6.3	904
9. Mechanical and electrical industries	6.1	5.7	6.4	5.0[a]	20,950
10. Chemicals and rubber	8.0	7.2	7.9	8.2	5,688
11. Textiles, clothing, and leather	4.0	4.0	3.4	0.8	11,356
12. Wood, paper, and miscellaneous industries	5.0	4.4	4.7	4.2[b]	7,897
2-12 Industry	5.6	5.0	5.3	5.4	77,448
13. Building and public works	6.5	6.3	6.3	7.2	12,607
14. Transportation and communications	5.0	4.7	4.8	4.5	10,612
15. Services other than housing	5.2	4.9	4.9	5.6	19,933
16. Trade	4.8	5.2	4.9	4.5	20.774
Gross domestic production	5.2	4.7	5.1	5.1	166,480
Gross national product	4.9	4.3	4.9	4.9	191,300

a. Latest estimate, 7.2 percent per year.

b. Latest estimate, 6.2 percent per year.

Source: J.J. Carre, P. Dubois, and E. Malinvaud, *French Economic Growth,* Stanford University Press, Stanford, California, 1975, p. 30.

The concentration of investments in the *investment goods* sectors characterized by the use of advanced technology, a potential for international competitiveness, and high degrees of corporate con-

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centration was in line with planning priorities.[10] For the reasons which will be discussed later, French planners were not only able to bypass certain vested interests in less productive sectors of industry and directly deal with the advanced sectors, but they could also -- unlike Turkish planners -- alter investment priorities through their control of the flow of funds to industry.

Such a situation stands in sharp contrast with Turkey where the state economic managers were much less successful in imposing certain investment priorities upon unwilling actors. Thus, despite the growth of the share of manufacturing in the GNP, the share of the *investment goods* industry in total manufacturing output did not grow as planners had expected it to,[11] and simply increased by a mere 3 percent in a quarter of a century, i.e. from 11 percent of the total manufacturing output in 1962 to 14 percent in 1985. Therefore, contrary to the expectations of planners, in 1985 the consumption goods industry still supplied the major bulk of the manufacturing output (49 percent), with the uncompetitive intermediate goods being a close second (42 percent).[12] Consequently, because the Turkish manufacturing industry remained essentially deprived of an investment goods sector, it was dependent on the world markets for the import of capital goods, and therefore the availability of foreign exchange became the *sine qua non* of maintaining the internal level of production. Sizable variations in the performance of individual sectors of the economy (see Table 5 below) during the planned period are therefore due to the varying availability of foreign exchange, and, when foreign exchange ceased flowing in the late 1970's, the industrial sector as a whole during the lifetime of the Fourth Plan (1979-1983) merely grew by 1.6 percent (see also Table 1 in Chapter 8), although an 8 percent growth rate was projected.[13]

[10] See J.J. Carre, P. Dubois, E. Malinvaud, *French Economic Growth, op. cit.*, pp. 465-466.

[11] All of the first four 5-year development plans put emphasis on the growth of the investment goods sectors and accordingly assigned unrealistic growth targets.

[12] See *Planned Development in Turkey and the State Planning Organization*, published by the Department of Publications and Press of the S.P.O., Ankara, July 1986, p. 24.

[13] *Ibid.*, p. 25.

Table 5

Macroeconomic Targets and Achievements of the Development Plans						
	First Plan Target	1963-1967 Actual	Second Plan Target	1968-1972 Actual	Third Plan Target	1973-1977 Actual
Sectoral Growth Rates						
Agriculture	4.2	3.7	4.1	3.6	3.7	3.3
Industry	12.3	10.6	12.0	9.9	11.4	9.9
Services	6.2	7.5	6.3	7.7	6.8	7.9
GDP	6.9	6.5	6.6	6.6	7.6	6.9
GNP	7.0	6.7	7.0	7.1	7.4	6.5
Fixed Capital Investments Sectoral Distribution						
Agriculture	17.7	13.9	15.2	11.1	11.7	11.8
Mining	5.4	5.6	3.7	3.3	5.8	3.7
Manufacturing	16.9	20.4	22.4	26.8	31.1	28.2
Energy	8.6	6.5	8.0	9.0	8.5	7.4
Transport	13.7	15.6	16.1	16.0	14.5	20.6
Tourism	1.4	1.3	2.3	2.1	1.6	1.0
Housing	20.3	22.4	17.9	20.1	15.7	16.9
Education	7.1	6.6	6.7	4.7	5.0	3.3
Health	2.3	1.8	1.8	1.5	1.4	1.1
Other Services	6.6	5.9	5.9	5.4	4.7	6.0
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0
National Savings						
Annual Growth (%)	13.4	16.2	12.2	9.1	13.6	6.3
As % of GNP (Average of Plan period)	14.8	15.7	20.8	18.3	21.9	17.9

Source: W. Weiker, *The Modernization of Turkey*, Holmes and Meir Publishers, New York, 1981, p. 185.

