

A CRITICAL REVIEW OF THE APPROACHES
TO THE RESTRUCTURING OF THE STATE IN TURKEY DURING THE 1980S

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ABSTRACT

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The prevalent approaches in terms of the restructuring of the state in Turkey during the 1980s grasp the relations between state and society as relations of exteriority. Statist-institutionalist or technicist approaches detach the formation of economic policies from social struggles whereas the critical analyses interpret the implementation of structural adjustment policies as a functional response to the crisis of capital. Instead of these explanations, it seems there is a need for taking into consideration the relations between state and society as internal relations and grasping the restructuring of the state as a form assumed by social struggles and understanding the intervention of the state into the economy as a moment within the process of reproduction of the contradictions. Such a theoretical position has the power of explaining the changing forms of state intervention on the basis of the class character of the capitalist state and in a relational way.

Keywords: Restructuring of the State, Structural Adjustment, State Intervention

ÖZ

1980'LER TÜRKİYE'SİNDE DEVLETİN YENİDEN YAPILANDIRILMASINA YAKLAŞIMLARIN ELEŞTİREL BİR İNCELEMESİ

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1980'lerde Türkiye'de devletin yeniden yapılandırılmasına dair hâkim yaklaşımlar devletle toplum arasındaki ilişkileri dışsal ilişkiler olarak kavramaktadır. Devletçi-kurumsalcı ya da teknisist yaklaşımlar ekonomi siyasetinin biçimlenmesini toplumsal mücadelelerden koparmakta, eleştirel çözümler ise yapısal uyum politikalarının uygulanmasını sermayenin krizine işlevsel bir tepki olarak yorumlamaktadır. Bu yaygın açıklamalar yerine toplumsal üretim ilişkilerinin çelişik niteliğinden kalkarak devlet ve toplum arasındaki ilişkileri içsel ilişkiler olarak dikkate alıp devletin yeniden yapılandırılmasını toplumsal mücadelenin büründüğü bir biçim olarak kavramak ve devletin ekonomiye müdahalesini çelişkilerin yeniden üretiminde bir uğrak olarak anlamak gerekmektedir. Böyle bir kuramsal konumlanma devlet müdahalesinin değişen biçimlerini kapitalist devletin sınıf karakteri temelinde ve ilişkişel bir şekilde açıklama gücüne sahiptir.

Anahtar Kelimeler: Devletin Yeniden Yapılandırılması, Yapısal Uyum, Devlet Müdahalesi

To my family and friends

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CHAPTER 1

INTRODUCTION

More than twenty years have passed since structural adjustment programmes were implemented in underdeveloped countries which had economic problems and experienced financial crises. These programmes, framed by international financial institutions, have directly aimed the liberalization of the economy for a healthier process of integration into the world economy. Nonetheless the achievement is questionable and the record in terms of stability and success remains patchy (Storey, 2000: 361). Turkey in the 1980s can be characterized by a change in the form of state-society relations and particularly the change in the form of state intervention into economy. The transformation process in fact is a fundamental change in line with the aim of the liberalization of the market, which rested on an anti-state discourse, the main element of new right thinking. However, notwithstanding the negative conception of state dominating the agenda of international financial institutions in the 1980s, the state intervention in Turkey as in many other countries, continued to be the major way of provision of the so-called free interplay of the market forces.

The commitment of the Turkish bourgeoisie and political cadres to success of structural adjustment programme served at best as the promoter of the credibility of Turkish economy until the late 1980s, not as achievement of smooth pattern of capital accumulation. However, the problems within Turkish capitalism were attributed to the state from the viewpoint of mainstream classical economics via posing a dichotomy between state and market. It was also explicitly stated from an institutionalist point of view, that the problems within the process of integration into world economy could be related to the strength and intervention of state. The

permanence of state intervention was signified as the root cause of the problems confronted within the process of structural adjustment by those who conceived state-economy relations as relations between separate and interdependent fields (see Öniş, 1998 and Buğra, 2000). These modes of explanation are based on particular conceptualizations of state and economy as demarcated spheres within the capitalist social relations.

However, it is not viable to rest upon dichotomies such as good or bad state intervention. The form of intervention and the reproduction of the social relations of production by the help of state intervention in line with the needs of capital accumulation and against the particular wishes of capital groups in Turkey in the 1980s should be explained from a critical point of view that stresses the contradictions and the ways of containment of labour. Such an endeavour would enable taking into account the class struggle and the temporary reconciliation of the social antagonisms (Bonefeld, 1992) by not falling into the abyss of structural-functionalist way of thinking. The changing balance of class forces in Turkey during the 1980s had been mainly discussed along the lines of perspectives that portray state and society and social classes as external to each other. This study at hand is an attempt to provide a brief critique of widespread explanations that can be located in either institutionalist and economy-centric perspectives or critical approaches on state intervention and structural adjustment in Turkey during the 1980s.

