

A COMPARATIVE ANALYSIS OF TURKISH AND KOREAN POLITICAL ECONOMY: ECONOMIC CRISIS PERSPECTIVE¹

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Abstract: The right strategy for economic development and actors in industrialization are two important issues for developing countries. The role of state and private sector in investments characterize the national economic system of a country. Whether state should invest in national industry as a sole actor or has a role of facilitator and controller is a significant issue discussed earlier by political economists. Turkey and Korea are good examples to show how the degree of government intervention can influence the formation entrepreneur class and establishment of private industries. This paper will try to compare and analyze main political economy of Turkey and Korea from earlier years of proclamation of republics to 1990s. Special focus will be given to causes and effects of economic crisis on national political economy.

Key words: Political Economy, Turkey, Korea, Economic Crisis
Jel Codes: F02, F59, N10, O15, O38

TÜRKİYE VE KORE DEVLETÇİ POLİTİK EKONOMİ GELENEĞİNİN KARŞILAŞTIRMALI ANALİZİ

Özet: Ekonomik kalkınmada doğru strateji ve endüstrileşmenin failleri problemi kalkınmakta olan ülkelerde öne çıkan en önemli iki meseledir. Yatırımlarda devletin ve özel sektörün rolü, bir ülkenin milli ekonomik sistemini karakterize etmektedir. Devletin ekonomide bir temel bir aktör olarak yatırım yapıp yapmaması veya yatırımları kolaylaştıran/teşvik eden ve kontrol eden bir rol oynayıp oynamaması gerektiği meselesi, politik ekonomi uzmanları tarafından tartışılmıştır. Türkiye ve Kore, devlet müdahalesinin, girişimci sınıfın oluşumunda ve özel girişimlerin kuruluşunda nasıl bir rol oynadığını göstermesi bakımından iyi birer örnektirler. Bu çalışma, her iki ülkenin, cumhuriyetin ilanından 1990'lara kadar olan süreçteki politik ekonomisini tahlil

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etmeye ve karşılaştırmaya; daha da özelden, ulusal politik ekonomide ekonomik krizlerin etkisini anlamaya çalışmaktadır.

Anahtar Kelimeler: Politik Ekonomi, Türkiye, Kore, Ekonomik Kriz

I. Introduction and Problematic

This study aims at making a comparative analysis on Turkish and Korean political economy. It is our contention that a comparative study on Turkish and Korean political economy is important in terms of historical / methodological and normative and ethical aspects. First of all, in spite of the many qualitative differences, in terms of their recent histories these two politic geographies are similar to each other in some aspects. For example, Turkey was able to save itself from invading forces as a result of 'War of Independence' and proclaimed the republic in the beginning of 1920s. The new republic found itself in the middle of many important socio-economic problems, and for this purpose started to implement five year progress plans. On the other hand, military interventions that took place in the years 1960, 70 and 80 changed the government/power structure to a great extent. Korea was under the colonial rule of Japan from 1910 to 1945. And between the years 1945- 48 Korea was under American military administration. After the new republic was founded in 1948 Korea found itself in the middle of a war (Korean War). Like Turkey, Korea also gave weight to industrialization and implemented five year progress plans in order to eliminate the effects of war. Government structure changed as a result of a military intervention in 1961.

Considering these points with regard to their recent histories, it can be said that approximately in the same years the two countries went through similar experiences such as invasion, war, poverty, industrialization, military intervention. In other words, although it can be supposed that their problems had other important reasons or were different in terms of quality and quantity, it can be said that similar facts play role in the roots of the problems regarding their recent histories.

Secondly, in the comparison of their modernization experiences the choice of Korea and Turkey has a normative/ethical implication. As follows, the role of the statist mindset in the development of Korea is significant and obvious. Besides this important transformation, statism was able to innovate its economy. In Turkey, although statism did not externalize private enterprises, these could not become stronger due to the expansion of state enterprises in every area. Apart from leaving the private enterprises incomplete forces the state to feed an enormous cumbersome bureaucracy. Inefficient use of the economic resources created economic crisis continuously and following that political life was interrupted went through due to military interventions. Accordingly - although it could not be taken as a very 'meaningful' induction in

scientific terms - this comparison offers an *opportunity* to make generalizations on the mindset in the context of the two modernization movements.

II. A Retrospective Look at the Modernization – Statism Dilemma of Republican Turkey

The political authority that proclaimed the Republic in 1923 founded a new state, putting an end to the Ottoman Empire's six century long rule. In this context, the proclamation of the republic is by no means a regime shift; it never had such a narrow meaning in the eyes of political-military elite that founded the republic. Rather, the declaration of the Republic can be seen more of a manifestation of a wider perspective such as the denial of all economic cultural and political inheritance of the imperial past that caused the 'collapse' and 'historical retardation' (Laroui, 1993: 154) . In other words, it is a political reflection of a totally different worldview shaping the ideas on the present and most importantly on the future. This worldview is fuelled by 19th century French positivist thought and more importantly, attempts to dictate its values on the 'whole of life'. Namely, its claim on sovereignty is absolute; it aims to pervade the minds of the people as much as it pervades its territorial boundaries. Its political, economic and cultural promises and targets are enormous and unflinching: 'to reach the level of contemporary civilization'.

It is our contention that this 'decisive' political will to close the political and cultural 'gap' in 'modern' and 'developed' societies indicates two important political preferences shaping the mindset of the republican elite: One of the 'decisions' is modernization and in fact this effort is an imperial inheritance. The other one is related to modernization, that is, the role of the state and political sphere in its effort to catch up with the developed countries.

As it is well known, the motivation behind legal and administrative reforms undertaken firstly due to military reasons, and then after the 'Tanzimat Reform Era' (1839-1976) owing to the vitality of increasing and diversifying activities of the centralizing state, is to prevent the collapse of the state and its inspiration is 'Western Modernization'. However, although it could not be taken only as a simple mimetism, the Ottoman modernization that started in the 19th century has gone down in history as a great failure for two reasons. The first of these is about the 'problematic situation' regarding the attitude toward modernism, which points to the naive attitude that tries to isolate modernism from the material roots it rests on. As a result of this attitude, modernism was restricted to superstructure reforms that were thought to restore a weakened political unity, which was subject to continuous territorial loss back to its former glory. In other words, as a result of political and legal reforms, it retained its belief that it could bridge the historical reterdation in one move. The second one is that Ottoman modernization associated modernism with the west.

This caused two important facts to go unnoticed. The first of these is that: societies constituting the Western world show significant differences with regard to their own modernization histories, therefore they cannot be regarded as a single unity. Whereas, by overlooking to these differences, the Ottoman modernization perceived the west as a single unity and associated modernization with westernization. The second and other important fact is that western modernity is at the same time a civilization based on the material of capitalism. In this respect, capitalism was transferred to the non-western world as a material civilization. Therefore, it can be said that this is the historical phenomenon that Ottoman modernism was subjected to. With the emergence of the forces of production in the West, wide scale production, economic growth, material surplus and military power have been the phenomena that constitute the same meaning of modernization for the Ottomans and other non-western societies. In other words, the meaning of being modern is production, industry and development. The result of this perception is clear, distinct and meaningful: social change is subordinated to western codes of change and the west has become the main hub providing legitimacy for change.