The table above also shows that the annual growth of national savings fell much below the planned targets for the first three plans -- and the situation was even more dismal for the Fourth Plan (see Table 1 in Chapter 8) -- simply because government, despite the wish of planners, refused to resort to taxation which was necessary to finance the investments, and instead relied on foreign borrowings and emission of money by the Central Bank (hence high inflation). In addition, during the planned period, not only was the savings performance of the Turkish economy poor, but its ability to generate foreign exchange resources via exports was also too low. Table 6, below, compares both the export and savings performance of Turkey with other developing countries. Contrary to planned targets, a very low export orientation and poor export percentage stands out as the worst among all countries. In fact, while the ratio of export to import was 61 percent in 1962 at the very outset (i.e. export earnings could

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only finance 61% of imports), this ratio declined throughout the planned period, reached 57% in 1972, ebbed to 30% in 1977, and slowly improved to 37 percent in 1980.[14] In other words, the balance of foreign trade deficit as a percentage of the GNP reached the dramatic proportion of 8.5% in 1977, while it was 2.1 percent on the average between 1963-1970.[15] Finally, the table below also demonstrates that the ratio of domestic savings to GNP in Turkey was not only below the planned targets, but also below the average for the middle income countries. Hence, it should come as no surprise that when the flow of foreign loans (which compensated for the low export and savings performances) dried out in the late 1970's for the reasons which will be discussed later, the industrial structure not only receded -- a minus 5.9% growth in 1980), but the country was virtually bankrupt, since it was left with an outstanding 23 billion dollars of external debt;[16] thus its future was heavily mortgaged. Nothing could have been in starker contrast to the main objectives of planning in Turkey, whereas in France, during the same period, planners had more or less attained similar objectives of growth, diversification of industrial structure, and self-sufficiency.

[14] See *Planned Development in Turkey and the State Planning Organization, op. cit.*, p. 37.
[15] See S. Pamuk, *The Development of the Crisis and the Problem of Alternatives for Turkey, op. cit.*, p. 63.
[16] See *Turkey: Industrialization and Trade Strategy*, The World Bank, Washington D.C., 1982.

Table 6

Comparative Data on Export and Savings					
	Exports as Percent of GDP[a]	Growth Rate of Exports[b]		Savings as Percent of GDP[c]	
	1977	1960-70	1977-77	1970	1977
Turkey	4	1.6[g]	0.8[g]	18	17
Argentina	13	3.3	5.5	20	23
Brazil	8	5.0	6.5	22	12
China, Rep. of	54	23.7	16.7	26	31
Colombia	16	2.2	-1.2	20	18
Egypt	20	3.2	-3.3	9	15
Korea, Rep. of	40	35.2	30.7	16	25
Mexico	10	3.3	1.9	20	20
Peru	17	1.9	-4.4	17	11
Philippines	19	2.2	5.0	22	25
Thailand	22	5.2	12.1	20	21
Yugoslavia	16	7.8	5.4	27	26
Average for 55 MICS	20[d]	5.4[e]	5.1[d]		24[d]

a. Exports of goods and non-factor services.

b. Merchandise exports.

c. Gross domestic savings.

d. Weighted average.

e. Median.

f. Group Average.

g. Based on SIS data, *Monthly Bulletin of Statistics*, Various Issues. The growth rate is based on the quantum index arrived at in terms of constant TL prices.

Source: World Bank, *Turkey: Policies and Prospects for Growth, 1979*, p. 6.

Given our preceding discussion on the different trajectories of the Turkish and French economies in the post-second war period we should ask the question of why planning failed to rationalize the Turkish economy, and following nearly a quarter of a century after the institution of planning, why Turkey still remains an economically dependent country; whereas France, which was falling behind her competitors in the first half of this century, once again emerged as a dynamic economy after the onset of economic planning in 1947. My dissertation consists of an attempt to deal with this question by uncovering the socio-political limits imposed upon planners to rationalize peripheral capitalism, i.e. to alter the investment behavior of businessmen in such a way so that the country enters the path of self-sustained growth. More specifically, I make two central claims in this dissertation which provide the logic connecting the chapters, each dealing with different phases of planned development in Turkey and

