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SHORT-TERM STABILIZATION POLICIES IN A DEVELOPING ECONOMY: THE TURKISH EXPERIENCE IN 1980 IN LONG-TERM PERSPECTIVE

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This paper attempts to provide an overview of the main response of the economy to the 1980 Stabilization Programme shortly after its inception. The nature of the policies comprising the Programme is assessed against the background of the traditional development strategy and attempts at stabilization immediately before the current Programme. It is argued that despite its initial success in appreciably reducing the rate of inflation, the Programme cannot be relied on to take Turkey out of its current difficulties not only because it is likely to aggravate the recessionary trends of the past few years, but also because it would lead to a further divergence from long-term economic policy objectives. A radical reassessment of domestic economic polices, including the system of protection, within a rèvived planning framework is advocated for the economy to attain self-sustained growth through outward-orientation.

1. Introduction

The pattern of trade and development in Turkey has borne a close resemblance to that of other developing countries which have relied on import - substituting industrialization through protectionist policies. As elsewhere, this strategy, while largely successful in the relatively easy phase of creating an industrial base in consumption goods, has, after the mid-sixties, found it increasingly difficult to extend import-substitution into intermediate and capital goods as much of domestic production and investment became crucially dependent on the availability of imports. Successive increases in oil prices in the 1970s were instrumental in aggravating the difficulties in the balance of

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payments which were accompanied by an acceleration in the rate of inflation, particularly towards the end of the decade. After two half-hearted attempts at stabilization in 1978 and 1979, a major stabilization programme, hailed as a major break away from previous policies, was announced in January 1980 amidts growing social and political turmoil. As the controversy surrounding it was in its brunt, this programme received a major boost following its adoption by the new regime, established after the military intervention in September of that year.

The main objective of this paper is to give an overview of the economic policies making up the 1980 stabilization package and assess their initial impact on the economy. In an effort to evaluate the package within the context of long-term development goals and experience, however, we shall look beyond the short-term implications of the package and provide some insights for the medium and long-term prospects of the economy. In this attempt, we shall in Section 2 give a brief account of the overall impact of economic policies implemented as part of the import-substituting strategy in long - term perspective. This will be followed in Section 3 by a brief assessment of more recent developments with particular emphasis on the economy's response to successive oil shocks and attempts at stabilization prior to the 1980 stabilization programme. In Section 4, we shall outline the objectives and nature of main policies comprising the 1980 programme and discuss the extent to which they represent a break away from the long-term strategy. Section 5 will be devoted to the assessment of the main effects of the programme on selected indicators such as national income, investment, balance of payments, prices as well as on employment and the distribution of income. In Section 6, finally, we shall summarize our results and express our views on the medium and long-term development prospects of the economy.

2. An Overview of Economic Policies Before the Oil Crisis[1]

The emergence of Turkey in the early 1920s as a modern nation-state corresponded with the adoption of industrialization as the overriding national objective aimed at extending political

(1) This section draws heavily on Şenses (1979 : 14-20).

independence to the economic sphere and catching up with the industrialized states of the West. After a brief period during which the government gave active encouragement to the development of private enterprise, the State, with the onset of the Great Depression, took a firmer grip of economic life and emerged as the chief entrepreneur in the industrialization effort. Import-substitution in consumer goods under heavy protection induced by commercial and exchange policies and envisaging in the first place the domestic utilization of agricultural raw materials lay at the heart of the industrialization strategy. The world shortage of capital goods and raw materials which followed the outbreak of the Second World War was further instrumental in reinforcing the protectionist import-substitution strategy which was conducted under a strong sense of economic nationalism, resulting in the rapid expansion of manufacturing production in a predominantly agricultural economy.

The emergence in 1950 of a new political leadership in response to the grievances of private sector in general and agriculture in particular was associated with several important changes in development policy. The active encouragement of domestic and foreign private enterprise, the employment of an inflationary development strategy, the recourse to foreign indebtedness on a large scale in the face of growing deficits in the balance of payments, and the shift in the allocation of resources in favour of infrastructural investments in agriculture and communications which distinguished the economic policy of this decade did not, however, alter the basic development pattern of the economy which continued to rely foremost on the encouragement of domestic industry through protection.

The introduction of comprehensive planning in the early 1960s gave a substantial impetus to this industrialization pattern and initiated a major attempt at extending import-substitution into the intermediate and capital goods categories under successive five-year plans. In the first place, a 15-year perspective plan comprising the first three five-year plans for implementation during the 1963-1977 period was drawn, envisaging rapid growth in Gross National Product and employment, internal and external financial stability, and a more equal distribution of interpersonal and interregional incomes (see S.P.O., 1963: 31-52). For the realization of rapid growth, main emphasis was once again put on industrialization as the overriding objective of economic policy. This was evident from the macroeconomic targets of both the First Five Year Plan (1963-1967) and the Second Five Year Plan (1968-1972) which, by way of diverting a large portion of total investible resources into industry envisaged rates of growth for this sector considerably above the rates envisaged for other sectors. The First Five Year Plan, for example, aimed at an annual rate of growth of 12.9 % for industry (11.5 % for manufacturing) as against 7.0 % and 4.2 % for GNP and agriculture, respectively (S.P.O., 1963 : 121). Although there were also several attempts at export-promotion, import-substitution through protectionist policies was once again emphasized as the main instrument of industrial growth. Whereas protection and import-substitution that followed from it in the 1950s had been very much a by-product of import restrictions imposed in response to difficulties in the balance of payments, import-substitution through protectionist policies became an integral part of the planning process and emerged as a more direct and deliberate instrument of industrialization policy. Policies towards the private and public sectors during this period, on the other hand, were guided increasingly within the framework of a "mixed economy" based on a more balanced treatment of the two sectors in major fields of economic policy.

Although the pattern of development as broadly outlined above was instrumental in the creation of an expanding industrial sector and thereby in generating a gradual structural change against agriculture, it was also responsible for a number of problems pertaining to the future growth of the economy which made themselves increasingly felt after the mid-1960s. The principal problem confronting the economy has been the familiar one of pursuing import-substitution beyond the limits of available resources and the ensuing pressures on the balance of payments. The acceptance of rapid industrialization as the main objective of economic policy has meant the heavy concentration of resources, some of which imported, on the small base of the manufacturing sector, whilst deliberately depriving the dominant sector, agriculture, of much of its requirements for productive investment, giving rise to a substantial productivity differential between the non-agricultural and agricultural sectors. As the import-substitution process gradually spread from light consumer manufactures into the more demanding area of consumer durables and producers' goods production, however, further growth of manufacturing has become increasingly more dependent on imports of raw materials and capital goods in view of the inability of the domestic economy to cater for them. The growth of exports from the manufacturing sector, on the other hand, has been hampered by high costs and overall inefficiency as heavy and indiscriminate protection led to the creation of enterprises in both the private and public sectors without due consideration given to their economic suitability vis-a-vis their size, scale and structure as well as the level and nature of domestic and foreign demand for their products. Added to these was the buoyancy of domestic demand in a highly protected market giving way to strong monopolistic and oligopolistic tendencies in the manufacturing sector. The ensuing sluggish export performance of this sector, viewed against the rapid growth of its demand for imports, has therefore, put a heavy strain on the balance of payments and led to a situation in which the bulk of the scarce foreign exchange resources became "frozen" in the very sector which utilized them most wastefully. With exports, as the main source of finance for the import requirements of the manufacturing sector, showing little growth and remaining heavily dependent on the low productivity agricultural sector, the task of alleviating the pressures on the balance of payments created by this inward-looking strategy has, therefore, fallen increasingly on the inflow of foreign resources on a large scale since the late 1940s and the upsurge in emigrant workers' remittances after the early 1960s.

In view of the heavy dependence of future growth on these two "external", sources of finance and the uncertainty surrounding them, it should have been clear by the late 1960s that the basic problems facing the economy were to a large extent the logical consequence of the trade and industrialization policies followed since the early days of the Republic, especially the selection of a highly protectionist import-substitution strategy discriminating heavily against the agricultural and export sectors. Although there was an urgent need for a reassessment of the inward-looking strategy, particularly policies vis-a-vis the exchange rate, interest rates, intersectoral allocation of resources and terms of trade as well as export and import regimes, this was not called for on grounds of the pace of growth achieved. For the strategy had an impressive record in this respect, responsible for an average annual rate of growth of 5.8 % during 1950/52-1968/70 and 6.3 % during 1963-1970 as well as for the creation in a relatively short-time of a sizeable industrial sector and for appreciable improvements in important fields like transport, communications, energy, and education.(2) The criticism of the inward-looking strategy could therefore be directed not so much at the quantity of growth so far achieved but at its quality and sustainability in the future. As pushing industrialization beyond the limits of available resources resulted in heavy import dependence of production and new investment and imposed a big balance of payments constraint on the future growth of manufacturing output, the trends towards rising unemployment and the absence of any major sign of the reduction in the sharp inequalities in the distribution of income represented a clear manifestation of the failure to realize main economic policy objectives with strong welfare implications.

3. The Oil Shock and the 1978-1979 Attempts at Stabilization

Turkey entered the 1970s with a major (66.6 %) devaluation of the lira and the signing of the Annexed Protocol setting out the conditions for Turkey's full membership to the European Economic Community by the mid - 1990s. As a result of the devaluation as well as good weather conditions in agriculture, there was rapid growth in exports during 1970-74 which increased (in million dollars) from 588.5 in 1970 to 1532.2 in 1974.(3) Thanks to the devaluation and the large increase in the net outflow of workers, there was even a sharper increase in workers' remittances which rose (in million dollars) from 273 to 1426 during the same period. As a result, the current account balance turned from a deficit of 58 million dollars in 1970 to a surplus of 484 million dollars in 1973. Given the long-term structural problems

(2) Figures based on data for GNP at factor cost (1968 prices) as given in S.I.S. (1973: 44-45).