The major problem to be investigated is “How can we provide a critique of the approaches to state intervention and state-society relations within the context of structural adjustment in Turkey in the 1980s?” The thesis addresses itself mainly to the deficiencies within the widespread scholarly explanations of the Turkish experience of structural adjustment in the 1980s. The main aim is to criticize the conceptualization of state-society relations in that period as relations between externally related spheres. The explanations that will be reviewed and criticised from a relational perspective are those, which can be claimed to be representative in terms of their way of approaching to the Turkish experience of structural adjustment and state intervention.

An interpretative textual method will be applied in the study. The interpretation of the texts will be based on the major problem of conceptualization of state-society relations and the notion of state power as well as state intervention into economy. How to approach state-capital relations, state intervention and functioning of the state are related problems in that sense. To seek an answer necessitates trying to understand the relational approach and the explanations of critical figures on the role and function of state in terms of the reproduction of the social relations of production. Such an attempt and questioning of the state-capital relations in direct connection with the reproduction of the contradictions inherent in the capitalist social relations will be the motives throughout the critique that will be directed towards scholarly hegemonic accounts.

The thesis relies on the books and articles of academic figures and academic studies. The publications of World Bank and TÜSİAD (Association of Turkish Industrialists and Businessmen) will also be referred to. Through an evaluation of these resources, the change in the form of integration of Turkish economy into the world economy and the role of the state in the process will be questioned with specific emphasis to contradictory nature of the state-capital relations and the open-ended nature of struggle. The conceptualizations of the integration of Turkish economy into the world economy and changing form of the Turkish State's intervention, in these studies, will be subjected to critique with a focus on their handling of state intervention into economy and its relation to capital accumulation.

The demarcation drawn between state and economy in scholarly explanations brings about conceiving adjustment as part and parcel of a process which will end up in stability of the economy until new problems emerge. Locating the adjustment mainly as a follower of the crisis and problems in terms of the capital accumulation will be a kind of fallacy since reasoning that crises precede adjustment bears in itself the assumption that capital is not an inherently contradictory social relation. Instead, the thesis suggests that it will be more sensible to understand the adjustment with its continuity and in relation to struggles and forms of the contradictory nature of capital

accumulation. That is to say, the development of the form of state and the changing forms of state intervention in terms of structural adjustment is “a mode of motion of the self-contradictory form of capitalist state in the face of crisis-ridden development of accumulation” (Bonefeld, 1992: 121) and economic policy-making should not be conceived as a functional response to the problems within the process of capital accumulation.

It was for sure that the 1980s signified a transformation of the form of state intervention in Turkey, whose effects still gleam and dazzle the everyday politics in Turkey. Continuity of the process of adjustment in that sense can be perceived by the help of a critical approach that underlines the crux of the matter: changing balance of class forces and its repercussions in terms of the state intervention. As the state does not have the capacity of resolving contradictions of which it is a constitutive element at the same time, the change in the form of state intervention can only be explained by considering class struggle and its effects.

The actuality of the change in the form of state should be noticed to indicate the importance of the subject matter and its effect to everyday life of people. In other words, the importance of the subject matter of the study lies in the fact that the effects of the change in the forms of Turkish State’s intervention into the process of capital accumulation keep their importance and the adjustment cannot be conceived as a finished process.

In regards to continuity, for example, in January 2005, SEKA workers whose number exceeded seven hundred have resettled down in their factory. This was not an invasion in their terms since the factory was like their home, their sphere of living for decades. The rebellion of SEKA workers was against the decision of government which closed down the factory and pushed the workers to work in other sectors, in other cities, leaving some of them unemployed because of the limited availability of jobs in the public sector. *Prima facie* this was the last ring of the chain of contraction of public sector and reactions against the process that has occupied a noteworthy importance in the agenda of governments and people in Turkey in the last two

decades roughly. However, it has also a historical importance not only because SEKA is one of the symbols of republican, Kemalist developmentalism and the furnishing of one of the major industrial cities in Turkey, İzmit; but also the strikes of SEKA workers were the prime obstacles against privatization in the late 1980s and the 1990s.