France. *First,* it is argued that planning became an effective tool of development in France primarily because of the character of the 'power bloc' that can only be constructed in capitalist countries under particular historical circumstances. In other words, planning can only be successful when a certain balanced power relation exists between the state administrators and private investors, and hence an indicative planning inspired by Western experience may be doomed to failure in the Third World from the very beginning, given that the socio-political preconditions of successful planning do not exist. By the term 'power bloc' I mean the "contradictory unity" of the several fractions of the capitalist class, i.e., industrial, commercial, financial fractions of capital, in a social formation in which private property of the factors of production is the norm and where the products are sold at the market place.[17] By the term "contradictory unity," I allude to the existence of mutually exclusive sets of economic interests rooted in the processes of production, distribution and exchange, among different fractions of the capitalist class who can only widen their share of the national income at each other's expense. On the empirical plane, throughout this dissertation, certain subsidy and incentive mechanisms distributed by planners are identified as the major domains of conflict around which we can identify the crystallization of interests in the power bloc. It is therefore assumed that since the immediate economic interests of fractions of the capitalist class pit these fractions against each other, in order for the power *bloc* to emerge out of the plurality of propertied class fractions in a market oriented economy, these contradictions should be resolved one way or another.

As such the term power bloc implies two distinct processes. First, it implies the existence of a system of alliance, i.e., the formation of a broad coalition of economic interests which may converge around particular industrialization strategies and not simply around specific policy issues such as 'foreign trade and tariff policy', 'social policy', etc. (see part three of Chapter 2 for details). Second, the term 'bloc' denotes the existence of some mechanisms via which the divergent interests of the individual capitalist or fraction of the capitalist class are reconciled with the political interests of the entire class.

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[17] See. N. Poulantzas, *Political Power and Social Classes,* New Left Books, London, 1973.

In the scant empirical literature concerning the formation, consolidation, and dissolution of power blocs in particular historical settings, two factors have been identified as primary mechanisms through which divergent interests of the power bloc members may be reconciled with the long term interests of the capitalist class as a whole.[18] Firstly, it is claimed that it is through the self-organization of the economically dominant, i.e., propertied, classes that a particular class fraction emerges as 'hegemonic', thus constituting the (unity of the) bloc. If one adopts this logic he/she should then concentrate his/her empirical focus on the identification of those processes by which different fractions of capital constitute themselves as political actors. In other words it is necessary to describe empirically the process through which some class fractions (or interest groups) gain a presence in the political arena, at the expense of other interest groups, thus becoming a *pressure* group organized within proper institutional channels. The term 'hegemony' then refers to the ability of a particular segment of capital or interest group to emerge as the sole pressure group in society which can present its 'class interest', rooted in the material world of production, as universal, i.e., as in the interest of the whole nation.[19] Furthermore it is presupposed that a particular class fraction can become 'hegemonic' in the power bloc, if and only if it agrees to give some real economic concessions to subordinate groups enabling it to create vested interests in the continuation of the economic system from within the ranks of the non-propertied strata. Thus hegemony organized within the dominant classes -- the constitution of the power bloc -- should be distinguished from hegemony exercised by the power bloc via the state or civil society over the subordinate classes.[20]

In this dissertation when trying to understand the formation-consolidation-dissolution of power blocs I follow less the line of reasoning, outlined above, focusing on the empirical processes of class formation, than attempting to highlight the role of the state economic managers, especially planners, in the resolution of contradictions within the bloc of dominant classes. Hence I try to contribute to the literature which emphasizes the role of the state as the organizational factor of unity of the power bloc. Such an emphasis on the role of the state in conditioning class capacities by defining the interests of

[18] See especially D. Abraham, *The Collapse of the Wermar Republic*, Princeton University Press, Princeton, 1981 and N. Poulantzas, *Fascism and Dictatorship*, NLB, London, 1974.

[19] See A. Gramsci, *Selections from the Prison Notebooks*, International Publishers, New York, 1971.

[20] See N. Poulantzas, *State, Power, Socialism*, New Left Books, London, 1978.

'collective capital' (called 'national interest'), does not mean that all processes of class formation should be attributed to initiatives emanating from within the state. On the contrary, the existence of non-state organizations which help shape collective identities, such as political parties and trade unions, among others, is well known in political science literature.[21] My emphasis on the state's role in conditioning class capacities, on the other hand, is primarily dictated by the nature of my study. That is to say since I emphasize the role of planning as a key form of state interventionism in resource allocation, planners are credited with influencing the shaping of particular class interests in society, as well as the conditioning of class capacities.