(3) All figures in this section, unless otherwise stated, are based on Table 1, below.

facing the economy and the expansionary trends and expectations surrounding world trade, one would have expected Turkey to make the necessary adjustments to her trade and industrialization policies with a view of removing the biases of the inward-looking strategy and devising an export-oriented policy framework. Instead, the planners ,encouraged by the drastic improvements in the external payments situation, drew up the Third Five-Year Plan (1973-1977) which, by and large, reflected the inward-looking bias of earlier plans, this time with even greater emphasis on import - substitution in intermediate and capital goods to attain a targeted rate of growth of 7.4 % per annum during the plan period.[(4)]

In the end, the improvement in foreign exchange earnings proved to be temporary, and much more importantly, the first oil shock hit Turkey very hard, resulting in the quadrupling of oil prices. Given the heavy dependence of domestic energy requirements on imported oil[(5)], this led to a sharp deterioration in the external terms of trade, with the index falling from 100 in 1973 to 92.0 in 1974 and 79.4 in 1977, and was largely responsible for the large increase in the current acount deficit during 1974-1977. The fact that the oil shock came too soon after the Third Five-Year Plan was set into motion combined with the inflexibility of the planning mechanism and the ecstasy created by the Turkish intervention in Cyprus and the subsequent arms embargo on Turkey were the main factors accounting for the reluctance to adjust to this major event with oil products continuing to be sold at heavily subsidized prices in the domestic market and the targets of the plan kept intact. Turkey, instead, resorted to the then buoyant international capital markets and borrowed heavily on a short-term basis (Table 1), sustaining an average annual rate of growth of 7.7 % during 1973-1976 in the face of a severe international recession. The heavy reliance on short-term borrowing, however, proved costly, as the sharp increase in the external debt burden[(6)] led to a loss in credit-worthiness and,

(4) See Ebiri (1980 : 222-226) and S.P.O. (1973) for further details on this point.

(5) In 1977, for example, imports of crude oil alone accounted for 65.7 % of total merchandise exports. Figures based on S.P.O. (1979a : 27-28).

(6) Total short-term debt, comprising credits with less than 3-year duration, rose (in million dollars) from 216 in 1974 to 6236 in 1977 and 7319 in 1978 (Table 1, Col. 7).

TABLE 1 : Selected Economic Indicators, 1970-1980

Year	GNP (1)	Total Fixed Investment (2)	Exports (3)	Imports (4)	Terms of Trade (5)	Current Account Balance (6)	Short Term Debt (7)	Wholesale Prices (8)	Annual Emigration (9)	Workers' Remittances (10)	Real Wages (11)
1970	125.4	74.5	588.5	947.6	—	— 58	—	6.7	129.6	273	—
1971	138.2	71.0	676.6	1170.8	—	— 38	—	15.9	88.4	471	39.32
1972	148.5	78.1	885.0	1562.5	—	15	19	18.0	85.2	740	38.03
1973	156.5	91.7	1317.1	2086.2	100.0	484	279	20.5	135.8	1183	41.37
1974	168.0	103.8	1532.2	3777.6	92.0	— 719	216	29.9	20.2	1426	41.89
1975	181.4	128.5	1401.1	4738.6	77.7	— 1880	1398	10.1	4.4	1312	43.31
1976	195.3	146.0	1960.2	5128.6	79.8	— 2301	3441	15.6	10.6	983	49.70
1977	203.0	156.0	1753.0	5796.3	79.4	— 3385	6236	24.1	19.1	982	50.13
1978	209.1	140.4	2288.2	4599.0	73.8	— 1418	7319	52.6	18.9	983	43.94
1979	208.3	132.7	2261.4	5069.4	73.7	— 1239	3556	63.9	23.6	1694	38.03
1980	206.9	123.9	2910.1	7667.3	72.0 (12)	— 2461	2439 (13)	107.2	28.5	2071	28.40

Notes and Sources :
(1) billion TL., 1968 factor prices; TUSIAD (1980a : 160) for 1970-72 and S.P.O. (1981b : 5) for 1973-80.
(2) million TL., 1976 prices TUSIAD (1980a : 168) for 1970-72 and S.P.O. (1981b : 44-56) for 1973-80.
(3) and (4): million dollars; TUSIAD (1980a: 201) for 1970-72 and S.P.O. (1981b: 89, 99) for 1973-80.
(5) based on dollar prices (1973=100); Central Bank of Turkey (1981: 131).
(6) million dollars; IBRD (1980: 256) for 1970-73 and S.P.O. (1981b: 63-64) for 1973-79.
(7) million dollars: credits with less than 3-year duration; IBRD (1980 : 269) for 1972-76 and Central Bank (1981: 135) for 1977-80.
(8) 1963=100, percentage increase over the previous year; TUSIAD (1980a: 236) for 1970-72 and S.P.O. (1981b: 155) for 1973-1980.
(9) in thousands, IIBK (1980: Table 16 and 1981:3).
(10) million dollars, Central Bank, **Annual Report**, various issues and S.P.O. 1981b: 71).
(11) liras; calculated on the basis of data on gross average daily wages for insured workers given in Central Bank (1980 : 189) for 1971-75 and S.S.K. (1981 : 16) for 1976-1980 as well as on the Istanbul Cost of Living Index (1971=100) given in Ministry of Commerce (1981 : 7).
(12) arithmetic mean for the first three quarters with indices 85.0, 66.2 and 64.9 in that order.
(13) provisional, (Table 4, below).

finally, to a full-scale payments crisis in 1977. It was only then that Turkey felt it necessary to adjust to the new set of conditions initiated by the first oil shock.

With short-term external borrowing opportunities largely exhausted, there were only two major options that the adjustment mechanism could consider. Given the strong bias against exports imposed by the structure of protection, the unfavorable external demand conditions created by the international recession, and the wave of protectionism in industrial countries, however, this option could not be relied on to take Turkey out of the crisis in the short-term. Consequently, the second option of relying on borrowing from international organizations and cutting back on the import bill was taken which saw imports (in million dollars) decline from 5,796.3 in 1977 to 4,599.0 in 1978 and 5,069.4 in 1979 and the current account deficit reduced to 1,418 and 1,239 million dollars in 1978 and 1979, respectively. Although imports accounted for a small portion of GNP (9.0 %, on average, during 1977-79[7]), the dislocations caused by reduced import availability were considerable in view of the high degree of import dependence in manufacturing which, in 1978, was estimated at 21.1 % in intermediate goods and 48.6 % in capital goods.[8] As widespread import shortages led to crucial supply bottlenecks and to a fall in investment, the rate of growth of GNP fell from 4.0 % in 1977 to 3.0 % in 1978 and to —0.3 % in 1979. Meanwhile, the rate of inflation, in the face of shortages and rising costs of imported materials and a booming domestic demand, rose continuously from 15.6 % in 1976 to a massive 63.9 % in 1979 while rising trends in unemployment created further pressures in a labour market already suffering from the sharp decline in labour outmigration after 1973 (Table 1).

The unfavourable external environment which characterized the period after 1973 was largely instrumental in shifting the emphasis of the debate on Turkish growth and development once again to external factors and removing further from the agenda the reassessment of the system of protection with a view

(7) Figure based on GNP data in current prices given in SPO (1981b : 4) and import data in liras given in TUSIAD (1980a : 187).

(8) IBRD (1980 : 263). Figures refer to the ratio of imports to domestically produced goods in total domestic use.

of giving the economy an outward-looking orientation. Although the Fourth Five-Year Plan (1979-1983) drawn up in the midst of this crisis preserved much of the long-term commitment of Turkish planning to rapid growth through import-substituting industrialization and envisaged an average annual rate of growth of 8 % for GNP[9], Turkey in both 1978 and 1979 became preoccupied with short-term stabilization which addressed itself, in the first place, to controlling inflation and the provision of external assistance to finance oil and other essential imports. As a result, economic policy-making became increasingly vulnerable to and indeed interwoven with external finance prospects with the IMF and other financial media reaction to Turkish letters of intent having a greater impact in this respect than the objectives and mechanism of central planning as the realization of plan targets itself required right at the outset international financial backing in terms of both debt-rescheduling and provision of fresh facilities.

Against this general background, attempts at stabilization beginning from the second half of 1977 were directed at two main problems, growing balance of payments difficulties and golloping inflation. To cope with the first of these problems, considerable emphasis was put on foreign exchange stringency, promotion of exports and workers' remittances, and increasing the inflow of external resources through foreign private investment and international borrowing on a long-term basis. Apart from reducing imports through the regular import programs, efforts aimed at saving foreign exchange consisted of severe restrictions on foreign travel and imports of inessential consumption goods, especially by Turkish migrant workers on their visits or permanent return to Turkey, and limitations imposed on imports on credit. In its efforts to promote exports and workers' remittances,[10] the government, apart from relying on measures like tax rebates and foreign exchange retention sche-

(9) The target rates of sectoral growth were 5.3 % for agriculture, 9.9 % for industry, and 8.5 % for services. Within manufacturing, the emphasis was again on intermediate and capital goods which were envisaged to grow by 12.6 % and 15.2 %, respectively as against only 8.4 % for consumption goods. See S.P.O. (1979b : 205-206) for details.