The republican cadres have maintained naive attitudes coming from the Ottomans regarding modernization but with different tones. With the exception of Mustafa Kemal Atatürk's short effort to boost the 'national bourgeoisie', especially from the mid-thirties, modernity was relegated to a cultural and legal attitude. Using state resources, they planned to solve the problem of industrialization or development in the hands of bureaucrat-officer cadres, loyal to the state. We suppose that, when considered carefully, in the essence of this stance with regard to determining both the principle of success in accordance with the western change codes and the effort to prevent the emergence of social classes that can realize this change, stands repeating the Ottoman modernism through radicalizing it.

The core of this study focuses on the meaning and the results of these two political preferences. Even though the will that was solidified by the proclamation of the republic totally rejected its imperial past, politic cultural tradition inherited from the Ottoman Empire continued to live. In other words, it can be clearly seen that the republican secular elite were following modern ideas, and applied the necessary legal and institutional reforms that would enable and guarantee a secular lifestyle with absolute determination. However, from the empire, they inherited the logic of understanding the life and the world through a political perspective and providing an answer for it, which they maintained with differences of tone.

In this context with reference to Mardin (1999: 207) we can connect the roots of the 'statist' mindset to a strong and rooted bureaucratic tradition. The Ottoman bureaucratic tradition was handed down to the republic to a great extent and it was constructed on the idea of 'nizam-ı alem' (world-order) (Mardin, 1999: 207). Nizam-ı alem is a critical 'control' mechanism that aims at

preventing the conflict of the various subjects ruled in the territory with both the state and among each other. Here, the primary principle is order and system. Politic 'center' builds up an order for various heterogeneous elements tried to be maintained with very sensitive bonds through granting a freedom zone whose boundaries and rules are defined obviously. As we can see in all old empires, from these 'relatively autonomous' units the only thing Ottoman 'center' demands is 'loyalty'. Center, or as Mardin prefers to say, 'patrimonial government', is based on the principle that power can neither be shared nor be in the hands of anybody else but the ruler himself. Hence, it exerts control and supervision on the elements and either material or non-material 'resources' and 'powers'. Its vitality is predicated on the continuation of this supervision and nizam-ı alem, the aim of which is to establish and maintain the balance. To supervise the social movements, to watch out social convergences and to harmonize the society is the watchword of the regime. Since patrimonial government is readily vulnerable to dangers when it connives at any kind of convergence (Mardin, 1999: 208-9).

This mission is inherited by Republican Turkey to a great extent. Especially from the 30's on, which corresponds to the years when Mustafa Kemal Atatürk's political influence was in decline, tried to exert 'control' over the 'powers' thought to be able to create an alternative to the center. One of the most significant results of the distrust felt toward the peripheral elements and the sense of continuous suspicion toward, the sole center that can be relied on for healthy economic development and modernization, namely, 'civil society' was deprived of autonomy and self-confidence, which means that it is devoid of any power to negotiate with political society. To put it in different way, 'statism' appears to be the political principle in which 'statist mindset', which expresses 'perpetuity in (spite of) disengagement' epitomizes in a most obvious way. In this sense 'statism' is much more than the case of an economy policy. Rather it expresses the effort for a political reconstruction of the civil sphere in a controlled manner. The sui generis 'control' and 'supervision' exerted over civil society and moreover, the suspicion and fear felt towards the 'possibility of the growth of uncontrollable powers' out of civil society caused statist politics to extend its sphere of influence increasingly. A continuously expanding state intervention rendered the economy and economic welfare of the people more dependent on the political stability thus making it more fragile. The influence of two significant attitudes that made this dependency and fragility not only possible but also deeper over time is substantial. The first of these: apart from many public services state has to do principally, economic burden inflicted on the budget by many state enterprises prevented the orientation of the resources to more profitable and remunerative fields. Accordingly, apart from bringing a heavy burden on the state mechanism this also led to the emergence of a tremendous and cumbersome bureaucracy. Secondly, state enterprises were used to gain new supporters by the parties in power. These populist policies led

to overemployment, placing an extensive and unnecessary burden on the budget which at the same time made these enterprises clumsier.

Consequently, statist policies that started in 1930s with the aim of 'reaching the level of contemporary civilization' a) prevented the formation of a civil society which could be a mainstay in the realization of the modernization project b) as it had to feed a bureaucracy that constantly placed extra burden on the budget, financial and economic balances became tainted leading to the occurrence of a cumbersome weak state mechanism.

Naturally, this structure produced substantive economic, political and social crises. For example, at the heart of military interventions, done in 1960, 70, 80 and 1997, it is likely to see the traces of a statist mindset. To be quite frank, the 1960 military intervention inflicted a heavy blow on a social group that was becoming economically and politically more and more powerful. We see that in 1970 and 80, this blow were directed towards the movements that wanted to come to power, having the contemplation that country's economic, politic and social resources were not used efficiently rational and social income was not being shared fairly. Also, 1997 intervention politically terminated the existence of the political extension of a social movement which was becoming stronger.

It is possible to put this subject under such a title below in order to take concrete economic and political inventory of certain phases of statist policies which are the embodiment of the statist mindset being the dominant code of the way of making politics in Turkey.

A. A General Look on Statist Policies as State Intervention to Production

1923-1930 Period:

State intervention to financial area in Turkey started with the nationalization of the foreign enterprises and monopolies via acquisition. For this purpose, with the introduction of new laws between the years 1924-1926, monopolies on a number of commodities such as railways, tobacco, gunpowder, explosive substances, petrol, gas, matches, aqua vitae, alcoholic beverages were nationalized via acquisition. Apart from this, through a new legislation in 1925 Industrial and Mineral Bank was founded in order to start industrialization without any delay and develop commerce and banking business.

Incentive and protection policies for private sector accompanied to the nationalization and industrialization efforts in 1923- 1930 period. Hence, first Is Bank was founded in 1924 in order to provide the private sector's credit needs (Aktan 1991: 58). Another attempt for the encouragement and protection of the private sector is the enactment of The Law for the Encouragement of Industry in 1927. Besides offering wide opportunities to private sector in using immovable public properties, this law was also providing immunity from taxes and commodities. Within the context of these efforts, 1923-1930 period has come to

be called a 'liberal' period. The most significant reason for this is the fact that liberal ideas gained weight during The Izmir Economic Congress held just after the foundation of the republic. Foundation of Is Bank, enactment of The Law for the Encouragement of Industry were the consequences of the decisions adopted during the congress. It is true that the state did not directly involve in state enterprises; instead, it put so much effort in improving the 'national bourgeoisie'. However, through distributing monopolies to privileged companies and applying wide scale incentive politics, it tried to boost capitalist development and accumulate capital. To illustrate, petrol and gasoline monopoly was adjudicated to Standard Oil Company, and similarly, matches monopoly to another American company, aqua vitae and alcoholic beverages company to a Polish company and salt monopoly to a local corporation (Özmen, 1983: 430).

Accordingly, in our opinion, it is very hard to say that this process was an economically neutral, a liberal policy in the full sense of the word (Boratav, 1983: 413). Even though the state did not establish a state enterprise directly, via applying controlled 'non-neutral' incentive policies took a firm grip on economic area. In other words, in fact, behind the economic endeavors to create and strengthen a 'national bourgeoisie' to establish an economic life that would prosper under the control of the state and bringing into existence of a national entrepreneur class that would serve this end lies such a political endeavor.