In short the emphasis on the nature of power blocs in a comparative context brings under our compass the empirical analysis of the particular constellation of interests in a nation, at a given point in time, that affects both the configuration of power relations between the state economic administrators and business groups and the resulting direction of interventionism in the economy. The question then is to single out the type of power bloc which favors the greatest room for maneuver for planners so that they can act as good traffic policemen who can wave their hands and blow the whistle when necessary. In answering this question I reject the functionalist notion that the state economic autonomy is a product of the need of capital: it will be automatically conjured up when it is necessary for industrial accumulation to proceed. Instead it is claimed that planners can acquire the greater economic autonomy necessary to overcome rigid barriers to successful industrialization only as a result of the break up of protectionist ruling blocs which is possible under precise historical circumstances. Otherwise, given a particular balance of power in politics, where the state is obliged to shield small farms and firms from the consequences of internal competition, and to safeguard big producers from external competition, planners' attempts to imitate Western style capitalism by trying to render the industrial class more efficient and competitive are bound to fail. Hence it seems misleading to pose the question of underdevelopment in terms of the quality of economic planners or planning techniques, as liberal economists do, when the industrial import substituting industrialization (ISI) model pursued was supported by an extensive protectionist bloc composed of various class fractions. Instead one should specify the

[21] See A. Przeworski and J. Sprague, *Paper Stones: A History of Electoral Socialism*, University of Chicago Press, Chicago, 1986.

historical circumstances under which planners may acquire the necessary autonomy enabling them to impose planning priorities upon investor groups.

In this context I highlight two factors which enabled French planners to become good traffic policemen and play an active role in economic development by acting, when necessary, against the short term interests of various business groups and in the name of 'modernization' (i.e. collective capital). First, I emphasize the divisions within the bourgeoisie in postwar France as a key structural factor enhancing the capacity of planners. Second, I focus on increased pressure from labor movements in the immediate aftermath of the Second World War to transform the economic-political system as a structural condition which rendered French state officials more willing to move against the entrenched protectionist interests of the propertied strata. In other words, I claim that successful economic planning can be possible if and only if it is imposed on business by a reformist group of state administrators, and not brought onto the political agenda by business or at its behest (Turkey). Thus, most specifically, I highlight the importance of the breakdown of the power bloc after World War Two in France taking place in the context of a powerful working class and weak bourgeoisie, and that planners can not forge such an alliance at will (Turkey), but only when *labor* becomes a political actor (France).[22]

My second central claim in this dissertation concerns the effectiveness of planning as a tool of development *per se*. Contrary to the main emphasis of the economic literature on planning, I do not locate the effectiveness of planning at the 'indicative' level, where planning tries to influence economic behavior on a purely informational basis without recourse to sanctions or incentives. That is to say, I do not conceive of the effectiveness of planning primarily as a forecasting device and therefore I see no need to measure the plan's effectiveness by measuring the degree to which its explicit targets are realized. In fact, even in the case of the perfect match between the targets and the realization rates one can

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[22] My theoretical findings confirm the hypotheses of two researchers who claim that the classic analysis of 'Bonapartism' as a basis for state economic autonomy may not always hold. In the Bonapartist model, "the state is propelled into a leading position by a balance of class forces combined with the inability of subordinate classes (especially the peasantry) to exercise control over their supposed representatives in the state apparatus." On the other hand I claim that what seemed to be the key factor to understanding the genesis of the state economic autonomy was the breakthrough achieved by a subordinate class (the working class) in political power proportionate to business' loss of power and prestige. The fact that labor could coalesce with other groups opposed to protectionist interests in a potential 'red-green' coalition definitely propelled the state managers to undertake major economic reforms. For the theoretical discussion see D. Rueschemeyer and P.B. Evans, "The State and Economic Transformation: Toward an Analysis of the Conditions Underlying Effective Interventionism," in T. Skocpol, *et al.* (ed.), *Bringing the State Back In*, Cambridge University Press, Cambridge, 1985.

still wonder about the 'real' contribution of planning to growth. Empirically speaking because on can not determine with certainty the efficacy of planning in causing development due to the impossibility of comparing the actual economic performance of a planned economy with a simulation of development in the absence of planning, it is always possible to make the claim that planning plays no role in economic development. Says an ardent opponent of planning: "planning is no different than a cock who believes in bringing the dawn via his cock-a-doodle-doo."[23]

In short, given the impossibility of direct experimentation, instead of trying to gauge the effectiveness of planning by measuring the realization of the plan's explicit targets, I concentrate my empirical research on the identification of the planners' influence on resource allocation. In other words, the operational significance of Turkish and French planning is sought in terms of planners' ability to affect the allocation of industrial investment in a selective fashion. Thus specific emphasis is placed upon the ways in which Turkish and French planners tried to exert leadership in industrial affairs by pursuing specific goals in industrial organization and influencing *who produces what and how.* Most specifically I argue that both French and Turkish planners have been instrumental in shaping the nature of class relations in their society by affecting both the composition of the power bloc and the nature of hegemony within it. What enabled planners in both Turkey and France to do so was that they were endowed with some -- albeit differing -- levers[24] to implement the plans, and it was through the selective allocation of these *discretionary resources* under their control that they played a key role in shaping the hegemony in the power bloc in favor of the industrial fraction of capital.