(10) After May 1979, saving accounts opened by migrant workers were granted preferential rates of interest which, for deposits with a term between 1 and 3 years, were 10 points above the basic rate.

mes for exporters,[11] attached a higher degree of importance to exchange rate flexibility which saw a number of exchange rate adjustments and two major devaluations which took the dollar parity of the lira from 19.25 in September 1977 to 25.00 in March 1978 and, after a period of exchange premia during April-June 1979, to 47.10 in June 1979 for all international transactions, except petroleum and fertilizer imports.[12] As official declarations reflected considerable liberalization of the attitude towards foreign private investment, considerable effort was made to obtain IMF backing to improve Turkey's standing in international financial markets. While Turkey's ability to reach debt-rescheduling agreements and obtain fresh facilities to alleviate her balance of payments difficulties became, at that stage, conditional on reaching an agreement with the IMF, IMF backing was conditional on the government implementing certain policy changes to attain domestic financial stability.

Although controlling inflation ranked high also on the policy priorities of the government, IMF's emphasis for this purpose on further monetary restraint, particularly, through limitations on public sector credits and net domestic assets of the Central Bank, were, until their inclusion in the Stand-by Agreement signed in July 1979, were unacceptable to the government. The measures implemented to tackle inflation until July 1979, and thereafter, were, instead, confined to heavy reliance on price control through administrative means, increases in the prices of commodities produced by the State Economic Enterprises to reduce their losses, restrictions on public expenditure to keep budgetary deficits as low as possible, tighter control of hire-purchase transactions, and encouragement of household savings through increases in the rate of interest which, for time deposits over one year, were raised from 9 % to 12-20 % in April 1978 and to 20-24 % in May 1979[13].

Although a comprehensive assessment of stabilization policies implemented during 1978 and 1979 is beyond the scope of this

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(11) In June 1978, the scope of tax rebates was widened which also saw the maximum rate increased from 25 % to 35 %, while exporters of manufactured goods were allowed to retain 25 % of their foreign exchange earnings to finance their import requirements with the rate raised to 50 % in April 1979.

(12) Figures are as given in TUSIAD (1980a : 27-34) and T.C.M.B. (1980 : 56).

(13) Figures are as given in Ministry of Finance (1980 : 70).

paper, their failure to reach major policy objectives may be attributed to several factors.[14] Although the government showed some inclination towards greater flexibility in interest and exchange rates, the adjustments made were, on the whole, insufficient to make up for the erosion of real rates through inflation. Consequently, with exports and workers' remittances, by and large, stagnant and the inflow of fresh facilities much lower than expected, shortages of imported goods, including oil, were instrumental in aggravating supply bottlenecks while successive devaluations increased costs and contributed to rising inflationary expectations. Government's insistence on price control by decree, on the other hand, led to the accumulation of stocks of a large number of goods for speculative purposes, and unavoidably, to widespread black markets, including some basic consumption goods. This was accompanied by similar trends in both the foreign exchange and financial markets as the erosion of real exchange and interest rates gave rise to a situation whereby a sizeable proportion of loanable funds and foreign exchange resources was diverted into unorganized markets.[15]

As the social and political conflict took an increasingly violent tone, the government's lack of success in controlling inflation and removing shortages was gradually reducing its popular support. Meanwhile, the most influential sections of the private sector were expressing increasing dissatisfaction with the economic policies of the government and were becoming highly vociferous in advocating «the opening up of the economy» by which they often meant increased state assistance for exporting, the easing up of exchange control regulations, and the encouragement of foreign private investment rather than any systematic reduction of the degree of protection they have come to enjoy in the domestic market. Under this socioeconomic setting, the resignation of the government following a severe defeat in byelections saw the establishment in November 1979 of a new government more sympathetic to the private sector.

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(14) See Olgun (1978 and 1979) and TUSIAD (1980a : 13 - 26) on the content and main implementation results of stabilization policies during this period.

(15) As widely reported in the popular press, illegal dealings in foreign exchange as fed mostly by the savings of emigrant workers, underinvoiced exports, and illicit trading in gold, reached very high proportions and created the image of a highly organized capital market with the "market" rate fluctuating several times during the day on the basis of information received from different dealers in town.

4. The 1980 Stabilization Programme : Objectives and Main Policies

In the light of the developments outlined above, it was clear to most observers that the deepening economic crisis required the implementation of more effective policies to deal with inflation and balance of payments difficulties than undertaken during 1978-79. To get out of the impasse in the short term, the new government felt that the most urgent task at hand was to get the full-backing of the IMF and with it improve Turkey's credit-worthiness in the eyes of the world financial community as well as the World Bank and the OECD. Given the IMF's emphasis on stabilization through strict monetary control, the government may have felt that it had little option but to enforce such policies to get the much-needed external resources. The government's conversion to the need of a new approach to solving the economic crisis corresponded also with a more favourable political environment for Turkey as events triggered off by the Soviet intervention in Afghanistan were instrumental in assigning a new strategic importance to her in the eyes of her creditors.

Against this background, the government, in only its third month in office, announced a major stabilization programme in January 1980. The policies introduced as part of the programme may be viewed in three main phases: a) The policies announced on 24-25 January b) Measures introduced in July shortly after the signing of a new 3-year Stand-by Agreement with the IMF, and c) Policies implemented after the military take-over on 12 September. The importance of these phases is, however, in terms of the chronology of events rather than any significant change in the objectives and nature of policies announced under the Programme which showed remarkable continuity in all the three phases. It is, therefore, appropriate to consider economic policies during 1980 as a whole and as part of the Stabilization Programme. For analytical convenience, however, policies implemented during the year, can be viewed in two major categories; those pertaining basically to the balance of payments and others, specifically aimed at reducing the rate of inflation.

Efforts directed primarily at alleviating the balance of payments difficulties, apart from those aimed at obtaining external credits ,consisted mainly of the encouragement of exports and workers' remittances. The main vehicle used for this purpose was government's commitment to implement a more flexible exchange rate policy in an effort to «maintain the competitiveness of the economy». As part of this policy, there was in January a major devaluation of the lira which took the dollar parity of the lira from 47.10 TL. to 70.00 TL. while multiple rates, with only a few exceptions, were removed.[16] This was accompanied as in previous devaluations by an easing up of the import control system which saw an increase in the number of items in the liberalized list through a reshuffle of liberalized and quota lists and a reduction of guarantee deposits and stamp duty on imports (see Central Bank, 1981 : 53). The fact that the new rate was somewhat higher than certain black-market rates prevailing before the devaluation[17] may be explained by the government's determination to redirect foreign exchange resources into official channels as well as to allow for the expected rise in the price level following the deregulation of most prices as part of the January package. The government's commitment to a unified flexible exchange rate, as reiterated in the Stand-by Agreement signed in June, continued throughout the year (Table 2, below) with a number of mini-devaluations which, together with the January devaluation, amounted to a 89.5 % devaluation for the year as a whole.

(16) The only exceptions were Turkey's major agricultural exports and imports of fertilizers and related raw materials, pesticides, and insecticides for which a lower effective rate of 55 TL. per dollar was applicable. Most significantly, however, imports of oil and oil products which enjoyed a lower rate of 35 TL. per dollar prior to the devaluation were made subject to the new rate of 70 TL. per dollar. For details see Central Bank (1981 : 54-55).

(17) According to S.P.O. (1980b : 18), the black market rate prior to devaluation reached a level "as high as 60-65 TL." per dollar.

TABLE 2

The Exchange Rate, January-December 1980
(Official Rates in Liras per U.S. dollar)

Date	Exchange Rate	Date	Exchange Rate
24 January	47.10(1)	12 October	82.70
25 January	70.00	26 October	84.80
2 April	73.70	8 November	87.95
9 June	78.00	10 December	89.25
4 August	80.00		

(1) With the exception of imports of oil and oil products and fertilizers and related raw materials which were subject to the lower rate of 35 TL. per dollar.

Source : S.P.O. (1981b 107).

Export promotion measures introduced by the government were aimed mostly at widening the scope and effectiveness of existing schemes. As part of this policy, in January duties on imported inputs of manufactured exports were removed (S.P.O., 1980 : 26) which was accompanied by the simplification of export procedures through the abolition of export registration and considerable reduction in licensing requirements. Furthermore, exporters whose projects receive the approval of the newly-established Department of Promotion and Implementation set up at the Prime Ministry were entitled to foreign exchange allocations to import goods and raw materials needed by themselves or affiliated industries[18] while commercial bank and Central Bank credits to such exporters were exempted from all banking charges (S.P.O., 1980a : 34-39). Similarly, to boost the inflow of remittances, Turkish workers abroad were granted the right to open convertible deposit accounts with a minimum term of 3 years and use them for residential and other investment while time (saving) deposits opened upon the sale of foreign exchange remitted to Turkey by them would receive rates of

(18) It was stipulated further that such allocations should not exceed the net FOB value of exports pledged by the exporter (S.P.O., 1980a : 38).

interest 10 to 15 points above the official rates (S.P.O., 1980a : 25). Government's attempts to attract foreign currency deposits from this source continued in late December when such deposits with 3-24 months duration were granted rates above the comparable Euromarket rates. While there were renewed attempts at liberalizing the attitude towards foreign private investment, especially in fields like tourism and oil exploration (see S.P.O., 1980a : 19-22), efforts to increase the supply of external credits emphasized better debt management and minimum reliance on short-term debt. In the June Stand-by Agreement, for example, Turkey undertook not to increase external debt apart from rescheduling, OECD, and Central Bank borrowing and not to expand debt arrears.