The protest of SEKA workers ended in March after the acceptance of the takeover of factory by İzmit municipality. The closure of the factory was a matter of debate between the workers and the municipality that wishes to turn the land into a huge greenfield. Now, the workers have become contractual workers of municipality and the Prime Ministry Privatization Administration reported in August that the decision for submitting the machinery and land to the municipality was being prepared¹. Whether the rebel of SEKA workers, most of whom were the supporters of Justice and Development Party before the decision of shutting down the factory taken by JDP government, will form an example for a new wave of strikes and protests is bound to remain an open issue as the struggle is open ended by nature. Although SEKA case is not an example for privatization, it can be argued that it is a part of the process of change in the function and organization of the state. That change can be delineated by referring to the transformation of the functions of the state, from provision of basic inputs to private sector in the 1970s (Boratav, 2003: 134) to focusing upon infrastructural investment in transportation and energy sectors in the 1980s and privatization of State Economic Enterprises from the late 1980s onwards. As Ercan (2002) notes the transfer of resources to capital took the form of socialization of the costs of transformation of capital in the 1980s. Indeed, the mentioned socialization is realized through different means in the process of structural adjustment. Privatization is one of them while closure of the factories that did not have enough competitive power against their counterparts in different parts of the world is another. Achievement of the socialization of the costs of transformation of capital points out the changing balance of class forces, in general. The form taken by Turkish economy in the process of integration into world economy in the 1980s or

¹ See www.oib.gov.tr for detailed information.

internationalisation of Turkish economy (Ercan, 2002) if the term internationalisation is preferred signifies a change in class relations and the relations between the state and the classes.

Aside from SEKA case which reminds the importance of the change in the form of state intervention, the fact that privatizations² and structural reforms aiming flexibility in labour market are still on the agenda of international financial institutions and Turkish government should be underlined. For the latter, the striking declaration of the first deputy managing director of International Monetary Fund indicates that the repression of the price of labour-power as the core strategy in Turkey in the 1980s continues to be a tool for the restoration of profit rates in 2005³. The motto “there is no alternative” reproduces itself under various forms and still occupy a noteworthy importance in the Turkish political scene.

Since the change in the forms of state intervention into the process of capital accumulation maintains its importance, then substantial matter to be discussed as a part of the thesis is the process of structural adjustment, which can be read as the expression of the ending former pattern of class relations and reproduction of contradictions under new forms. It will be argued in the first chapter, that the problems within Turkish industrialisation based on the import substitution and the

² As seen in Turkey, privatization was one of the main elements of the restructuring of Turkish economy, though not immediately after the crisis of industrialisation based on import substitution, which aimed the strengthening of productive capital and a kind of integration through the strength derived from the productive power of the economy. The time lag can be related to wishes for a more gradual liberalization in early 1980s on the side of TÜSIAD and the spring protests in 1989. However, the aim itself continued to be the part of government programmes beginning from Motherland Party governments in 1980s and became the basic component of the actual discourse of efficient allocation of resources. Oddly enough, such a discourse continues to be effective in benches of Justice and Development Party during the campaign for privatization of two of the most profitable firms in Turkish economy. The discussions revolving around the privatization of Türk Telekom and invitation of tenders for privatization of Ereğli Demir Çelik (Erdemir), one of the biggest steel factories in Europe, in July 2005 are proofs for the mentioned effects of the change in form of state intervention (see Yeldan, 2005).

³ Krueger in her visit to Turkey in May 2005 stated that the problems in Turkish economy and the inability to increase productive capacity in former years had immediate relation with the minimum price of labour-power determined by Turkish government. 270 dollars a month received by workers were found detrimental to productivity increases in Turkish economy by Krueger and she answered the question “Could you subsist with 270 dollars?” with an ironic emphasis to lack of alternatives: “You should, if you have to.” (“Geçinmeye Mecbursanız 270 Dolarla Geçirsiniz”, *Radikal*, 7.5.2005)

crisis in the 1970s should be taken in direct relation with the problems in the world economy. Rather than perceiving the specificity of Turkish experience as difference emanating from the policy preferences of the Turkish policy makers and the implementation within Turkish capitalism, it would be better to grasp the crisis of capital accumulation in Turkey at that time as the form assumed by the process of integration into the world economy based on import substitution. As it is known, the problems within the world economy plagued countries that used deficits and borrowing to promote industrialisation through infrastructural and sectoral investment. The specific policy measures in structural adjustment programmes aimed at the liberalization of commodity trade and export-orientation and also included monetarist policies to overcome the crisis of balance of payments.

It will be briefly mentioned that the dialectics of success and failure of the structural adjustment in Turkey during the 1980s could be seen as part and parcel of the consequences of standard stabilisation-cum-structural adjustment programmes of Bretton Woods institutions. The liberalisation of the economy was also supported by the businessmen circles and transformation of state-capital relations exhibited a great loyalty to proposals within the “realist way out” campaign of TÜSİAD in 1979. However the proposed form of integration into world economy brought about its own contradictions and the experience of structural adjustment in the 1980s had resulted in concerns about the sustainment of the strategy pursued. In the late 1980s, Turkey still had the ability to borrow from international markets despite at high rates of interest because of the deterioration of her creditworthiness. The problems of economic policies were clear from a point of view that focuses upon the failure to promote industrialisation with growth and a continuing decrease in the total stock of debt. Nonetheless the success was also important since the restructuring of state-society relations that supports the economic individualism and neo-liberal prescriptions became the hallmark of the 1980s and played a hegemonic role.