In this context the most remarkable aspect of the operation of French planning was that since it operated outside of the public eye and through influence over the financial system which reached deep down into the industrial fabric, the planning community could arrange quickly and quietly both 'rationalization' (of the declining industries) and 'promotion' operations, and redeploy resources into the industries of the future, particularly aerospace and electronics. Consequently the dynamic and modern

[23] See the article by M. Crozier, "Reflections on the Eighth Plan," in *Le Monde*, August 8, 1980 (in French) who quotes J. Rueff, an ardent proponent of 'free markets'.

[24] These levers included both positive tools such as a wide assortment of subsidies, called incentives, and negative tools such as the right to veto certain public investments that violate the plan.

sector of the industrial class concentrated in skill and capital investment goods sectors and oriented to exports was elevated to a position of hegemony in the power bloc. In the meantime small business went through a metamorphosis and labor-intensive and less efficient production units were either forced to transform themselves so as to become 'pawns' to the modern sector or they were impelled to eclipse from existence as a result of state interventionism. (See chapters five and six on development.)

In Turkey, on the other hand, in the absence of discretionary control over the flow of capital funds to industry, the Turkish planners relied on other extra-market mechanisms to transfer public funds to the accounts of the internal market oriented industrialists in consumer goods industries. Namely there were three basic administrative mechanisms through which planners attempted to benefit the manufacturing bourgeoisie: the provision of low priced inputs produced in the state economic enterprises (SEE's), generous tax rebates, and the preferential allocation of scarce and overvalued foreign exchange. Hence I will claim that it was through the political allocation of these scarce resources that planners played a key role in shaping the nature of hegemony in the power bloc. Thus state interventionism in Turkey took the form of purposefully creating market imperfections in terms of underpricing the SEE's inputs and overpricing the TL vis-a-vis other currencies, and then channeling the protectionist 'rent', i.e. the difference between the market price and the actual price of scarce resources, to the accounts of the manufacturing bourgeoisie. Consequently, although manufacturing capital gradually built its hegemony in Turkey, it was the domestic market oriented fraction of capital concentrated in consumer goods industries that was elevated to a position of hegemony as the state allowed profit levels to remain very high in these industries by letting consumers and taxpayers bear the costs. In the meantime, the newly established consumer industries could not and did not act as the entering wedge of the broad industrializaiton drive. This was so because the high customs duties on their outputs, combined with negative duties on their inputs and the availability of cheap imports as well, helped to create a "sinecured, inefficient and pampered industrialist"[25] class with a direct stake in preventing the introduction of investment goods industries.

[25] See A.O. Hirschman, "The Political Economy of Import Substituting Industrialization in Latin America," *op. cit.*

To sum up, I am claiming that planning in France purposefully targeted a small yet dynamic group of businessmen; in contrast to Turkey where the scope of planning was much larger theoretically but its capacity in affecting the allocation of resources via altering the investment behavior of private or public actors was much less significant. Furthermore I argue that French planners could insulate themselves from social and political pressures and serve as good traffic policemen who do not pay attention to occasional honking and know how to optimize the most rapid flow of traffic by punishing the violators if necessary. Thus my theoretical arguments in this context -- which will be backed via empirical analysis in chapters five and six -- stand in contrast to the view of F. Block who claims that strict limits are imposed on the autonomy of any capitalist state by the virtue of business' veto power over state policies.[26] Instead I argue that as long as planners were provided with direct control over the flow of funds to industry when business lacked means to self-finance, they could circumvent business' veto power over state policies which stemmed from the dependence of democratic governments on private investments in order to both finance the state's operations and to maintain political support. Moreover I am claiming that French planners were able to create vested interests from among certain sectors of the business class through their privileged access in the state to non-budgeted discretionary funds and to many macro and micro levers with which they could influence long-term banking loans to industry. Thus, in France, it became possible to institutionalize the planning reform in the long-run, even if the business class as a whole was opposed to it at the very beginning.

