

**ECONOMIC AND POLITICAL FREEDOMS IN THE MUSLIM WORLD**  
**AND**  
**TURKIYE'S STRUGGLE FOR FREE MARKET ECONOMY**

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**Abstract**

The purpose of this paper is to discuss the meaning and importance of freedom and investigate the performance of the Muslim World in terms of economic and political freedoms with a focus on Türkiye's struggle for free market economy.

Freedom and justice are absolutely the most important values. Where there is no freedom and justice, all other values become practically meaningless. There are various types of freedoms among which economic and political ones shape to a great extent the actual social conditions in any given society.

The Muslim world unfortunately does not have a promising outlook today both in terms of economic and political freedoms. One can think of many external as well as internal political, economic, intellectual and philosophical reasons for this outlook: colonial history, military invasions, inward-looking policies, and most importantly *narrow mindedness* based on a literalist, traditionalist, and fatalist mentality as opposed to *open mindedness* based on interpretation, rationality, and free will.

On the practical grounds, free market economy based on private property, freedom of choice and entrepreneurship, competition, free trade and limited government tend to create higher levels of prosperity and allow people to enjoy all kinds of individual freedoms at a higher level. Among 57 Muslim countries, Türkiye stands out as one of the exceptional countries with relatively better ties with democracy and free market economy.

In light of the above, this paper looks into the meaning and types of freedom first, and then analyzes the performance of the Muslim world in terms of economic and political freedoms. Finally, it looks into Türkiye's struggle for free market economy since the early 1980s.

**Key words:** freedom, Muslim world, economic and political freedoms, Türkiye, free market economy.

## 1. Introduction

Values give meaning to our life. In other words, human life would be empty without values. There are a number of values to make our lives more meaningful, serve as guides to find our ways and help us answer such crucial questions as why should we do certain things while avoiding others. Among the fundamental values enshrining our path in our journey on earth are the following: freedom, justice, equality, dignity, generosity, love, caring, sharing, doing good, abstaining from evil, and being helpful.

Freedom, maybe hand in hand with justice, is no doubt the single most important of all values without which all other values become meaningless. While justice is key for human beings to live together in peace, respect the rights and freedoms of one another, freedom is key to realize our potential, organize our lives as we dream, take our own decisions on what to do, where to go, where to stay, what profession to pursue. It is primarily freedom that help how to improve ourselves and use our talent to produce goods and services to be enjoyed by society at large. In other words, various types of freedoms at different grounds is key for a meaningful, fruitful and productive life.

However, the Muslim world does not have a promising outlook today both in terms of economic and political freedoms. Lack of democracy and the fact that many of the fundamental rights and liberties are not guaranteed is a common observation throughout the Muslim world. One can think of many external as well as internal political, economic, intellectual or philosophical reasons for this undesirable, negative outlook: colonial history, military invasions, inward-looking policies, lack of strong institutions, etc. From an intellectual perspective, we can argue that the most important cause that account for the current backwardness and unpleasing outlook is the *narrow mindedness* based on a *literalist, traditionalist, and fatalist* mentality as opposed to a mentality of *open mindedness* based on *interpretation, rationality, and voluntarism*.

In light of the above, this paper analyzes the current situation of the Islamic countries with a Muslim majority population in terms of economic and political freedoms and discusses in more detail Türkiye's struggle for a free market economy. The rest of the paper is organized as follows.

Section two discusses definitions and various types of freedoms with a focus on absolute vs. relative freedom as well as economic freedoms and political freedoms.

With reference to two most widely known indices, section three analyzes the performance of the Muslim world in terms of economic and political freedoms. A brief discussion on the possible causes of the current negative, undesirable outlook.

Lastly, section four focuses on Türkiye's struggle towards establishing a free market economy in recent decades. It depicts, firstly, modern history of the Republic of Türkiye very briefly, and then analyzes more deeply the free market reforms under Ozal governments in the 1980s. Economic performance of Erdogan governments in the last two decades is analyzed at the very end of this section with reference to some important macroeconomic indicators including GDP, per capita GDP, real economic growth, inflation, unemployment, and exports.

The paper concludes with a brief summary of the major findings.

## 2. Definitions and Various Types of Freedom

### 2.1. Definitions of Freedom

Freedom is probably one of the most frequently used terms in almost every folk of life. Politicians, intellectuals, economists, journalists as well as ordinary citizens use it every day at different grounds. But when it comes to define freedom, things get a bit complicated. Given many different aspects of freedom, it may not be easy to give a simple, readily understood definition.

Fortunately, history of philosophy and thought provides us a rich collection with respect to the meaning and types of freedom. In this context, the most comprehensive and abstract definition of freedom can be given as “the quality of not being constrained by fate, necessity, or circumstance in one’s decisions and actions (Reese, 1996: 242). But this is not enough. There are many different aspects or faces of freedom. Therefore, one can think of various definitions of freedom depending on which aspect of it to stress. As illustrated by Reese (1996: 242-244), in the history of philosophy it is possible to distinguish at least four different meanings of freedom.

The first meaning of freedom turns on the idea of “significant choice.” In this sense freedom can be defined as “the power of selecting any one of two or more alternatives.” The key concept in this regard is choice. In other words, we are free if we have choices or alternatives to choose from.

The second meaning of freedom is related with “being able to do as one wishes.” All human beings naturally have wishes; they may be biological, economic, political, psychological or otherwise. However, we may not be able to realize what we wish, desire or what we would like to do. In this regard, one can be considered to be free if he/she is able to realize his/her wishes. As far as this definition is concerned, “when a wish is gratified by one’s own action, even if the having of the wish was determined by a set of causes, one is free” (Reese, 1996: 243). In other words, in this case one’s own action is the key to determine whether a person is free or not.

A third meaning of freedom has to do with external vs. internal motives. In this sense a person can be considered to be free if his or her action proceeds from *internal*, not from *external*, motives. This definition evidently requires a doctrine of human beings having an *underlying nature*, or self, according to which they can act, rather than acting in conformity with the external world.

Finally, a fourth meaning of freedom has a metaphysical and religious nature and it has to do with identification of “freedom” and the “good.” “The free act acquires a normative connotation, so that freedom means doing what one ought to do. In this sense God, who is perfectly good, and could not be otherwise, is also perfectly free... True liberty requires character, and this means choosing the spiritual over nonspiritual alternatives” (Reese, 1996: 244).