Anti-inflation policies introduced as part of the Stabilization Programme, on the other hand, were aimed at reducing excess demand through strict monetary and fiscal policies. Government action in this sphere stemmed, in the first place, from two major considerations about policies implemented under the previous government. First, the strict price controls, holding prices well below their market equilibrium levels, were the root cause of excess demand and widespread black markets and shortages. Second, holding prices of goods and services produced by the State Economic Enterprises (SEE s) at artificially low levels was an important element in aggravating inflationary pressures as the losses of these enterprises were often met through heavy recourse to Central Bank funds. As a first step in tackling these problems, the government in January declared its firm intention to rely on «freely-functioning market forces» in the allocation of resources and announced price decontrol in both the private and, with a few exceptions, public sectors.[19] (S.P.O. 1980a : 23,32). The SEEs were granted autonomy in their pricing decisions while strict control was imposed on their expenditures, comprising spheres like investment, employment, and wages. As an integral part of this policy SEE prices were sharply increased in January with the rate of increase ranging from 45 % in gasoline, 55 % in cement and products of State

(19) Coal, fertilizers, electricity for the production of aluminum and ferro-chromium only, and services of State Railways and maritime lines, declared as basic commodities, were the only items that remained subject to government price control.

Monopolies (including cigarettes, alcoholic beverages, etc.), and 75 % in steel to 100 % in coal, 120 % in electricity, 300 % in paper, and 400 % in fertilizers (TUSIAD 1980b: 73). Similarly, the government declared its intention to see that agricultural support prices did not get out of reach of international prices. The government hoped that the 309.1 billion TL. of extra revenue to be generated by these price increases would ease up the pressures on the budget.[20] An even more important source of revenue was expected to come through proposed changes in tax laws intended to rationalize and widen the revenue base of the tax system, primarily through correcting the erosion of tax structure in the face of rapid inflation and improving tax administration. Although these laws encompassing a wide range from stamp duties to real estate tax on the one hand, and income and corporation taxes on the other, did not come into force before the end of November[21], their inclusion in the economic programme of both governments during 1980 may, to the extent that it reflected the governments' determination to get inflation under control, have gone some way towards reducing inflationary expectations.

Measures introduced in the field of monetary policy, on the other hand, were half-hearted during the first half of the year with measures confined largely to the setting up in January of the Money-Credit Committee with the task of co-ordinating decisions and monitoring developments in key monetary variables, and a modest increase in interest rates which, for example, increased the lending rates of commercial banks by 2 points for medium and long-term credits and 5 points for short-term credits (S.P.O., 1980a: 24-25). The major development in this sphere came with the signing of the 3-year Stand-by Agreement under which the government committed itself to a strict monetary program, and soon afterwards announced the deregulation of all interest rates with effect from the lst of July. Under the monetary program, the government undertook to observe limits on the net domestic assets of the Central Bank, Central Bank lending

(20) S.P.O. (1980b: 22-23). Subsequent increases in SEE prices throughout the year have significantly increased this contribution which, by the end of October had reached 443.1 billion TL. (S.P.O., 1980b: 23).

(21) For further details on tax laws enacted during November and December, see, S.P.O. (1981a: 9-114).

to the public sector, and to monitor actual developments in close cooperation with the IMF. Parallel to these developments, there was an increase in the rediscount rates of the Central Bank[22] and also in minimum reserve requirements on both sight and time deposits together with a rise in associated penalty rates. Although interest rate deregulation in an oligopolistic banking sector soon led to the agreement of the largest banks on a common interest rate policy, the overall result was a big increase in both lending and borrowing rates. Two factors can be held responsible for the sharp rise in interest rates following deregulation. First, with the average annual rate of inflation running over 100 %, rates of around 20 % for time deposits with a term of 1 year meant heavily negative real rates. Second, as encouraged by these negative real rates, unregulated financial intermediaries comprising mainly the so-called «bankers» began to provide a considerable challenge to the power of commercial banks from outside the official banking system[23].

The Stabilization Programme, the main elements of which were briefly outlined above, was highly controversial receiving wholehearted support by the private sector and its main organizations while organized labour and the Turkish leftist movement, including social democrats, remained bitterly opposed to it. As government spokesmen claimed that there was no alternative to the Programme in tackling the problems confronting the economy, the opponents of the Program drew international comparisons and likened it to those implemented in Latin American countries with repressive political regimes and denounced the IMF's traditionally neoclassical monetarist approach as inappropriate for Turkish conditions. At a time when the controversy was becoming even more widespread and heated as the first implementation results of the Programme were taken, the military removed the government from power but immediately

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(22) The rediscount rate (for short-term credits) which had been raised to 14 % in February was raised further to 26 % in July (Ministry of Finance, 1980 : 71-73). As an extension of these policies, the banks were allowed to issue certificates of deposits and pay interest on a monthly basis (S.P.O., 1980a : 84-85).

(23) Although bankers, whose main activity consisted of dealing in private sector bonds and, in some cases, actually carrying out ordinary banking functions like accepting deposits, could be considered as part of Turkey's hybrid capital market, the lack of information on the extent and nature of their activities and the absence of rules and regulations guiding their operations left much to be desired.

declared its allegiance to the Stabilization Programme «until formidable obstacles in implementation are met». It can, therefore, be argued that the military regime's strong action against controlling violence, the banning of the activities of the most outspoken and militant section of the trade union movement(24), restrictions imposed on free collective bargaining and wage increases, and the dying out of the public debate on the programme may have gone a considerable distance toward further reducing inflationary expectations.

Although the Stabilization Programme was presented as a major break away from previous economic policies by its proponents and received as such by its opponents, any sound judgement on the Programme, likely to remain in force in the near future, should consider its long-term as well as short-term implication and draw comparisons vis-a-vis the long-term economic policy objectives and pattern of growth as well as in relation to the policies implemented as part of stabilization attempts in 1978-1979. Although some of the policies implemented as part of the Programme, especially those aimed at the promotion of exports, workers' remittances, and foreign private investment, bore a close resemblance to those implemented earlier, incentives provided in each case were considerably higher in 1980. Similarly, the reliance on exchange rate flexibility, which in some ways may also be viewed as a continuation of previous policies, reflected, however, a greater willingness to preserve real rates of exchange in the face of rapid inflation through a system of mini devaluations at shorter intervals. Efforts in the same direction during 1978 - 79 notwithstanding, government's commitment to a more flexible interest rate policy should be viewed as a more significant development in this respect, with full deregulation of rates in the second half of the year and the sharp reduction in negative real rates representing a major break away from previous policies. But by far the most distinctive feature of the 1980 Programme was the extensive price decontrol introduced in both the private and public sectors. It can safely be argued that the structure of prices

(24) According to figures given in S.P.O. (1980b : 158), out of the 189 workplaces on strike as of 5 September 1980, 162 involved DISK, the trade union whose activities were banned a week later.

prior to decontrol was urgently in need of rationalization as markets for a large number of commodities were characterized by severe disequilibria with prices, determined by fiat, failing to fulfil their allocative task. Neither was it possible to defend administered prices on distributional grounds as they were accompanied by widespread black markets and shortages. Despite these arguments, however, official claims that price decontrol was the only way out seem highly questionable since they ignore the potentially harmful effects of price decontrol in a manufacturing sector characterized not only with strong monopolistic and oligopolistic tendencies but also with widespread inefficiency in both the private and public sectors. The distinctive features of the 1980 Stabilization Programme, may in the light of the foregoing discussion, be summarized as increased reliance on market forces through deregulation of prices and interest rates and greater exchange rate flexibility but stricter monetary control and a highly regulated labour market.

Before we turn to the analysis of the initial impact of the Stabilization Programme in the next section, it is appropriate to deal briefly with some of its long-term implications, in particular the extent to which it represents a break away from the traditional strategy based on import-substituting industrialization through protection. Despite much talk about outward orientation, there is very little in the Programme that represents a significant change in trade orientation[25] with the lira remaining overvalued and the system of protection remaining intact. In contrast, strong emphasis on market forces in the allocation of resources and the growth in the influence of the private sector are likely to have long-term repercussions. Although there were periods, such as the 1920s and 1950s when the private sector gained prominence, these were times it was still flourishing under State encouragement and heavy protection. In view of the fact that the private sector has now emerged as an equal partner in development, certain aspects of the 1980 stabilization package such as price decontrol, the gradual

(25) It is early days yet to say whether the abolition of quotas in January 1981, the renewed interest in joining the European Economic Community, repeated attacks on the exchange control system by the most influential section of the private sector signal such a change.

reduction in the role of central planning, the encouragement of private foreign investment on a wider scale, the reduction of public sector investments, the rapid growth of private financial markets, and the growing influence of international organizations with a private sector bias, if continued in the future, are likely to lead to a fall in the overall size and influence of the public sector.[26]

5. The Initial Impact of the Stabilization Programme

Our efforts to assess the response of the economy to the Stabilization Programme during 1980 were bedevilled by two major factors. First, it may, on conceptual grounds, be argued that such an assessment will fail to allow for the time lags in the full adjustment of the economy to stabilization policies which may be highly significant in a country like Turkey where the dislocations in major markets immediately before the introduction of these policies were particularly large. Second, not only the quality of Turkish statistics which leaves much to be desired, but also delays in their publication and lack of uniformity between data published by different organizations render the analysis of short-term responses a difficult task. In the light of these difficulties, our results in this section may be taken only as indicative of general trends in the very short-term rather than as a definitive account of actual developments.

a) Gross National Product and Investment

The downward trend in the rate of growth since 1975 continued in 1980 with real GNP falling by 0.7 % as opposed to a fall of 0.2 % in the previous year (Table 1). With the growth of population estimated at around 2.3 %, there was a 3.0 % fall in per capita incomes. These aggregate data, however, conceal considerable variation in sectoral performance with agriculture and construction registering slight growth as opposed to a big fall in output in mining and manufacturing (Table 3). Even services which have traditionally represented the most buoyant

(26) The shift in balance in favour of the private sector was evident also from its proposed entry into fields such as cigarette-manufacturing, hitherto monopolized by the public sector as well as from renewed demands that the ownership of the SEEs should be transferred to the private sector.

categories have, with the major exceptions of government services and financial institutions registered negative growth.