My basic theoretical arguments outlined above try to criticize and bring together the social science literature on modernization and development and the literature on political sociology, in order to shed new light into the phenomenon of economic development. In fact the social scientific literature on economic development, namely modernization and dependency theories, addresses many of my aforementioned concerns. Yet because it takes development (modernization theory) or underdevelop-

[26] F. Block writes: "Those who manage the state apparatus -- regardless of their own political ideology -- are dependent on the maintenance of some reasonable level of economic activity" both for financing the state's operations and maintaining political support, and "in a capitalist economy the level of economic activity is largely determined by the private investment decisions of capitalists. This means that capitalists, in their collective role as investors, have a veto over state policies in that their failure to invest at adequate levels can create major political problems for the state managers." F. Block, "The Ruling Calss Does Not Rule: Notes on the Marxist Theory of the State," *Socialist Revolution*, Vol. 7, No. 3, 1977.

ment (dependency theory) as unproblematic, it fails to explain the political preconditions for successful development, and on the other hand, wrongly assumes a stark separation of market and the plan. In contrast, I argue and hope to prove that far from being antagonistic, market and plan work very well together. Likewise, I will claim that, one should not impute developmental interests to local capitalists in the Third World, as both modernization theorists and neo-classical economists do, and such a fragmented treatment of classes (i.e., when classes are *not* defined in relationship to one another) makes it impossible to consider the question of development since it forecloses any empirical analysis. Instead, one should take into account the nature of the political economy in a given country, i.e. the structured links among classes and class fractions and between them and the state before analyzing class positions, class projects, and class behavior. This is what I try to do for France and I hope to demonstrate that the entrepreneurial class was not necessarily an agent of development, and the process of modernization was closely orchestrated by the state managers who had based their relative autonomy on a certain type of power bloc constructed in the immediate postwar period. For Turkey, on the other hand, my analysis will suggest that, to the extent that domestic market oriented manufacturing capital built its hegemony in the power bloc, its economic interest increasingly lied in choking off further industrialization rather than promoting the deepening of industrial profile. Thus the manufacturing capital which constitutes the basis of the entrepreneurial class in Turkey has now become part of the problem of underdevelopment and not an answer to it.

Concerning the political science literature on the nature and role of the state in development, on the other hand, I will levy two criticisms. First, I will argue that in order to understand the role of the state in development one should primarily specify the structural links between the state managers and private investors. The nature of such links are unelaborated in the political science literature and worse even, many contributions to the literature do not take into account variations between 'core' and 'peripheral' states. Second, I will try to adjudicate between those who see the state as a 'subject' -- an autonomous actor -- and those who look upon it as an 'arena' of struggle, a cracked mirror, reflecting the forces at work in society. In this context I will suggest that the usefulness of such analytical abstractions is historically specific. And the comparative historical research such as the one I carried out con-

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tains an element of surprise which goes against the dominant paradigm which views the state as an independent actor endowed with the capacity of affecting class relations in the periphery in a way conducive to development and in accordance with its own objectives, as opposed to the 'democratic' and 'pluralist' state in the core which supposedly serves merely as a conduit for struggles among interest groups. Thus by focusing on the preconditions of successful interventionism, I hope to go beyond the futile debate in social sciences about the relative merits of 'state interventionism' versus 'free markets' by showing that interventionism may or may not be conducive to sustained growth, depending on the balance of power both between the state and social forces and among different fractions of capital. To reiterate the conclusion of my study concerning the role of planners in development: in contrast to interventionism in France which channeled the market toward selecting efficient enterprises and industries for survival, Turkish style interventionism did the opposite; it created certain market forces which were not competitive, but powerful enough to prevent others from entering investment industries, albeit they would not enter such arenas themselves.

Moreover, aside from identifying the positive and negative effects of economic planning on development, I will distinguish between two components of the state economic autonomy and introduce a key distinction between 'generative' and 'allocative' capacities of the state. The former concept refers to state interventionism designed to generate capital resources needed for development in the form of taxation, while the latter concept refers to the use of political power to bypass the markets in order to secure the concentration of capital in the desired industrial fields. It is on the basis of this distinction that I will reject the dominant paradigm characterizing the Turkish state as an 'overdeveloped' one. It was in fact an 'underdeveloped' state because it could not secure access to private and public savings necessary to finance self-sustained industrialization, nor did it have the capacity to act as the main pole of growth when it intervened in the economy. And this was primarily so because the state economic managers in Turkey did not have sufficient room of maneuver vis-a-vis private investors given that various state apparatuses were colonized by civilian groups. In France, on the other hand, thanks to insulation from popular pressures, it became possible for the state economic administrators to become key actors who could act in the name of 'modernization' (i.e. in the interest of collective capital).