Chapter two briefly discusses the scholarly explanations in terms of the structural adjustment and state intervention in Turkey during the period in question. It will be stated that the widespread explanations in academic circles which can be denoted as

hegemonic to the extent they condition our way of looking, are not immune from deficiencies. The preliminaries of institutionalist approach and its reflection upon the conceptualisation of state-society relations in Turkey during the 1980s are reviewed along with the economy-centric perspectives that rely on variants of statist-institutionalist perspective to explain the problems within Turkish economy. Such comprehension is problematic as it ignores the class dynamics and the contradictory nature of the capital accumulation. “Distorting state intervention” or “the preference of political elites” would not help us to understand contradictions within Turkish political economy.

It will be also claimed that approaches that attempt to grasp the process of structural adjustment from a critical point of view bear the traces of the structural-functionalist notion of state, as long as they rely on perspectives based upon conceiving the relations between state and capital as relations of exteriority. Explaining the economic policy-making as a functional response given to crisis reduces the state to an agent in charge of securing the reproduction of social relations of production. Critical analyses, which presume the class formation in our context has also the problem of locating structural adjustment basically as the imposition of financial circles and/or Turkish capitalists. Instead, it will be mentioned that the very implementation of the program should be looked at with careful zoom in the underlining effect of the forms taken by class struggle and process of integration into world economy.

The last chapter reviews the state intervention and functioning of the state in capitalist social relations of production by referring to the state debate (see Clarke, 1991) ongoing from the 1970s onwards. This theoretical framework based on the works of Poulantzas, Jessop and Open Marxists and questions processed through a relational perspective in the context of Turkey will follow the brief survey of explanations of structural adjustment in Turkey in the 1980s in the second chapter. The insights derived from such a framework will be linked to the analyses of Tünay (1993) and Yalman (1997). It will be emphasized very briefly that a clear-cut separation between different accumulation strategies, or policies identified with the

forms of integration into world economy would not lead to a solid ground on which comprehensive answers can be devised.

The argument of the thesis is that, the restructuring of Turkish State should be seen as the *modus vivendi* of antagonistic social relations of production, not suspension of contradictions or the mere result of economic crisis. That is to say, the development of form of state is internally related to social phenomena and the crisis-ridden process of capital accumulation despite the appearance of the economic and the political alongside each other, as the fetish form of the existence of the substantive relation between labour and capital. Through such an emphasis, it will be argued that the account of the recomposition of the state-capital relations in Turkey in the 1980s can be given by a critical approach that is not functionalist or reductionist.

CHAPTER 2

LOOKING AT THE CASE OF TURKEY DURING THE 1980S

2. 1. Turning Point

A sharp change in forms of state intervention into economy and the form of integration into world economy has taken place in Turkey in the 1980s. The year 1980 is mainly underlined by both protagonists and opponents of the mentioned transformation as a turning point because of the new economic programme introduced in January and fully began to be implemented after the coup d'état on September 12th and the establishment of the military regime which ruled until the elections in November 6, 1983. As the politics of structural adjustment had severe effects in income distribution and reflectively the everyday life of classes, underlined by the reconfiguration of the class forces and forms of representation as much as the cultural practices, post-1980 era is taken as a new period in which the “restructuring of the state”⁴ is used as a general term for the transformation in the forms of state intervention in terms of the reproduction of the social relations of production.

Whether defined as the construction of a new historic bloc (Yalman, 2002) in which the cement was the discourse of “market” characterized by the image of a sphere of opportunity and freedom, or as the “counter attack of capital” against the achievements of popular classes in the 1970s (Boratav, 2003), it was for sure that the 1980s signified a transformation of the balance of class forces in Turkey, which still impacts upon the everyday politics in Turkey. The restructuring of the state, which should be read in direct relation to changing form of the integration into world

⁴ The term restructuring of the state is used here to refer the restructuring of the relations between state and society and the changing balance of class forces within the society (see Yalman, 1997: 218-219).

economy in general have dialectic connections with the legacy of the former years and the failures and the achievements of Turkish economy in terms of the capital accumulation process. It can be also claimed that the restructuring made the integration into world economy become an end in itself throughout the process of structural adjustment in the 1980s Turkey.

It seems there is a need for a critical attempt to approach the traumatic restructuring of the political sphere and conceptualize state-capital relations in Turkey in the 1980s through a relational perspective for explanation of Turkish experience. The specificity of Turkish case can be derived from the fact that Turkey was among the first group of countries that launched a comprehensive structural adjustment programme⁵ (Öniş, 1998). That specificity is also related to the consequences of the programme. