

THE SOCIAL LIBERAL SYNTHESIS

This article derived from the keynote address delivered at the GencNet-Youth Conference on May 2002 in Istanbul argues that the social economic model of the 21st century is a synthesis of liberal economy and socialism, or what the author calls the social liberal synthesis. The article underlines Turkey's positioning in social liberal synthesis in our globalizing world with particular reference to the recent economic crises.

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Introduction

Towards the end of the last century the ideologies and conflicts defining the 20th century came to end. As a matter of fact, the 20th century came to a premature end with the collapse of the Berlin Wall. What essentially gave direction to the history and way of life, social and economic, of the 20th century? Throughout the century, a state bureaucratic left wing model on one hand, and a totalitarian right wing one on the other, threatened the realm of freedom. However, towards the end of the century both the totalitarian right and the statist left collapsed and what I call 'a social liberal synthesis' came into being. This did not come easy, for there were quite a few wars and millions of people lost their lives. There were conflicts between the two sides and those more tolerant and believing in peace and democracy prevailed in spite of all these threats.

Social Liberal Synthesis

Social liberal synthesis does not imply the complete success of the liberal economy or socialism. In fact, both views and both philosophies contributed and shaped this synthesis. The importance of the market mechanism and private property laws, and the inability of unbending centralists to successfully distribute resources, became widely acknowledged. This is the standpoint of a global view in favor of a liberal market. However, what we regard as the left view also made a very important contribution to this synthesis. The share of state expenditures in national income of the rich OECD countries at the beginning of the 20th century was below ten per cent. Today it is above forty per cent. This reflects that a liberal market, or a free one, does not resolve everything by itself. It certainly affects resource distribution economic growth, but the state is nonetheless left with a more important, indispensable role in contemporary social liberal synthesis.

The state must guarantee the existence of a competitive private sector

The state must organize the market and must guarantee fair conditions for competition and for the existence of a competitive private sector rather than monopolies. It must regulate the market. The state also has a very important subsequent function. The market does not automatically provide a fair distribution of income. Thus, in the interests of social justice, the state must take a part of the national income as taxes. It is only the state that can provide

equal opportunity particularly in the fields of education and health. The market economy model which was successful in the second half of the 20th century, incorporated this indispensable social dimension. We must see the market and the state as complementary institutions giving mutual security and strength and not as two opposing and conflicting institutions. The social liberal synthesis is based on this perspective. In fact, it might be useful to emphasize another dimension of this process. The history of the 20th century is above all a triumph of liberty and a triumph of the liberty-loving people. Societies where people have been free have planned their way of life in a liberal fashion ended up with a vastly improved future.

Restriction of freedom leads to the collapse of totalitarian models

Whenever freedom has been restricted, totalitarian centralist models, whether right wing or left, have eventually collapsed and perished. Those societies, which could freely search for individual happiness, happiness of their surroundings, the happiness of their communities without sacrificing their own personal happiness, eventually became the strongest communities. In this respect, great Atatürk played a major part and we are greatly indebted to him. In spite of all dangers, Turkey in the 20th century, did not embrace neither right wing nor left wing totalitarianism and developed the freedom model step by step, although slowly. In the words of Jean Paul Sartre, "We are all prisoners of freedom. We are all bound to make choices. This is the only obligation we have. Beyond that, we are all free. We must search for our own happiness and our own lives freely, of course with respect to other people's freedom." Conversely, a social community model based on personal freedom eventually produced the most powerful states. In reality, freedom strengthens the community, the state and the country. Personal freedom never clashes with the strength of the state, society or the community. The liberal social synthesis is a global phenomenon; it is now in Tokyo, Brasilia, Washington, Moscow, and in Ankara. In fact, it is being established everywhere. At what stage of this synthesis is Turkey at this given point in time? We have advanced step-by-step towards this synthesis. The old unbending ideological attitudes gradually disappeared in the eighties and nineties. When we consider political parties today, a great unity of opinion can be observed with respect to the subject of the function of the state and of markets. There are no unyielding ideological conflicts as before. There are not any political parties with serious objections to social liberal synthesis regardless of whether they are in government or in opposition. However, we still cannot fully experience this social liberal synthesis in our institutions and behavior. In this respect, great progress has been made in the last fourteen to fifteen months.

