

The Psychological Response of Turkish Business Persons towards the Economic Crises
of 2000 /2001

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by

Ilnour Algouchaev

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Abstract

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Ilınour Algouchaev

The consequences of the economic crises that hit Turkey first in November 2000 and next in February 2001 have been severe. They have become deep and sustained, like many other economic crises over the world. (Mexico in 1994, to be followed by Indonesia in 1997, Thailand in 1997, Russia in 1998, and Argentina in 2001)

This work approaches the Turkish twin crises from the perspective of Turkish business persons. The major study objectives are to map out attitudes and responses of business people in relation to the crises; to evaluate by in-depth interviews the severity of the last economic crises for them; to clarify some developments within the relevant sectors; to find out if the psychological resilience of business people towards crises is a relevant factor among many other factors explaining the problem; to see if it was difficult for Turkish business people to cope with the crises and to learn how they evaluate their psychological crisis-coping mechanisms.

The in-depth interviews show that even though it was difficult for Turkish business people to cope with economic problems during the crises of 2000/2001, their psychological crises-coping mechanisms (resilience towards crises) have become stronger after that difficult period. They evaluate themselves as having become more experienced towards such challenges.

Kısa özet

Türk iş adamlarının 2000/2001 ekonomik krizlere karşı psikolojik direniş ve yanıtları

Ilnour Algouchaev

Türkiye Kasım 2000 yılında, sonra da Şubat 2001 yılında ekonomik krizlere maruz kaldı. Bu krizlerin etkileri birçok ülkedeki gibi uzun sürdü ve oldukça ciddiye. (1994 Meksika krizi, 1997 Endonezya krizi, 1997 Tayland krizi, 1998 Rusya ve 2001 Arjantin krizleri).

Çalışmam “ikiz” krizleri Türk iş adamlarının bakış açılarından inceler. Bu çalışmanın ana hatları şunlardır: iş adamlarının kriz ile ilgili görüşlerini ve yanıtlarını analiz etmek; ayrıntılı görüşmeler yaparak son krizlerin onlar için şiddetli olup olmadığını değerlendirmek; ilgili sektörlerdeki gelişmeleri takip etmek; iş adamlarının krizlere karşı ‘psikolojik dayanıklılığın’ konuyu açıklamakta ilgili faktör olup olmadığını keşfetmek; Türk iş adamları için krizleri aşmanın zor olup olmadığını görmek.

Ayrıntılı görüşmeler şunları gösteriyor: Türk iş adamları için son krizlerin üstesinden gelmek zor olmasına rağmen, 2000 / 2001 krizleri onları psikolojik olarak bu tür zorluklara karşı daha dayanıklı ve güçlü yaptı.

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Chapter I

Introduction

1.1) Stating the Problem

Turkey ran into many crises in the period following April 1999 elections. Part of them came with natural disasters, such as the two enormous earthquakes in August and November of 1999. However, the impacts of the economic crises that hit Turkey first in November 2000 and next in February 2001 have been equally severe on the psychological front.

The recent crises can be compared by their tremendous consequences to the American Great Depression, following the crash of 1929 that lasted for about a decade.¹ And they also resemble the Russian one of August 1998. Hereafter, I will sometimes refer to them as “the twin crises”.

Whereas natural disasters such as earthquakes or volcanoes have been thoroughly investigated in order to minimize or even to eliminate all the number of victims, social disasters such as economic crises have been investigated with less energy.

A considerable relevant literature has been generated explaining probable causes. Many scholars have presented various explanations, which can be categorized generally into political and economic causes. Ziya Öniş, for example, explains the recent crises “as the combined outcome of the underlying weaknesses of the democratic regime at home and premature exposure to financial globalization”.² Thus, he considers that the performance of the coalition government (DSP, MHP, ANAP) in office failed to go with the optimistic mood that existed in the early months of 2000. According to him, the party

system experienced serious division for a variety of reasons; “weak and unstable coalition governments failed to provide effective governance in an environment where the option of authoritarian exit was excluded and the economy was exposed to the instability of global capital markets”.³ His and Luigi Manzetti’s arguments contribute greatly to the political explanation of the crisis. Thus, Luigi Manzetti states: ⁴

If market reforms are enacted in a political system with weak accountability institutions, then one should expect the executive to manipulate such reforms in pursuit of such old-fashioned practices as collusion between government and business, political patronage, and corruption. This, in turn, ends up depriving a given economy of potential advantages that could have accrued had the reforms promoted true competition rather than reallocating monopolistic rents and squandering a large amount of resources.

Similarly, Ziya Öniş sees ‘populist cycles’ as a very strong cause for the crisis. ‘Populism’ in his context is defined as “using state resources and manipulating economic outcomes in ways that disproportionately benefit select groups and classes, whose strength and support the elite relies on to maintain its rule”.⁵

On the other hand, Ahmet Ertuğrul and Erinç Yeldan approach the twin crises through the economic perspective, i.e. they focus on structural weaknesses of the post-1999 Turkish Disinflation Program. They, like Stieglitz, consider that the recent financial crises in emerging markets can be traced back to the misguided policy advice of the IMF and the World Bank.⁶ These scholars demonstrate that the disinflation program led to an increased vulnerability of the banking system throughout 2000-2001. The program tried to overcome fundamental structural problems in the key areas of taxation, privatization,

banking regulation, and the reform of agricultural price support schemes. They show that such policies designed to do structural adjustments and achieve a reduction in inflation over a short period of time have, in fact, proved to be counterproductive and have contributed to the emergence of financial crises.⁷

My focus in this study is concentrated on the psychological aspect of the issue. It may be that the psychological resilience of Turkish business people towards crises is a relevant complementary factor within the complex explanatory paradigm. I define here psychological resilience as the ability of someone to decide rationally and find solutions for overcoming the critical situation, rather than to behave emotionally. It is also the ability to quickly revive if he or she is affected by any crisis. I hypothesize that it was difficult psychologically for Turkish business persons to resist the crises of 2000/2001. Moreover, I would like to learn how they personally evaluate their crisis-coping mechanisms, and how the recent twin crises have influenced their psychologies.

So, why is this aspect interesting and important? First of all, this study tries to examine such macro event as the economic crisis by focusing on the micro-level, i.e. from Turkish business persons' perspectives. It will investigate how they perceive the hardships, how they evaluate their personal psychologies and the situation in their business sector, how their attitudes have affected their relevant companies.

Moreover, the sociological realm of this case is unique. For instance, Ayşe Buğra has closely investigated the business society in Turkey. Bugra's premise is that business institutions and behavior emerge from a society's characteristics shaped by public policy rather than by a universal rationality.⁸ Her study reveals one important detail, which is the traditionally strong government, that greatly influences business in Turkey. Ayşe Buğra

also describes an important dimension in Turkish business environment that is the 'self-image' of Turkish businessmen. According to her,⁹

one of the most striking dimensions of the Turkish businessmen's self-image seems to be a lack of confidence about the legitimacy of activities carried out in pursuit of pecuniary gain. Turkish businessmen rarely express their pride about successful ventures, but try, instead, to apologize for their success, and never fail to mention its positive implications for the national economy as a whole.

Hakan Tunç depicts another sociological aspect in his article called "The Lost Gamble: The 2000 and 2001 Turkish Financial Crises in Comparative Perspective". He argues that "at the heart of the Turkish financial crises of November 2000 and February 2001 lay a financial panic characterized by a sudden change in the expectations of foreign investors".¹⁰ According to him, this panic was accompanied by a vulnerable financial system.

İlyas Akbaş, for example, has emphasized the importance of the moral condition of people to recover from the crisis. In his thesis he says that "there are two main factors affecting the result of a stabilization program in a moral point of view: credibility and trust".¹¹ In his work, İlyas Akbaş sees 'credibility' and 'trust' as the requirements for success of stabilization programs. "Both external and internal financiers should trust the government and the new economic program. ... The policies should be explained and implemented in a transparent manner".¹²

Similarly, Fikret Adaman and Ali Çarkoğlu highlight an interesting relation between crises, the decline of trust on the part of general public, and the process of large-

scale corruption, which contributes to the start of the economic crisis; economic crisis, in turn, leads to more corruption and further decline in trust and social capital, and so it goes on.¹³

To add, there are some scholarly works on the similar theme but in relation to psychological effects of another disaster, that is the 1999 Marmara earthquake. Thus, Zeynep Armay in her “Acute stress reactions and dissociation in earthquake survivors” and Gonca Şensözen in her “Psychological well-being of experienced and inexperienced rescuers after 1999 Marmara earthquake” concentrate on psychological well-being of people after such natural disaster as earthquake.

In conclusion, the key objectives of this study are the following: to map out business persons’ attitudes, responses and strategies in relation to the crises of 2000/2001; to evaluate the severity/insignificance of the last economic crises for them; to see the developments within relevant sectors; to find out if the psychological resilience of business persons towards crises is a relevant factor among many other factors explaining the problem; to see if it was difficult for Turkish businessmen to cope with the crises; to learn how they evaluate their psychological crises-coping mechanisms.

1.2) Anatomy of the 2000/2001 Crises

The recent twin crises differ from earlier crises in the sense that they have showed the resilience of the democratic regime in Turkey in the face of the economic crises.¹⁴ There are many explanations of these crises in academic literature. Generally, they can be categorized into political and economic analyses.

Table 1. Characteristics of economic crises in Turkey.¹⁵

	1958/59	1978/79	1994	2000/1
Nature of the crises	Balance of payments crisis originating from the current account, primarily caused by domestic imbalances.	Balance of payments crisis originating from the current account, primarily caused by domestic imbalances.	Balance of payments crisis originating from the current account, primarily caused by domestic imbalances.	Balance of payments crisis caused by successive speculative attacks and massive outflows of capital leading to the collapse of growth and heavy unemployment in 2001. Both internal and external imbalances are important.
Origins	Fiscal imbalances; steady appreciation of the real	Fiscal imbalances; steady appreciation of the real	Fiscal imbalances; steady appreciation of the real	Primarily originated from disequilibrium in the banking sector (private

	exchange rate; export stagnation and rising trade deficit.	exchange rate; export stagnation and rising trade deficit; distorted production and trade structure caused by ISI.	exchange rate; export stagnation, import boom, outflow of short- term capital.	banks in 2000 and public banks in 2001); a strong link may be formulated between disequilibria in the banking sector and fiscal imbalances.
External Dimension	Peripheral; falling world demand for agricultural products in the latter half of the decade	Successive oil shocks have contributed to the crises; oil shocks largely aggravated the problem created primarily by domestic imbalances.	Significant over- dependence on fragile short- term capital inflows following premature capital account liberalization in August 1989.	Highly volatile external environment characterized by recurrent crisis in emerging markets and reversible capital flows, especially after the Asian crisis of 1997. Export performance, negatively affected by the

				Russian crisis and weak global demand, rendered the economy highly vulnerable to a crisis.
International Actors in the Post-Crisis Context	IMF is the dominant actor in the post-crisis period. A typical short-term stabilization program.	Both IMF and the World Bank are heavily involved; official assistance through the OECD is also important.	IMF is the primary actor; EU is also involved through the Custom Union.	IMF is the critical actor both in the pre- and post- crisis era; the role of the EU is decisive for the first time. IMF and EU anchors are increasingly interrelated. World Bank is also involved as a secondary actor.
Political Consequences	Collapse of the democratic regime.	Collapse of the democratic regime; longer	Democratic regime remained intact; an	A decisive turning point, the democratic

Restoration of democracy occurs over a relatively short period of time.	military rule; restoration of full or unrestricted party competition occurs over a longer period.	implicit link could be formulated between the negative effect of 1994 crisis, the rise of political Islam and indirect or "postmodern" military intervention in February 1997.	regime proved to be highly resilient in the face of the crisis; the impact of the changed international environment and the presence of a powerful EU anchor are significant.
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Source: Ziya Öniş, Domestic Politics versus Global Dynamics: Towards A Political Economy of the 2000 and 2001 Financial Crises in Turkey. *Turkish Studies*. Summer 2003: 4-5.

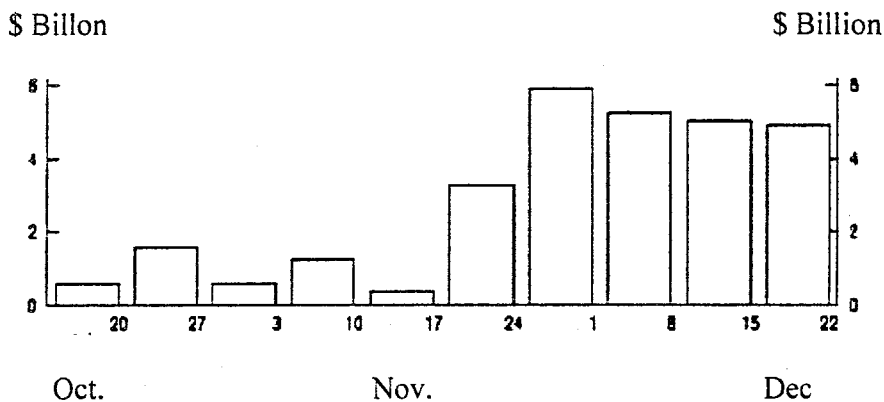
All the good intentions that were declared enthusiastically at the early months of 2000, with the signing of a \$4 billion IMF Stand-By loan agreement, had been undermined by a dispute between President Ahmet Necdet Sezer and Prime Minister Bulent Ecevit.¹⁶

The government's 2000-2002 economic program. had started out with extraordinary political backing. The program was very ambitious, aiming to bring consumer price inflation down to 25 % by the end of 2000; 12 % by the end of 2001; and to 7% by the end of 2002 .¹⁷ It achieved impressive initial results and was widely

believed to have a good chance of success than many previous internationally supported programs for Turkey. Significant progress was made during 2000, and inflation was brought down from 69% in 1999 to 39% in 2000.¹⁸ So, what went wrong?