Following the “kiss” principle,<sup>1</sup> in order not to make an already complicated matter even more complicated, let’s stick to the first definition and put freedom of choice or being able to choose among alternatives at the center of the analysis and proceed from there.

## 2.2. Various Types of freedom

Considering the wide range of the above definitions, one can think of many different types of freedoms: absolute vs. relative freedom, economic freedoms, political freedoms, freedom of speech, freedom of conscience, freedom of religion, freedom of press, freedom of association, freedom of demonstration, freedom of travel, so on and so forth.

A detailed discussion of all these freedoms obviously requires a completely separate study. Due to space limitation, we are going to deal with in this study four types of freedoms. A brief discussion on absolute freedom vs. relative freedom, and then economic freedoms and political freedoms follows.

### 2.2.1. Absolute Freedom vs. Relative Freedom

Absolute freedom can be defined as the quality of “not being constrained by anything” in absolute sense. Put it differently, one can absolutely be free if and only if s/he is not constrained by anything material as well as moral, biological, physical, psychological, economic, political, sociological, historical, environmental, etc. Evidently this is impossible for any human being for all human beings, in fact all living creatures for that matter, are limited and finite creatures limited with a beginning and ending. We as human beings are all born on a definite date in time, our physical, biological and intellectual capacity has certain limits. We get hungry and thirsty, we get tired, we get sleepy, we get cold, we get hot, we have to eat and drink in order to survive, we have to live under certain climatic and environmental conditions, or otherwise we face the unavoidable end: death. We cannot see with our eyes microorganisms, we cannot hear sounds under a certain decibel, etc. In short, we are limited, we do not have absolute powers.

Obviously, because of our very nature as human beings, we are far from having absolute freedom: in other words, absolute freedom can only be ascribed to God Almighty, the all-powerful, all-knower, all-seer, the creator of the universe. Therefore, at human level we can talk about only *relative freedoms*. Among those relative freedoms are all the freedoms we can think of primarily at social, economic, legal, and political grounds. We are going to touch briefly upon economic freedoms and political freedoms below, respectively.

### 2.2.2. Economic freedoms

As one of the most important realities of life, economic reality involves all the activities we have to deal with in order to survive first, and then realize our potential, our wishes as well as our dreams. Main economic activities include production, consumption, distribution, exchange, transportation, saving, and investment. Economic freedoms therefore imply freedom of contract, freedom to choose among alternatives as to what should be produced and in what quantity, what should be consumed, where to invest, with whom we should exchange, from whom we should purchase and to whom we should sell the goods and services we have at what prices, etc.

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<sup>1</sup> Keep It Simple and Stupid, a phrase stressing the importance of being practical and simplifying things to achieve the goal or get to an end.

The most important of all economic freedoms are actually the five main pillars of a free market economy: private property, freedom of choice and entrepreneurship, competition, free trade, and limited government.

Private property is basically the right to own the fruits of one's labor and all sorts of endeavor. Freedom of choice means man is free to choose among alternatives on what to buy, in what quantity, and decide freely what, where, when and in what quantity to consume or to spend his money. Freedom of entrepreneurship is the twin sister of freedom of choice in terms of production and investment: an entrepreneur or producer should be free to choose among alternatives as to where to invest, what to produce, how to produce and in what quantity. Freedom of exchange requires being free to have voluntary exchange of goods and services, to choose among alternatives as to with whom to trade.

Competition naturally implies free markets, which require freedom of entry and exit to the markets by firms, companies and entrepreneurs. We cannot talk about free market if there is no free entry into and exit from the markets. Last but not least, limited government implies a government powers of which is limited by the constitution and the laws. This type of limited government is exactly the opposite of Hobbesian type of "leviathan," i.e. giant, all-powerful, limitless government. Basic functions of a limited government in this regard are, as envisaged by Adam Smith (2020[1776]), David Ricardo, J. Stuart Mill, David Hume and the other classical liberals of economic thought, internal security (public order), external security (national defense), justice (imposing laws and regulations, ensuring basic rights and liberties), and dealing with certain infrastructure (highways, bridges, hydraulic or nuclear power plants, water supply, and so on).<sup>2</sup>

### 2.2.3. Political freedoms

The political reality is also extremely important, just like economic reality. In a broad sense, politics has to do with ruling a nation, formation of a government as well as its administrative functions and institutions, providing public services, designing the main legal documents to define rights and liberties such as the constitution, laws and regulations, passing laws, determining the limits of certain individual rights and liberties under various circumstances and designing society-state relations. Basic political freedoms include freedom of electing the rulers (right to vote and change the government or the rulers periodically), freedom of speech, in particular criticizing the power elites whenever necessary, freedom of association, freedom of political action, i.e. free to organize political parties, participate in the elections and compete with opponents to come to office and rule the country, etc.

Both economic and political freedoms are closely related with economic development and the level of welfare or prosperity a country can achieve. In principle, when people are *free to choose* both economically and politically among alternatives, they tend to work hard, go after their dreams, be more productive and innovative. Having a higher possibility to realize oneself, human beings tends to be more creative, hardworking, use resources more efficiently, hence higher level of welfare measured by various macroeconomic indicators such as GDP, economic growth, per capita GDP, inflation, unemployment, foreign trade, and foreign reserves, etc.

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<sup>2</sup> A more detailed discussion on free market economy and its main components can be found in Acar (2018), Acar (2021), and Friedman and Friedman (2021).

In the next section we are going to look at the outlook or the performance of the Muslim world with respect to economic and political freedoms.

### **3. Economic and Political Freedom Performance of the Muslim World**

#### **3.1. Economic Freedoms**

As mentioned above, basic economic activities include consumption, production, distribution, exchange, saving, and investment. Therefore, economic freedom means being free to choose or decide on time, place, content and scope of our economic activities. Are the Muslim countries economically free? What is the outlook of the Muslim world in terms of economic freedoms?

A British proverb goes, “you cannot control something that you cannot measure,” so it is important to measure the level, size, scope or intensity of something before we analyze it. Scientifically, indices help us measure and compare various facts or the critical variables we are interested.