As a result, 1923-1930 cannot be seen as a 'pure liberal' period. As we tried to show above, both nationalization policies and the weight of the state in the distribution of the monopolies and incentives provides us with important evidences. However, though it was a short-lived and unsuccessful attempt, the foundation of The Law for the Encouragement of Industry can be seen as a first step in state enterprises.

1931-1946 Period:

Since 1932, the state started to play a more effective role in economy as a direct entrepreneur. It is possible to regard statist economy politics named as 'statism' under three groups.

First of all, 'protectionist' measures started to come into effect since 1929 were consolidated after 1932 too. Protectionism was strengthened through three important measures: 'new customs tariff', 'cambium' and 'quota system' that made quantity control in foreign trade (export) and exchange control possible. 'The Law Regarding the Protection of the Value of Turkish Currency' was enacted for this end. From 1930's on, parallel to its protectionist policies, the government intensified its restrictions and supervisions on foreign capital. Nationalizations most of which were realized in municipality services, mining, and railways also appeared these years. Again, the need for foreign indebtedment saw a decline thanks to the foreign trade balance, achieved in these years. In this sense, in outward looking economic policies, considerable steps were taken toward diminishing dependence on foreign sources.

Secondly, state control increased also on the domestic markets. Especially, the state industry was started in a number of sectors including flour, sugar and cotton production. A new legal regulation was issued, making the state control on the prices of industrial products possible. Also, the authority to determine rate interests were given to the government.

Beyond question, the most determinative step taken in statist politics was the appearance of the state as the leading investor and entrepreneur in nonagricultural sectors. To put it differently, the most typical characteristic of the 1931-45 period is public investment policies of the state implemented in the areas of industry, energy and mining. In these areas state investments and management, held sway over the sector. Other important characteristic of the period is that the state realized its entrance to the industry, energy and mining sectors as a result of a 'planning', which came out as a result of a number of projects. Implementation of the First Five Year Progress Plan was started in 1934, which can be regarded among one of the first planning attempts in the world. State investments were made according to this plan. Plan investments were organized in five sections: textile, mining, paper and cellulose industry, paper, ceramics, bottle glass and chemistry (Bayar, 1996: 775). The main objective of the plan was to meet the need for energy and basic consumption goods with domestic production, to provide ample basic consumption goods for the market and to reduce the dependency of the market on import.

In the first stage of the Five Year Progress Plan Sumerbank was founded in order to carry out banking and trade activities and to start businesses to produce a number of consumers' goods almost all of which were being imported. These were flour, sugar, and cotton. In the second stage, foundation of Etibank followed, with the aim of providing the necessary financing for the production and trade in energy and mining sectors.

Table 1: *The Big Factories of the First Five Year Progress Plan*

State Enterprise	Year of Start of Production
Kayseri Cloth Factory	1935
Bakırköy Cloth Factory	1934
İzmit Paper Factory	1936
Paşabahçe Glass Factory	1935
Zonguldak Semicoke Factory	1935
Konya-Ereğli Cloth Factory	1937
Nazilli Printworks Factory	1937
Bursa Merino Wool Factory	1937
Gemlik Artificial Silk Factory	1938
Karabük Iron and Steel Plant	1937
Malatya Cloth Factory	1937

Source: (Yenal, 2001)

As can be seen in the table above, the industry plan was put into action very rapidly and the factories started production in an average of five years. The preparations for the second industry plan started in 1935, and three institutions were established to have a pioneering role for this plan. Electrical Power Resources Survey and Development Administration was to evaluate electric energy projects, Mineral Research and Exploration Institute was to detect underground resources of the country, and Etibank being a holding like Sumerbank, was going to finance energy and mining investments. Even though the Second Five Year Progress Plan was not implemented due to II World War conditions, state intervention to the economy continued increasingly through starting businesses. For instance, all the businesses established with public investments were unified, and in 1941 Turkish Petroleum Corporation, in 1945 Provincial Bank and in 1946 Turkish Real Estate and Credit Bank were established.

With the establishment of General Directorate of State Forests and Ziraat Bank in 1937, Soil Products Office in 1938, Agricultural Equipment Organization in 1944, the state which started operating in agriculture and food industries systematized its power much further during the Second World War.

As a consequence of the First Five Year Progress Programme, 16 big factories and a number of middle and small scale factories were established. By this means, both national products and employment saw an increase more than 100%. The average rate of increase of the production value in industry reached % 7,5. The number of Public industry corporations whose number was 32 in 1932 became 111 in 1939 (Yenal, 2001: 98). On the other hand due to the lack of interest, agricultural sector remained weak.

Table 2: 1923-36 Annual Averages

	1923-29	1930-32	1933-39
National Income Growth Rate (%)	10,9	1,5	9,1
Industry Growth Rate (%)	8,5	14,8	10,2
The Share of Industry in the National Income (%)	11,4	13,6	16,9
The Share of Investment in the National Income (%)	9,1	9,7	10,7
The Share of Importation in the National Income (%)	14,5	8,9	6,6
Foreign Trade Deficit/Surplus (%)	-56,6	+6,6	+12,4

Source: (Boratav, 1983)

As it can be seen easily in the table above, the most notable characteristic on the statist policies of the era is the disappearance of the foreign trade deficit

and the rapid decrease of the share that import has in the national income. At the same time, the share of the industry in the national income saw an increase.

By the year 1938, in order to meet the increasing public expenditures, Central Bank was entrusted with banknotes issue for bono. This resulted with the rise in the money circulation and increase in the prices. Also, including the negative impacts of World War II. on the region, production declined, thus a shortage of the basic consumer goods broke out. As a result of the continuous increase in public debts, in 1946 Turkish Lira was devalued against American Dollar. A few months later, Turkey's foreign debt adventure started with a 100 million dollar credit coming from USA.

Statist Policies in 1946-1960 Period:

As mentioned above, in 1935, preparations were conducted for the II. Five Year Progress Plan; however, it could not be implemented owing to the war conditions. In 1945 the decision was taken for democracy and elections, a transition from single party period to a multi-party period was realized. Therefore, the years 1945-1950 can be regarded as an era of political crisis and uncertainty, arising from the transition to a multi-party system. With the elections held in 1950, Republican People's Party (CHP), which had founded the republic, had to surrender the power to its dissenter, Democratic Party (DP). During these years, a relative 10 year political stability period began until the 1960 military coup.

Accordingly, it is healthier to evaluate 1946-1960 period by dividing it into two subcategories. 1946-1950 were the years when CHP held the power but this time, it was also the opposition party. In this period, when compared to the former one, not many state enterprises were founded. Newly, there were only State Hatchery and a Social Security Institution named as Retirement Fund. One important characteristics of this period is the ineffective and extravagant use of the state corporations, which was one of the leading grievances. Opposition parties got a lot of mileage out of these complaints. State enterprises began to be seen as the source of all economic problems.

1951-60 period is the years when DP held power. During their years in opposition, DP adopted economic policies that were against CHP's statist policies (Okyar, 1979: 332) since the prominent leaders of DP had the contemplation that state enterprises were the source of all economic problems; therefore, to solve this problem, liberal economic policies should have been adopted and state corporations had to be privatized.