The tensions that culminated in a crisis around November 20, 2000 might be hidden in Turkey's economic system. The immediate episode was a liquidity problem in a few banks, which sparked a loss of confidence in the entire banking system.

Table 2. Central bank reserve losses, US\$ billion, end-week data, 2000.



Source: Central Bank of Turkey

When the central bank decided to inject massive liquidity into the system in violation of its own board rules, (see Table 2) it created fears that the program and currency peg were no longer sustainable, and finances flowed out and drained reserves. The panic was calmed down only with an additional \$7.5 billion IMF emergency funding package (over and above an original \$4 billion stand-by loan). In its press release IMF put it as following:¹⁹

The Board also decided to provide additional resources under the stand-by credit available under the Supplemental Reserve Facility (SRF) in the amount of SDR 5.8 billion (about US\$7.5 billion), or 600 percent of Turkey's quota in the IMF, to alleviate balance of payments difficulties stemming from the recent financial crisis. Of this amount, SDR 1.7 billion (about US\$2.2 billion), or 180 percent of quota, will be available immediately.

The government then reaffirmed its commitment to the previous inflation targets, pledged to speed up privatization and banking reforms, took over a major bank, Demirbank, which had been at the origin of the liquidity problems, and announced a guarantee of all bank liabilities.

The situation seemed to stabilize in early 2001, as almost all capital that had exited in the November crisis (about the \$6 billion) flowed back and reserves were reconstituted.²⁰ However, investors were demanding higher interest rates than before, indicating an increase in the country risk scale. Also, the new capital inflows were on a very short-term (overnight) basis, due to devaluation fears.²¹ So, confidence in the program was not really restored, despite government pronouncements and the support of the IMF.

On February 19, 2001 Turkey was hit by another crisis. Ecevit has been blamed by a large segment of the Turkish population for triggering it by his disagreement with the Turkish President, Ahmet Necdet Sezer, during a National Security Council meeting. Sezer suggested that Ecevit was not being tough enough in dealing with corruption in Turkey's banking system, which was still burdened by many large state-owned banks that

are run according to political party caprices.²²

Media showed massive initial support for Sezer's position. "In essence, Sezer told the prime minister he has thieves in his cabinet and hadn't done anything to get rid of them. It's a declaration of war." said Abdurrahman Ariman of YASED.²³ Opposition leaders wanted Ecevit to step down and call early elections.

Besides the loss of political credibility, damage from the affair has been economic. A renewed crisis followed. However, this time the central bank stuck to the board rules and refused to act as lender of last resort, hoping that banks would turn in their dollars in order to obtain lira.²⁴ The result was record overnight interest rates, which peaked at close to 5000% on February 21.²⁵ The banking system, already weak because of the November crisis, faced crash when the inter-bank payments system ended to function. The next day the government decided to float the lira, bringing the end of the exchange rate based stabilization program.²⁶

So, the dispute was followed by the collapse of the stock market, interest rates shot up 5,000 percent, announcement of the government decision for the transition to a floating-currency regime, and a devaluation of 40 percent in the value of currency and real wages.²⁷ Billions have left the country and the banking system was estimated to have lost \$20 billion in capitalization.²⁸ Another bank, Ulusal Bank, was taken over by the state in March. The anti-inflation program was in pieces, and Central Bank Governor Gazi Ercel resigned. People were astonished and confused. They were just wandering around in the streets going into the foreign currency shops, asking and then going out again. Very little business was obviously happening at that time.

The IMF had been called back for another attempted rescue mission requiring \$20-\$40 billion more funding.²⁹ “I don't think our problems will be solved by any IFM reform package, even if it works,” said Cuneyt Sezgin, executive vice president of Ottoman Bank. “Turkey still has chronic problems and imbalances that come from deeper causes, such as a government sector that is too big and too inefficient. Even the private sector is not productive enough and competitive enough, but the Turkish elite never want to deal with these real problems.”³⁰

However, some business people preserved their positive attitudes. For instance, Ersin Ozince, the president of Is Bank (Turkey's largest private bank), expressed his insights as following.³¹

Am I concerned about the political environment? Yes. But this is a lot like sailing. Your boat can capsize, but if you know how to sail and the boat is strong, you can recover and carry on. This current crisis has been costly, but it is not of utmost importance in jeopardizing the country's future development. The economy is undergoing something like medical treatment, and treatments have side effects.

The political explanation of the last twin crises often fits the paradigm that Turkey lacked the efficient political system. The government sector was generally seen as too big and too inefficient. It should also be noted that during the last crisis many business people blamed corruption within the government. In addition, political uncertainty before the last crisis also was a crucial factor. Thus, Sanberk, who is the ex-director of the Turkish Economic and Social Studies Foundation in Istanbul, claims that the Turkish current party system is leader-obsessed.³²

Party leaders are undisputed kings. Election constituencies have little or no control over the nomination of candidates for Parliament. That means that parliamentarians are beholden to their leader and no one else. Add to this a coalition system where ministries are allocated to parties and don't play together as a team and you get inadequate discussion, a poor flow of information and bad policymaking.

Moreover, state banks fed politicians' favorite projects. "It was pretty clear that banking was the soft underbelly of the entire economy," says Rusdu Saracoglu, a former governor of Turkey's central bank.³³

I would like to conclude the presentation of 'the 2000/20001 crises anatomy' by explaining what was done by the government. In February, Prime Minister Bulent Ecevit named Kemal Derviş as Economy Minister. The crisis was Turkey's worst in decades. "Interbank interest rates hit 7,000%. Unable to pay their dollar debts, most Turkish banks were technically insolvent".³⁴

Dervis started working. Within weeks, he got a legislature to pass 15 laws such as deregulating natural gas and sugar prices; also laws concerning bank reform.

At the same time, he also used his contacts in IMF to request \$8 billion on top of the \$11 billion, committed since 1999. "Dervis has approached the problem with the attitude of what's right for Turkey, rather than what's right for narrow political interests," said David Edgerly, Executive Director at Istanbul-based Garanti Securities.³⁵

The new economic program has focused on increasing the transparency and accountability in the public and the private sectors. "Are we really going to join the club of economically well-managed countries? That's a battle we'll have to win beyond the

short term,” Dervis said in his press conference starting the new program.³⁶ The program’s objectives were easing interest rates “by reducing the dependence of the government and the state banks on funding themselves from the market”.³⁷ The final goal was to complete “the restructuring of the banking sector which rests on four pillars: the financial and operational restructuring of the state banks; the resolution of SDIF (Savings Deposit Insurance Fund) banks; the strengthening of private banks; and the strengthening of the legal and regulatory environment”.³⁸

He replaced the political men at state-owned banks with professionals. Using \$45 billion in new debt, he recapitalized state and private banks that had been seized. He closed Emlak Bank, a state bank used to provide funds for housing. “This cuts the arteries to politicians,” said an admiring Mustafa Koc, a director of Koc Holding, a rich Turkish industrial group.³⁹

Several private-sector banks were seized and sold.⁴⁰ “It’s a good message to the market that these banks are being sold off. It means we are putting them back into action in the economy,” said Engin Akcakoca, the head of the Banking Regulation & Supervision Agency (BDDK).⁴¹ Five months later, the program started bearing fruit. The lira stabilized, though at 1.3 million to the dollar. Inflation was 16% in May.⁴²

Now, having the anatomy of the twin crises presented, I am going to focus on the theoretical paradigm for my study in the following chapter.

Chapter II

Theoretical Setting

2.1) Economic Psychology

This part of my work is going to concentrate on theoretical ground. Because my study is an interdisciplinary one, which uses psychology in economic environment, I would like first to present here the relevant academic research area. After the brief discussion of what Economic Psychology is, I will focus on Herbert Simon's contribution to this field as a good evidence for the importance of such approach. The second section of this chapter will be dedicated to the psychological dimension.

To begin, Professor Stephen Lea in his article for the *Fontana Dictionary of Modern Thought* has given the definition for Economic Psychology as following:⁴³

Economic Psychology is not a branch of psychology, but the interdisciplinary study of the interface - or sometimes the gap - between economics and psychology. Economic psychologists recognize that (a) the economy powerfully influences individuals' lives, at the psychological level of feelings, thoughts and behavior, (b) individuals' feelings, thoughts and behavior are what make up economic life, and (c) there are many problems, both academic and practical, to which both economics and psychology, despite their very different approaches and explanatory styles, can both contribute. ... Very similar approaches are taken under names like behavioral economics, consumer psychology, or socio-economics, and also within decision making or occupational and organizational psychology. As a recognized discipline, economic psychology is better established in Europe than in North America.

Important research centres include Rotterdam and Tilburg (the Netherlands), Paris, Stockholm, and Bath and Exeter (UK). However, the most prominent post-war economic psychologist was a Hungarian-American, George Katona, and most influential figures in modern economic psychology include Americans, such as Richard Thaler and the late Amos Tversky.

Indeed, the economy strongly influences people's lives at the psychological level of feelings, thoughts and behavior. As economies undergo unpredictable macroeconomic changes, people's psychologies also undergo transformations. For example, the 1990s transition from planned economy to market economy in Eastern, Central Europe and the former Soviet Union has resulted in difficulties for people who were psychologically adapting to new realities.

Moreover, according to the definition above, economic theorists also claim that "individuals' feelings, thoughts and behavior are what make up economic life". If we focus on past experiences during many economic crises, such as 'Black Thursday',⁴⁴ or the Russian crisis of 1998, they illustrate that a sudden change in public psychology can have a significant bearing on the economy. We can observe this fact also in the latest economic development in Russia, when the state intervened into business, arresting oil tycoon Mikhail Khodorkovsky. The loss in public confidence affected the crash in stock market.

It is also well known that consumers decide to buy expensive goods and businessmen decide to make investments to expand production capacity, and banks are willing to grant credits only when consumers believe in the stability of their current income or when businessmen believe they can sell more goods in market and when banks

are sure that their creditors will be able to repay their loans within the agreed terms. So, economic actors are prepared to take calculated risks when they have positive economic expectations. Thus, psychology plays an important role in economy. If the economic projection is optimistic, then consumers, business people and banks will take risks. If they expect hard times, they will be less inclined to take risks. So, greater confidence boasts economic growth, which further boasts confidence. And vice versa, a loss of confidence damages the economy, which further undermines confidence. So, the relationship between psychological mechanisms and economic variables is clear.

Economics and psychology also meet in the studies about decision-making of economic actors. For instance, Daniel Kahneman, professor of Psychology at Princeton University and professor of Public Affairs at Woodrow Wilson School, studies both decision-making behavior of individuals in economic contexts and the effect of economic variables on subjective well-being. He was awarded the 2002 Nobel Prize in economic sciences. In its announcement, the Royal Swedish Academy of Sciences cited Kahneman “for having integrated insights from psychological research into economic science, especially concerning human judgment and decision-making under uncertainty.”⁴⁵

Now, I am going to focus on Herbert Simon’s ideas and works because he brings psychology into economics, so that they prove the relevance and importance of psychology in economics. His visions are important also in my study for challenging rational choice theory, by limited rationality.

2.2) Herbert Simon: Bringing Psychology into Economics

Herbert Simon has contributed much to the 20th century sciences such as economics, psychology, organization theory, political science, management research, cognitive and computer sciences. As it was already mentioned, here I focus on Simon's attempt to bring psychology into economics. He contributed greatly to better understanding of decision making by discovering the concept of bounded rationality, which is going to be elaborated in the following part. Simon believed that if economics uses more psychology it is able to advance its understanding of human decision making and to understand the psychological limits to rationality in economics.⁴⁶ Moreover, the developing field of economic psychology accentuates, like Simon, the common interest between economics and psychology.⁴⁷

Simon is a 1978 Nobel Prize-winning economist, "for his pioneering research into the decision-making process within economic organizations".⁴⁸ His ideas of bounded rationality have important implications on both economics and psychology. In economics, bounded rationality challenged the assumptions of neoclassical ideas on maximization; in psychology, bounded rationality has been very important in the cognitive science-critiques of behaviorism of experimental psychology.

In spite of the fact that Simon moved in his career from political science to economics, and in the end to computer science and psychology, he crossed these different disciplines during his life to understand the same main problem of human decision making.

His surrounding was dominated by the economist's way of looking at rational choice as maximizing behavior. However, he developed a different idea and challenged

the general view that economics should analyze human behavior in terms of rational choice. He wanted to develop a mechanism in which limited rational decision-making could be analyzed. He proceeded in that direction by his two articles where he proposed a new behavioral approach to rational choice. They were 'A Behavioral Model of Rational Choice' and 'Rational Choice and the Structure of the Environment'.⁴⁹ The earlier paper introduced Simon's first behavioral model of rational choice, focusing on the psychological limitations of knowledge facing the decision maker. By contrast, the 1956 paper presented an evolutionary framework and argued that simple behavioral mechanisms, called satisficing, can lead to survival. For example, March writes:⁵⁰

It started from the proposition that all intendedly rational behavior is behavior within constraints. Simon added the idea that the list of technical constraints on choice should include some properties of human beings as processors of information and as problem solvers. The limitations were limitations of computational capability, the organization and utilization of memory, and the like. He suggested that human beings develop decision procedures that are sensible, given the constraints, even though they might not be sensible if the constraints were removed. As a short-hand label for such procedures, he coined the term 'satisficing'.

Simon clarifies his approach to bounded rationality by comparing and contrasting his position to 'theories of perfect rationality embodied in classical economic theory and statistical decision theory'.⁵¹ Simon argued that rational choice theory was wrong, in "ignoring the principle of bounded rationality, in seeking to erect a theory of human choice on the unrealistic assumptions of vital omniscience and unlimited computing

power".⁵² Simon proposed that people have to start studying the psychological factors and limitations that influence human decision making. He expressed this in the principle of bounded rationality:⁵³

The alternative approach employed in these papers is based on what I shall call the principle of bounded rationality: The capacity of the human mind for formulating and solving complex problems is very small compared with the size of the problems whose solutions is required for objectively rational behavior in the real world – or even for a reasonable approximation to such objective rationality.