In this context, there are two widely used indices today measuring the economic freedom performance of countries: Index of Economic Freedom (IEF) prepared by the Heritage Foundation, and Economic Freedom of the World Index (EFW) prepared by the Fraser Institute. Basic components of the former include the rule of law (property rights, judicial effectiveness, government integrity), government size (tax burden, government spending, fiscal health), regulatory efficiency (business freedom, labor freedom, monetary freedom), open markets (trade freedom, investment freedom, financial freedom).<sup>3</sup>

The EFW Index, as a close alternative, is based on personal choice, voluntary exchange (i.e. free trade), freedom to enter markets and compete, and security of the person and privately owned property. Accordingly, the EFW Index has five major components: 1) Size of government, 2) Legal system and property rights, 3) Sound money, 4) Free international trade, and, 5) Regulation.<sup>4</sup>

The “Muslim world” is practically constituted by the member states of Organization of Islamic Cooperation (OIC) which is the largest umbrella organization representing the Islamic countries with a Muslim majority population. These are not necessarily those countries ruled by religious or Islamic governments, although some of them are, but in essence they have a population majority of which are Muslim.

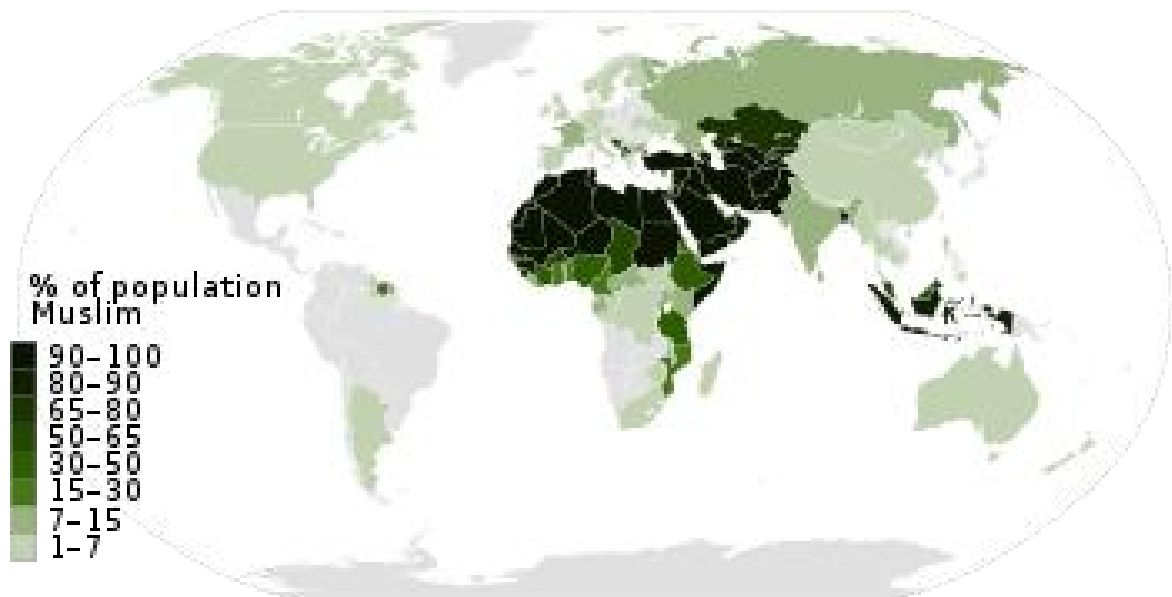
Looking at some critical economic and demographic indicators, OIC as a whole accounts for approximately 22% of the world population (1.8 billion), and 8.6% of the world GDP.<sup>5</sup> There are currently 57 members of OIC, located mostly in the Middle East and North Africa (MENA), and Central and East Asia (Fig. 1).

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<sup>3</sup> <https://www.heritage.org/index/ranking>

<sup>4</sup> <https://www.fraserinstitute.org/studies/economic-freedom-of-the-world-2021-annual-report#>

<sup>5</sup> <https://www.comcec.org/wp-content/uploads/2021/07/32-IS-SESRIC-O.pdf>



**Figure 1. The Muslim World.**

Source: [https://en.wikipedia.org/wiki/Muslim\\_world](https://en.wikipedia.org/wiki/Muslim_world)

As one can see from Table 1 and Table 2 below, both indices clearly show that the outlook of the Muslim world in terms of economic freedoms is not very pleasing. Table 1 shows top 10 performers overall and top 10 performers among OIC member states.

**Table 1. Top Ten Performers in Terms of Economic Freedom (IEF, 2022)**

Rank	Country (overall)	Score	Muslim Country	score	Rank
1	Singapore	84.4	United Arab Emirates	70.2	33
2	Switzerland	84.2	Malaysia	68.1	42
3	Ireland	82.0	Qatar	67.7	44
4	New Zealand	80.6	Albania	66.6	50
5	Luxembourg	80.6	Brunei Darussalam	64.8	62
6	Taiwan	80.1	Indonesia	64.4	63
7	Estonia	80.0	Kazakhstan	64.4	64
8	Netherlands	79.5	Bahrain	62.0	74
9	Finland	78.3	Azerbaijan	61.6	75
10	Denmark	78.0	Ivory Coast	61.6	76

Source: Heritage Foundation (2022).

As one can see from Table 1, according to IEF results, Singapore is the best performer followed by Switzerland and Ireland where 7 out of 10 are European countries. Unfortunately, there is no Muslim country in the top 10 while there are only 4 OIC members in the top 50. EFW Index also shows similar results: there is no OIC member state in the top 10, and only 2 Muslim states in the top 50. In both indices, the worst performers include mostly Muslim

countries, sad but true (Table 2).<sup>6</sup> United Arab Emirates seems to be the best performer among Muslim nations (33<sup>rd</sup>), followed by Malaysia (42<sup>nd</sup>), Qatar (44<sup>th</sup>), and Albania (50<sup>th</sup>) as the only Muslim countries in the top 50. Given 184 countries in the world, 6 out of 7 bottom countries labeled as “N/A” due to lack of data are again Muslim countries (Table 2). Clearly this is not a pleasing outlook. The empirical results of path breaking studies by both Rehman and Askari (2010) and Kanbir and Dikkaya (2021) also support these findings and indicate that Muslim countries in general fall much behind non-Muslim countries in terms of practically implementing the Islamic values on economic and political grounds.

**Table 2: Economic Freedoms in the Muslim World (2022)**

Rank	Country	Overall	Change
33	United Arab Emirates	70.2	-6.7
42	Malaysia	68.1	-6.3
44	Qatar	67.7	-4.3
50	Albania	66.6	+1.4
62	Brunei Darussalam	64.8	-1.8
63	Indonesia	64.4	-2.5
64	Kazakhstan	64.4	-6.7
74	Bahrain	62.0	-7.9
75	Azerbaijan	61.6	-8.5
76	Ivory Coast	61.6	-0.1
81	Benin	61.0	+1.4
87	Jordan	60.1	-4.5
88	Senegal	60.0	+2.0
91	Guyana	59.5	+2.1
97	Morocco	59.2	-4.1
100	Burkina Faso	58.3	+1.8
101	Kuwait	58.3	-5.8
102	The Gambia	58.0	-0.8
104	Togo	57.2	-0.3
107	Türkiye	56.9	-7.1
108	Oman	56.6	-8.0
114	Mali	55.9	+0.3
115	Gabon	55.8	-2.3
116	Kyrgyz Republic	55.8	-7.9
117	Uzbekistan	55.7	-2.6
118	Saudi Arabia	55.5	-10.5
119	Mauritania	55.3	-0.8
120	Djibouti	55.3	-0.9
121	Niger	54.9	-2.4
124	Nigeria	54.4	-4.3

<sup>6</sup> <https://www.fraserinstitute.org/economic-freedom/dataset?geozone=world&year=2019&page=dataset&min-year=2&max-year=0&filter=0>



127	Uganda	54.2	-4.4
128	Tunisia	54.2	-2.4
129	Guinea	54.2	-2.3
136	Cameroon	52.9	-0.5
137	Bangladesh	52.7	-3.8
140	Sierra Leone	52.0	+0.3
142	Mozambique	51.3	-0.3
143	Comoros	50.4	-5.3
146	Chad	49.8	-0.6
147	Tajikistan	49.7	-5.5
152	Egypt	49.1	-6.6
153	Pakistan	48.8	-2.9
156	Suriname	48.1	+1.7
161	Maldives	47.3	-7.9
162	Lebanon	47.3	-4.1
165	Turkmenistan	46.2	-1.2
166	Guinea-Bissau	46.0	-8.9
167	Algeria	45.8	-3.9
170	Iran	42.4	-4.8
174	Sudan	32.0	-7.1
N/A	Afghanistan	N/A	N/A
N/A	Iraq	N/A	N/A
N/A	Libya	N/A	N/A
N/A	Somalia	N/A	N/A
N/A	Syria	N/A	N/A
N/A	Yemen	N/A	N/A

Source: Heritage Foundation (2022).

### 3.2. Political Freedoms

Political freedoms such as free elections, the rule of law, freedom of speech, freedom of association, freedom of conscience and freedom of press are important for individuals to express their views openly and realize their potential as human beings as well as professionals. In terms of political freedoms, *Freedom in the World* is a widely known index developed by Freedom House measuring the status of *political rights* and *civil liberties*. Table 3 and 4 gives the top 10 performers and the ranking of the Muslim countries respectively.

As we can see from Table 3, Finland, Norway and Sweden are the best performers in the world in terms of political freedoms. Seven out of ten top performers are European countries. Looking through Table 3 and 4, one can see clearly that the outlook of the Muslim world is not pleasing in terms of political freedoms, either. Unfortunately, out of 57 Muslim nations, there are only 2 countries categorized under “free,” as opposed to 23 as “partly free” and, more than half of them (32 countries, 55%) are categorized as “not free” (Table 3).<sup>7</sup> The top performers among OIC member states are Suriname and Guyana as the only two politically “free” countries and they rank only 73<sup>rd</sup> and 80<sup>th</sup> in the world.

<sup>7</sup> <https://freedomhouse.org/countries/freedom-world/scores?sort=asc&order=Country>

**Table 3. Top Ten Performers in Terms of Political Freedoms (2022)**

Rank	Country (overall)	Score&status	Muslim Country	score	Rank
1	Finland	100 Free	Suriname	79 Free	73
2	Norway	100 Free	Guyana	73 Free	80
3	Sweden	100 Free	Senegal	68 Partly Free	87
4	New Zealand	99 Free	Albania	67 Partly Free	88
5	Canada	98 Free	Sierra Leone	65 Partly Free	95
6	Denmark	97 Free	Tunisia	64 Partly Free	97
7	Ireland	97 Free	Benin	59 Partly Free	107
8	Luxembourg	97 Free	Indonesia	59 Partly Free	109
9	Netherlands	97 Free	Burkina Faso	53 Partly Free	118
10	Uruguay	97 Free	Niger	51 Partly Free	120

**Source:** Freedom House (2022).

**Table 4: Political Freedoms in the Muslim World (2022)**

Rank	Country	Total Score and Status	Political Rights	Civil Liberties
73	Suriname	79 Free	34	45
80	Guyana	73 Free	30	43
87	Senegal	68 Partly Free	29	39
88	Albania	67 Partly Free	28	39
95	Sierra Leone	65 Partly Free	28	37
97	Tunisia	64 Partly Free	26	38
107	Benin	59 Partly Free	17	42
109	Indonesia	59 Partly Free	30	29
118	Burkina Faso	53 Partly Free	23	30
120	Niger	51 Partly Free	23	28
122	Malaysia	50 Partly Free	20	30
123	Ivory Coast	49 Partly Free	19	30
128	The Gambia	47 Partly Free	21	26
129	Guinea-Bissau	43 Partly Free	17	26

131	Mozambique	43 Partly Free	14	29
132	Nigeria	43 Partly Free	20	23
133	Comoros	42 Partly Free	16	26
134	Lebanon	42 Partly Free	13	29
135	Togo	42 Partly Free	15	27
137	Maldives	40 Partly Free	19	21
138	Bangladesh	39 Partly Free	15	24
139	Kuwait	37 Partly Free	14	23
140	Morocco	37 Partly Free	13	24
141	Pakistan	37 Partly Free	15	22
143	Mauritania	35 Partly Free	14	21
145	Guinea	34 Not Free	10	24
146	Uganda	34 Not Free	11	23
148	Jordan	33 Not Free	11	22
149	Algeria	32 Not Free	10	22
150	Mali	32 Not Free	8	24
151	Türkiye	32 Not Free	16	16
153	Iraq	29 Not Free	16	13
156	Brunei	28 Not Free	7	21
159	Kyrgyzstan	27 Not Free	4	23
160	Qatar	25 Not Free	7	18
162	Djibouti	24 Not Free	5	19
163	Oman	24 Not Free	6	18
165	Kazakhstan	23 Not Free	5	18
169	Gabon	21 Not Free	3	18
173	Egypt	18 Not Free	6	12
177	United Arab Emirates	17 Not Free	5	12
178	Cameroon	15 Not Free	6	9
179	Chad	15 Not Free	1	14
181	Iran	14 Not Free	4	10
184	Bahrain	12 Not Free	2	10
186	Palestine	11 Not Free	3	8
188	Uzbekistan	11 Not Free	2	9
189	Afghanistan	10 Not Free	1	9
190	Sudan	10 Not Free	0	10
191	Azerbaijan	9 Not Free	2	7
193	Libya	9 Not Free	1	8
195	Yemen	9 Not Free	1	8
197	Tajikistan	8 Not Free	0	8
200	Saudi Arabia	7 Not Free	1	6
201	Somalia	7 Not Free	1	6
207	Turkmenistan	2 Not Free	0	2
209	Syria	1 Not Free	-3	4

**Source:** Freedom House (2022)

### 3.3. Historical, Intellectual and Philosophical Reasons for the Current Negative Outlook of the Muslim World

In many respects, this is an important topic of discussion where there is not an easy answer. One can think of many external as well as internal factors, political, economic as well as intellectual and philosophical reasons contributing to the current underdeveloped and undesirable negative outlook of the Muslim world.

Theoretically, Islam as religion has no problem with the idea of freedom and free market economy. On the contrary, main sources of Islam (i.e. the Qur'an and the Sunnah) and basic Islamic teachings based on the main sources promote freedom and pillars of a free market economy (Acar, 2021; Akyol, 2011). In order for this life to be a *test* before the Hereafter, human beings have to have a free will to decide on how to organize their lives, it is a sine-qua-non. Private property, freedom of choice, competition, free trade and limited government as being the main components of a free market economy are perfectly compatible with Islam (El Moussaoui, 2016). In fact, early experience of the Muslim societies illustrates this compatibility not only theoretical but also practical levels clearly (Ozel, 2009; Koehler, 2014; Cizakca and Akyol, 2012). The classical period or the “Golden Age” of the Islamic civilization displays the harmony and compatibility of Islamic teachings and free market institutions to a great extent.<sup>8</sup>

Unfortunately, the Muslim world failed to sustain the harmony of basic Islamic teachings and practical implementations and institutional structure based on freedom, plurality, tolerance, openness, and free trade. We can suggest many external and internal as well as theoretical/ intellectual as well as practical (economic, political and historical) reasons to account for stagnation, going back, falling behind, and the eventual collapse.

Among the major external factors are colonialism, military invasions and imperialist-economic exploitation of the natural resources by the external powers. One should remember that many of the Muslim countries gained their independence as late as post-World War II. Following industrial revolution and Enlightenment, Western powers gained military superiority and started to expand towards the east, where eventually vast majority of the Muslim geography including India, Indonesia, Malaysia, central and north Africa were colonized, occupied and exploited by the western powers especially the British, French, Dutch and Italian forces for many decades.

Equally or maybe more importantly, we should underline the Mongolian invasions of the 13<sup>th</sup> century that caused a big trauma all over the then Muslim world in terms of loss of human capital and destruction of scholarly collection (i.e. libraries) and physical infrastructure. Fall of Baghdad and collapse of the Abbasid Caliphate in 1258 A.D. has been a corner stone since then.

But this is not all. There are a number of internal reasons one can think of to account for the undesirable economic and political outlook of the Muslim world today. In our opinion, the single most important intellectual or philosophical underpinning that contributed to this process is the dominant mentality characterized by *literalism, traditionalism and fatalism* as

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<sup>8</sup> For a thorough analysis of Central Asia's golden age, see (Starr, 2015). A detailed discussion on early Islamic period from Prophet Mohammad to Abbasids can be found in Apak (2020).

opposed to a mentality characterized by *interpretation, rationalism and voluntarism* (i.e. free will) (Acar, 2016).<sup>9</sup> Unfortunately, the former won the battle between these two types of opposing mentality or world view. The Muslim world today is to a great extent the product of this literalist-traditionalist-fatalist mind. Lack of tolerance, lack of civil society, hesitance toward any kind of change and freedom, a dominant attitude of anti-freedom, anti-free market complete the picture in the Muslim world today. Aslam (2016: 89) mentions three factors to explain the lack of tolerance in the Muslim world: there has been an intellectual vacuum and failure of Muslim modernists to explain the case for a free society, elevation of Sharia (Islamic jurisprudence) to the level of divine (i.e. freezing the law), and politics (colonialism, post-colonial despotism, present-day western hegemony, attacks and invasion of Muslim lands (e.g. Iraq, Afghanistan, Palestine, etc.).

#### 4. Türkiye's Struggle Towards Free Market Economy

##### 4.1. Modern Türkiye at A Glance: A Brief Economic History

Modern Türkiye was founded on the ashes of Ottoman Empire (1299-1922) which collapsed at the end of World War I. Ottoman State was a multi-ethnic, multi-religious empire ruled over a vast geography ranging from Crimean Peninsula on the north to Hijaz and Yemen on the south, Caucasia and Anatolia on the east to the Balkans and central Europe up to the doors of Vienna, and north Africa up to the doors of Gibraltar Strait and Atlantic Ocean. Unfortunately, she was among the losers of the war and hence disintegrated as other empires of the time, i.e. Tsarist Russian Empire, Austria-Hungary and German Empires at the end of World War I. Following a 4-year long war of independence (1919-1922) Republic of Türkiye was founded as a Turkish-dominant national state.

As would be expected, transition from an empire to a national state has not been easy. A series of fundamental reforms have been enacted, including but not limited to, change of constitution, all laws and regulations, the alphabet, language or daily vocabulary, the calendar, dress code, the entire institutional structure, etc. There were inevitable and serious frictions between these reforms and religious, historical and sociological fabric of the society. Therefore, these reforms could only be implemented under authoritarian governments, so there was.

Accordingly, the political system implemented in modern Türkiye up until 1950 was an authoritarian type of *single-party regime* where there was only one party (Republican People's Party/CHP) controlling everything in terms of political as well as economic affairs. As one can guess, there was barely economic and political freedoms: no freedom of press, nor freedom of speech either. It was only after World War II Türkiye switched to multi-party system primarily under external pressures which had to do with Soviet threats against Türkiye and the requirements of NATO membership for her to join the western bloc.

A new epoch was opened with Democratic Party's accession to power in early 1950. There were efforts to open up the country and relax some of the political measures taken over from the previous period. But unfortunately this epoch did not last long. A new period that would

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<sup>9</sup> More can be found on the battle between schools of thought regarding freedom, free will, destination or fate and mindset can be found in Amara (1998).

be characterized by frequent military interventions started in 1960 with what is called 27 May (1960) Coup. Since then, Türkiye faced at least six military interventions either in the form of full-fledged coup, or military warnings (i.e. memorandum), or coup attempts: 27 May 1960 (coup), 12 March 1971 (memorandum), 12 September 1980 (coup), 28 February 1997 (“postmodern coup” as they call it), 27 April 2007 (“electronic memorandum”), and lastly, 15 July 2016 (coup attempt). In other words, swinging between military interventions and civilian democracy, Türkiye has been trying hard to become a full-fledged democracy, but it was not easy and there still seems to be a long way to go.

#### **4.2. 1980 as a Turning Point Towards Free Market in Turkish History**

As far as the economic policies and development strategies implemented by Türkiye are concerned, we can talk about five major periods in the modern Turkish history: 1) Period of relatively liberal policies (1923-29), 2) Period of statism, i.e. full government control (1930-1950), 3) Period of mixed policies (1950-60), 4) Period of central planning (1960-80), and 5) Period of free-market oriented policies (post-1980). In other words, 1980 has been a turning point in the modern Turkish history towards free market economy.

In fact, the founding fathers of Turkish Republic were ultra-nationalist, in favor of centralist, statist, protectionist, inward-looking economic and development policies as opposed to pro-free market, free trade and outward looking policies and strategies. The young Republic started its journey with relatively liberal economic policies under the pressure of international community during Lausanne negotiations, which gave birth the foundation of Turkish Republic in 1923. But before long, the eruption of the Great Depression of 1929 gave the statist power elites to switch to government-based, anti-free market, statist policies which would last until 1950. Democratic Party governments in the 1950s under the leadership of Prime Minister Menderes changed the direction towards more market oriented policies. Initially they had a good performance in terms of economic growth, investments on infrastructure including highways, promoting private investments and entrepreneurship. But this period was interrupted at the end of the decade by the first military coup that took place in May 27, 1960.

The generals who took over the government with the coup favored Soviet-type socialist central planning, which allowed the power elites to control literally everything. State Planning Organization was established in 1961 and since then 5-year development plans have been prepared and implemented where the last (11<sup>th</sup>) one is still being executed today. Accordingly, the period between 1960-1980 can be called the period of central planning. The development strategy strictly implemented in this period was “import substitution” industrialization, or what sometimes called “inward-looking” development strategy.

But this strategy evidently failed to secure economic development with protectionist policies based on minimal imports and maximum domestic production. The system came to a deadlock in the late 1970s when Türkiye had serious problems to generate stability, enough foreign exchange reserves and exports. New efforts to change the system by switching from import substitution and inward looking strategy to export-based, market-oriented outward looking development strategy (so called “24 January 1980 stabilization measures”) under the leadership of Ozal as of early 1980s even before he took the full control of the economy after a 3-year transition period following the September 12, 1980 military coup.

### **4.3. Free Market Reforms Under Ozal Administration (1980-1993)**

No doubt the most liberal and pro-free market political leader that has ever come to power in the modern history of Türkiye was the late Mr. Turgut Ozal (1927-1993). He did the most comprehensive and fundamental economic and political reforms to take Türkiye from being a practically closed, inward-looking, centrally planned, protectionist to an open, outward-looking, decentralized, free market economy based on export-led growth, market mechanism and free trade. He started with “24 January 1980 Stabilization Program” in early 1980 and then continued later -1983 and afterwards- with a series of market oriented economic and political reforms.

As part of these reforms, foreign trade was liberalized, foreign exchange controls were lifted, exports were promoted with a series of incentives, the process of privatization was initiated to downsize the government and privatize state economic enterprises (SMEs), a series constitutional amendments and legal regulations were enacted to enhance individual rights and political liberties, private entrepreneurship was promoted, and the scope of government interventions to the market was narrowed.

The effects of these reforms on economic performance of the country were outstanding. As one can see from Table 5 below, the total annual exports of Türkiye was just \$2.9 billion in 1980 as opposed to \$15.3 in 1993 and \$213.7 billion in 2021; GDP increased from \$90.7 (1980) to \$238.4 billion in 1993, \$951 billion in 2013, and \$806.8 billion in 2021. Thanks to Mr. Ozal’s fundamental economic and political reforms Türkiye, despite certain difficulties, is now a more open, richer, stronger, more developed and more free country today than it was before him. This does not mean that the process has been smooth and there were no setbacks at all, to which we will turn below.

### **4.4. A Lost Decade with Crises: February 28 Process (1994-2001)**

1990s in the recent history of Türkiye can best be described as a “lost decade” in the sense that both economically and politically the country went back, facing serious problems of stability and deteriorating macroeconomic indicators (Table 5). Ozal died suddenly, the day after he returned home from a foreign travel where he visited central Asian Turkic republics who gained independence after the collapse of the Soviet Union, on April 17, 1993. The same year witnessed a series of unexplained and unresolved mysterious political murders among whom prominent politicians, military officers, academics, journalists and intellectuals. Moreover, the number one turning point to make things even worse was what they call “28 February process” characterized by the military intervention, forcing an elected civilian government under the then Prime Minister N. Erbakan to step down, and all sorts of political and military pressures, oppression and discrimination against religious conservative businessmen, religious women with head-scarf, civil servants of conservative origin, liberal intellectuals who criticize military intervention and oppression, etc.

As everybody would agree, if there is no political stability in a country, there would not be economic stability. If there is no economic stability, people in general and entrepreneurs and businessmen in particular cannot predict or foresee the future due to high risk and uncertainty. If they cannot foresee the future or make sound calculations on cost-benefit analysis or profitability of the prospective investments, they hesitate to invest. An economy that has no investment cannot grow. If an economy does not grow, there would be no increase in

employment. Add to this, the huge government deficits due to ever-growing government size and public expenditures. As economists know very well, there are only three possible ways to finance government budget deficits: print money (which inevitably causes inflation), increase taxes (which make people poorer in terms of purchasing power), and borrowing (either internal or external, both of which one is worse than another).

As a result, 1990s became a decade characterized also by serious economic crises. Türkiye faced four major economic crises within only seven years (1994, 1999, 2000, and 2001). The last one was the biggest economic crisis Türkiye ever had since its foundation. There were economic as well as political reasons contributing to the emergence of these crises.

Among the major economic factors are huge government budget deficits, hence huge public finance deficits and high borrowing requirements, high rate of monetary expansion, and insisting on the fixed exchange rate system despite ever-growing current account deficits. Among the major political reasons that led to these crises were political instability, lack of confidence, political oppression, high country risks, no predictability, no rule of law, as a result of which there was lower productivity and lower economic growth.

2001 crisis marked an end to the period of economic and political fluctuations, instability, uncertainty and crises. In a sense “the ship run aground or stroke the bottom:” there was no way out, so something had to be changed. After some efforts under the supervision and coordination of –the former vice-chair of the World Bank- Kemal Dervish that failed due to incoherent coalition governments, Türkiye had to have general elections in late 2002 -earlier than expected normally- by which a new era started under Erdoğan’s leadership.

#### **4.5. Fluctuating Economic Policies Under Erdogan Administration (2002-2022)**

To make a long story short, Erdogan period can be split into two in terms of economic performance of Erdogan governments ruling the country since late 2002. The first Erdogan Period (2002-2013) is characterized by bold liberal economic policies, openness, taking EU-homework seriously, a series of rapid economic, political and legal reforms, pro-freedom, pro-free trade, respecting the rule of law, peaceful international relations based on diplomacy and “zero problem with neighbors” as they call it at the time, and so on. As can be seen from Table 5, this period displays clearly a success story: Economic growth, GDP, GDP per capita, exports and all other macro indicators improved unprecedentedly. But unfortunately, due to certain external as well as internal factors, this success story was not sustained after 2013.

The second Erdogan Period (2013-2022) in this regard can be characterized by high nationalist feelings, inward-looking protectionist policies with a special stress on “domestic and national,” suspending EU reforms to a great extent, high domestic political tension, taking international or regional risks unproportional with respect to military, economic, political and technological power of the country, worsening international relations (with US, EU, NATO, and neighbors), resulting high country risk, lower predictability, arbitrariness in governing, weakening of institutions (e.g. forcing the Central Bank to lower interest rates despite high inflation), problems related with the lack of independent judiciary and the rule of law. The country faced a series of internal disorders in this process including Gezi Park events (2012), 17-25 December events (2013), 15 July military coup attempt (2016), recurring terror once again, etc. We should add to this the negative effects of Covid-19 pandemic as well.



Results are obvious (as depicted by Table 5): economic slowdown, falling GDP and GDP per capita, increasing inflation and unemployment, decelerating economic growth as well as export growth, depletion of international reserves, high rate of depreciation in Turkish currency with respect to dollar and other strong currencies, and so on. As of 2022 Türkiye is way back as compared to 2013 in terms of economic performance where that year represents a peak in many respects.

Worsening international relations and un-proportionate risk taking appetite led to huge increases in government expenditures, hence causing large budget deficits; high public finance deficits leading to high borrowing requirement (PSBR), big monetary expansions for the purpose of financing these public deficits. Türkiye is now facing record-high inflation in the world: According to official figures, 79.6% CPI and 144.6% PPI as of July 2022. In 2021 there was high exchange rate volatility where depreciation of Turkish currency against strong currencies such as USD and Euro, ranging between 60-100%. Though growth rate was high in 2021 (11%), one can see clearly the slowing tendency in economic growth in the last decade (Figure 2). As a result, GDP and GDP per capita have been decreasing since 2013 (Table 5 and Figure 3).<sup>10</sup>

As a combined consequence of all these negative developments, Türkiye has been going back in the ranking of the largest economies of the world, falling from being 16<sup>th</sup> largest economy in 2015 to 21<sup>st</sup> in 2021.<sup>11</sup>

**Table 5: Growth of Critical Economic Indicators in Türkiye (1980-2021)**

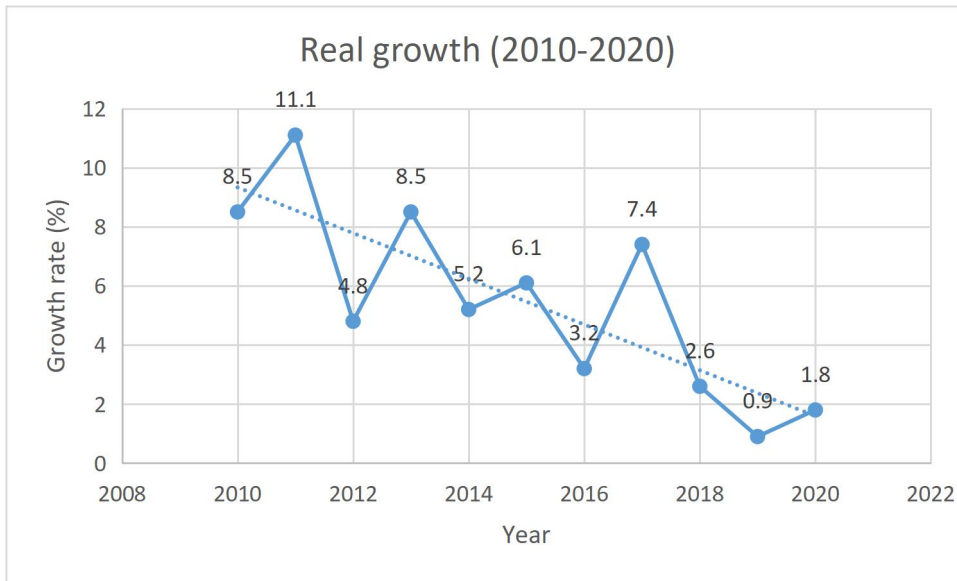
Indicator	1980	1993	2002	2013	2021	Ozal period (1980-1993)	Feb.28 Process (1993-2002)	1 <sup>st</sup> Erdogan period (2002-2013)	2 <sup>nd</sup> Erdogan period (2013-2021)
GDP (billion \$)	90.7	238.4	230.5	951	806.8				
Growth (GDP, %)*						7.7	-0.37	13.75	-2.03
GDP p. c. (\$)	2 041	4 116	3 492	12 480	9528				
Growth (pc GDP, %)*						5.54	-1.81	12.28	-3.32
Growth (X, %)*						13.65	10	13.95	4.37
Unemp. (%)	8.6	9.4	10.8	9.7	12				
Inflation (CPI, %)	94.3	75.6	29.7	7.4	36.1				

(\*) Annual average.