However, when DP came to power, they could not pursue a policy in accordance with their discourse (Okyar, 1979: 332). They did not privatize the state corporations the whole capital of which belonged to the state. Moreover, new corporations were opened the capital and the credits of which were given by the state. These corporations were seen as private enterprises named as 'Partnerships' (Ortaklıklar). However, in terms of their total capital, ownership

and other financial opportunities, they were, in fact, no different than other state corporations. Some of the alleged private enterprise partnerships, dependent on the resources provided by the state, are given in the table below:

Table 3: *Partnerships Based on the State Resources*

Sector	Explanation
Cement Factories	a) 10 factories were established b) The state subvented 170 million TL of the total 190 million TL capital of 10 factories. Also, gave 151 million TL credit.
Textile Factories	a) 7 cotton mill factories were established b) The state subvented 166 million of the total 194 million TL capital of the 7 companies. Also, 68 million TL credit was given.
Food Industry	a) 5 factories were established b) The state subvented 10 million TL of the total 14 million TL capital of the 5 companies.
Others	25 partnerships were established ranging from metallurgy and hotel management to stock raising.

Source: (Özmen, 1983)

1961-1971 Period:

Some of the military officers in the army who were not pleased with the economic and social policies of DP seized the control of the country through a military intervention. As a result of this intervention, DP's political and legal existence was brought to an end. Moreover, some of the social groups that were strengthening with the DP government were suppressed.

To put it other way, these are the years of political uncertainty since this period covers a military intervention, a post-coup and a political restoration era (Keyder, 1987: 141). This period bears three significant characteristics in terms of state enterprises and these provide us with very important ideas about the consequences of the military intervention. The first of these is that state corporations were clearly articulated in the constitution prepared soon after the military intervention. What is meant by this is that the system and thought of state enterprises became clearer. Other significant consequence of this period is the implementation of a five year progress plan as of 1963. A 'mixed economy policy' was adopted in this planned period, which could be defined as neither total statism nor total liberalism. A third important characteristic of this period is the new legal and institutional regulations related to the betterment of state corporations that were placing heavy burdens on the budget. Most important of these is the legislations on the reformation of state corporations and investment

problems issued in 1964. According to these legislations, a new bank and a commission were established for the investment problems and the necessary reformations respectively. Yet, the betterments planned with regard to the new law could not be implemented comprehensively, only having a limited impact. Furthermore, new state corporations were also founded. Most important of these is the Tea Authority established in 1971. During the same year another state corporation named as 'Institution for Tradesmen and Craftsmen and Other Self Employed' was also started. At the same time thanks to the credit taken from Union of Soviet Socialist Republics (USSR) Iron-Steel and Aluminum factories were established. Monopoly authorization was given to the state corporations for the metal and paper importation.

1972-1979 Period:

Turkish economic and political life entered into a period of instability again, due to the military intervention that took place in 1971. Intense political polarizations, frequent changes in power and coalition governments, were the political developments that mark this period. One of the most significant results of this political disorder and instability was another failure of the reform efforts that had been planned since 1950s. For instance, to this end, in 1972, an article was issued but could not be implemented.

While the governments could not succeed in both reforms and restoration of the present state corporations that could work according to modern working principles, they were able to start new corporations. For example, Turkish Aircraft Industries, Electromechanical, Engine, Machine Tools Factories, State Industry and Workers Development Bank and also Anatolian Bank were all established in 1973.

1980-1991 Period:

1980 is a most significant turning point in terms of Turkish economy and political life. It is so, since a transition from statist policies, aimed at meeting the internal market demand, to free market economy policy started to be implemented. The event that represents this transition is 24 January Decisions (Bakan and Bırdışlı, 2010: 369). According to these decisions, an extensive economic restoration period including economic stabilization, fight against inflation, structural adjustment, liberalization of the trade, overseas expansion was initiated (Aktan, 1991: 55).

The key elements of the economic policies that left their mark on the economy as a consequence of 24 Feb. Decisions are these (Boratav, 2008: 154) a) a cambium policy, related to daily exchange rate practices operated in parallel with continuous devaluations, whose degree of freedom was increased in the course of time. b) An import regime turned towards liberation as a result of gradual abolition of import quotas. c) National prioritization of the export, supported through incentives and subventions, such as expensive foreign

exchange, cheap credit, rebate of tax. d) The increasing elimination of public investments on heavy industry and basic commodities apart from plans for privatization of certain State Economic Enterprises e) Abolition of price controls and subventions on basic commodities in parallel with the mark up in the State Economic Enterprises. f) Wage determination through compulsory system of arbitration and later in a very restricted legislative framework during the four years in which strikes, collective contract, trade union movements were banned g) restriction of the domestic demand and the application of similar restrictive income policies on staff salaries and base prices in agriculture.

Also politically, 1980 is very important since the army intervened in the political life in 12 September, seizing the power. Unprecedented radical decisions were taken. To illustrate, all political parties were closed and their leaders were banned from founding new ones. All political groups and movements operating in the country were intimidated and suppressed through radical course of actions. A new constitution was prepared. Today Turkey is governed by this constitution.

Military government decided to go for election after three years and Motherland Party (ANAP) won the elections. The years between 1983 and 1991 were the period when ANAP was in power during which a relatively political stability was experienced. In other words, when ANAP was in power, Turkey saw the second political stability period experienced in Turkey's 1950-2002 period. This period had so many economic consequences. Statist policies were left aside, instead, liberal and free market policies were adopted (Ener and Demircan, 2007: 216). Private sector enterprises were supported. Expand trade in economy took place and also structural adjustments were put into action. Obstacles in front of foreign investment were tried to be removed. An open and flexible foreign investment policy was adopted. State enterprises and investments were started to be privatized as a consequence of the decisions taken in 1986 (Hiç and Gencer, 2009: 143).

B. 1923-1991 Period Turkish Economy: The Dilemma Between Statism - Economic/Politic Crises

Statism is the most powerful and lasting political inheritance passing from Ottoman political culture to the Republic. Being a dominant code of Ottoman/Turkish political culture, statist mindset (Buğra, 1994: 23), reflected into the Republic's economy policies as statism. As a mentality, statism is based on the idea of controlling and supervising the elements - which were named as "subjects", that is, a group of people who obey the decrees of the authority, and as people, namely, an imagined community of equality in which no class differences was present during the Ottoman and Republic eras respectively. This control and supervision is always directed towards the protection of balance and order. The meaning of this balance in

Ottoman/Turkish political tradition is “nizam-ı alem”. It is the sustention of the order of the world it rules. The order will continue as long as the balance maintains. The condition of order or balance can only be possible by preventing the conflict of a number of complex intertwined social groups with both each other and the state. Both economically and politically, the most practical and the cheapest way of realizing this balance was the prevention of one or more elements to become stronger. Since the consolidating groups might either exercise pressure over the other groups or rebel against the political center, or even could go into alliances putting the center in a worse situation. The Ottoman Turkish political tradition was able to rule the three continents for six centuries through extremely fine and practical and effective political craftsmanship.