Significant steps have been taken in Turkey for market economy to function more freely and protected from political restraints. This concept of the separation of the market from politics is a very important dimension of the social liberal model. Today, Turkey has a strong, independent Central Bank, and empirical research shows that, beyond any short-term macro policies, the

independence of the Central Bank is the most crucial factor in the long-term struggle against inflation. When the Central Bank is not independent during elections or when parties in power use resources of the Central Bank in pre-election period, one witnesses a temporary sense of economic well-being which can raise inflation again at a later date. An independent Central Bank is the most important guarantee against inflation. Turkey at last has this guarantee.

Policy reforms

I will not go into the details of the measures taken as regards the banking system. Suffice it to say that in 2001, one of the most serious challenges we experienced was a fragile banking system. This has, to a large extent, been cleared up. Public and private banks are now monitored and regulated by an independent regulatory authority. There is little likelihood of us reverting to the lapses of the past. A very important but difficult subject is agricultural reform. The right agricultural policy is a difficult subject for the entire world. I think that additional progress is also necessitated in Turkey as well. Yet with the new agricultural system, produce which is not in demand should be stocked up at a loss to the state. In its place a system for directly supporting the farmer and particularly the tight-income farmer has been introduced. As a result, the market will now dictate what will be produced, but modest state support will also be available for those with low-income. There are vital improvements in infrastructure, energy and transportation sectors. A legal infrastructure that makes it desirable for the private sector to provide goods and services competitively has also been put into place.

I want to give a striking example. Turkish Airlines was able to show profits in a very difficult spell experienced in 2001 when the airline companies in the rest of the world incurred losses. This national organization of ours achieved this success. The new civil aviation law accepted by the Assembly in April played a major role in this. The dedication of employees and good management also contributed greatly. All this was realized in Turkey and the social liberal synthesis model now, at last, makes up Turkey's basic economic infrastructure defining our legal framework and economic practice. There have been, and are still, some setbacks. We have also, at certain times, faced strange situations. For example, I will never forget the time when amendments to the civil aviation law were introduced. I was at home watching television late one night and the Minister responsible for this sector opposed this law at midnight, which he himself had submitted to the Assembly. Yet with the support of the Assembly and members of Parliament, twenty-one very important formative laws changing the economic structure of Turkey were ratified. Thus, it is very difficult for the wheels of high inflation and high borrowing policy to start turning once again. For Turkey to accomplish this in a year of crises is actually an outstanding achievement.

A new crisis is a remote possibility

We may have political instability in the days to come. However, since the fundamental economic structure has been established and given that we have a very strong society, it is a very remote possibility for Turkey to experience another February crisis. Naturally, politics will dictate the long-term goals of our society and define our society's and country's progress. The economy, the economic structure, private enterprises and investments will ensure economic growth. Politics should not, beyond a certain point, affect the functioning of the economy. We have now achieved this immunity and capturing this immunity is a very important source of strength. At this juncture, Fukuyama's question comes to mind. Is history over? In other words, does social liberal synthesis end all problems at the concept level? Although problems will continue to exist in real life does social liberal synthesis end history at least at the conceptual level? My answer is that history has not ended; it continues albeit under a different structure due to globalisation. Globalisation confronts social liberal synthesis with great new questions and problems. In the last ten years, foreign trade has altered in a very serious way both as regards to volume and quality. Today, the companies themselves sell forty per cent of services and products in foreign trade.

Globalisation

Currently, we face foreign trade organized by international giants and not just one that is simply among countries as it had been in the past. In the past forty years, the volume of foreign trade in global national income levels has increased twofold. We are all involved in global financial markets. Today, an investor in Brazil can speculate on Treasury bonds in Turkey. An investor in Turkey can play in the New York Stock Exchange. Daily foreign currency transactions approximate two trillion dollars, worldwide. Financial markets confront us as a very unstable mechanism that can present great opportunities as well as some great dangers. There are practically no middle-sized developing countries that has not suffered a crisis in the last fifteen years. Even Korea and Brazil, which are in fact very successful countries with respect to economic progress, have been in the throes of very serious crises. An important factor in this regard is the structure and extreme instability of the world money markets. But let's just not consider economic matters. What about the environmental problem, changes in climate, and global warming? We are all faced with these problems. They are global problems and quite serious problems facing young people in particular. Thirty to thirty-five per cent of the population in certain African countries has AIDS today. What will happen to these people? Actually, there is medication even if it is not one hundred per cent successful. Treatment is possible. But who will meet the cost of the treatment? If tomorrow, a disease more contagious than AIDS breaks out, who will manage it? Who in the world will take charge of it? We witnessed terrorism with the September 11th terrorist attacks. Turkey has unfortunately suffered such acts for years. But in my opinion, the September 11 attack was a unique and catastrophic event. At the same time it was an event from which a lesson can be learned. Afghanistan and Manhattan are worlds apart. Yet people in Manhattan who had never been to Afghanistan in

their lives, were struck by a blow out of the blue by terrorists taking advantage of the void and absence of government in Afghanistan. It became clearer for us all to see that New York and Afghanistan were in fact, parts of the same globalizing world. Let's remember Kosovo a few years ago where Muslims facing a massacre. In the end, the US intervened and the massacre stopped. We were pleased because of our historical links and the compassion we feel for these people. In my opinion, it was necessary. Yet, with what right, and in accordance with which international legislation did the US intervene? What were the legal grounds that justified the US defense of another territory? I want to emphasize that I feel that the US was justified in intervening. But what happens if it intervenes somewhere else tomorrow that we might not approve of. We might ask the legitimate question of what right it has to act in such a manner. Consequently, whether we like it or not, we are living in a globalizing world.

From Bursa to Mexico

I want to give an economic example to the same effect. I toured the Oyak-Renault factory and discussed export markets with the factory manager. He said that one of their most important problems was that they could not export to Mexico from Bursa. In fact, when you think about it, it is very interesting that workers in Bursa manufacture cars to sell to Mexico. It is an example, which shows how small the world has become and how we can reach South America from Bursa. But in today's world and in this globalisation process, there is no mechanism at the national level for social organization and regulation. There is a certain synthesis at the nation state scale and there is a unity of opinion about nation state functions and duties. I believe that in ten years' time, ideological disputes at the nation state level will have become a thing of the past. But we have just scratched the surface of these disputes at the international level. There are a lot of examples like the United Nations, the World Bank, the International Monetary Fund and the International Trade Organization, which, to a certain degree, are trying to fulfill certain organizational and regulatory functions at international levels that are performed by nation states at the national level. But their legal foundation is greatly disputed.

I will provide another recent example, which is very important as regards Turkey. I was discussing Europe and economics with a much-revered European statesman whom I like and respect very much. He asked me a question and requested me to be sincere in answering it. He said that Turkey wanted to join the European Union and asked if we were really ready to give up our national sovereignty. Europe is a unification process where members become part of a whole. For instance, Germany, France, Italy, and Greece have given up their own currency and their Central Banks have ceased to exist. He asked me if Turkey really wanted this and was ready for it.

I thought about this for a while and said that it was indeed a very good question but it was not fair to pose this question only to Turkey. There is a strong anti-European, anti-unification sentiment in Poland today. Extreme,

anti-European trends are gaining ground in many European countries. As a result, this discussion is yet to be concluded in Europe as well. But I answered this statesman in the following way.

“Of course we are going to have this discussion in Turkey. Your question is a good question but to give a positive answer is a lot easier in our case compared with other countries. Turkey, in its path to modernization has wanted to join Europe since the days of Atatürk, and even long before Atatürk, during the days of the Ottoman Empire. This objective is not shared by everyone. But not everyone in Poland wants it either nor in France where Le Pen wants France to leave the EU. The majority in Turkey, however, wants to join the EU. And it is going to be easier for Turkey because we are not going to be a marginal country within Europe. We are a large, strong and a powerful state. Thus, I ask you: You, as a European will you share European sovereignty with Turkey. Therefore, the question is not only whether Turkey will relinquish its national prerogatives to an international body, but further, what role and what power will Turkey have in this region at the international level? Will Turkey be a strong member of the union; will it have a part in the governance modes slowly taking shape; are you ready for this; do you accept our power?”

It was a nice discussion, he laughed and did not really give a clear answer. But for Europeans, of course, this is a very important question.

An Impartial Income Distribution

The social liberal synthesis will be established at the national scale. But at the international level, the core of the ideological and the conceptual debate will be on how to ensure unbiased competition and a fair income distribution, how the international market should function for the benefit of all, and which institutions should be established to ensure this. This is no easy debate. This is not easy for anyone and it is hard to know where this debate will lead the world. But we could play an important part in this debate as Turkey and as Turks. Because Turkey, indeed has a special place and a special role in the world. Turkey is both European and Muslim, it has ties with Asia, and has close relations with the US. As a result in this globalizing world, if Turkey is strong and is not dependent on others economically, it can thus rely on its own resources, and play an important role in the construction of the modes of international governance.