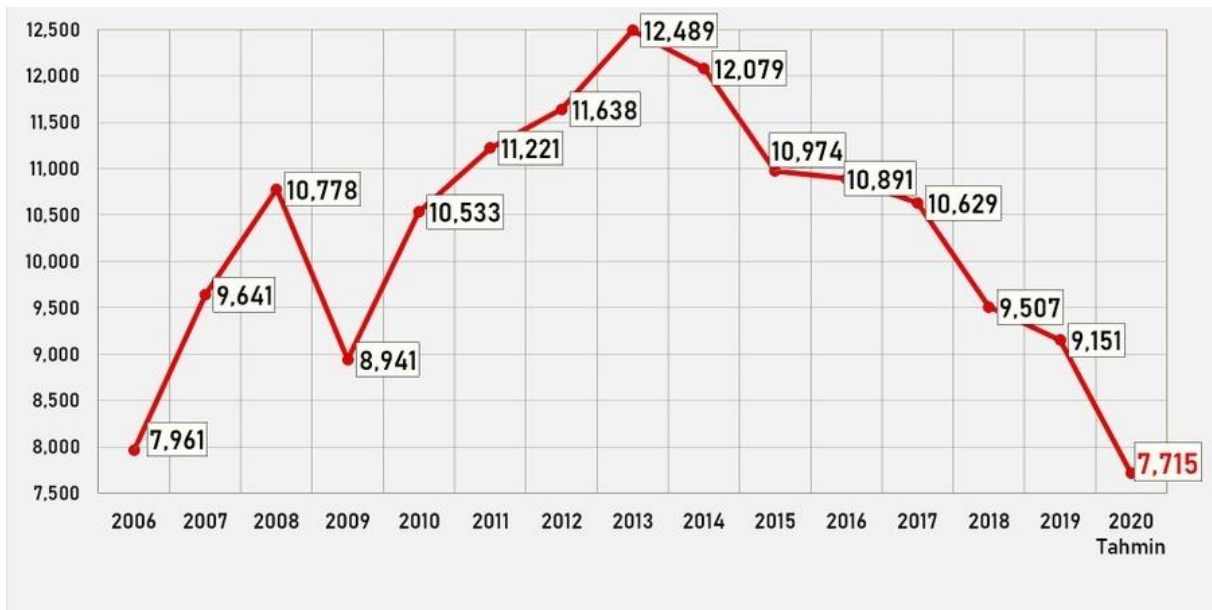
Source: Drafted by the author based on data from Turkstat and Ministry of Development.

<sup>10</sup> See Acar (2022) for a more detailed and critical analysis of Turkish economy in the 2000s.

<sup>11</sup> <https://www.mahfiegilmez.com/2022/04/turkiye-gsyh-buyuklugunde-21inci-sraya.html>



**Figure 2: Declining Real Growth (Türkiye, % change, 2010-2020).** Source: Turkstat.



**Figure 3: Fluctuating GDP per capita (Türkiye, \$, 2006-2020).** Source: IMF.

## 5. Conclusion

No doubt that freedom is the single most important value for our lives to be meaningful, for us to work hard, try to realize our potential and be more creative, innovative, and productive. Justice fits in nicely in this picture for being the key value to ensure social integrity, coherence, unity and living together in peace.

Islamic teachings (Qur'an and Sunnah) are absolutely compatible with freedom where Islam etymologically means peace, soundness and well-being. Accordingly, Islam promotes freedom, without freedom life cannot be a "test" as suggested by the main sources of Islam. In

order to have a meaningful life and try to pass the test on earth, we have to have free will, and be able to take our own decisions on what, where, why and when to do or not to do something.

The Muslim world does not display a positive, bright, promising outlook in terms of economic and political freedoms. One can find only a few Muslim countries in the freedom rankings among top 50, none in the top 10, sad but true.

There are external factors contributing to this negative outlook: colonialism, economic imperialism, military invasions and exploiting natural resources by outsiders, mostly western hegemonic powers.

However, equally important is that there are a number of internal factors as well, the most important of which has to do with the mentality or mindset through which a man observe, understand, explain, interpret and gives meaning to life, the facts and the outside reality, be it material or moral. The dominant mentality in the Muslim world today, unfortunately, is a fatalist-traditionalist-literalist mentality as opposed to voluntarist-rationalist-interpretationist mentality. Inclusive type of economic and political institutions suggested by Acemoglu and Robinson (2019) and a strong civil society either do not exist, or are quite weak to the most.

Among 57 Muslim countries in the world today, Türkiye is one of the outstanding countries in terms of having a relatively larger civil society, certain experience of pluralist democracy and free market economy. The country was primarily a closed economy until 1980s when Ozal, the then Prime Minister first and President later, started to open it up, implement several pro-free market reforms as well as political reforms in terms of political liberties, smaller government, higher scope for freedom of speech, religion and conscience, etc. On the contrary, 1990s became practically a lost decade characterized by military intervention, political oppression, and every kind of discrimination. The last two decades can be described as Erdogan period since Justice and Development Party governments under his leadership has been ruling the country since late 2002.

In terms of macroeconomic performance, Ozal (1983-93) and first Erdogan period (2002-2013) outperform others clearly characterized by higher economic growth, increasing pc GDP, rapid increase in exports, relatively lower inflation and unemployment with some seasonal or temporary exceptions. The main factors contributing to this positive economic performance are political as well as economic stability, pro-free market and open border policies, fundamental EU-related economic, legal and political reforms, hence lower country risk, observing rule of law, and higher predictability. On the contrary, when there is economic and political instability, no respect for the rule of law, higher country risk and lower predictability accompanied by arbitrariness, worsening international relations, anti-free market policies of protectionism and government intervention at all levels, the performance of the economy also goes down.

Based on the analysis above, we suggest that in order for the Muslim world to “break the chains” and get out of the current negative, desperate, underdeveloped outlook, it is obvious that economic and political freedoms must be guaranteed, inclusive economic and political institutions must be strengthened, economic and political stability established, international relations must be improved, country risks are minimized and predictability is ensured. It is of utmost importance in this process to adopt a rationalist-voluntarist-interpretivist mentality and

leave the currently dominant traditionalist-fatalist-literalist mentality, and strengthen the civil society and inclusive institutions.

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