The traumatic effect of the collapse of the Ottoman Empire and the invasion of the Asia Minor which is the core-land of the Turks, had deeply determined the search of the Republic elites for independence and solutions for the problems of modernization and development. The republican political elites tried to handle the problem of development and independence through using its statist inherited mindset, present in its political tradition. Statism is the reflection of this understanding to the economic policies.

Statist economic policies began with the granting of monopolies and privileges to some selected private entrepreneurs in the first years of the republic. This attitude changed its course after 1931, state played the role of entrepreneur itself. However, on the one hand agricultural sector on the other hand private sector enterprises received support.

In the 70 years period we analyzed, it is possible to observe that this kind of statist economic policy caused an increasing deal of harm to the state economy. Since, although in the beginning it was aimed at improving the state and providing basic consumption goods to be found in ample amounts and cheap prices in the market, the system increasingly deteriorated. How did this happen? It is possible to specify them: 1. Enterprises could not be operated effectively in compliance with the profit principle. 2. State enterprises became a means for populist policies in the hands of governments. In order to gain more supporters over-employment policy was pursued. Secondly, again, to obtain political support, unnecessary salary increases were made in the wages of the personnel working in these enterprises. Thirdly, for the same purpose, price adjustments were made on the prices of the products of these enterprises. 3. Consolidation of the private sector was prevented. For this reason, Turkish economy had to pay for the deficits from its budget, therefore, could not expand. Since it had to feed a vast number of civil servants, it could not direct its resources to other more profitable areas. Being far from effective and productive, these enterprises a) because of not being able to meet the necessary demand and b) since state enterprises, based on assembly industry and semi durable consumer goods, had to import component materials there was a

continuous trade deficit. The amount of export which was lower than import put the budget into more trouble. The economy that could not find a new financial resource had to resort to foreign borrowing.

Table 4: *Share of State Enterprises in the Manufacturing Industry: 1950-1988*

Source: (Özmen, 1983)

As a consequence, the practical result of the state's direct intervention into economy and civil society was first showed itself as economic stagnation, later it was followed by a series of political crises. For example, first large-scale devaluation and foreign borrowing took place in 1946 and during the same year

Year	No. of Enterprise %	Employment %	Value of Manufacturing Output %	Value Added %	Fixed Capital Investment%
1950	3.9	45.9	46.4	58.3	54.0
1951	4.0	47.4	46.7	59.2	55.9
1952	3.8	44.5	47.5	61.3	46.9
1953	4.3	40.9	44.3	55.8	44.8
1954	3.8	39.1	41.0	50.5	61.5
1955	3.7	39.7	40.7	50.1	59.5
1956	3.7	42.9	40.2	47.0	61.1
1957	4.0	41.3	37.3	44.5	54.4
1958	3.8	39.9	39.9	43.9	57.1
1959	3.9	40.4	44.4	54.5	36.5
1960	4.0	42.5	46.7	59.1	48.4
1961	3.3	39.1	39.5	51.4	47.8
1962	5.7	39.2	42.0	53.0	78.2
1963	7.9	44.1	44.2	52.7	51.7
1964	8.0	42.4	42.7	51.7	59.2
1965	9.3	43.6	47.1	57.1	44.6
1966	9.4	43.7	46.8	54.7	36.6
1967	8.7	43.0	48.1	62.9	36.8
1968	8.6	42.3	46.3	62.0	35.1

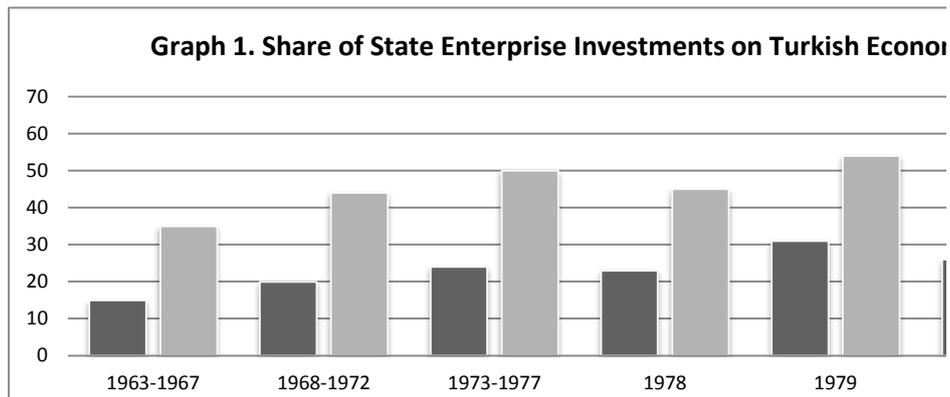
CHP, the founder of the republic, was divided into two groups, one of which founded the DP. One year later, this time CHP was split into two groups again, and reformers were pacified. As a result, Turkish economy went through a big crisis and a nearly five year political instability as well.

Table 5: 1970-1982 Period Annual Report of Public Enterprises (Million Turkish Lira)

Year	The Period End Profit and Loss	Treasury Support	Net Income and Loss
1970	-592	690.3	-1.282.3
1971	829	514.1	314.9
1972	1.450	680.1	589.1
1973	354	1.724.9	-1.370.9
1974	829	5.153.6	-4.324.6
1975	-2.250	6.916.1	-9.166.1
1976	-6.703	10.429.8	-17.132.8
1977	-8.862	20.111.1	-28.973.1
1978	-13.233	36.952.7	-50.185.0
1979	3.130	74.100.0	-70.970.0
1980	52.043	75.085.0	-23.042.0
1981	117.574	110.492.0	7.082.0
1982	139.806.0	91.523.0	48.238

Source: (Özmen, 1983)

Much as DP tried to get away from the former statist policies, it actually continued to strengthen these economic reforms, maintaining them in another form. Apart from that, as a representative of certain social groups, DP, helped them become stronger. Both due to careless implementations of relative liberal policies, and the damage state affairs brought to economy, there occurred a serious economic crisis just before 1958, which resulted with devaluation in 1958. After a little while, some officers from Turkish army sized the control of the country.



Source: (Özmen, 1983)

After a few years of political restoration, though the political life seemed to be in a relative order, and five year progress plans were put into action, political instability continued until 1980. In this period, frequently changing governments, coalitions that could only be formed through the inclusion of radical parties, and military interventions that took place in 1971 and 80, left their mark on the period. Desperate strait of the state economy ensued radical economic decisions in 1980 and Turkish Lira was devalued against the US Dollar once again. Just after these decisions, through the end of the same year, Turkish army intervened into Turkish politics again.

The history and nature of Turkish economy and politics between statism and economic crisis and the pendulum impact (Öniş, 2010: 50-3) that came out as a result, embodied in this way. An approximate of 70 year statist policies in Turkey unfortunately created populist policies and politic and economic crises. Statist policies deviated from its aims sacrificing them to populist policies and above all, it hampered the fostering of the only power, that is, civil society, onto which the state development could have depended. These policies left behind an unequal income distribution, an underdeveloped economy, insufficient, unproductive and a cumbersome bureaucracy, a shattered and polarized political life, political instability and succeeding crises.