While the prevalence of generally good weather conditions was instrumental in sustaining the level of agricultural production, factors like the slow increase in the inflow of imported spare parts and raw materials, bottlenecks in the energy sector, particularly electricity, early in the year, and the upsurge in industrial strife until September were probably the main reason for the fall in capacity utilization and output in the manufacturing sector.[27] Despite overall rise in the cost of industrial credits associated with rising interest rates in a generally tight credit market, it seems that the last quarter of the year saw an increase in industrial production which may, in part, be attributed to the improved expectations of producers following the military take-over and the ensuing ban on strikes as well as the greater availability of imports (Table 6, col. 4, below). The rise in output in the face of a generally falling domestic demand, however, was accompanied towards the end of the year with an increase in the level of stocks, particularly in construction materials, consumer durables like refrigerators, washing machines, and to a lesser extent, automobiles and related spare parts, and even in certain food products (For details, see İş Bank of Turkey, 1981: 8-11).

Parallel to the generally downward trend in real output, gross fixed investment in real terms which had fallen by 10.0 % in 1978 and 5.4 % in 1979 fell by a further 6.6 % in 1980, with all major activities, with the exception of tourism and education, registering negative rates of growth over the previous year, ranging from 13.1 % in energy and 9.0 % in residential construction to 4.6 % in manufacturing and 2.2 % in health facilities.[28]

b) Balance of Payments

The developments in the Balance of Payments during the year have reflected the familiar picture of a large foreign trade deficit closed mainly through workers' remittances in the current

(27) Within manufacturing, the highest rate of growth was attained by the chemicals - petroleum and coal- rubber products subgroup followed by basic metals and non-metallic minerals while production in all other branches fell in real terms (S.I.S, 1981:8).

(28) Figures are in 1976 prices as given in S.P.O. (1981b : 52-56).

TABLE 3

Sectoral Distribution of Gross National Product, 1979-1980
(Values in million liras at 1968 Factor Prices) [1]

Branch of Activity	1979	1980	Rate of Change (per cent)
1. Agriculture	44,518.0	45,055.9	1.2
a. Farming	42,985.2	43,409.4	1.0
b. Forestry	993.6	1,015.4	2.2
c. Fishing	539.2	631.1	17.0
2. Industry	43,428.7	41,323.5	— 4.8
a. Mining	4,678.1	4,189.1	—10.5
b. Manufacturing	34,881.3	33,140.2	— 5.0
c. Electricity, Gas, Water	3,869.3	3,994.2	3.2
3. Construction	12,785.7	12,885.3	0.8
4. Wholesale and Retail Trade	26,813.3	26,304.3	— 1.9
5. Transport and Communications	18,641.8	18,069.2	— 3.1
6. Financial Institutions	4,929.1	5,017.7	1.8
7. Ownership of Dwellings	9,528.3	9,921.4	4.1
8. Private Professions and Services	9,448.8	9,372.0	— 0.8
9. Total Industries (1-8)	170,093.7	167,949.3	— 1.3
10. Government Services	19,415.5	20,545.5	5.8
11. Total (9+10)	189,509.2	188,494.8	— 0.5
12. Income from Abroad	2,856.5	2,642.3	— 7.5
13. GNP at Factor Prices (11+12)	192,365.7	191,137.1	— 0.6
14. Subsidies	3,497.6	2,489.9	—28.8
15. Indirect Taxes	19,475.0	18,225.9	— 6.4
16. GNP at market prices (13-14+15)	208,343.1	206,873.1	— 0.7

(1) Figures refer to provisional estimates based on monthly data for 12 months.
Source : State Institute of Statistics, (1981: 17).

account and external credits in the capital account (Table 4, below). As can be seen from the Table, foreign trade deficit has risen sharply following a large increase in imports in the

TABLE 4

Balance of Payments : 1979-1980 (million dollars)

	1979	1980[1]
CURRENT ACCOUNT	—1239	—2461
Foreign Trade	—2808	—4290
Imports	—5069	—7200[2]
Exports	2261	2910
Invisible Transactions (net)	1559	1826
Interest Payment[3]	— 546	— 667
Tourism and Travel (net)	179	196
Workers' Remittances	1694	2071
Profit Transfers	— 42	— 47
Payment for services from Project Credits	— 65	...
Other Invisibles (net)	339	273
NATO Infrastructure	10	3
CAPITAL ACCOUNT	276	2068
Foreign Debt Payment[3]	— 485	— 583
Foreign Private Capital	86	34
Imports with Waiver	124	91
Project Credits	421	518
Consortium Credits[3]	677	1888
Other Capital Movements	— 547	120
OVERALL BALANCE	— 963	— 393
SHORT TERM CAPITAL MOVEMENTS	470	217
CHANGE IN RESERVES[4]	— 111	— 606
IMF	3	399
NET ERRORS AND OMISSIONS	601	383

(1) Provisional Estimates

(2) The latest figure published is 7667.3 (see Table 5, below)

(3) Excluding rescheduling

(4) — = increase

Source : Central Bank of Turkey (1981: 130).

face of much slower growth of exports. A significant portion of the rise in the trade deficit was due, however, to a further deterioration in the external terms of trade which, after some improvement in the first quarter of the year, continued to fall in the second and third quarters as the rise in the prices of imports exceeded those of exports by a considerable margin.[29]

In view of the fact that the two preceeding years had represented a period of high import stringency in the face of a full-scale payment crisis, the level of "suppressed" demand for imports at the beginning of 1980 was probably very high. Although the sharp increase in import prices meant a much slower increase in the quantity of imports than indicated by the data on import values, the indications are that import transfers were carried out with greater speed, especially in the second half of the year. This was evident, apart from an increased inflow during that period (Table 6, col : 4), from an increase in the share of liberalized list items in total imports (Central Bank of Turkey, 1981 : 135) as well as from the sharp reduction in the number of items waiting for transfer which fell from 947 in late January to 468 in early October (S.P.O : 1980 : 28). The fact that import transfers could be made with relative ease did not, however, alter the composition of imports which continued to reflect the predominance of intermediate and capital goods with imports of oil and oil products alone accounting for nearly two fifth of the total.[30]

Exports, on the other hand, indicated slow growth with the 28.7 % growth in value terms attained over the previous year attributable mainly to the rise in international prices. Although the rate of growth of mining and manufactured exports reached 44.2 % and 33.4 %, respectively as opposed to 24.4 % for agricultural products, there was little change in the composition of exports with agricultural products accounting for 57.4 % of the total while manufactured and mining products represented 36.0 % and 6.6 %, respectively (S.P.O. 1981b : 101-102). Further disaggregation of export data indicates that Turkey's major exports, accounting for 38.7 % of total export receipts showed little growth, increasing by 22.5 % in value terms and only 2.5 %

(29) According to figures given in Central Bank of Turkey (1981 : 131), terms of trade (1973=100, in dollars) after rising from 74.8 in the last quarter of 1979 to 85.0 in the first quarter of 1980 fell to 66.2 and 64.9 in the second and third quarters, respectively.

(30) Figure based on import data for the first eleven months as given in Central Bank of Turkey (1981 : 133).

TABLE 5

Major Exports, 1979 and 1980 (quantities in thousand tons, values in million dollars)

	1979 Quantity	1979 Value	1980 Quantity	1980 Value
Hazelnuts	134.3	353.0	100.9	394.8
Cotton[1]	174.5	231.8	204.0	328.5
Tobacco	69.6	177.0	83.7	233.7
Raisins	75.9	114.8	80.3	130.3
Figs	34.9	41.5	32.6	38.7
Total	**489.2**	**918.1**	**501.5**	**1126.0**

(1) Including lint
Source : S.P.O. (1981b : 101-102).

TABLE 6

Exports, Imports, Workers' Remittances, and Gold and Foreign Exchange Reserves, 1979-1980 (million dollars)

	Exports		Imports		Workers' Remittances		Gold and Foreign Exchange Reserves[1]	
	1979	1980	1979	1980	1979	1980	1979	1980
January	216.2	236.3	279.0	420.3	83.1	83.3	641.2	685.2
February	249.3	244.2	389.6	595.3	75.4	173.3	652.1	884.4
March	196.2	233.6	525.8	370.1	55.7	111.7	672.7	927.3
April	187.4	219.0	386.7	366.5	128.6	114.8	661.0	954.6
May	162.5	196.5	335.9	692.5	639.3	103.2	1067.2	871.2
June	167.2	169.3	486.9	556.9	106.2	155.0	1049.3	788.0
July	146.3	167.1	272.0	619.9	100.8	279.4	1177.7	1036.1
August	162.0	180.0	334.1	584.1	111.4	279.5	1138.9	1209.3
September	168.4	219.8	621.9	1137.2	110.7	207.3	1020.0	1266.2
October	174.7	260.7	436.9	903.7	90.5	205.1	920.8	1308.6
November	212.8	326.5	358.4	516.8	99.5	172.5	853.0	1191.7
December	218.2	457.2	642.4	904.3	93.2	185.9	705.8	1208.7
Total	**2261.4**	**2910.1**	**5069.4**	**7667.3**	**1694.4**	**2071.1**	—	—

(1) Sum of reserves at the Central Bank and other banks.
Source : S.P.O. (1981b : 99,80,71, and 106).

in quantity terms, as the increase in cotton and tobacco was not matched by others.[31]

The examination of monthly data on exports, workers' remittances and gold and foreign exchange reserves indicates a marked improvement in the second half of the year (Table 6). In the case of exports, growth in receipts over the previous year during the last three months was 72.4 % as against only 12.7 % during the first nine months with the rate of growth high in all major categories, especially in mining and manufacturing. This improvement in export performance may be interpreted as a response to government attempts at export promotion, particularly through exchange rate flexibility and simplification of export procedures, as well as an outcome of the fall in domestic demand and the piling up of inventories, and the diversion of trade following hostilities between Iraq and Iran. Similarly, despite the low rate of growth (22.2 %) recorded by workers' remittances during the year as a whole, growth in the second half of the year exceeded that in the first by a considerable margin. Although the increase in the number of workers placed abroad may also have had some effect, the main reason for this increase may, apart from the emphasis on exchange rate flexibility, be attributed to the sharp rise in interest rates with effect from July and the interest rate premiums granted as part of the effort to attract migrant workers' deposits into Turkish banks.

With tourism and forign private investment continuing to make a small impact despite considerable encouragement, the main task of alleviating the balance of payments difficulties have again fallen on debt-rescheduling and the inflow of foreign credits on a large scale which came mainly from the OECD Consortium, IBRD and IMF and to a lesser extent from various Middle Eastern Funds[32] and some socialist countries.

(31) Among minor agricultural products the biggest increase was in live animals and citrus fruit, mostly lemons, while food, chemicals, textiles and transport equipment were, in that order, the manufacturing branches registering the highest growth in export receipts.

(32) Figures for 1980 given in Central Bank (1981: 48-49) put the amount of pledged credits by the OECD and the EEC at 1.2 billion dollars, total credits at 1.4 billion dollars, IMF release as part of the 3-year Stand-by-Agreement at 0.4 billion dollars, and debt-rescheduling as part of the July agreement with OECD countries at 2.7 billion dollars.

c) Money, Credit, and the Price Level

The behaviour of all major monetary variables during 1980 (Table 7, below) reflected the government's commitment to a restrictive monetary policy aimed foremost at reducing domestic demand and boost household savings. In the face of an average annual rate of inflation of 107.2 %, money supply increased by 46.6 % during the year while the rate of growth of Central Bank and deposit bank credits was contained at 63.8 % and 57.4 %, respectively. This was closely in line with the stipulations of the monetary programme for the second half of the year agreed upon in the Stand-by Agreement in June with the actual increase in the net domestic assets of the Central Bank remaining within the set targets while growth of Central Bank credits to the public sector was actually below the limits envisaged (Table 8). These data, apart from indicating growing monetary restraint, were also highly illustrative of the increasing role of the IMF in the domestic policy-making process in both drawing up quidelines and monitering implementation. Monthly data on currency in circulation and money supply confirm the emphasis on restrictive monetary policy during the year as a whole but, particularly towards the end of the year which saw the restraint on Central Bank credits accompanied by an overall fall in the share of the public sector in these credits (Table 9).

The deficit in the consolidated budget, on the other hand, reached much higher proportions than envisaged with the overall deficit for the fiscal year as a whole estimated to have reached around 200 billion TL. (IMF, 1981 : 5) which reflected the severe underestimation of the pace of inflation for the year as well as the failure to put into force the tax proposals designed to increase budgetary revenues. The government's determination to stick to the monetary program was, however, so strong that confronted with a sharp rise in budgetary expenditures, increasing public sector arrears in debt payment rather than having recourse to Central Bank funds was relied upon.

TABLE 7

Selected Monetary Indicators, 1978-1980 (billion liras)

	1978[1]	1979[1]	1980[2]
Currency in Circulation	89.5	140.9	216.3
Money supply-M_1[3]	281.0	439.9	645.1
Credit Stock[4]	513.5	789.5	1202.9
Central Bank Credit	241.9	382.1	626.0
All Bank Credit	354.3	534.9	810.1
Deposit Bank Credit	275.0	431.0	678.3
Total Deposits[5]	279.8	443.4	686.2
of which	191.0	296.3	426.1
Sight (Commercial and saving)	(68.3)	(66.8)	(62.1)
Sight (Saving)	103.9	143.7	181.5
	(37.1)	(32.4)	(26.5)
Time (Saving)	53.3	91.6	150.7
	(19.0)	(20.7)	(22.0)
Foreign Deposit Banks	4.9	8.1	14.5
	(1.8)	(1.8)	(2.1)

(1) As of 31st December.

(2) As of 26th December.

(3) Currency in circulation, total sight deposits and deposits at Central Bank.

(4) Central Bank (direct) +deposit bank+ State Investment Bank.

(5) Figures in brackets indicate the share of various deposit categories in total deposits.

Source : Central Bank of Turkey (1981b).

TABLE 8

Net Domestic Assets and Public Sector Credits of the Central Bank, 1980 (billion liras)

	Net Domestic Assets of the Central Bank			Net Central Bank Credit to the Public Sector		
	Limit	Modified Limit	Actual	Limit	Modified Limit	Actual
June-August[1]	548.0	...	524.5	355.0	...	353.6
August[2]	568.0	...	549.4	376.0	...	370.6
September-December[1]	631.0	641.0	604.1	395.0	418.0	415.2
December[2]	666.0	690.0	608.8	405.0	429.0	421.5

(1) Average of last reporing date in each month

(2) Average of each weekly reporting date during the month.

Source : IMF (1981) as cited in ANKA Review, Vol. 2, No. 58, March 1981.

The above developments were accompained by an increase in the volume of deposits which was distinctively more rapid during the second half of the year (Table 9) when there was a sizeable increase in interest rates following deregulation in July. It is doubtful, however, whether the increase in deposits represented a net overall growth in household savings as a significant portion of this increase was probably due to a rediversion of funds into official channels following the issue of certificates of deposit by banks after July[33]. Although the prevalence of negative rates of interest may account for the failure to generate a significant shift in the composition of deposits in favour of time deposits (Table 9), the rapid increase in the issue of bonds by the private sector during the year[34] reflected, apart from the growing needs of domestic industry for external finance, the responsiveness of households to assets with comparatively higher rates of return.

Despite the reliance on a generally tight monetary policy, the rate of increase in prices during the year as a whole exceeded the rate experienced in the previous year by a big margin (Table 1, above) which may be attributed to several factors. First, there were heavy pressures on the cost side, which by way of adding fuel to the cumulative effects of inflation in previous years, were probably instumental in aggravating the inflationary expectations of producers. It seems that successive devaluations in the face of a highly inelastic import demand structure[35] as well as the sharp increase in January in the prices of certain basic intermediate goods that loom large in total manufacturing production were the main elements reinforcing these inflationary trends. Added to these factors on the cost side were factors like the gradual rise in the cost of credit

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(33) A related phenomenon in this respect was the behaviour of some households which, attracted by the overall increase in interest rates and monthly payments of interest, changed their portfolio from fixed assets with a low rate of return into bank deposits despite the prevalence, albeit to a lesser extent, of negative rates, in an effort to maintain their standard of living during a period of rapid inflation.

(34) Bonds issued by the privates sector rose (in billion liras) from 4.6 in 1979 to 18.0 in 1980 as opposed to a fall of 61.1 % in the sale of the low-return government bonds (İş Bank : 31).

(35) Although difficult to quantify its full extent, this effect was probably very strong particularly in view of the heavy dependence of the economy on oil whose price was increased several times during the year.

during the year and the fall, by all accounts, in the degree of capacity utilization in the first half of the year, as aggravated by import shortages and industrial strife until September. The second factor that can be held responsible for the rapid inflation during the year is price decontrol itself which during the short period after its announcement led to price increases of a large magnitude. Although a part of these increases could be taken as a reflection of «suppressed» inflation during the period before decontrol, a sizable portion may have been due to strong monopolistic and oligopolistic tendencies in manufacturing which may have introduced an important exogenous bias towards price increases through higher mark-ups.

The change in the overall index of prices for the year as a whole, however, conceals, as in the case of workers' remittances and exports, significant variation during the year. As indicated by monthly data (Table 9), the rate of growth of the wholesale price index, after rising sharply in February, the first month after decontrol, fell almost continuosly thereafter until September. The acceleration in the rate during September and October, which may be attributed mainly to the combined impact of the large increase in agricultural support prices and money supply during July-September and the initial uncertainty created by the military take-over in Turkey and hostilities between Iran and Iraq, was followed by a return to relative stability during the last two months of the year.

Although the generally good harvest in agriculture and the increased availability of imports during the second half of the year have also played an important part, the overall deceleration in the pace of inflation may be largely attributed to monetary restraint cutting back domestic demand which was to some extent confirmed also by the relatively slower growth of the consumer price index[36]. It may, in the light of the foregoing discussion and the continued downward trend in prices during the first quarter of 1981, be safely argued that the Stabilization Programme has, by reversing the inflationary trends of the past few years, reached one of its chief objectives.

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(36) The monthly change in the Istanbul Consumer Price Index in the second half of the year was, for example, lower than the change in the wholesale price index in every month except July (S.P.O., 1981b: 259 and Table 9, above).