So, he criticized the assumption of perfect information and unlimited computational capacity. He wanted to replace the principle of perfect rationality with an assumption that was more suitable with how humans make decisions, their computational limitations and how they access information in their current environments.⁵⁴ And to deal with the issue, "one is tempted to turn to the literature of psychology for the answer".⁵⁵ According to him, psychology represents a field providing evidence for the fact that people only can process a limited amount of information; that people have a tendency to let feelings, or 'intuition', overcome logic, and that they tend to take shortcuts when making decisions. For Simon, the decision maker has both internal and external constraints in the complexity of the real world. As a consequence of the lack of unlimited computational power, decision makers have to simplify the structure of their decisions:⁵⁶

For the first consequence of the principle of bounded rationality is that the intended rationality of an actor requires him to construct a simplified model of the real situation in order to deal with it. He behaves rationally with respect to

this model, and such behavior is not even approximately optimal with respect to the real world. To predict his behavior, we must understand the way in which this simplified model is constructed, and its construction will certainly be related to his psychological properties as a perceiving, thinking, and learning being.

According to Simon, decision makers interpret outcomes as either satisfactory or unsatisfactory. An aspiration level is the boundary between satisfactory and unsatisfactory. In his simplified model there are only two possible outcomes. And because the decision maker is playing a satisfying strategy, s/he only has to look for an outcome that is good enough. In contrast, rational choice theory would list all possible results in terms of their expected usefulness and then assume that decision makers will find the efficient or rational solution, which maximizes utility. Thus, decision makers in Simon's model have to perform less computation than in the rational model, because they are only looking for enough information to find a satisfying solution.⁵⁷ As Simon summarized the conclusion, "The advantage of this procedure over the more common notion... The player, instead of seeking for a 'best' move, needs only to look for a 'good move'".⁵⁸

In his latest work called *An Empirically Based Microeconomics* Simon starts with the description of the evolution of the idea of rationality.⁵⁹ He argues that Smith was one of the founders to bring attention to the psychological aspects of rationality. Rationality for Smith means 'having reasons for what you do'.⁶⁰ Simon's view is similar:⁶¹

Everything that psychology has learned about the process of human choice is consistent with the view expressed by Adam Smith. People do have reasons

for what they do, but these reasons depend very much on how people frame or represent the situation in which they find themselves, and upon the information they have or obtain about the variables that they take into account.

In short, Simon is not satisfied with the modern economics' explanation of rationality. Simon challenges perfect rationality, where all information is available in the agent's utility function, with his introduction of bounded rationality.⁶²

We need both a sociology and a psychology of the decision maker to predict behavior - a sociology to tell us what information is likely to be available in the memory at the time of decision and what needs and wants are likely to be prominent, and a psychology to tell us how the decision will be represented and how elaborate are the calculations that the decision maker can and will carry out in order to make a choice.

Bounded rationality continues in his discussion of organizations: people develop simplifications of the world through building organizations and organizing information. So, business firms are the results of bounded rationality. The organization is a place for people 'to sell their time' to the use of other people, "without predicting in detail what it will be used for".⁶³ Simon suggests an altruism, rather than opportunism, and pays more attention to issues of organizational image.

So, in this part I have presented Herbert Simon's ideas on bounded rationality and some of his works in economics and psychology. It was in the mid 1950s that he tried to emphasize the need for psychological ideas in economics. And his latest book showed

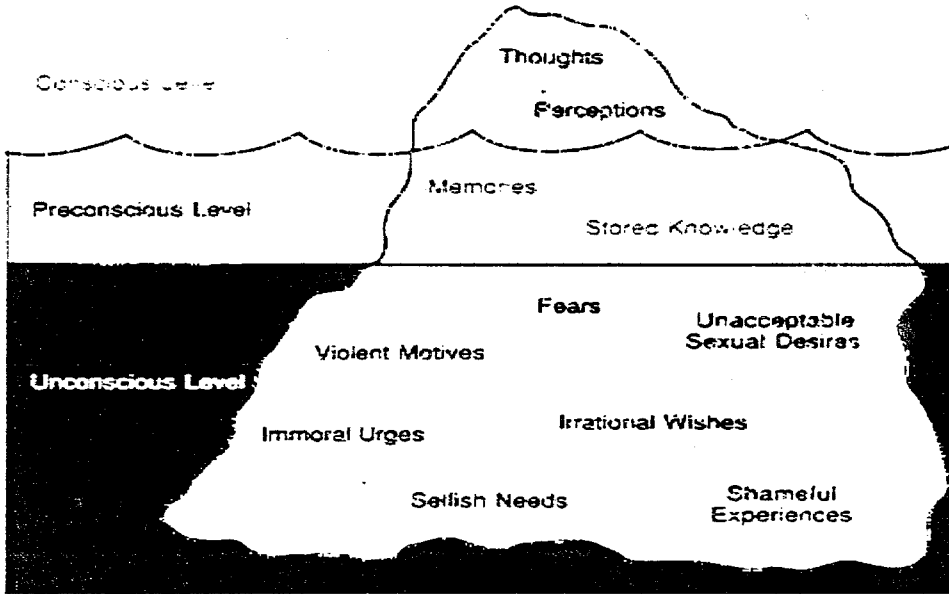
that psychology really matters in economics. His intellectual legacy leaves plenty of food for thought and further developments in economics and psychology.

2.3) Major Developments in the 20th Century Psychology

In this part I want to present the theoretical background concerning the psychological aspects. First of all, I am going to portray the prominent developments in 20th century psychology. Then, I will focus on its practical application in respect to crises-coping and resilience-development.

In social sciences the psychology of the individual is well explored. It can be said that Freud shaped the existing thinking about ‘the human psyche’ in the 20th century, influencing works from philosophy to anthropology and from literature to performing arts, in addition to economy. Freud was the first thinker to show that the broad range of human behavior is understandable only in terms of the mental processes or states which determine it. The notion of such unconscious mental states means that the mind is not identified with consciousness; it is rather similar to an iceberg, the bulk of it laying below the surface, “exerting a dynamic and supportive influence upon the part which is responsive to direct inspection, the conscious mind.”⁶⁴

Table 3. Freud's View of the Human Mind: The Mental Iceberg



Freud's colleague, Erik Erikson, worked with Sigmund Freud in Austria. His psychosocial theory extends Freudian theory. His theory is unique in that it takes in the entire life cycle and recognizes the impact of society, history, and culture on personality. Erikson is best known for his concept of the identity crisis.⁶⁵

Another important development in psychology was the emergence of Vygotsky's socio-historical school. It brought 'culture' into psychology. The major theme of Vygotsky's theoretical framework is that social interaction plays a fundamental role in the development of cognition. Vygotsky states:⁶⁶

Every function in the child's cultural development appears twice: first, on the social level, and later, on the individual level; first, between people (inter-psychological) and then inside the child (intra-psychological). This applies equally to voluntary attention, to logical memory, and to the formation of

concepts. All the higher functions originate as actual relationships between individuals.

Lewin also helped to build social psychology, focusing on social interaction and strengthening Gestal Theory. Gestalt theory is concerned with the relatedness of the individual with all psychological events within a life space. "Human beings are viewed as open systems in active interaction with their environment."⁶⁷ Gestalt theorists use the "real world" as a laboratory. This has many advantages. For Kurt Lewin behavior was determined by totality of an individual's situation. In his field theory, a 'field' is defined as 'the totality of coexisting facts which are conceived of as mutually interdependent'⁶⁸. The whole psychological field, or 'life space', within which people acted, had to be viewed, in order to understand behavior.

However, this interaction view of social behavior has been replaced by the "cognitive revolution". This paradigmatic shift began in the late 1940s and early 1950s. It was a challenge to the behaviorist model of human behavior which had rejected the need to examine "interior" mental processes and emphasized deterministic relationships in classical learning experiments. Many disciplines contributed to the emergence of "cognitive science". Some of them are psychology, linguistics, artificial intelligence, anthropology, neuroscience, and philosophy.⁶⁹

2.4) The Practical Application of Psychological Findings

Now, I am going to focus on the applications of psychological findings in respect to crises-coping and resilience-development. First, let me define what a crisis is. This

term is a complex one, because the word has different meanings for different individuals, organizations and countries. For an individual a crisis is⁷⁰

any situation for which a person does not have adequate coping skills. What is a crisis for one person may not be a crisis for another person. Crises may happen from seemingly minor situations, such as disagreement between friends, to major life changes, such as death or divorce. Crisis is environmentally based. What is now a crisis may not have been a crisis before or would not be a crisis in a different setting. Active crisis is a normal part of living and represents a brief, time-limited state of disorganization. Crisis means a turning point. In a crisis usual methods of problem solving are not effective or not available. The person becomes more willing to try new ways of problem solving, including professional help, and by this he grows.

Not only do individuals experience crises, but so do families, communities and organizations. And for organizations it is a “perceived value of possible losses; perceived probability of loss; Perceived time pressure involved”.⁷¹

Crisis theory was developed from studies on the state of sorrow over the death or departure of a loved one. Crisis theory is derived from psychoanalytic theory and ego psychology, which stresses that people have the ability to learn and grow.⁷²

As it was mentioned in the above definition, any crisis is environmentally based. An analysis of causes (factors, stressors) is essential to understanding crisis. Causes can be events or conditions. Some events happen suddenly. Some crisis conditions can exist over a period of time. For instance, these conditions may exist in our economic or

political environment. Events are easier to recognize than conditions. And critical events sometime evolve into crises conditions.

So, what happens in a crisis? ⁷³ A person is confronted with a great threat and cannot cope. This creates a depression, which can last four or six weeks. The person will either adapt and develop new coping skills or degenerate to a lower level of functioning. How people manage a crisis depends on their previous problem-solving experience, that is, their experience with coping and available coping mechanisms. Secondly, it depends on the way they view the problem, how they perceive the event is important. Thirdly, the amount of help from people who can be supportive to the person is essential.

During the first phase, the person has an increase in anxiety in response to an unusual environment. If the coping mechanisms work, there's no crisis, if coping mechanisms do not work or are ineffective a crisis occurs. The person may ask for help. If the person has been emotionally isolated before the trauma they will probably not have adequate support and a crisis will surely occur.

During the active crisis phase, the person's inner resources and supports are inadequate. The person has a short attention span, thinks again and again, wonders what they did or how they could have avoided the situation. Their behavior is impulsive and unproductive. Relationships with others suffer, they view others in terms of how can they help to solve the problem. The person may feel like she or he is losing mind. Thus, the person realizes that he or she is not coping. The person struggles to solve the situation and may involve other people to try and help. Classically, a crisis person does not perceive others as fully understanding the crisis or supporting the crisis person in the crisis. Not being able to solve the crisis, the person is overwhelmed by emotions. Fear,

lowered self-esteem, anxiety, anger, confusion, inadequacy, distrust, guilt, and grief are common (see Table 4 below). Due to the intensity of emotions the person becomes unable to deal rationally with the situation. Usual thought processes are upset by feelings, and 'thinking about the problem' is not only difficult, but also unproductive. This inability to deal with the situation leads to a loss of self-esteem and strengthens the panic of emotions. A cruel cycle is formed; not coping lowers the self-esteem, and the lowered self-esteem lessens the ability to cope. Each person responds to crisis differently. It is important then, to understand the typical reactions that go along with crisis

Table 4. Typical Responses to Crisis⁷⁴

Emotional Responses	Behavioral Responses	Cognitive Responses	Physical Responses
Shock or denial	Changes in activity level	Forgetfulness	Fatigue or loss of energy
Anger or irritability	Social withdrawal or isolation	Difficulty making decisions	Headaches and/or back pain
Feelings of hopelessness	Restlessness, agitation or pacing	Difficulty concentrating	distress, nausea, vomiting
Depression	Eating or appetite changes	Dreams or nightmares of the event	Muscle tension
Fear and anxiety	Sleep disturbance/	Confusion	Trembling
Mood changes		"Flashbacks" of crisis	Rapid heart beat

Numbness	insomnia	event	Sweating or chills
Guilt	Increased use of	Self-doubt	Dizziness
Grief	alcohol or drugs		Exaggerated startle
	Inability to relax		response
			Weakness

In order to help someone in crisis, psychologists advise first to deal with the person's feelings. And once the intense feelings have been understood and properly dealt the supporter can begin to help them look for their own coping skills and alternatives. By producing their own solutions, people in crisis become stronger to follow through with their plans and new coping skills.

Each individual copes with crisis differently, according to his/her 'psychological resilience'. Resilience is "the process of adapting well in the face of hardships."⁷⁵

"Resilience is not a trait that people either have or do not have... It involves behaviors, thoughts, and actions that can be learned and developed in anyone".⁷⁶

Thus, in the context of my study, the resilience of Turkish business people, their capacity to protect themselves and their businesses towards the crises and their abilities for quick revival are going to be investigated in the following part.

Chapter III

Research

3.1) Methodology

My work is a qualitative study. I have preferred this approach because with qualitative method, a more in-depth access can be gained to psychologies, experiences and behaviors of business people and to the background of these behaviors, which is more difficult to achieve with quantitative approaches. By the same token, qualitative methods, due to their open and flexible structure, demand high responsibility in terms of realization of the study objectives that have been set. Some of the tasks in this context were the specific choice of qualitative tools, the selection of sample, and the interpretation of data.⁷⁷

The major study objectives were to map out business persons' attitudes, responses and strategies in relation to the crises of 2000/2001; to evaluate the severity of these economic crises for them; to try to clarify the development within the relevant sector; to learn if the psychologies of businessmen are relevant and matter as a factor in crises explanation; to see if it was difficult for Turkish businessmen to cope with the crises; to learn how they evaluate their psychological crises-coping mechanisms.

The qualitative techniques used in this study were in-depth interviews, field and participants observations, and group discussions.

In the field observation, I put myself in the relevant business environment and observed it, participated in daily activities. The purpose was to collect and understand supplementary field data; to learn about the business environment. This part involved

intense social interactions with entrepreneurs in their companies which led to fruitful discussions. I was able to identify topics for further discussions. Observations alone, however, were insufficient to discover the greater picture; so, I combined this method with in-depth interviews.

The in-depth Interviews technique was preferred because it is a very useful tool for gathering in-depth information on specific aspects of the theme. It helps draw out individuals' perceptions, opinions, facts, forecasts and experiences, expressed in their own words.⁷⁸ Moreover, it has the following advantages: attitudes and emotions of the test subjects can be explored in detail and close to reality, without fixing response alternatives. And new questions, for which there is currently no information at hand, can be worked on.

Group discussions with business people were done along the similar guide lines of in-depth interviews, with the exception that there were several participant interviewees. The advantages of group discussions are that they help participation and partnership in information gathering and analysis; generate information further than what can be collected from bilateral interviews.

Before each interview, the objectives and how the information would be used were explained. The average length of interviews was approximately 30-40 minutes.

During the interviews I gave the test persons enough space to express their opinions and led the discussion flexibly along some pre-structured topics and by asking the targeted questions as presented in my interview guide below. Thus, I gained access to the feelings and views of the test persons.

The following discussion guide was used. The interviews were conducted using the following questions along the pre-structured topics, which were narrowing down from macro to micro level. The topics were the following: the general perceptions of the crises and the possible major causes; the situation in relevant sector; the effects upon the company; the influence of the recent crises upon their individual psychology and their coping mechanisms.

3.2) In-depth Interview Guide ⁷⁹

Name of Interviewee _____

Position _____

Name of the Company _____

Sector _____

Scale (a small scale company is the one, which comprises between 1 and 49 employees; a middle scale company is the one comprising 50-150 employees; and a big scale company employs more than 150 employees.⁸⁰) S _____ M _____ B _____

Good morning. I am _____ (introduce myself).

This interview is being conducted to get your contribution concerning the economic crises of 2000/2001. I am especially interested in your perceptions of them, how your business sector and the company were affected by them, and in your psychological coping mechanisms towards the crises. If it is okay with you, I will be taking brief notes during our conversation. If you insist all your comments will remain confidential.

I'm now going to ask you some questions that I would like you to answer to the best of your ability. If you do not know the answer, please say so.

- I'd like to start by having you briefly describe your thoughts about the recent crises.
- Can we say that the last economic crisis was the worst in the history of Turkey?
- Please, go back in your mind to the crises of 2000/2001. Turkey was undergoing hard times.⁸¹ I kindly ask you to explain your thoughts about it, and about the consequences of these twin crises upon the sector in general and particularly upon your company in details.
- Who else were badly affected by the last twin crises?
- According to you, what were the causes of the last crisis? Are they political or economic?
- Please, explain the situation in your sector. How was your sector influenced by the crisis?
- In your opinion, what sectors have been affected the most?
- Let me ask if you developed any precautions and safety measures to resist crisis?
- How long has your company been in the business?
- Have you, as a company, been severely affected?
- Did your company have any financial difficulties before? Was this the worst financial crisis for your company?
- Were you able to survive as a Company? If so, then how did you survive?
- Did you develop new strategies to survive or did you go bankrupt, accepting defeat? If you developed new strategies, what were they?

I explain the 'psychological resilience' concept, before asking them the relevant questions. It is defined as following:

Psychological resilience is the ability of someone to decide rationally and find solutions to overcome the critical situation rather than behave emotionally. It is also the ability for quick revival, if s/he is hit by crisis.

- Was it difficult for you to resist the crisis?
- Had you felt any change in your psychological well-being?
- How exactly did you feel after the crisis?
- Did your attitudes affect the company strategy?
- Do you think you would have behaved differently now?
- Could you cope with the crises effectively?
- Were you more emotional or rational in your coping with them?
- How do you evaluate your crises coping mechanisms?
- If the company has survived, what do you think helped it most in its survival: Luck? Or may be positive attitude? Or, such improvement of economic conditions?
- Please, explain your thoughts on whether the psychology of businessmen is relevant in the analysis of the crisis?
- Is there any other information that you think would be useful for me to know?

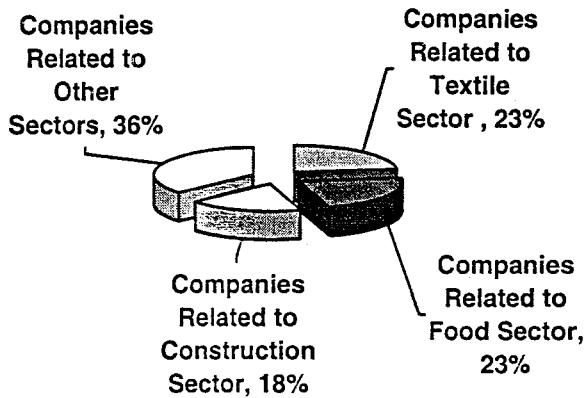
3.3) Sampling Frame

First of all, I would like to determine the population out of which my sample is drawn. The population is Turkish business people, i.e. my units of study are people of Turkish citizenship. who own or execute private enterprises and whose activities are economic in their characters related either to production, commerce or services.⁸²

I have drawn my sample in a haphazard way from the population. The professional web site *Business Guide of Turkey: Turkindex* and my business portfolio were helpful in choosing the sample.⁸³ A group of businessmen available and willing to participate in interviews mainly from textile, food, construction sectors have comprised my sample. The scale determining the size of company is defined according to the Istanbul Chamber of Commerce criteria.⁸⁴ Thus, a small scale company is the one comprising between 1 and 49 employees; a middle scale company is the one comprising 50-150 employees; and a big scale company that which employs more than 150 employees.

My sample consists of twenty two companies belonging to different sectors and size criteria. The list of companies is attached in Appendix A. The distribution of my sample according to relevant sectors is as following:

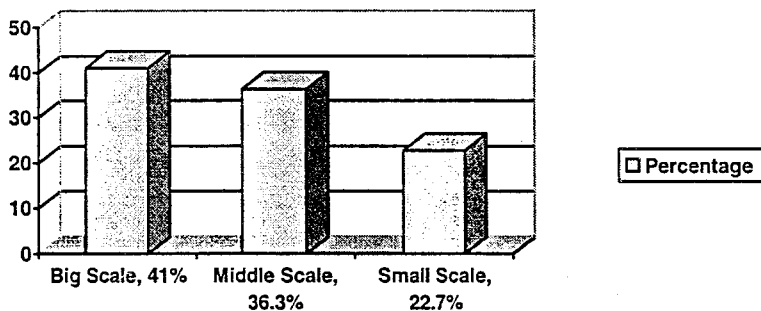
Table 5. The distribution of my sample according to relevant sectors



The companies related to other sectors are those, which belong to coal import, furniture or home utensils production, factoring or finance, international logistics and aircraft transportations.

And the distribution of my sample according to size criterion is as following:

Table 6. The distribution of my sample according to size criterion.



After the individual protocols from in-depth interviews, observations and group discussions have been carefully evaluated, the data was obtained. I have interpreted protocols from Turkish into English and they are displayed in the interpretive summaries as following:

3.4) Interviews and Observations

Name of Interviewee Mr. Ali Altıntaş

Position Foreign Trade Director

Name of the Company Erak Giyim Sanayi ve Ticaret A.Ş.

Sector Textile

Scale Big

“Our sector is textile; and it is an apparel clothing sector in particular.

Our Company is big, because more than two hundreds employees work in this firm. We produce MAVİ ® clothing products. The company is a manufacturer and a wholesaler. I can say that as a company we are 25 years old, before this period we were small.

Let me first note that currently Turkey has recovered from the crisis.

In my opinion, it is over. And our company has been positively affected by it, because we traditionally follow the export-oriented stratagem.

The Crisis that happened just before 1980s was the worst one.⁸⁵

Businessmen are accustomed to calling it ‘the crisis of Ecevit’. At those times the following saying was popular: ‘Turkey is in need for 80 cents’. Even Turkish ambassadors could not get their salaries. It was very difficult to buy fuel to run cars. For instance, as far as I remember, there was the ceremony of launching a new factory in Samsun, and the relevant Minister was invited. He could not come to the ceremony, because of the absence of fuel. I remember

people coming from Germany with barrels of fuel in baggage sections of their cars, so to be able to travel.”

The consequences of the twin crises were not severe for this company. Thus, my interviewee has explained them as following.

“Well, actually it was not a difficult time for my company; the crisis has positively affected the growth of the company because we work mainly in external markets. Let me clarify what I mean. Our company buys, and was buying during the crisis, its raw materials from abroad on foreign currency basis and sells its products in foreign markets, as well. So, we were dealing with US dollars and Euro during the economic trial for Turkey. That is why Mavi, as a company, has not been affected by the crises severely as many other companies, especially small ones. However, those companies, which were importing raw materials, equipments or any other goods for the domestic market, have been brutally affected. They used foreign currencies in purchase and Turkish Liras in marketing.

Just imagine that our Lira has lost its value very dramatically. For instance, if the exchange rate of Turkish Lira devalues twofold (one US dollar costs now, for example, not 700 000 TL as before, but 1 400 000 TL), then it means that people lose the values of their liabilities approximately by 50 percent.

Small companies, especially those which did not have their own capital, were very susceptible to crises. There were many companies in Turkey with weak infrastructures. I mean all their assets, working capital,

machines, and buildings were obtained by credits or rents. They were dependent on financial institutions. They became bankrupt. They could not inject their own money during the crisis, because they did not have any.”

Concerning the probable causes of the last crisis, Mr. Ali Altıntaş has accentuated the political ones.

“I can tell you with certainty that the causes were totally political ones. The government is responsible almost a hundred percent for the last crisis. Politicians do not know how to manage the country. Moreover, corruption within it is among the main reasons, according to me. Governmental expenditures are huge, and there is a great deal of robbery (hortumculuk).⁸⁶ If the government ruled correctly, the crisis would not occur. So, when the government triggers a crisis, everybody becomes affected by it, even those who have no any relations with the public sector. I am sure when the government manages well, then there will be no problems in Turkey.

Mr. Altıntaş’s evaluation of Turkish banking system was as follows.

“The banking system is quite well established in Turkey. For example, it is better than in Germany or Holland, because of automation. We can easily complete our operations via computers. It may be the lack of money in banks that is the problem, but not the banking system.”

I have got the following answer to my question regarding the situation in Turkish textiles and apparel industry, and how it had been influenced by the crisis.

“I think it is better to approach the issue not from a sector angle but from an export-import point of view. As I have already mentioned, those companies that had been importing raw materials and selling their final goods in the domestic market, have become harshly affected by the financial crisis. In apparel clothing sector, those who use know-how, who behave more professionally, become more competitive and more successful. I want to note also that Turkish textile sector is well equipped, modern machines are in use. And those companies who pay attention to investment strategies in order to increase the quality of products and to be competitive internationally will survive 2005 Textile quota elimination”.

On my question “let me ask if your company, even though it was not influenced negatively, developed any precautions and safety measures immediately after the crisis hit the country?” I have got the following response. “Because we are exporters, there was no any need to consider preventative measures.”

And my interviewee’s response on “the role of the psychological resistance of businessmen towards the crisis” question was the following:

“The psychology of businessmen is important in understanding better the recent crises. I know that those businessmen, who have positive attitudes, are always more resilient to crises. And I would also add that businessmen in Turkey generally have acquired a strong crisis experience, and I think they are stronger now in comparison with European business people in dealing with crises. For example, if the similar crisis hits Germany, many entrepreneurs there will accept defeat. During the trial only strong businessmen, who were

self-confident and had a strong stamina, were able to resist it. Others either went bankrupt, or banks took their assets and facilities or they have passed to the stronger companies”.

Name of Interviewee Mr. Faruk Ketvanlı

Position The President

Name of the Company Morgen Tekstil Grup İç Giyim ve Çorap San. Tic. A.Ş.

Sector Textile

Scale Middle

“Our company has been in this business for ten years. It produces at this factory and sells in wholesale way textile products such as socks and under wear. Our raw materials are both thread and cloth. We generally export our products to European market and Germany in particular. Morgen started as a family company in 1965, and then I established the factory.

The recent twin crises were the worst that we have ever seen. In 1997 there was a recession in external markets. Because of crises in Asia - Korea and Taiwan, the European economy was affected seriously. For instance, Germany went into hard times also. The unification of Germany just before the global recession was also one of the causes for economic narrowing of Germany. So, Morgen’s exports for Germany decreased from 70% down to 40%. German companies started to adopt a Turkish model in textile industry. For example, they started to decrease salaries of employees. Our textile

products got the twenty fifth place in the priority list in Germany, whereas before 1997, they were in the third place.

This recession in European economy influenced the Turkish textile sector. And also the economic crisis of 2000/2001 made the situation even worse. I see the causes for this crisis in two spheres. One is that the president, Mr. Sezer, was too rigid in his behavior. It resulted in the economic crisis. And the second cause, which is the consequence of the first, is that profiteers and speculators used the disagreement to their advantages. As a consequence, the big increase in numbers of unemployed people happened. Those companies who had no finances of their own went bankrupt; only those who were able to sacrifice their properties could resist the crisis. The prices for textile products were uncontrollable because of fluctuations. We, Morgen Company, had to sell our real estate properties. For us, it was a double crisis, because we sold our properties two times cheaper than their purchase values. However, that was the only strategy to overcome difficulties. As a strategy we also reduced radically all our expenses.

Moreover, the crisis occurred to Morgen during its investment period. The company got sixty machines for sock production and thirty machines for knitting. We got the machinery on leasing base and its cost was around four million Euro. Because of the inflation in Turkey, we underwent the financial disaster.

I tried to keep my positive attitude in spite of difficulties. The company worked very late, even at nights. I felt depression symptoms; and my

smoking habit became stronger. I was keeping thinking that the worst thing that could happen to the company is its narrowing or the possibility of having to wait for two years. And we used the strategy that was explained to overcome the hardship.

In general, I can say that many textile companies in Turkey were unable to get credits from Eximbank, because of two reasons. One is that the rates are very high. The second reason is that the bank finances mainly its own companies, which are relevant in one way or another to this financial group. In regard to the governmental policies for cotton, I can say that in the early 1990s, Ekrem Pakdemirli, who was responsible official for the cotton policies in Turkey, realized inadequate policies and the cotton sector was affected severely”.

Name of Interviewee Mr. Mustafa Uğurlu

Position The President

Name of the Company Belgeajans Tekstil San. ve Tic. Ltd.

Sector Textile

Scale Middle

“The company produces and markets jeans wear for women.

Currently, I have one factory and one shopping center in Laleli district of Istanbul. Our markets are not domestic but foreign markets such as Russian and Ukrainian.

When the crisis hit Turkey, I was working for European Giyim Company as a manager responsible for the production of textile products. Later on, I established my own company called 'Belgeajans'. Neither European Giyim nor Belgeajans were affected considerably by the crisis. We had some difficulties, but the consequences were not severe. However, we felt all hardships a year later. Even in 2003 the crisis had not been overcome. For example, Istanbul Chamber of Commerce has sent us its survey questionnaire called 'The analysis of economic situation in various sectors in 2003'. And it was stated there that the crisis still continues.

The company had to sacrifice much from its profits. Especially, it was very difficult for factory employees. For instance, I had twenty four people working in quality control department just before the crash. Due to the last twin crises the company could keep only four of them. We also had to wait the passing of the recession in economy. On the other hand, the crisis pushed us to open into foreign markets. As it was already mentioned, for our company Ukrainian and Russian markets were suitable because they are not far away.

In the textile sector there are many companies which could not survive. For example, there was the company called 'Cem Tekstil' in Merter. It got credits from bank and was doing a good export business with approximate turnover almost equal to \$ 500.000 US dollars. When the bank requested payments back, the company went bankrupt and the owner had to escape from Turkey.

Many companies were selling for two dollars the products costing seven dollars in their production. That was the way they tried to survive.

Some experts forecast difficult times for the textile sector in 2005 with the elimination of the relevant quotas by WTO. I do not think it may be the case. Turkish textile companies have many advantages in comparison to Chinese firms. Turkey benefits much from 'luggage trade' with Russian Federation. This kind of trade has become intense. For instance, traders were bringing in average \$5 000 US dollars in 1990s. Today, there are many 'luggage traders' who can invest up to \$20 000 US dollars. Moreover, today it is 70 kg allowed to transport for free. Whereas this limitation was equal to 30 kg in 1990s.

So, Turkey is in an advantageous position in respect to China. Turkey is closer to big markets. For example, it takes less than three hours to come from Ukraine to Istanbul. In contrast, it is not easy to travel to China. People have to wait for twelve hours in airports. And people prefer Turkey".

Name of Interviewee Mr. Melih Ünver

Position The President

Name of the Company Fudem Ltd.

Sector Textile

Scale Small

“Our factory, which is located next to this office, is like my son”. Fudem Company produces various kinds of clothing materials from fibers. Buttons and zippers are also manufactured.

“I see the cause for the last crisis in the weakness of Turkish banking sector. It seems that banks will soon have to look for foreign sources of funding. The severe liquidity problems had triggered the crisis. Moreover, the large state bureaucracy is also a factor suffocating economic activity.

I was lucky during the crisis. The company has its branch in Geneva-Switzerland. Because we mainly export our products to Swiss market, the company was not affected terribly. Turkish labor is cheap, so we are strong in competition with European companies. Our company has been in the business for twenty years. We have relatively strong capitalization and a corporate structure. Fudem was able to survive because in its strategy it concentrated on export-oriented business philosophy.

Psychologically, I kept my positive attitude to encourage other business people around me. I was very upset by the fact that Turkey too often experiences economic hardships. However, I am sure that Turkish economy will be very strong. To conclude, I think Turkish businessmen in textile sector

have to pay attention to release of brand products, so that they are able to compete with the Chinese textile sector in near future.”

Name of Interviewee Mr. Nureddin Uçar

Position the President

Name of the Company Filay Tekstil Örne Sanayi A.Ş.

Sector Textile

Scale Middle

The company has a factory for the production of threads and fibers.

“The crisis was difficult for our company. The factory had to decrease the number of employees. Our strategy during the crisis was to enter Macedonian textile market. Because in Macedonia many old State-enterprises had been privatized, we were to participate in the bid for one of them. However, because of the financial difficulties we could not enter that market. The company tried to find credits from banks, but banks were in trouble.

I am afraid the Turkish textile sector can undergo the next crisis in 2005. World Trade Organization will remove international quotas for textile products, so Turkish businessmen have to immediately take the appropriate measures. Otherwise, the Turkish economy may enter a recession in 2005. Many textile companies may not be able to survive in the strong competition environment all over the world. Chinese companies will be more competitive in that case”.

Name of Interviewee Yüksel Bilgin

Position CEO

Name of the Company Peti Gıda Sanayi ve Ticaret A.Ş.

Sector Food Processing and Canning Industry

Scale Big.

Peti Gıda Sanayi ve Ticaret A.Ş. produces a tomato paste, packs and sells it in Turkish and foreign markets. The former name of the Company is Mestaş A.Ş. Because tomato producing is a seasonal business, the firm also exports other food products such as cherry, dried and canned fruits. And it imports seeds of tomato, as well. The food industry demands very high discipline and organization, because of the tendency of food products to spoil quickly if conditions are not appropriate.

The Company has factories, and Mr. Yuksel Bilgin is the biggest shareholder in the Company. His other partners are Mr. Cengiz Altuğ, a former inspector who had practiced his profession in France, and Mr. Mustafa Şatıroğlu, a Big Union Party activist.⁸⁷ The CEO, Yuksel Bilgin, has obtained a strong education in business in Germany. During my observation of this company and participation in daily activities of it and having interviews with the board members, I obtained the following facts. Peti Gıda Sanayi ve Ticaret A.Ş. was firstly formed in Izmir, Turkey on the 2nd of July 1996 with an authorized capital of TL 2,000 Billion (USD 1,226,000.00) and paid up capital of TL.233 billion (USD 142,000).⁸⁸ It operates in Food Processing and Canning Industry. Peti Gıda is an anonymous company with the foreign partnership from Italy. During my participation it was going to establish a partnership also with businessmen from Pakistan. Factories were producing and selling mainly tomato paste and derivatives along with

other canned food on contract basis before the crises hit Turkey. The total assets of the company are over TL 20,000 billion (USD 12 Million) as on 30-June-2002. Surprisingly, the Company went bankrupt after the last crises.

Mr. Yüksel Bilgin said that the only problem that he could not overcome was the absence of finances.

“Everything else is ready, the factories just need little services such as cleaning; and villagers are ready to supply us with tomato harvest for cheap prices. And the crops are plenty in this year. Everything I need is just a little financial push, and then tsunami will start”.⁸⁹

He also explained his success in the past.

“There had been times when business tycoons of Turkey, including Koc, were afraid of me, because I was running so fast, they were not able to be more successful in tomato paste production and marketing than our company. Thus, Tat Konserve Sanayi A.Ş., belonging to Koc Holding, could not compete with me.”

According to Mr. Yüksel Bilgin, there are two main causes of the last crises. The first is the misuse of public finances. The second is the problematic banking system, which cannot provide credits even for industrialists who are “the locomotives of the Turkish economy”. His attitude is that banks and other financial institutions do not provide credits because banks themselves do not have good amounts of finance.

“I worry to be late, because our sector works on seasonal basis. Our competitor, Tat Konserve Sanayi A.Ş., is ready and farmers will sell their crops to those who shows

money the first.” The sector is badly affected. For instance, Mr. Bilgin had articulated the great losses from the purchase of seeds from abroad, the inflation caused huge damage.

“Our company had some misunderstandings with Şişecam Group and because of our debt to that corporation we cannot get credits from Turkish banks. The strategy that can help is to find a rich investors, so that to sell them the part of our shares. We can provide a working capital and be on time.”

However, I could see many farmers waiting for their money from this company. One of them explained me that the company still has not paid for the last year tomato that he had provided. “I have come to Istanbul this time to sue the company” he said.

The factories do not operate even though the season has already started. There is no money for services, and there is no money to purchase tomato as a raw product. Equipments are not very modern; however the capacities are quite enough. Ultimately, the company could not survive. Inspectors came and announced that the office is under the arrest, and it will be sold so that the debts are covered. The company was unable to realize its strategy of attracting the potential investors and making them participate in the board. The strategy was to cover all debts and launch the facilities; to buy tomato for very cheap from farmers and sell tomato paste in foreign markets, especially in European markets.

In psychological sense, the chief executive officer has exhibited an ambiguous behavior after the crisis. Even though he had tried to behave as if he was strong and everything would be well very soon, his psychological behavior during the crisis was prominent by the excessive energy outbursts. Consequently, it was followed by heart

problems and burnout syndrome. In his interview, the businessman said that he “would even steal a little money from someone and return them back when the crisis is over”.

Name of Interviewee Mr. Tevfik Dinçer

Position General Director

Name of the Company Dincer Foods Ltd.

Sector Food

Scale Small

“We have been in business since 1980. The company has its branch office in Batman. We deliver, pack and distribute the following products: rice of different kinds; wheat, corn, dermason beans, luxe lentils, luxe green lentils, luxe chickpeas, yellow lentils, red beans and white Soya flour. Dincer Foods Ltd has been exporting goods to Europe in great amounts in the 90s. Our major markets were Germany, France and Sweden. Unfortunately, today Turkey imports many goods, which were exported from Turkey a few years ago. For example, green lentils are imported today from Canada. In contrast, Turkey is strong in red lentils and chickpeas.

Until 1990, we were selling our products in bulk, i.e. in 50-60 kg bags. However, when the system of hypermarkets became developed, and big companies such as Carrefour and Metro entered Turkey, the demand for our products in packs has increased. Now, we can offer around 10 000 metric tons of legumes per year. After the last economic crisis the sector encountered many difficulties. People have postponed their plans and objectives.

The demand for products and consequently the production narrowed. Now, for instance, we use only 25-30% of our capacity. The strategy after the crisis turned out to be “reorientation of our route totally towards external markets”. The company’s goal is to become a good exporter, so that to establish the brand name. After the crisis the export level of our company decreased and made up only 5% of our total production. However, we plan to reach 50% level. Industrialists experienced troubles in financial matters during the economic recession. Just imagine, you have made some plans and employed people. And then you can not reach the predicted profits. It is impossible to be logical in that situation.

I would also like to add that the companies in the food sector depend on Turkish agriculture policies. More attention to agriculture will certainly increase the quality of products. For instance, I can say that currently there is little support for peasants. And when they cannot get their expected profits, they do not plant the following year. I believe that many problems will be solved during the process of integration with European Union.

In conclusion, during the crises of 2000/2001, I tried to have more positive ideas. I have always believed that the food sector in Turkey has a great future.”

Name of Interviewee Kazım akmak

Position Manager

Name of the Company Edem Yaę Sanayi ve Tic. Ltd.

Sector Food

Scale Middle

The Company was founded in 06.02.1987 as a family company by the decision of family members to produce a vegetable oil. Originally, the name of our company was Has Pamuk Sanayi ve Tic. Ltd.

Okkes akmak, one of the partners, is the eldest in the family. He has been occupied by the production of cotton in his own land for a long time. Parallel to the production of cotton, he took the first step towards industrialization by establishing a cotton gin and press factory in Trkoęlu town. Later on, parallel to the cotton ginning, he has continued the production activity by establishing a vegetable oil processing and then a thread processing. Beside the industrial activity he continues producing cotton in his land.

Haci akmak, another partner, was producing cotton together with his father and brothers. Afterwards, he became a director in his father founded cotton gin and press factory. Beyond the production of cotton there, he participated in the organization of Edemyaę San. Ve Tic. Ltd. Sti.

The third partner, Mr. Kazım akmak, also worked together with other members of his family. "Beside the production of cotton, I have always believed in the importance of industrialization", says Mr. Kazım akmak during our conversation. He has played a

very important role in establishment of the cotton gin and press factory. He continues working as a manager and a founding architect in the family founded company.

The company is located in Türkoğlu town, and the factory is situated in Kahramanmaraş city. In 04.07.1994 the company was renamed as *Edem Yağ Sanayi ve Tic. Ltd.*. The partners have bought 20 420 square meters area and organized the production of fodder and refined edible oil using very modern means. The asset can process 250 metric tons of cotton seeds per day.

In 2000 the investment into refinery unit was accomplished. It has reached the capacity equal to 80 tons of refined edible oil per day. The park of machines was completed as well. It includes the unit for fine sieve, the linter unit, eight oil presses, the unit for bale press, refinery unit called 'deodorize' and laboratory unit.

So, it is the biggest establishment in that region with the capacity of processing up to 70 000 tons of cotton seeds per year using the modern technology.

"The economic crises of 2000/2001 have not affected us severely with the exception that our company could not get a 'multi-leveled extraction' technology, for which it had been planned to invest. According to our plans, the mentioned technology would allow us to use the full capacity. High quality production has been planned. Both revenue ratio and quality would increase. If it was 12 % of oil produced before, with the completion of the extraction upgrade project it would reach 18 %, per day. In addition, labor costs would also decrease to the lowest level. Unfortunately, the crises left us without potential to invest into it. Now, we need the total of \$ 8 000 000 as a working capital."

Cotton seeds are supplied seasonally.

“Now, there is a potential to process 250 tons of cotton, 30 tons of sun flower oil, and 50 tons of cotton oil per day. Because of the absence of packaging units, processed sun flower oil and cotton oil are refined and sold in barrels. These products are sold in the domestic market to such companies as Unilever, Marsa, Ülker and others. When the extraction technology is completed, it will be possible to produce sun flower, cotton, soya beans and corn oils simultaneously.”

Name of Interviewee Mr. Zeki Sözen

Position General Director

Name of the Company Ak Gıda San. Tic. A.Ş.

Sector Food

Scale Big

“The company produces milk products under the brand name “İçim”. Our company has been in business for five years. Our main products are milk, cheese, and yogurt.

Our big competitors are Pınar and Danone. According to my estimation, Turkish milk products market makes up around 3 billion US dollars. However, 80 % of the market consists of openly sold and uncontrolled products. I can add also that in Turkey people consume milk products less than in many other countries. As a company, in order to be present in the sector, it is essential to be strong financially.

Ak Gıda was influenced negatively by the crisis. The crisis stopped our growth. It was very difficult to define prices for our products during the inflation period. However, I tried to preserve my positive attitude and have always seen the food sector as dynamic and exciting one. Due to the last crisis, the number of companies in our sector has decreased. The companies that had credit debts have been negatively influenced by the twin crisis. Companies need serious working capital in order to be present in our sector. Even though food sector was negatively influenced, in comparison to other sectors, such as construction, our sector was less affected. For instance, in respect to 2000, the total turnover decreased in 2001 by 4%-5%. Because our products belong to basic consumption goods, the effect of the disaster was not very harsh.

For Ak Gıda, the 2000-2001 crisis was not the worst. However, the crisis that happened during the 1991 Persian Gulf War was the worst. That time, our sector diminished by 10%. Afterwards, we grew quickly.

Moreover, one of the consequences of the economic disaster was the increasing tendency among consumers to buy open products produced uncontrolled. And also, because of the increase in foreign currency exchange rates, and due to the fact that Turkey imports raw components for fodder, our prices have also increased. The average income of people decreased and, consequently, the demand narrowed. The number of milk producing cows has also decreased. However, it takes between two and four years for these animals to grow.

In spite of all these facts, I see a great perspective for our sector. I hope many companies become modern. As a strategy during the crisis, we have drastically limited the production of pasteurized milk, because it was not profitable. In contrast, we have emphasized diversification in cheese production”.

Name of Interviewee Mr. Levent Güler

Position The President

Name of the Company Birleşik Gıda Dağıtım Tic. Ltd. Şti.

Sector Food

Scale Small

“We import goods from Spain and other European countries. Our products are confectioneries, chocolates and sweets. The crisis blocked our business. We had to wait for a year. The company was in need for some finances, not much but still indispensable to import Chupa Chups products from Spain. We had good partnership relations with that foreign confectionary company. And when the last crisis hit Turkey, we could not take out chocolates from customs house. They were sent by Chupa Chups Company according to the signed agreement. However, we could not find money to pay duties, so the chocolates melted there. Consequently, the partnership with the Spanish company has also been broken. I had experienced some depression symptoms such as sleep disturbances and restlessness. I had frequent headaches, as well. I and my wife decided to sell our gold things to make the

situation easier that time. I blamed the wrong governmental actions, which led to the crisis. Moreover, I started to think about alternative strategies for the survival. Because it was impossible to obtain credits and other financial guarantees from Turkish financial institutions, I applied to one English financial company requesting the issue of the Letter of Credit on behalf of Birleşik Gıda. The shareholders of Birleşik Gıda had also decided to grant the part of their shares to Chupa Chups in order to cover losses and reestablish our credibility. By the way, during the crisis many companies have assigned their shares to foreign companies against financial collaterals, such as LC, bank guarantees and credits. However, foreign companies have used very high interest rates in providing the mentioned guarantees.”

Name of Interviewee Mr. Adnan Menderes Çakıroğlu

Position Manager

Name of the Company Scopo Ltd.

Sector Construction materials

Scale Middle

“It was very difficult to endure the last crisis. I can say that in my twenty years’ business experience, the 2000/2001 crisis was the worst. It may be that European businessmen have never experienced the difficulties that Turkish businessmen went through. I lived also through depression, even though it was not a severe one. At the beginning, I did not understand the harshness of the crisis, and I tried short-term solutions for problems that time.

My company is called "Scopo". I have been doing a marble business for fourteen years. In 1992 our company had its own marble mine. Turkish marble sector is a very potential industry due to quality and abundance of marble. Turkish marble mines are rich; however, they need further developments in technological sense and know-how. Italian marble was our main competitor.

My strategy for overcoming the crisis was to become present in US marble market, particularly in south regions. However, it was impossible to get credits from Turkish banks or other financial institutions. I remember that 1990, 1991 and 1992 also were not good years for the marble export, prices were very low. I can say that those years were critical for export. We produce marble materials, artificial granite, and natural granite for construction industry. Moreover, we had a bakery in Ukraine. Before the crisis we were very successful there, however, the financial difficulties in Turkey also negatively influenced our business abroad. The recent crises made the company financially anemic.

In general, a stone business started to narrow before November 2000. And the construction sector in general was terribly affected by the crisis. I felt the influence of it only six months later. The emergence of unfair competition between companies and the narrowing of market were among many consequences. The domestic market shrank very much. However, later on the export of stone materials became an advantageous business because of the dramatic change in the foreign currency exchange rate. The export of stones

increased by 30 – 40 % after the fluctuations in foreign currency exchange rates. In 2003 the exchange rate for US dollars became stable and this fact disappointed marble exporters.

I would like to add that the construction sector has always been one of the locomotives in the Turkish economy. However, there was no any growth in construction sector during 2003. According to me, if the economic policies continue without any big problems during the next three years, then the domestic market for construction companies will be energetic again. I hope no sudden economic disasters will occur within this period.

Moreover, I can add that many business people in the construction sector were psychologically worn out in these three years. Some of them went bankrupt, many factories were closed. However, new business strategies have emerged. For example, cement factories became oriented to Iraq. Plastics and pipes industries became interested in Russian market. My company, Scopo A.Ş., has been reduced very much. I left it; and my cousin continues the marble business.

I see the main causes for the twin crises in politics. The government could not provide the needed trust. Business people had started to think only about their own interests. They had lost their trust in governmental policies and politicians. The social consensus was absent just after crises hit the country. Big companies, such as Sabancı or Koç exercised very radical strategies in order to secure themselves. For instance, they closed several factories and many people became unemployed.

I think when the privatization program is completed the Turkish economy will become stronger than ever. I am sure that the 2000/2001 crisis was the worst in the history of Turkey. Among advantages I can count the discoveries of new markets such as the ex-USSR region including many Turkic Republics. The last crises were hard trials of the strength for Turkish businessmen”.

Mr. Adnan M. Çakıroğlu is characterized by high level of energy. Even in very difficult situations and times he is able to keep his positive behavior.

Name of Interviewee Mr. Ali Haydar Veziroğlu

Position The Chairman

Name of the Company Vinsan Veziroğlu İnşaat San. ve Tic. A.Ş.

Sector Construction

Scale Big

“The company builds roads, buildings and other construction projects. We also provide technologies for construction works such as generators, forklifts. Once, we applied for the tender for construction of the Izmit Harbor Bridge in 1997. However, we could not win, because the Turkish Highways Administration underestimated the capacity of my company.

The 2000-2001 crises were the worst in the history of our company. Due to them, many of our projects have been either cancelled or postponed. For example, we could not realize the project for private railway construction in Russia.

I can say that the construction sector in Turkey has been seriously affected by the last crisis. The domestic market for constructions froze after 2000. Vinsan Company started considering bids for the tenders of foreign construction projects.

Due to the twin crises we had many debts to our numerous partner-companies for the use of their equipments. Among major causes for the crisis I see the wrong policy-making in economic sphere by several governmental officials.

The recent crisis has really exhausted my psychological energy. For instance, during the peak of it, I had a low motivation. However, I am positive; and I hope that the construction sector will revive soon”.

Name of Interviewee Yusuf Güven

Position Manager

Name of the Company Helveco-Turkey

Sector Construction materials

Scale Small

Yusuf Guven is a METU graduate mechanical engineer. He is a great fan of Karşıyaka Sport Club in Izmir and a partner to a European company. This businessman was severely affected by the crises. I was observing and interviewing Mr. Yusuf Guven just when the last economic crisis hit the country in February 2001.

“The nature of my business is the purchase of steel products from Ukraine, and then reselling it to European companies. There are many big factories in

Ukraine producing different kinds of steel products such as billets or pig iron.

There is an abundance of raw materials in Ukraine and other post-Soviet states.”

His reaction was dramatic that bad day. “Turkey just experienced the crisis in November. And now it Turkey undergoes even the worse economic crisis, and I think it will last for a long time period”. “Private companies have problems because of the inconsistency of our government’s policies”, said Yusuf Guven in response to my question about the major probable cause for the recent crisis.

This businessman had lost all his hopes and motivation to struggle for the interests of his company. He had not had any possible alternative strategies to resist the crisis. “I am afraid the crisis will last a long time”, was his answer.

Name of Interviewee Mr. Namık K. Ekinçi

Position the President

Name of the Company Ekinciler Holding A.Ş.

Sector Construction

Scale Big

“The last crisis was terrible for us. The construction sector entered a deep recession period. When the crisis hit, orders for iron and steel products had been cancelled. Before the crisis Ekinciler Holding was very successful. Our iron and steel bars for constructions were well-known all over the world. International companies were buying our products in big quantities; we had no

any problems with finding markets or buyers. The quality of our goods was recognized internationally.

With the crisis, the prices for scrap iron in international markets became very high, as well. We stopped many of our activities. The factory in Izmir started to operate in its lowest capacity. The company had to reduce the number of employees. We have also pledged our Iskenderun port. It was difficult for our company to compete with Iskenderun Iron and Steel Works and Ereğli Iron and Steel Works companies.

Psychologically, I remember having difficulties in making strategic decisions during the negotiations with foreign companies”.

Name of Interviewee Mr. Tarkan Aykaç

Position General Manager

Name of the Company Interkarbon Industry and Trade Import Export Co. Ltd.

Sector Coal

Scale Middle

“Our company has not been negatively affected by the last economic crisis. Interkarbon has a long business history. It has been in coal business for twenty years. Our business line is following. We import and export, stock and pack, do marketing of thermal coals, lignite, metallurgical coke and petroleum coke. I think our strong stance during the crisis was due to the high quality of our coal products. People know very well our brands, which are “Superkok”, “Superlin”, “Interkok” and “Superbrix”. They can return anytime the product

they bought if they find anything wrong with it. Moreover, the company provides coal for the cement factories. We own a briquette factory in Iskenderun. Interkarbon was not influenced by the crisis; it has continued its professional business line during the recession period of Turkish economy. Now, we are more experienced in taking precautions towards the expected hardships”.

Name of Interviewee Mr. İbrahim Aslan

Position the President

Name of the Company Aslan Uluslararası Nakliyat Tic. A. Ş.

Sector International Transportation

Scale Big

Aslan Group of Companies consists of several companies such as Ezel A.S., Aslan Uluslararası Nakliyat Tic. A.Ş. and several others. The Group has a number of offices. A headquarter is located in Asian part of Istanbul. Another office has its place in Sirkeci. Aslan Uluslararası Nakliyat A.S. is situated in Sefaköy, where I had an interview with Mr. İbrahim Aslan, the head of the Group. There are also entrepot (a depository for goods) and garage in the outbuilding. Many trucks ‘TIRs’ are lined in order to be serviced and repaired. All of them do not work; the financial crisis hit the country and the company.

The interview has showed that the problem was the lack of finances. Mr. Aslan was in an active search for credits or investments. During the crisis Mr. İbrahim Aslan became dependent on financial help from other businessmen. He could not find any other

alternative to solve the financial problem of his company than borrowing from other companies. I observed inspectors coming and warning the directorate about the real possibility for confiscation of goods in entrepot due to unpaid debts. The office was pledged, as well.

TIRs were out of use because “during the crises the net volume of businesses conducted has reduced”.⁹⁰ According to Mr. Ibrahim Aslan, few companies could give orders for international transportation. That is how the sector was badly affected.

“Nonoperational modes of transport make the crisis for our company even worse. They stay and eat up money every day because they need services, which cost money.” I spoke to employees, as well. Many of them were unhappy because of the delay in salary payments. The drivers working for this organization, for instance, crowded the office crying out and demanding the payment of their salaries.

Name of Interviewee Mr. Mustafa Ilhameddin Özbay

Position the President

Name of the Company Bosphorus European Airways A.Ş.

Sector International Transportation

Scale Middle

Mr. M.I. Ozbay is the President of BEA. “I have also been an authorized agent for THY since 1972”. He found that the increasing number of visitors to Turkey was not being provided with the appropriate low cost air travels.

“Over the past four years the actual number of tourists visiting Turkey increased dramatically. For example, this number constituted 2 million people

in July, 2003. The European-based charter carriers tended to be expensive and were often flying at inconvenient times late at night or early in the morning. At the same time the Turkish carriers lacked capacity”.

Bosphorus European Airways had been started to provide aircraft transportation for people and cargo from the European, Asian and Middle East countries to Turkey. Additionally, Bosphorus would like to include Russia and Middle Asia which have very big potential markets of tourists, businessmen and cargo.

The Company acquired three aircrafts, which would deliver the required seating capacity. These aircraft are A300-B4 with a capacity of 298 seats and 10 tons of cargo each.

“The policy of the Turkish government in connection with its rapidly growing tourist industry and competition of foreign carriers is twofold. Every effort is made to encourage foreign visitors. At the same time the Government’s intention is to develop Istanbul as an international airport. This strategy requires the authorities to give precedence to Turkish registered airlines...