III. Government Intervention in Korea: A Neo Statist Approach

The Republic of Korea is well known for its economic success since 1960s. It was one of the world's fastest growing national economies despite the Korean War, political uncertainty in the Korean peninsula, several military interventions and heavy defense expenditures. Success of Korean economic development can be explained by various factors such as state led economic planning, export oriented economic policies, investments in capital intensive industries, a new Confucian culture, absence of retrogressive groups, high achievement needs of nation, government supported big family holdings (chaebols) and national human resources development strategies (Chung et al., 1997: 2).

Focus of this section is mainly based on government intervention in market and relationship between degree of government policies on economy and private sector responses to designed strategies. Scholars tried to explain industrialization and economic development of nations with the degree of government intervention in markets. Changing patterns of government intervention in markets and business provides an opportunity to analyze concept of statism versus neo-classical approach to economic development. Early development economics focused on the importance of state intervention to direct market and business towards industrialization (Amsden, 1989; Ashton et al., 1999; Johnson, 1982; Wade, 1990).

They view market mechanism cannot be left alone on investment decisions and government have unlimited capacity to intervene. Massive government interventions in many developing countries including Turkey and Latin America countries resulted with unsatisfactory level of success. This result strengthened the neoclassical approach to development economics. It was claiming that free markets are efficient ways for development and government intervention should be minimalized (Shapiro and Taylor, 1990). However rapid growth of East Asian economies presented challenge to both statist and neo-classical approach. A neo-statist approach rejects the state-market competition. It also proposes effective interaction between state and market and advice to take advantage of mutual strengthening effect. Neither state oriented nor market oriented approaches has not particular meaning for East Asian countries. Supportive government policies are essential for effective markets and successful private sector is a fundamental requirement for a powerful nation (Weiss and Hobson, 1999: 159-160). The characteristics of neo-statist approach can be defined as a state in which government bureaucracy's main goal is economic development and industrial production increment. Government employs capable, loyal and disciplined bureaucrats who can resist political lobbies but sensitive to investment problems of private sector. Government operates an economic board constituted by high-ranking bureaucrats who have decision-making power on strategy formulation and investment decisions on important projects. Government's most important role is to orchestrate the activities of financial sector, private sector and public sector (Johnson, 1982: 10).

Degree and areas of government intervention is a decisive factor on private sector development. The government can take the role of subsidizer or regulator. In case of subsidizer role, government decides to develop some strategic industries and subsidies organizations with various tools like capital allocation for investment, long-term policy loans for selected firms, tax exemption, investment permit and manipulation of foreign exchange rates for export and imports. Large-scale projects may also be divided between major players in the national economy. In case of regulator role, government legislates various laws and regulations necessary for facilitating rapid and successful implementation of industrial projects and control harmonious activities of industrial sector. (Cho, 1992: 48)

Depending on the degree of selection and implementation of these roles, four models of business-government relations can emerge *laissez-faire*, mercantilism, paternalism and constitutionalism. If a government provides symbolic incentives and impose minimal regulations, it can be regarded as *laissez-faire*. The Lee Syngman government (1948-1960) could be regarded as *laissez faire* because he promoted a free market economy mostly. A mercantilist government support industry with various mechanisms but do not legislate tight control oriented regulations. The military dominated Park Chong Hee

government (1962 to 1971) could be regarded as a mercantilist government. His main priority was to mobilize national resources as soon as possible without considering regulation. Having reached to a satisfactory level of industrialization and getting sufficient public support for military government, Park Chong Hee started to impose heavy regulations on industry in order to put business activities under government control. This period (1972- 1981) could be characterized by paternalistic type of relationship. While supporting organizations, trying to control them is the distinctive feature of paternalistic relationship. If the government's main role is regulatory rather than financial supporter, it can be named as constitutionalism.

Government control on business has changed from financial supporter to regulator since 1980s. Relationship between government and business in Korea shaped mainly by two concepts since Korean War: resource allocation to business and control function of government by imposing regulations. Private sector was very weak in capital formation, experience on technology absorption and administrative structure after the Korean War. Government's role changed from *laissez faire* model to an active player to help private sector in directing them to centrally designed investment sectors, capital accumulation, establishing support policies for export and establishment of industrial facilities. It may be concluded that evolution of government-business relationship mostly affected by method of governance. Korea has a unique history on presidential elections. Three of Korean presidents came into power by *coup d'état*, one of them is appointed and others are elected by public. President Rhee Syngman appointed to presidency in 1948. He mainly focused on the establishment of infrastructure of country and survival of post war economy. He believed in a free market economy and played a passive role on government tight control on business as a U.S.A. educated person. Chang Myun government had not had enough time to establish his own policies on national economy because of a military coup led by General Park Chong Hee in 1961. His main concern was to legitimize his coup rapidly in order to get public support by initiating economic development. Active government intervention, guidance in investment sectors and generous support policies were needed for capable industrialist. President Park used an authoritative-vertical relationship with private sector and this relationship is well meshed with Korea's Confucian culture. Government's intrusive role on business have decreased and started to function as a regulator as the national economy, democratization and globalization of the country reached to a certain level.

A. Historical Evidence

Restructuring Period:

Japan occupied Korea from 1910 to 1945. They tried to integrate Korean economy with Japan and introduced social institutions, established basic production facilities, schools and transportation network mainly in big cities. However, Japanese immigrants possessed the ownership of most facilities. Korean entrepreneurs had little chance to engage in production or manufacturing. Technicians were responsible for simple work in facilities. Korean War poorly ruined the entire country. Most of the production facilities and infrastructure destroyed and youngsters lost their lives. Korea had to re-establish its national infrastructure, stabilize economy, educate qualified human resources necessary for industry and most importantly feed the hungry people with the end of Korean War.

President Rhee government initiated the establishment of import substitution industries, labor-intensive light industries, and production of non-durable consumer goods. He also started to sell enemy properties that were possessed by Japanese citizens before World War II in order to distribute wealth equally to ordinary citizens and to help entrepreneurs in capital accumulation. The compulsory education laid the foundation of necessary technical workforce for industrialization. Economic activities, rebuilding efforts and consumer materials were mainly supplied by foreign aids mainly by USA. The government budget was dependent mostly on foreign aids that contributed more than 40 percent of government expenditure (Suh, 2006: 15). As a USA educated person, President Rhee were employing free market economic principles. American military administration also effected the formation of economic policies during early years of consolidation of republic (Chung et al., 1997: 28)

Outward Oriented Development Strategy and Capital Intensive Investments:

The main concern of Park Chong Hee was to protect nation from North Korean threat, which was superior to South Korea in terms of economic, military and technical areas in 1960s. He dedicated to initiate an industrial war against communist North Korea by mobilizing national resources (Burmeister, 1990: 202). Another reason for industrial war drive was fear of foreign aid termination that constituted a remarkable portion of national budget (Song, 1990: 91). Park also wanted to develop strategic industries for defense industry against North Korea in case of American military forces withdrawal from the peninsula.

The military government came into government under General Park Chong Hee and focused on economic development in his first five-year development plan. The plan was focusing on import substitution of industrial and capital goods like previous government. However, this caused high inflation rates and foreign exchange imbalance. Later he changed the plan

towards outward oriented export development strategy. Korea's competitive advantage was labor-intensive industries mainly production of basic goods and assembly of imported semi-finished industrial products (Kim, 2008: 74; Suh, 2006: 17).

Government set Economic Planning Board (EPB) to design and implement economic plans and coordinate related economic ministries and administrative institutions. It was the central decision making agency for national investments. Individual ministries and institutions were designing their own strategies, while EPB were coordinating and combining individual strategies in order to formulate a national strategy. EPB were also responsible for the formation of five-year development plans. The head of the board titled as "deputy prime minister" in order to increase the effect of board (Kim 2011: 100).

Another important indication of government intervention on business affairs was monthly export promotion meetings held on presidential residency with key business figures in Korean economy. High-ranking government bureaucrats shared relevant information with business leaders about export markets. They also listened the sectorial problems of industry. Export targets for existing and emerging industries for various industries determined jointly by private enterprises and government officials. President assigned investment goals to business leaders for target industries. The ministry of commerce and industry collected export information on a monthly and weekly basis and analyzed overall economic performance of the country. Export targets and industry related regulations were changed when needed so that rapid response from both sides was obtained. Lower-level meetings between mid-level business managers, bureaucrats, scholars and experts also held to reinforce export promotion meetings. In response to experts and business managers views on industrial problems bureaucrats attempted to alter regulations (Campos and Root, 1996: 90; Lee, 1999: 145).

Government nationalized all commercial banks in order to control the allocation of financial resources. Korean government did not allowed to establishment of commercial banks by private organizations unlike Japan. Government also selected certain industries for investment and financial resources directed to organizations that were loyal to government policies. Financial sources allocated to loyal firms were called policy loans. Most of the loans directed to export oriented industries during 1960s and allocated to capital-intensive strategic sectors during 1970s. Korean family holding (chaebols) were the main receivers of such policy loans. This made chaebols overly dependent on government and they diversified according to government specified plans (Chung, 1997: 29,36).

Exporters were supported by low interest rates with respect to commercial lending rates. Supply of short-term credits to exporters at preferential interest rates was an important source of capital accumulation in a

government controlled financial environment. For example, interest rate for export loans in 1966 was 6.5 percent, while interest rate on ordinary bank loans were 24 percent. Foreign exchange markets were also arranged according to needs of exporters who imported raw materials in order to produce export products (Kim, 2008: 76). Government used other forms of incentive mechanisms to support exporters such as tax exemption, low tariff rates for imported raw materials or semi-finished assembly products and subsidies. Sales of government properties with long-term pay back conditions and low interest rates helped early entrepreneurs in capital accumulation (Chung, 1997: 35-8) Government incentives and specified focus on selected industries led to significant progress in production of local industrial components. For example, first domestically produced passenger car “Pony” had an 87 percent domestic parts ratio and was exported to North America in 1975 (Kim, 2008: 75).

The government changed its direction from labor-intensive industries to capital-intensive investments. Government announced the heavy and chemical industry strategy (HCI), promoted the establishment or strengthening of automobile, steel, shipbuilding, machinery, petrochemical and electronic industries. President Park persuaded some chaebols to invest in strategic industries for national competitiveness. Government directly involved in establishment of facilities like Pohang Steel Cooperation, if the project is too big and risky to be undertaken by private enterprises (Clifford, 1998: 105). The government allocated nearly 60 percent of the national banks loans to the HCI projects in after implementation of the strategy (Sakong, 1993: 57). Government also established the national investment fund (NIF) to help Korean organizations on long-term risky investments. This fund was used to support the procurement of land, capital and long-term export financing. Besides indirect support through the fund, government also helped organizations by establishing infrastructure for facilities and construction of industrial complexes. For example, a machinery industrial complex in Changwon, petrochemical complex in Ryochon and a shipyard in Okpo, an electronics industrial complex in Gumi had been completed (Kim, 2008: 78). HCI strategy changed the structure of Korean industry. For example HCI’s share in the manufacturing sector has risen from 34.9 in 1972 to 51.2 percent in 1982. This strategy also assured Koreans a national pride on competitiveness of nation on global markets (Chung et al., 1997: 30).

Table 6: *Growth of State Owned Enterprises Sector (SOE), 1963-1972*

Year	No. of SOE	GDP	Non-Agricultural GDP
1963	52	6.98	12.70
1964	54	6.49	12.56
1971	119	9.17	13.46
1972	108	9.07	13.14

Source: (Jones and SaKong, 1980: 149)

Adjustment, Democratic Reform and Globalization Periods:

Huge investments in HCI, political uncertainty following President Park's assassination and second oil crisis caused economic difficulties in the early 1980s. Chon Do Hwan government undertook several policy changes such as financial sector liberalization and import liberalization. Commercial banks were privatized and long-term, low interest rate policy loans for heavy and chemical industries were eliminated. Government also legislate fair trade act in order to promote competition and balance the market concentration between big family holdings and small and medium enterprises (SME). Chun also introduced serious attempts to control financial situation of chaebols such as compulsory sale of real estate not used for business, abolishment of trade associations, close supervision of bank credits and external auditing on chaebols. New support policies for SMEs were also legislated (Clifford, 1998: 163; Chung et al., 1997: 31).

Economic growth and having reached to a certain level of living standards caused demand for political freedom, democratization and equitable income distribution. Korean university students demonstrated against long-term military governments and this is resulted with multi-party democratic elections. President Roh Tae Woo identified his major policies towards more economic liberalization. He introduced new policies for privatization of public enterprises, import liberalization and reduction of subsidies for business. He also announced political reforms regarding liberalization of chaebols from government control (Suh, 2006: 20).

Having governed by generals for 32 years under strict military administration and state oriented economic policies Korea elected its first civil president in 1993. President Kim Young Sam's main agenda was to maintain economic development, achieve an equitable income distribution while globalizing Korean economy. He identified the main policies of new government as increasing free trade, liberalizing the financial market, opening financial markets to foreign investors, promotion of outward and inward foreign direct investment, adapting national economic regulations consistent with international standards. Kim Young Sam government also introduced real name financial transaction and real-name property ownership policies in order to disconnect hidden politics- business ties. Prior to regulations borrowing others name was used to avoid capital gain taxes. His main concern was to minimize government intervention on market (Lim, 2009: 144-8).

Chaebols unrelated diversification strategies and uncontrolled growth led them to search for low interest rate credits. Financial liberalization and tight monetary policy kept domestic interest rate above international rates. Lack of control mechanism over international lending made short-term borrowing attractive for chaebols. Average debt-equity ratio of thirty largest chaebols was almost 400 percent in 1997. Those developments and Asian Financial Crisis

caused serious demand for foreign exchange. Exchange rates increased two fold in one night. As a result government had to apply for foreign currency to IMF (Laurance, 1999: 363).

Kim Dae Jung government had to introduce some regulatory measures for chaebols in order to overcome financial and institutional crisis. Government offered five principles for structural reform: 1) more transparent accounting and management practices by the chaebols. 2) Elimination of cross loan guarantees among subsidiaries of the top 30 chaebol. 3) Reducing debt to equity ratios to 200 % by the end of 1999. 4) Reducing diversification and focusing on core business. 5) Appointing outside directors to their boards and strengthening the rights of minority shareholders (Krause, 2000: 11).