TABLE 9
Money, Credit, Deposits, and the Price Level, 1979 - 1980

	Currency in Circulation		Money Supply (m_1) *		Central Bank Credits		Total Deposits		Wholesale Prices	
	1979[1]	1980	1979[2]	1980	1979[3]	1980	1979[4]	1980	1979[5]	1980
January	96.5	157.7	284.4	435.1	241.5 (72.0)	393.4 (67.4)	274.3 (20.3)	430.3 (21.8)	4.7	9.2
February	96.0	158.8	290.4	480.6	249.8 (73.2)	421.6 (64.5)	282.7 (20.2)	445.8 (21.1)	4.8	29.3
March	93.0	130.6	297.0	445.1	267.8 (71.6)	431.1 (63.7)	296.7 (19.4)	475.9 (20.1)	5.1	4.4
April	106.0	167.3	317.1	480.1	271.2 (71.0)	464.5 (62.3)	309.0 (18.7)	454.0 (21.4)	7.8	3.5
May	115.4	162.8	337.2	491.5	257.6 (75.8)	460.4 (63.4)	328.7 (22.0)	474.8 (20.4)	4.7	2.9
June	118.4	158.3	353.4	507.3	285.3 (72.1)	486.0 (63.7)	347.4 (22.3)	498.2 (19.7)	7.2	2.8
July	117.7	189.5	360.2	547.5	289.3 (74.2)	517.1 (65.8)	363.6 (21.7)	546.7 (20.3)	3.3	0.2
August	128.1	204.5	360.6	583.2	303.8 (73.3)	541.5 (65.2)	352.0 (22.6)	568.9 (20.5)	3.3	1.5
September	132.3	213.9	377.9	612.7	316.9 (74.7)	567.0 (66.9)	366.5 (21.8)	619.5 (19.8)	3.0	3.5
October	169.0	233.4	430.2	644.5	358.9 (70.0)	604.5 (64.5)	379.7 (21.3)	643.6 (20.0)	5.1	7.1
November	145.4	234.5	414.3	653.0	351.4 (70.0)	618.1 (64.8)	396.5 (20.7)	657.7 (21.0)	7.9	3.8
December	140.9	229.5	439.9	660.0	382.1 (67.9)	626.0 (63.7)	443.4 (20.7)	675.9 (21.3)	4.2	3.1

Notes and Sources :

(1) and (2); billion liras, provisional Central Bank data (S.P.O., 1981b : 139 and Central Bank, 1979 : 33).

(3) billion liras, S.P.O. (1981b : 150-51) Figures in brackets indicate the percentage share of public sector credits in total Central Bank credits.

(4) billion liras, S.P.O. (1981b : 146-47) Figures in brackets indicate the percentage share of time (saving) deposits in total deposits.

(5) Percentage change over previous month; Ministry of Commerce (1981 : 2).

d) Employment, Wages, and the Distribution of Income

The labor market in Turkey has presented the familiar case of the pace of employment creation falling drastically short of the increase in labor supply in the face of rapid population growth, averaging around 2.5 % per annum during 1950-1980[37]. Although population growth was at the center of the pressures on the labor market, there has been considerable reluctance in introducing an effective government-sponsored population control programme. As a result, the increasing trends toward capital intensity, as encouraged by factor price distortions introduced by the domestic trade and industrialization policies, together with the rapid pace of urbanization have led to widespread unemployment and underemployment in both the agricultural and non-agricultural sectors. The severity of unemployment in urban areas would have been far greater had it not been for the absorption of a sizeable portion of labour supply by the small enterprises making up the "unorganized" sector and the services sub-sector, and the migration of a large number of workers mostly to W. European countries after the early 1960s. The sharp fall in the outflow of workers through the latter channel, however, has increased the pressures on the labour market which, in the absence of any major effort aimed at manpower planning, was characterized by rising unemployment also among the young and educated members of the labor force. Parallel to these trends in the labor market, there were severe distributional imbalances between urban and rural areas and among different regions with the size distribution of income revealing that the fifth of the population with highest incomes received 56.5 % of total incomes while the lowest fifth received only 3.5 % (S.P.O., 1976 : Tables 1-4).

Although employment, wages, and the distribution of income represent areas in which the availability and quality of statistical information are most deficient, some tentative conclusions may be drawn about the effect of the Stabilization Programme in these spheres. First, the poor growth performance of the economy during the year, especially in manufacturing, has, by all

(37) Ministry of Finance (1980 : 143). Preliminary estimates show, however, that during 1975-1980 the rate has fallen to around 2.3 %.

accounts, led to an increase in the level of unemployment which, according to some estimates, rose by half a million and reached around 20 % of the labor force (ANKA, 1981). Although the existence of a large pool of surplus labor is widely recognized, this is not borne out by official statistical data on unemployment. According to figures given by the Turkish Employment Service, for example, the total number of unemployed as of the end of 1980 was only 263.4 thousand, representing less than 2 % of the total labor force[38]. These unduly low unemployment figures may be explained by the overall slackness of the labor market characterized by the imperfect flow of information and highly limited employment opportunities, which together effectively discourage potential entrants into labor force from even registering as unemployed. Notwithstanding its underlying shortcomings, the data from this source confirm the trends towards rising unemployment during 1980, indicating a fall in employment opportunities and placements by 19.4 % and 22.7 %, respectively as opposed to a 50.2 % increase in the level of "open" unemployment[39] despite a 20.6 % increase in the number of workers placed abroad with the bulk of unemployed persons (76.4 %) belonging to the 15-29 age group (IIBK, 1981 : 3). Second, there are strong indications that the policies conducted under the Stabilization Programme aggravated the erosion of real wages experienced since 1977 which saw them nearly halved during 1977-1980 (Table 1, above). Partly as a reaction to this phenomenon, industrial strife during the period before the military take-over in September was at its peak which saw strikes reach unprecedented heights with days lost through strikes during January-August 1980 representing more than a three-fold increase over the whole of 1979[40] (Ministry of Finance, 1980 : 151). The data available only for the January - August period, however, indicate that increased militancy by organized

(38) IIBK (1981 : 2) for unemployment and IBRD (1980 : 241) for the size of labor force which refers to its level in 1978.

(39) An important factor in the rising trend in unemployment was the slow pace of employment creation in the public sector, particularly in the SEEs which is likely to continue in 1981 with the government determined not to increase SEE employment while filling only half of total vacancies in a number of enterprises (IMF, 1981 :7).

(40) The same period also saw a more than four-fold increase in the number of work days lost through lock-outs (Ministry of Finance : 1980 : 150).

labor did not prevent the fall in real wages by a large margin as the increase in average daily wages (for insured workers) was substantially below the rate of increase in the cost of living index (Table 10).

TABLE 10

Average Daily Wages(1) and Prices, 1979 - 1980

	Average Daily Wages 1979 TL.	Average Daily Wages 1980 TL.	Increase %	Annual Increase(2) in Cost of Living Index %
January	210.43	310.80	47.7	96.2
February	210.15	309.33	47.2	117.4
March	245.27	379.27	54.6	120.2
April	244.06	381.54	56.3	117.4
May	272.14	379.33	39.4	113.0
June	270.28	389.22	44.0	101.4
July	281.65	416.36	47.8	89.2
August	293.10	437.94	49.4	88.2
September	292.74	n.a	—	86.7
October	299.64	n.a	—	82.7
November	295.03	n.a	—	76.2
December	307.05	n.a	—	75.1
AVERAGE	294.31	426.96	45.1	94.3

(1) Insured workers, only.

(2) Based on the Istanbul cost of living index, 1963=100.

Source : Ministry of Finance (1980 : 139) for 1979 and January-June 1980, and S.P.O. (mimeo) for July-August 1980 for monthly wages ,SSK (1981: 16) for average annual wages; Ministry of Commerce (1981) for prices.

The above trends towards declining real wages was reflected also by the fact that the minimum wage which was fixed at 180 TL. per day in May 1979 was kept at that level throughout

1980[41]. Third, it may, in the light of the developments in employment and wages, be argued that there was further deterioration in the distribution of incomes during the year. Although the rise in agricultural support prices announced by the government in expectation of early general elections may have alleviated the burden of inflation on the agricultural population, the sharp fall in real wages in the face of restrictions on free collective bargaining and price decontrol is likely to have altered the functional distribution of income against labor. Similarly, price decontrol and the considerable leverage that the private sector obtained under the Programme, particularly vis-a-vis Central Bank credits and investment and export promotion incentives, may have led to a distributional shift in favour of the private sector. Within the private sector, however, it seems that the bias against relatively small enterprises in the provision of government economic services and other incentives has continued, particularly in the allocation of credit and foreign exchange. Although the rise in costs, especially after the deregulation of interest rates, tended to have an adverse effect on all enterprises, it is likely that the overall effect on larger enterprises was smaller not only because their considerable monopoly power enabled them to pass on the rise in their costs with greater ease but also because big manufacturing interests were closely interwoven with banking interests with some of the big commercial banks actually owned by them. The latter phenomenon was important also because banking, characterized by big margins between lending and borrowing rates, was perhaps the most profitable and buoyant activity which, together with the mushrooming of other smaller private financial intermediaries during the year, may be taken as a further indication of the growing privatization of the economy.

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(41) The minimum wage was finally raised to 10.000 TL. per month in April 1981. Although changes in the income tax structure announced towards the end of the year went some way towards restoring progressivity and were tantamount to a rise in net earnings, the fact that the rise in net earnings was below the annual rate of increase in the cost of living index while workers who had alread concluded a collective bargaining agreement were excluded from the scope of reduced tax rates highly restricted their impact on real wages.

VI. Conclusion

The whole array of economic policies introduced as part of the 1980 Stabilization Programme, in its major objectives as well as in its impact, bears a close resemblance to the experience of certain other less-developed countries. As elsewhere, the avowed objective of these policies was to cope through strict monetary control with galloping inflation and growing pressures in the balance of payments, identified as the two main problems confronting the economy. As an integral part of this diagnosis, restrictive money and credit policies, increased emphasis on budgetary balance, and most importantly, price decontrol on a large scale were relied upon to bring about a significant reduction in domestic demand which was hoped, in turn, to increase exportable surpluses as well as reduce inflation.

The first results for 1980 indicate that the Programme had considerable success in wiping out black markets and shortages, in reversing the inflationary trends, and, to a lesser extent, in initiating an upward trend in workers' remittances and exports, particularly during the last quarter of the year. Although the emphasis on exchange and interest rate flexibility as well as overall monetary restraint have also played a major role, the relative success of the programme in these spheres must be seen in the light of two exogenous factors; the wide acclaim that the Programme received in Western financial circles and the subsequent inflow of external credits on a large scale, facilitating an increased import flow, on the one hand, and the military take-over in September reducing inflationary expectations, not least through restrictions on trade union activity and emphasis on wage restraint. Furthermore, the Programme had a much less impressive record in other spheres with the policies implemented under the Programme, by all accounts, instrumental, not only in increasing distributional imbalances at all levels but also in aggravating the recessionary trends in the economy through a fall in aggregate income and investment and a rise in unemployment despite the increased availability of imports. It was this record, together with growing dependence on external sources of finance and greater emphasis on the private sector with increased reliance on the market mechanism which seemed most in conflict with long-term objectives like rapid growth and industrialization within a planned mixed economy framework with minimum reliance on external finance but increased importance attached to employment and distributional issues.

Although the short period of time that has elapsed since the adoption of the Programme may have prevented the full adjustment of the economy, there are several factors at work which do not augur well for the Programme's success in the future. The increased inflow of imports during the year which was perhaps the most important single factor behind the partial success of the Programme may prove to be the chief bottleneck in the years ahead as the economy's capacity to import is likely to be highly restricted. Given the traditional volatility of the willingness of Western financial circles to provide credit to Turkey, one cannot rely on a steady inflow of resources from this source even in the immediate future, the 3-year Stand-by Agreement with the IMF notwithstanding. Neither can foreign private investment be relied on in this respect given its traditional relectance to invest in Turkey which continued in 1980 despite considerable encouragement by the government. Similarly, the growth prospects of Meditterenean tourism in general do not seem promising.[42] Slow growth prospects for world trade as well as both recessionary and protectionist trends in the OECD countries are likely to have an adverse impact on exports and workers' remittances with the outflow of workers to these countries having already come to a virtual halt. These factors, taken in conjunction with the heavy external debt burden on Turkey and the uncertainties regarding the price of oil and other imports, may lead to further difficulties in the balance of payments in the coming years which may, apart from increasing the constraints on growth and employment, start a new period of galloping inflation. The latter possibility may be reinforced by a wave of higher wage claims by organized labor which, after a period of falling real wages, will be hard pressed to recover lost ground with the envisaged liberalization of political life in the near future.

(42) For further details on this point, see IBRD (1980 : xxi).

If the Stabilization Programme has yielded poor results in its first year of implementation and is likely to be constrained by certain factors in the years ahead, and more significantly, is in sharp conflict with long-term development objectives, there is an urgent need to develop alternative policy packages. Although the development of such a package is beyond the scope of this paper, certain tentative conclusions can be drawn in the light of our present analysis. First, in an effort to better synchronize long-term development policy objectives with short-term stabilization attempts, there is a pressing need to reactivate the comprehensive planning mechanism. Such a reactivation, which would draw upon considerable experience in the planning field, should lead to a new attitude in planning involving greater flexibility to allow for quick adjustment to changing internal and external circumstances and increased emphasis on project evaluation, and should be equipped with a vastly improved data base. The primary task of the revived planning mechanism should be the rationalization of domestic economic structure in both the private and public sectors. In this task, a major effort should be directed in the short and medium-term at the reorganization of the SEEs to increase their efficiency on the one hand and at increasing public investment in infrastructure, particularly in the energy and transport sectors with a view primarily of reducing the economy's dependence on imported oil. Although it is likely to be constrained by an unfavorable external environment, an export drive should be initiated with additional incentives granted to sectors and commodities with the highest export potential. Most importantly, the prevalence of unfavorable external circumstances which was the major factor behind the adoption of an inward-looking strategy, should not be used as a pretext for its prolongation. Instead, necessary adjustments in domestic economic policies should be made gradually with a view of giving the economy an outward-looking orientation which, given the heavy dependence of domestic production and new investment on imports, is a prerequisite for the economy to reach self-sustained growth in the long-run. To this end, the revived planning mechanism, assumed to operate within the existing sociopolitical setting, should proceed along a broad front, encompassing policy shifts in three major areas[43].

First, in the absence of additional land that that can be brought under cultivation, future growth in agriculture will have to rely on raising the level of productivity on existing resources which depends crucially on the diversion of sizeable resources to this sector for technical change as well as for institutional (marketing, credit, land tenure) and infrastructural (transport, irrigation, education, technical personnel) improvements. As an integral part of this policy package, there should be a reassessment of the agricultural price support policy which, apart from being a major source of domestic inflation (as the losses incurred by purchasing agencies in the process have come to be financed by Central Bank funds), has, rather like the system of protection in manufacturing, acted as a strong disincentive for reducing costs and adopting new techniques of production. Increased productivity in agriculture would, to the extent that it leads to the growth of this sector's exportable surplus, increase the economy's capacity to import while reducing the level of underemployment, intersectoral migration, and the inequalities in income distribution.

Second, a major effort should be made in reducing import dependence in manufacturing which was, as in many other developing countries, the direct outcome of domestic trade and industrialization policies favoring the production of capital-intensive and final-stage consumption goods. Apart from the immediate steps suggested above vis-a-vis the energy sector, an important step towards reducing import dependence would be the reassessment of the role of manufacturing branches associated with the production of consumer durables which are generally characterized by heavy import dependence, particularly in "assembly" industries. Although any fall of production in these branches may have welfare implications in the short-term, especially vis-a-vis the level of employment, these considerations are outweighed by the fact that under the existing economic

(43) See Şenses (1979 : Chapter VIII) for further details.

policies any shortfall in imports causes wider dislocations throughout the manufacturing sector and initiates an inflationary process.

Third, more emphasis should be placed in increasing exports from the manufacturing sector. In view of the apparent sensitivity of exports from this sector, along with other minor exports, to domestic inflation and exchange rate policy, a great deal of importance should be attached to preventing big increases in the domestic price level and avoiding overvalued exchange rates. But much more fundamentally, there should, in view of the adverse effects of shielding enterprises from external and domestic competition over long periods, be a major re-examination of the whole system of protection which may entail a gradual planned liberalization of foreign trade to reduce the bias against exports and encourage industry to break away from its basically inward-looking orientation. This should be supplemented in the selection of new projects by greater importance attached to the ability of enterprises to attain world market competitiveness.

The gradual implementation of the policy package presented above, within the reactivated planning mechanism, although likely to meet with strong resistance from vested interest groups, is essential for the removal of the structural obstacles preventing the attainment of self-sustained growth. Without success in these spheres, relying primarily on monetary control as under the current Stabilization Programme, is likely to fail in bringing about continued price level stability and external balance and would instead cause further divergence from long-term development policy objectives.

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Ö Z E T

GELİŞMEKTE OLAN BİR ÜLKEDE KISA DÖNEM İSTİRAR ÖNLEMLERİ : UZUN DÖNEM PERSPEKTİFİ İÇİNDE 1980 TÜRKİYE DENEYİMİ

Bu yazının temel amacı Türkiye Ekonomisinin 1980 yılı içindeki gelişmesini 24-25 Ocak kararlarıyla başlatılan ve yıl içinde alınan diğer önlemlerle desteklenen ekonomik politikalar demetiyle ilişkili olarak değerlendirmektir. Bu politikalar demetinin geçmiş ekonomik politikalara yakınlık derecesini saptayabilmek amacıyla ilk aşamada Türkiye'de uygulanagelen dış ticaret ve sanayileşme politikaları ana hatlarıyla özetlenmekte ve bu politikaların doğal bir sonucu olarak ortaya çıkan başlıca yapısal tıkanıklıklara değinilmektedir. 1970'li yılların başlarında dış ödemeler dengesinde görülen iyileşmeye rağmen bu tıkanıklıklar karşısında gerekli politika düzenlemelerine gitmekte gecikilmesi ve ekonominin dünya petrol fiyatlarındaki büyük artışa uzun süre kayıtsız kalış süreci özetlendikten sonra 1977 dış ödemeler dengesi çıkmazı ve hızlanan enflasyon karşısında 1980 başlarına kadar uygulamaya konan istikrar girişimleri başta IMF olmak üzere uluslararası parasal kurumlarının iç ekonomik politikaların değişik safhalarında giderek artan etkinlikleri ışığında, anlatılmaktadır. 1980 yılı içinde alınan önlemler en belirgin özellikleriyle değerlendirildiktn sonra bu önlemlerin milli gelir, yatırımlar, dış ödemeler dengesi, fiyatlar, istihdam, ücretler ve gelir dağılımı üzerindeki etkileri incelenmektedir. Özellikle yılın son üç ayında enflasyon hızının yavaşlaması ve dışsatımın ve işçi dövizlerinin canlılık kazanmasına karşın, 1980 önlemler demetinin hem kısa ve hem de uzun dönemde ekonominin karşı karşıya bulunduğu sorunların üstesinden gelmeye elverişli olmadığı, aksine ekonomide son yıllarda gözlenen durgunluk ve işsizliği arttırdığı, gelir dağılımını daha da bozduğu ve dolayısıyla uzun dönem ekonomik politika amaçlarıyla çelişkili olduğu sonucuna varılmaktadır. Bu nedenle, kısa dönem istikrar önlemlerinin uzun dönem ekonomik politika amaçlarıyla daha uyumlu olarak ele alınıp geliştirilebilmesi, öncelikle dışalıma olan bağımlılığın ve tarım ve tarım-dışı sektörler arası verimlilik farklılıklarının azaltılması ve dışsatımın arttırılabilmesi için uygulanagelen dış ticaret ve sanayileşme politikalarının ve bunlara bağlı olarak koruma sisteminin yeniden düzenlenmiş bir planlama mekanizması içinde tekrar gözden geçirilmesi gereği vurgulanmaktadır.