Thus I will try to show that the differing economic autonomies of the French and Turkish states were reflected in the internal organization of these states regarding their capacity to insulate themselves from grass root pressures, and/or the institutionalized ways via which these states chose to deal with the demands of the interest groups. In this sense, the sharpest contrast between France and Turkey was that while no single state apparatus in Turkey could ward off popular pressures and economic decision making was shared among different state apparatuses, thus creating a system of 'checks and balances', the French state developed a differentiation of functions and a centralization of economic power in the few 'core' apparatuses of the state which could fend off civilian participation. Thus by recognizing the state as a constellation of institutions organized under a 'core' or 'hegemonic' economic administration, i.e. the apparatus which fulfills the resource allocation function be it called planning agency or not, I hope to show *how* the state comes to perform various economic functions.[27]

Finally I should add that from the vantage point of the restructuration of capital defined as the transferability of resources away from declining and into expanding sectors of the economy, the internal organization of the state may have important implications. That is to say, it is possible that no single economic apparatus emerges as the 'core' apparatus as happened in Turkey where, due to historical reasons, the integration of the state with the business world occurred at the governmental level. The result of this kind of integration was that businessmen of all kinds and sizes ended up holding government members under constant siege to protect and/or enhance their fortunes. Under these circumstances politicians gave planners the impossible dual tasks of pleasing all contradictory social forces that provided the coalitional basis of the government, while also promoting rapid and sustained growth by acting in the interest of collective capital. On the other hand, the integration between the state and the capitalist class may also occur, as has been the case in France, at the level of a 'core' state economic administration which is insulated from social pressures.[28] Under these circumstances the self-enhancement of the

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[27] As said earlier these economic effects ensue in the elevation of a class fraction to a hegemonic position in the power bloc or on the contrary, they may ensue in the destruction of a particular hegemony with consequential effects for the patterns of economic development.

[28] Ironically, the key institutional reform which enabled this was the nationalization of the major financial institutions in France, in the aftermath of the second war, under pressures from the labor movement. Consequently it became possible for the 'forward' looking state administrators to link themselves to the advanced sectors of industrial capital, thanks to the weakness of financial fraction of capital. See Chapter 3 for details.

'core' state administration may not depend on the protection of sectoral clients -- as has been the case in Turkey -- but on successful promotion of advanced sectors of capital.

3. A Note on the Organization of the Chapters

In order to illustrate all of these claims outlined above, my dissertation will be framed in three main sections (the 'genesis', the 'development' and the 'ending?' of planning systems in Turkey and France), preceded by the next chapter entitled "criticism of the literature and theoretical framework," setting the stage for my historical-structural excurses. That is to say, the sociological literature on 'economic development', namely modernization theory and dependency theory, addresses many of my concerns outlined above, yet because it takes development (modernization theory) or underdevelopment (dependency theory) as unproblematic, it fails to explain the political preconditions fo successful development. However, certain modem offshoots of dependency (Cardoso, Faletto), and modernization (Huntington) theories go beyond these paradigms and take political factors into account. Hence in the first part of my next chapter (Chapter 2) I will undertake a criticism of this literature. My criticism of these theories will pave the way for outlining my own notion of the state's economic interventionism and its relation with economically dominant groups in society. Briefly, *after also reviewing the political science literature on the state,* I will claim that the nature of this relation between the state and society is both unelaborated in the literature and worse even, recent contributions to the literature do not take into account variations between 'core' and 'peripheral' states. Moreover, my criticism of the shortfalls of literature on development will make it clear why I decided to compare France and Turkey.

Next, in the second part of the next chapter I will develop my own theoretical framework to rationalize my choice of 'planning' as the appropriate framework to study the nature of relations between the state and private economic managers in the making of state economic policies. In addition, to conceptualize the relations among the business fractions and their links with the state so as to uncover the power structure of contemporary political economy,[29] I will elaborate on the notion of the *historical or power bloc* and *hegemonic fraction of capital,* because I believe that successful economic

[29] I use the term 'political economy' to denote the sum of historically specific sets of organizational arrangements between the state and economic actors through which 'politics' and 'economics' are linked to each other.

planning in advanced capitalist nations is premised upon a certain configuration in the bloc of economically dominant class fractions and such a bloc is very difficult to construct in Third World countries. Thus, capitalist planning in developed countries, such as France, should not be imitated by Third World countries (i.e. Turkey).