Government also forced chaebols to apply above principles by introducing three regulations: 1. Strict control of accounting records. 2. Prosecution and investigation of chaebol family members in case of unlawful practices. 3. Cut credit support for over indebted companies

Chaebols depended less on government, as they know world markets and get experienced through export channels. They also get opportunity to reach inexpensive capital through foreign markets. They also used stock market as an alternative to dependence on bank credits (Clifford, 1998: 243). Government allowed them to diversify their business into unrelated areas with their core activities as they reached the export targets set by government. Government dependence on chaebols in order to achieve national economic goals had placed them in a superior position with respect to earlier days of their history. It became very sensitive issue to deal with and turned to a political hot potato. It was very risky to restrict their activities without affecting national economic performance. Having loosened the connections with government financing, they became more active on political and economic liberalization movements and forced government to alter restricting policies.

Asian crisis helped to change chaebol-oriented policies of government towards SMEs. Kim Dae Jung government especially introduced venture recognition system to support information and telecommunications industry to strengthen SMEs position relative to big companies. Investors' perceptions on risk – taking projects of venture companies were preventing them to support newly established companies. Government's venture recognition system provided financial and administrative support to them and gave confidence to investors for support. As a result, the number of venture companies increased 2042 in 1998 to in 11392 in 2001 (Wook, 2004: 131-3).

IV. Conclusion

Westernization is an ideal and a horizon for the Turkish Republic. Industrialization and economic development are the two obvious factors that constitute the ideal of economic development and westernization. The

Republican bureaucracy tried to find a solution for (as to how to) the problem of implementation of this ideal, through using statism that they inherited from their bureaucratic tradition. The impact of 1929 Great Depression and the Second World War in this choice cannot be denied. However, even when these circumstances changed, statism was able to maintain its position as an economic policy.

Statist mindset and economy in Turkey transformed the political state into a form that intervenes into economy increasingly. State enterprises operated in almost in every field. In this sense state was effective in every field. An increasingly growing intervention created an enormous and cumbersome bureaucratic mechanism structure which was constantly making loss. High wages, low prices, over-employment, drained the economic resources of the country in the course of time. As a consequence, foreign indebtedness was inevitable. Moreover since then state enterprises turned towards the assembly industry and the production of semi-durable consumer goods, it became dependent on import for the necessary raw material and investment commodities. As a result of this, the foreign trade deficit turned the national treasury and budget balances upside down. On the one hand foreign indebtedness, on the other hand current deficit first put the country into economic downswing then, political life was interrupted due to military interventions.

In Korean modernization, state intervention followed a very different course. Korean government intervention on business was too extensive during industrialization period. It was impossible to grow if governments policies is criticized. However, from the beginning of economic development, government recognized the importance of private sector partnership in industrialization process. Government was most powerful partner in this relationship without doubt. Government helped private sector in capital accumulation, technology absorption and educating qualified technical workforce. Especially a few selected loyal entrepreneurs supported generously. Government - private sector collaboration policies caused rapid economic growth and made world's most influential organizations. The vertical relationship between government and business has been changed to a horizontal direction by democratization of Korean policy, election of civil presidents and integration of economy to global markets. Furthermore Korean economy reached to a certain level and business organizations evolved from apprenticeship to mastery. As a result, government intervention on business affairs less desired. However, this does not mean that business should be from government intervention. Traditional paternalistic role of government is changing towards constitutionalism since 1980s.

In conclusion, it can be said that while the increasing state intervention in Turkey produced successive crises, Korea's statism which was based on encouraging private enterprises created innovation, development and political stability.

Table 7: A Comparison of Important Political, Economic and Historical Events in Turkey and Korea

1910-1950s	The economic recovery years (1923-1933)	<ul style="list-style-type: none"> *Liberal attitude of Izmir economic congress *Nationalization of foreign firms *The abolishing capitalizations *Tariff and quotas for import materials *Law for the encouragement of industry *Political and cultural reforms 	Japanese Occupation (1905-1945), American Military Administration (1945-1948) and Korean War (1950-1953)	<ul style="list-style-type: none"> * Japanese colonial mercantilism requiring construction of significant transportation infrastructure, port facilities, railway system and communication network *Establishment of basic industries owned by Japanese citizens *Modernization of education *Restriction on Korean entrepreneurs to initiate any venture independently *Industry totally damaged by Korean war *Massive American aid programs
	The age of statism (1933-1950)	<ul style="list-style-type: none"> *The first industrial plan (1933-1950) prepared by Soviet experts *Textile, cement, paper, chemical and iron industries established *State economic enterprises for industrial financing introduced (Sumerbank and Etibank) *IMPORT SUBSTITUTION *Ban on foreign direct investment *Capital Levy *National 		

		<p>protection act *Private sector subsidies cancellation</p>		
1950-1960s	The era of mixed economy (1950-1960)	<p>*The first multi-party elections *Emergence of Turkish entrepreneurial class *American aid including capital investments *Establishment of new SEEs *Agricultural support prices imposed *Liberalization and agriculture-based development * Import substitution and protectionism * COUP D'ÉTAT (1960)</p>	1953-1961 reconstruction period	<p>*Introduction of compulsory education *Import substitution *Land reforms *Financial aids form US. *Formation of Chaebols and other SMEs *COUP D'ÉTAT, 1961</p>
1960-1980s	The planned	*Protectionism and import	1962-1980 Economic take	*Five year development plan

	years (1963-1983), neo statist era and mixed economy	substitution *Implementation of economic development plans (63-67, 68-72, 73-77, 78-83) *1971 MILITARY MEMORANDUM *Fixed exchange rate policy *Establishment of more SEEs *Investment on infrastructure	off and HCI Phase	begins (1962) *Expanding export-oriented light industries (1960s) *Economic planning board established (1961) *Korea trade promotion agency for overseas export help established (1962) *Nationalization of commercial banks *Foreign investment law enacted (1966) *Financial allocations to family holding (policy loans) *Pohang iron steel complex (1968), *Promotion of HCI (1970S) *New village movement begins (1971) *US grant ceased (1973) *Six industrial bases (1974) *Export of construction to middle east (1975) *First nuclear power plant (1978) 1979 *Kwangju democratization movement (1980) * COUP D'ÉTAT 1979
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				*Liberalization of foreign trade (1981)
1980-1990s	1980-1995s	<ul style="list-style-type: none"> * COUP D'ÉTAT (1980) *Neo liberal restructuring *Convertibility of Turkish lira *Liberalization of imports, foreign exchange policy *Export orientation policy starts *introduction of Privatization of SEE policy (1984) *Emergence of new Anatolian entrepreneurs 	1980-1987 stability and structural adjustments	<ul style="list-style-type: none"> *Decreasing export subsidy and expanding import liberalization *Exports exceed imports (1986) *Price stabilization, privatization of national banks *Import liberalization
			1987-1997 democratic reform-globalization	<ul style="list-style-type: none"> *Student demonstrations (1986-1987) *Democratization policy *Import liberalization plan begins (1992) *Privatization of SEE *Establishment of Venture oriented (KOSDAQ) Stock exchange *Asian Economic crisis and application to IMF (1997) *Globalization efforts by Kim Young Sam
			1997-2001	<ul style="list-style-type: none"> *President Kim Dae Jung asks for Chaebol restructuring *Support policies for venture business and SMEs *Foreign direct investment increased

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