I would also say that the economic crises of 2000 and 2001 affected our company very terribly. However, I think that a war against Iraq has affected our company even worse, because the number of tourists visiting Turkey decreased dramatically. Our company currently does not operate, because we need a working capital. The company needs several million dollars to start working again and increase its capacity.”

Names of Interviewees Kemal Demircioglu; Gazanfer Ozkurt

Positions The Head of Home Utensils Department; the Executive Director of Home Utensils Department, respectively.

Name of the Company Ihlas Holding

Sector Home Utensils

Scale Big

Ihlas Holding consists of many companies such as TGRT, Ihlas Kolej, Türkiye Gazetesi, Türkiye Hastanesi, several construction and foreign trade companies. "Ihlas Holding was founded with the organization of the daily newspaper known as 'Türkiye' in 1970", - says Gazanfer Özkurt.

After the recent crises the Holding has experienced the lack of capital. According to Mr. Kemal Demircioğlu, only some divisions of the Holding, and especially TV company TGRT and Türkiye Hospital, were very successful. "They were the sources for the financial survival of other companies within the Holding."

Moreover, Mr. Kemal Demircioğlu emphasized the fact that due to the crises of 2000/2001, the Holding has experienced the problem of reputation and trustworthiness among people who invested their money and could not get them and the profits back. However, he also underscored that it is the duty of Ihlas Holding to pay back to everybody all their money. "Our Holding is covering its debts for people. We are honest, because we have faiths in our hearts."

During my study of this Holding and interviewing the executives I have found that the Holding has not completely established the corporate style of business, yet. For instance, even though the focused department had to realize home appliances such as

cleaning robots, bathroom water heaters, kitchen robots, various types of electrical space heaters, UV-operated water purifying devices, electric ventilating fans, vacuum cleaners, insulated containers, hair dryers, barbecues and other home utensils, Mr. Kemal Demircioğlu and Mr. Gazanfer Özkurt were trying to do completely different projects such as exporting textiles to ex-Soviet republics, trying to win bids for construction works in Ukraine. Mr. Gazanfer Özkurt explained: “The Holding has its apparel factory in Turkmenistan, it is cheaper to produce there, there is the abundance of raw materials there and Ashgabat is closer to other Turkic republics, especially the cotton rich Uzbekistan.”

Name of Interviewee Mr. Erbil Saray

Position the President

Name of the Company Teleset Mobilya

Sector Furniture

Scale Middle

“In the very beginning, our company was producing tripods for TV sets; the name of the company originates from that. However, now we produce all kinds of soft and hard furniture.”

The factory of Teleset Mobilya is located in Silivri, the suburb of Istanbul. It is equipped with very modern technology. “We got it by leasing from Germany”, said Mr. Erbil. He has inherited the company and the factory from his father. “The factory currently uses only its half capacity.” Mr. Erbil Saray looks apathetic. The reason is that he cannot solve the financial problem.

“Our debts to several banks and financial houses in Turkey such as Koç Bank, Türkiye İş Bankası and Asya Finans are very great. We got all those credits from the mentioned institutions in order to obtain the most modern technology in furniture production; we bought machines mainly from Germany.

Afterwards, the crises hit one after the other. The domestic market of furniture became diminished by that time. Moreover, our competitors such as Istikbal, Yataş, İpek have acquired bigger market shares. Those people who bought our furniture before the crises against cheques could not pay their money. Even those who paid could not save us, because of the inflation. We lost too much.”

“I do not know what to do; I cannot find any solution for this situation.” The strategy which Mr. Erbil Saray tried to use in order to survive was the following.

“I am going to sign a contract with French Group ‘Carrefour’. This group is the first retailer in Europe and the second largest worldwide, having more than 9 632 hypermarkets and supermarkets in 30 countries. If I conclude an agreement with this company, then it is easier to find the outsourcing for my factory. In that case it means that European companies will bravely finance the factory and the production, because they see the production, and they see also the guaranteed marketing through Carrefour hypermarkets. Otherwise, Europeans are reluctant to invest in Turkish market, because they find this emerging market as an unstable because of the last crises.”

During the hardships, Mr. Erbil Saray exhibited depression symptoms. “I constantly want to sleep, even when I drive. I want to forget everything related to the factory situation.”

Names of the Companies Ak Factoring; Albaraka Turkish Finance House; Asya Finans Kurumu A.Ş.

Names of Interviewees Mr. Mehmet Akbulut; Mehmet Ali Verçin; İbrahim İnce

Positions The President; Vice-Manager; Executive Manager, respectively.

Sector Finance

Scales Small; Big; Big

Private financial companies such as Ak Factoring, Albaraka Turkish Finance House and Asya Finans Kurumu present interesting examples in my study. Both, Albaraka and Asya Finans follow the similar - “profit and loss sharing” - business philosophy.⁹¹ “The new system of interest-free financial services has provided an alternative capacity to savers who never deposit with conventional banks dealing with ‘interest’,”- says Mehmet A. Verçin. Instead of interest rates mechanisms widely used by the majority of banks all over the world, these two financial houses work on ‘partnership’ basis. The financial institute and ‘looking-for-credit’ companies sign a contract and, at the end of the agreed term, the institute gets its share of the resulting profits.

During my observations it was found that the part of profits from businesses financed by this method, which goes to the financial institution, can range between 20% - 50%. Consequently, the companies, which applied for this financing source, could not survive during the crisis.⁹²

Private factoring and forfeiting companies differ slightly. For example, during the last crisis factoring and forfeiting companies provided funds and credits against bank guarantees from the first class European banks and against Letters of Credits from big companies. However, their terms were very difficult to bear for companies because the

interest rates of factoring and forfeiting companies were in average equal to 8% - 10% per month. Hopeless companies, in despair due to the financial crisis could not pay back credits plus heavy interest rates imposed on them and several became bankrupts.⁹³ Private factoring and forfeiting companies themselves became bankrupts because they could not get their capitals back and could not turn them over and over. This led to the depression among owners and directors of these financial institutes. For example, the owner of Ak Factoring, Mr. Mehmet Akbulut, exhibited an extraordinary panic. He had been accusing almost everybody including politicians and financial institutes for the emergence of the financial crisis. He hoped that someone will provide his company with funds, and "in that case he will help many other business persons with credits".⁹⁴ So, many conflicts and disputes have occurred between partners and companies. Those which could not be settled in amicable way were directed to courts to be solved. Many proceedings in courts of law have occurred during the crisis, whereby entrepreneurs sought a legal remedy.⁹⁵

Chapter IV

Conclusion and Policy Implications

This qualitative study has been conducted in the context of the last twin crises of 2000/2001. The goal was to understand them better. The work examined these macro events through focusing on the micro-level, i.e. from Turkish business persons' perspectives.

The major study objectives were to map out business persons' attitudes and responses in relation to the crises; to evaluate through interviews the severity of the economic crises for them; to clarify the development within the relevant sectors; to find out if the psychological resilience of business persons towards crises is a relevant factor among many other factors explaining the problem; to see if it was difficult for Turkish business people to cope with the crises; to learn how they evaluate their psychological crises coping mechanisms.

The in-depth interviews show that even though it was difficult for Turkish business persons to cope with economic problems during the crises of 2000/2001, their psychological crises-coping mechanisms (resilience towards crises) have become stronger after that difficult period. They evaluate themselves as having become more experienced towards such challenges.

Moreover, the psychological resilience of Turkish businessmen towards crises is a relevant subject within the complex explanatory paradigm. Thus, I have found that despite the differences in sectors and sizes, many businessmen have expressed their views that when businessmen have positive attitudes, hopes and stronger stamina, their

companies can resist crises more efficiently. Many business persons in their interviews also have expressed that they became more calculative and rational in their business strategies after the recent crises.

The majority of my sample sees the key cause for the crises in the political sphere, especially in the political uncertainty that created the general distrust among economic actors. The corruption of some governmental officials was also articulated frequently as another complementary and important source.

It was also estimated that due to sharp increases in exchange rates, those companies that were import-oriented in their businesses (for instance, buying raw materials, equipments or any other goods from abroad for the domestic market) have been severely affected. The crisis has not been harsh and even has positively influenced the companies doing export businesses.

Moreover, for the most part, small companies and especially those, which had not had their own reserve capitals and whose assets and other liabilities were obtained by credits, were more vulnerable towards the crises. They were dependent on financial institutions, many of them became bankrupts. In contrast, those who used know-how and behaved more professionally, and who have been in their businesses for a long time and had financial reserves, were not susceptible to the economic disaster.

Table 7. Psychological resilience of business people and the performances of companies after the crises of 2000 / 2001.

Company Name	Scale	Sector	Psychological Resilience of a Business Person	Performance of the Company after Crises
1. Erak Giyim Sanayi ve Ticaret A.Ş.	Big	Textile	Resilient	Positively affected, financially has become stronger
2.Morgen Tekstil Grup İç Giyim, Çorap San.Tic.A.Ş.	Middle	Textile	Irresilient	Narrowed, survived by selling its assets and real estate properties
3.Belgeajans Tekstil San. ve Tic. Ltd.	Middle	Textile	Resilient	Narrowed, oriented towards Ukrainian and Russian markets
4.Fudem Ltd.	Small	Textile	Resilient	Survived because it had focused on the export-oriented business philosophy
5.Filay Tekstil Örne Sanayi A.Ş.	Middle	Textile	Irresilient	Radically decreased the number of employees; could not find finances in

				order to enter the foreign markets
6.Peti Gıda Sanayi ve Ticaret A.Ş.	Big	Food	Irresilient	Became incapable to launch its factories
7.Dincer Foods Ltd.	Small	Food	Resilient	Oriented the business strategy towards foreign markets
8. Edem Yağ Sanayi ve Tic. Ltd.	Middle	Food	Resilient	Invested into the increase of production
9. Ak Gıda San. Tic. A.Ş.	Big	Food	Resilient	The crisis stopped the growth of the company; drastically limited the production of pasteurized milk; the company has emphasized diversification in cheese production
10. Birleşik Gıda Dağıtım Tic. Ltd. Şti.	Small	Food	Resilient	Business is rescheduled due to the lack of financial resources

11. Scopo Ltd.	Middle	Construction	Resilient	The recent crises made the company financially anemic. It has been reduced very much.
12. Vinsan Veziroğlu İnşaat San. Tic.A.Ş.	Big	Construction	Resilient	It became indebted to numerous partner-companies.
13. Helveco- Turkey Ltd.	Small	Construction	Irresilient	Business was postponed until the crisis is over
14. Ekinciler Holding A.Ş.	Big	Construction	Irresilient	The factory in Izmir started to operate in its lowest capacity. The company had to reduce the number of employees.
15. Interkarbon Industry and Trade Import Export Co. Ltd.	Middle	Coal	Resilient	It was not negatively affected by the crisis; it has continued its professional business line.

16. Aslan Uluslararası Nakliyat A.Ş.	Big	Transportation	Irresilient	Nonoperational modes of transport diminished the performance of this company.
17. Bosphorus European Airways A.Ş.	Middle	Transportation	Irresilient	The company does not operate, because it needs a working capital.
18. İhlas Holding	Big	Home Utensils	Irresilient	The Holding has experienced the problem of reputation and trustworthiness among people who invested their money and could not get them and the profits back
19. Teleset Mobilya	Middle	Furniture	Irresilient	This company stopped its production due to the great debt to several banks and financial houses in Turkey.
20. Ak Factoring	Small	Finance	Irresilient	Went bankrupt
21. Albaraka Finance House	Big	Finance	Resilient	Little growth
22. Asya Finans A.Ş.	Big	Finance	Irresilient	Little growth

The textile and food sectors have not been influenced so badly, rather than the construction sector. The Turkish textile sector is found to be well equipped, modern machines are in use. The Laleli textile market has become more dynamic during the crisis. In general, the textile sector has exhibited a strong stance towards the recent trials. In contrast, the construction sector leaves much to be desired. It has signaled as the worst affected sector in my sample.

The business people in the textile sector worry slightly about the approaching textile quota elimination by WTO in 2005. In order to compete successfully with Chinese goods internationally, Turkish businessmen pay attention to investment strategies, so that to increase the quality of products and establish their brand names.

The success of companies in the food sector depends heavily on Turkish agricultural policies. My interviewees have also mentioned that currently, there is little support for peasants. It should be noted also that the business people from food sector have emphasized the sharp increase in the illegal sale of open food products, due to financial difficulties experienced by people.

The common problem of many companies in my sample was the lack of finances and the impossibility to obtain credits from Turkish banks and other financial institutions. Many companies sold big percentages of shares to foreign companies during the crisis.

My study also reveals through in-depth interviews that many companies, despite their sizes and sectors, have started exploring foreign markets as their target strategies.

In conclusion, I propose some policy implications concerning what measures can be taken with a view to contribute to the development of even more disaster-resilient Turkish business community having very strong psychological strength. It may be very

important to establish in prominent universities, like Boğaziçi, the Crisis Management branches in order to prepare future business persons to be even stronger and even more competitive.

The government may consider the realization of special programs for the prevention from possible crises. Moreover, anti-crisis and insurance alternatives may be reserved in the budget planning. And at last, the special Turkish analytical centers for the economic recovery programs may be instituted, which would pay attention also to the strengthening of the psychological resilience of Turkish business people towards any crises.