I will organize the three main sections of the dissertation in accordance with the ways in which Turkish and French political economies, which I discussed in the last section, are formed (the 'genesis'), consolidated (the 'development') and dissolved (the 'deplanification'), insofar as the making and unmaking of these historical blocs are both expressed and affected by the evolution of Turkish and French planning systems. Accordingly the section following the "Criticism of the Literature and Theoretical Framework' and entitled "The Genesis of Planning in France and Turkey" deals with the formation of 'modernization lobbies' in these countries that later sustained and supported economic planning. It is the central claim of my dissertation that planning can only be successful when a certain balanced power relation exists between the state administrators and private investors, and hence an indicative planning inspired by Western experience may be doomed to failure in the Third World from the very beginning, given that the socio-political preconditions of successful planning do not exist. Therefore, my investigation of the 'genesis' of planning in the comparative context will focus upon the structural and historical reasons which enabled state managers in France, and not in Turkey, to develop not only an interest in rapid economic growth and deepening of the industrial profile, but also an effective capacity to intervene in the economy to realize these goals. My principle argument in this context will be that capitalist planning can only be successful when a certain 'anti-protectionist' modernization bloc is constructed and that planners can not forge such an alliance at will (Turkey), but only when *labor* becomes a political actor (France). Accordingly special emphasis will be accorded to the political role of labor induced reforms in France linking the state to the advanced sectors of capital, as opposed to the aborted attempts of the early Turkish planners who tried but could not do the same thing because they were unable to convince businessmen that an impending political threat existed jeopardizing the reproduction of the capitalist system unless urgent reforms were instituted.

The second major section entitled "The Development of Economic Planning in Turkey and

France" focuses on the question of development *per se*, understood as the deepening of the industrial structure via the establishment of investment and capital goods industries. Accordingly the evolution of planning in Turkey and France is discussed in chapters five and six from the standpoint of the implementation of the plan, or planners' effectiveness in, first mobilizing economic resources necessary to finance their investment programs; and second, in allocating private and public savings to the industrially most productive uses. In this context I will argue that planners in both Turkey and France were endowed with some -- albeit *differing* -- levers to implement the plans, and it was through the selective allocation of these discretionary resources under their control that they played a key role in shaping the hegemony in the power bloc in favor of the industrial class. Consequently the manufacturing bourgeoisie gradually built its hegemony in both countries, yet different interventionist styles and different links between the state and capital led to dissimilar results. That is to say while deepening of the industrial profile was achieved in France, in Turkey, to the extent that industrialists were rendered economically powerful, their real interests increasingly lied in choking off further industrialization, i.e. preventing the introduction of investment goods industries, rather than promoting them. Hence the central argument of this chapter will be that contrary to what modernization theorists or liberal economists assume, the creation and strengthening of an entrepreneurial class may not amount to development. (But unlike what dependency theorists say, such a class may gain the upper hand in the peripheral nations over other pre-capitalist dominant classes or class fractions.) Therefore a commitment to economic development in Turkey will require a different type of planning and state intervention in the process of industrialization not yet found in the peripheral countries which have adopted the capitalist planning of the core economies.

My last section entitled "Is there an end to planning in Turkey and France?" discusses and rejects the claims of many social scientists that a radical about turn to markets occurred in both Turkey and France in recent years, as a result of the world economic crisis of the mid-70's, and therefore planning, defined as the state's leverage over private or public investment decisions, ended. In contrast, my central argument in chapters seven and eight will be that beneath the rhetorical facade of laisser-faire capitalism which serves some political purposes enabling French and Turkish states to disavow responsibil-

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ity for massive layoffs, both Turkish and French planners continue to affect the allocation of resources in their economies. Hence the adjustment of the Turkish and French economies in the mid-70's to external imperatives was not an automatic process, but on the contrary the adjustment process was mediated by distinctive state capacities and the configuration of class forces in politics in these nations. Therefore, given the differing levers which were available to planners, although both of these states aimed at a reorganization of industry to concentrate resources in firms and sectors capable of earning the much needed foreign exchange during the worldwide recession, they experienced varying degrees of success, with differential implications for the nature of hegemony in the power bloc and the ensuing paths of development. Consequently, French planners were able to implement a successful restructuration program -- albeit under the ideology of the market! -- aimed at shifting resources across industries toward high tech sectors, and in the meantime the hegemony of the export-oriented dynamic fraction of capital in the power bloc was strengthened. In Turkey, on the other hand, although the internal market orientation of the economic policy ended, since it was the existing power bloc that defined the response to demands from international economic organizations, the new model of economic development which came in its place was no more conducive to development than the old one. That is to say, under this new 'export-led' model of growth, planners did have no choice but to continue betting on unproductive monopoly capital -- the hegemonic fraction in the power bloc -- as the main agent of development. Consequently the profit levels in industry were restored at their pre-crisis levels, without corresponding changes in productive efficiency and competitiveness of manufacturing capital.