Notes

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- 1 For more details see Kindleberger, Charles P. *Manias, Panics and Crashes: a History of Financial Crises*. NY: John Wiley & Sons, 1996.
- 2 Ziya Öniş. "Domestic Politics versus Global Dynamics: Towards a Political Economy of the 2000 and 2001 Financial Crises in Turkey" *Turkish studies*, 4.2 (2003), p. 25.
- 3 Ziya Öniş. "Domestic Politics versus Global Dynamics: Towards a Political Economy of the 2000 and 2001 Financial Crises in Turkey" *Turkish studies*, 4.2 (2003) : p.3.
- 4 Luigi Manzetti. "Political manipulations and market reforms failures", *World Politics*, 55.3 (2003). p.315.
- 5 Ziya Öniş. "Domestic Politics versus Global Dynamics: Towards a Political Economy of the 2000 and 2001 Financial Crises in Turkey" *Turkish studies*, 4.2 (2003) : p. 2.
- 6 Joseph Stiglitz, *Globalization and Its Discontents*, New York: Norton, 2002. p. 77.
- 7 Ertugrul, Ahmet, and Erinç Yeldan. "On the Structural Weaknesses of the Post-1999 Turkish Disinflation Program" *Turkish studies*, 4.2 (2003) : p. 64.
- 8 Buğra, Ayşe. *State and Business in Modern Turkey*. New York: State University of New York Press, 1994.
- 9 Metin Heper. *Strong State and Economic Interest Groups*, New York: de Gruyter, 1991 p. 153.
- 10 See *Turkish Studies*, summer 2003, p. 195.
- 11 Akbaş, İlyas. *Stabilization programs effects on the socio-economic life and Turkish experiment*. Istanbul: BU, 2001, p. 51.
- 12 Ibid, p. 91.
- 13 Adaman, Fikret and Ali Çarkoglu. "Social Capital and Corruption during Times of Crisis: A Look at Turkish Firms during the Economic Crisis of 2001". *Turkish Studies*, 4.2 (2003). page 140.

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- 14 Please see 'the political consequences' row in the Table 1 to read about this suggestion.
- 15 This Table was developed by Ziya Onis in his "Domestic Politics versus Global Dynamics: Towards A Political Economy of the 2000 and 2001 Financial Crises in Turkey." *Turkish Studies*, Summer 2003:4-5.
- 16 "IMF Approves US\$4 Billion Stand-By Credit for Turkey", IMF Press Release No. 99/66
December 22, 1999.
- 17 See Ziya Onis, "Domestic Politics versus Global Dynamics", p. 9.
- 18 "The Turkish economy", *Euromoney*, London, Aug 2001. Issue: 388, pages: T2-T3.
- 19 *IMF Approves Third and Fourth Turkey Reviews and US\$7.5 Billion Supplemental Reserve Facility Credit*,
IMF Press Release No. 00/80. December 21, 2000.
- 20 OECD Economic Surveys: Turkey 2000/2001, Policy reassessment in light of the end-2000 financial crisis.
Available also at <http://www.oecd.org/dataoecd/16/39/1886247.pdf>
- 21 Alexandra Bibbee, *Turkey's Crisis*. Published on May 02, 2001 in The OECD Observer. p.8
- 22 For the detailed information on the dispute and consequences, please, read Bülent Alirıza's article "Turkey's Crisis: Corruption at the core". Available in CSIS's Turkey Update, dated March 5, 2001.
- 23 Ernest S McCrary, "Turkey takes a tumble". In *Global Finance*, Apr. 2001, Vol. 15:4, pp. 83-84.
- 24 The elaborate definition of 'lender of last resort' concept can be read in Kindleberger, Charles P. *Manias, Panics and Crashes: a History of Financial Crises*.
- 25 Alexandra Bibbee, "Turkey's Crisis". Published on May 02, 2001 in *The OECD Observer*.
- 26 Ibid.
- 27 For the devaluation of 40 percent in the value of currency and real wages see "Revenge of the dispossessed"
Euromoney, Volume 33: 403, London, Nov 2002. (p. 70-76) By Metin Munir.
- 28 Ernest S McCrary, "Turkey takes a tumble" *Global Finance*, New York, Apr 2001.

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- 29 The Letter of Intent of the government of Turkey, which describes the policies that Turkey intends to implement in the context of its request for financial support from the IMF can be read at <http://www.imf.org/external/np/loi/2001/tur/02/index.htm>
- 30 Ernest S McCrary, Turkey takes a tumble. In *Global Finance*, Apr. 2001, Vol. 15:4, p. 83.
- 31 Ibid
- 32 "How to Rescue Turkey; Political leaders obsessed with gaining and keeping power must learn to work together to make rational policy." *Newsweek*, March 5, 2001. p. 24
- 33 John Rossant, Crash Control for Turkey's Broken Economy. *Business Week*, New York, Aug. 27, 2001, p. 66
- 34 Ibid.
- 35 "Kemal Dervis: Economy Minister, Turkey", *Business Week*, New York, June 17, 2002, p. 69.
- 36 See Yeni Ekonomik Program: Derviş'in basın toplantısı. 14 April, 2001.
- 37 "The Turkish economy", *Euromoney*, London, Aug 2001.
- 38 Ibid.
- 39 *BusinessWeek*, "Crash Control for Turkey: Harsh medicine for a sick economy" by John Rossant, August 27, 2001.
- 40 Britain's HSBC Holdings PLC bought Demirbank. Italy's Banca Intesa was negotiating for a stake in Garanti Bank.
- 41 "Crash Control for Turkey: Harsh medicine for a sick economy" by John Rossant.
- 42 Ibid.
- 43 Bullock, Alan; Stallybrass Oliver eds., *The Fontana Dictionary of Modern Thought*. London, Fontana Press: 1988.

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- 44 The US economic crisis started in 1929 is sometimes referred as 'Black Thursday'.
- 45 See http://www.princeton.edu/pr/home/02/1009_kahneman/hmcap.html
- 46 Simon, H. *Models of bounded rationality*. Cambridge, MA: MIT Press, 1982.
- 47 For the detailed explanation of economic psychology you may see Earl, P. Economics and psychology: A survey. *Economic Journal* 1990, 100: 718-755. And also Warneryd K. E. *The psychology of saving: A study on economic psychology*. Elgar, Cheltenham: 1999.
- 48 <http://www.nobel.se/economics/laureates/1978>
- 49 Simon, H. A. "A behavioral model of rational choice" *Journal of Economic* 69, 1955: 99-118.; Simon, H. A. "Rational choice and the structure of the environment." *Psychological Review* 63, 1956: 129-138.
- 50 March, J. G. "Bounded rationality, ambiguity, and the engineering of choice." *Bell Journal of Economics* 9, 1978: p. 590
- 51 Simon, H. *Models of bounded rationality*. Cambridge, MA: MIT Press, 1982, p. 204.
- 52 Ibid.
- 53 Ibid.
- 54 Simon, H. A. "A behavioral model of rational choice" *Journal of Economics* 69, 1955, p.99.
- 55 Ibid.
- 56 Simon, H. *Models of man*. New York: Wiley, 1957. p. 199.
- 57 Simon, H. A. "A behavioral model of rational choice quarterly." *Journal of Economic* 69, 1955. p. 107.
- 58 Ibid.
- 59 Simon, H. A. *An empirically based microeconomics*. Cambridge: Cambridge University Press, 1997.
- 60 *An empirically based microeconomics*, p. 6

61 Ibid, p. 8.

62 Ibid, p. 18.

63 Augier, M. "Sublime Simon." *Journal of Economic Psychology* 2001, p. 328.

64 The quotation and image are taken from "Topography of Mind: Freud's Iceberg Model for Unconscious, Pre-conscious, & Conscious" article available at <http://www.wilderdom.com/personality/L8-3TopographyMindIceberg.html>

65 Erikson, E. *Identity: Youth and Crisis*, London: Faber & Faber, 1968.

66 Vygotsky, L.S. 1978, *Mind in Society*. Cambridge, MA: Harvard University Press, p.57.

67 The International Society for Gestalt Theory and its Applications' definition. Source:

<http://www.enabling.org/ia/gestalt/gtax1.html#kap2>

68 Lewin, K., 1951. *Field theory in social science; selected theoretical papers*. New York: Harper & Row, p. 240.

69 For the detailed evolution of psychology and cognitive science see *A Century of psychology as science*. Edited by Sigmund Koch & David E. Leary.

70 Caplan G. *Principles of preventive psychiatry*. London: Tavistock 1964.

71 Crisis management and response.http://www.carnelian-international.com/crisis_management_respon.htm

72 Caplan G. *Support systems and community mental health*. New York: Behavioural Publications, 1974.

73 This part of my work, explaining the processes during psychological crisis, is written according to the knowledge from my discussion with Dr. Tarik Yilmaz, a Florence Nightingale Hospital psychiatry expert.

74 This table is developed by me using the source *Coping With Crisis, Disaster and the Stress*, available at <http://www.gmu.edu/departments/csdc/disaster.htm>

75 From the brochure "The Road to Resilience". Available also at <http://helping.apa.org/resilience/index.html>

76 Ibid.

77 I have referred to refresh my mind to "Qualitative data analysis : an expanded sourcebook" Matthew B. Miles, A. Michael Huberman.

78 Related Readings (Kumar, V., Aaker, D.A. & Day, G.S. (1999). Essentials of Marketing Research. New York: John Wiley & Sons, Inc.; Zikmund, W.G. (1997). Exploring Marketing Research, 6th edition. Orlando: The Dryden Press)

79 I have designed an interview guideline in which contents and questions are pre-structured. Special thanks to Mine Eder, who helped me and confirmed the guideline.

80 I have used this kind of classification based on the Istanbul Chamber of Commerce criterion. For details see İstanbul Ticaret Odası: 1999 Yılı Sektörler İtibariyle Ekonomik Durum Analiz Anketi in 1999 Yılı Sektörler İtibariyle Ankete Dayalı Ekonomik Durum Analizi.

81 Many newspapers and journals have flashed this dispute in various perspectives. You can see the details, for example, in "Interview: Hugh Pope Discusses What Triggered 'Turkey's financial Crisis', Feb. 24, Weekend Edition. Saturday, Washington, D.C. : 2001. Hugh Pope is also the author of "Turkey Unveiled".

82 either sole owners or big shareholders, members of the board, executive, i.e. decision makers.

83 Telmar İletişim Sistemleri. <http://www.telerehber.com>

84 see İstanbul Ticaret Odası: 1999 Yılı Sektörler İtibariyle Ekonomik Durum Analiz Anketi in "1999 Yılı Sektörler İtibariyle Ankete Dayalı Ekonomik Durum Analizi".

85 Here he means the 1979 crisis.

86 Turkish term for robbing the public resources.

87 Büyük Birlik Partisi

88 Mr. Yuksel Bilgin explained me that in order to have an authorized capital of this amount, a businessman in Turkey should pay around USD 142,000 in the beginning.

89 He means here that nobody will be able to stop him afterwards in his success.

90 My interpretation of his words.

91 Here I use this term as used by Mehmet Ali Vercin during the interview. It refers to the norms and rules practiced in business widely popular in Middle East countries.

92 In spite of this, some businessmen, like the head of Peti A.S. Yuksel Ş. Bilgin, tried to survive by this way without calculating long-term consequences.

93 including such big factories as Teleset Mobilya

94 My translation of his words.

95 For instance, Aslan Group had around two thousands court proceedings directed towards this Group in the middle of 2001.

Appendix A

List of the Companies and Their Scales.

1. Erak Giyim Sanayi ve Ticaret A.Ş.	Big
2. Morgen Tekstil Grup İç Giyim, Çorap San.Tic.A.Ş.	Middle
3. Belgeajans Tekstil San. ve Tic. Ltd.	Middle
4. Fudem Ltd.	Small
5. Filay Tekstil Örne Sanayi A.Ş.	Middle
6. Peti Gıda Sanayi ve Ticaret A.Ş.	Big
7. Dincer Foods Ltd.	Small
8. Edem Yağ Sanayi ve Tic. Ltd.	Middle
9. Ak Gıda San. Tic. A.Ş.	Big
10. Birleşik Gıda Dağıtım Tic. Ltd. Şti.	Small
11. Scopo Ltd.	Middle
12. Vinsan Veziroğlu İnşaat San. Tic.A.Ş.	Big
13. Helveco-Turkey	Small
14. Ekinciler Holding A.Ş.	Big
15. Interkarbon Industry and Trade Import Export Co. Ltd.	Middle
16. Aslan Uluslararası Nakliyat A.Ş.	Big
17. Bosphorus European Airways A.Ş.	Middle
18. Ihlas Holding	Big
19. Teleset Mobilya	Middle
20. Ak Factoring	Small
21. Albaraka Turkish Finance House	Big
22. Asya Finans Kurumu A.Ş.	Big

Appendix B

Table 8. Important Economic Events, 1980-2000

Period	Event
1980-1983	A stabilization program was implemented under a standby agreement with the IMF. The program necessitated a massive devaluation of the Turkish Lira and considerable increase in indirect taxes. Foreign exchange was made available by a large infusion of funds both from international institutions and NATO allies.
1983-1989	Market reforms undertaken by Prime Minister Turgut Ozal were aimed for import-substitution policies to be replaced with policies designed to encourage exports. Among the objectives were lifting quantitative restrictions on imports, liberalizing interest rates, simplifying the procedures for foreign direct investment and promoting exports of goods and services (tourism), while strengthening the basic infrastructure of the economy, especially in telecommunications and transport.
1989-1996	The liberalization of the capital account and the design of a program for the reduction of import tariffs. The convertibility of Turkish Lira resulted in the dollarization of the economy and large, short-term capital inflows ("hot money").
1996-1999	The Customs Union Agreement with the European Union signaled the positive results. However, high inflation, and the resulting macro-economic instability and volatility, persisted, and Turkey entered the new millennium with the most serious economic crisis it has ever faced. GNP growth was negative for the last six quarters of the century, turning 1999, with a growth rate of -6.4 percent, into the worst year since the early 1940s.

Source: This table is designed after reading Asaf Savaş Akat's article "The political economy of Turkish inflation", *Journal of International Affairs*. New York: Fall 2000. Vol. 54, Iss. 1; 265-284. And also after reading Metz's *Turkey, a Country Study*, 1988.

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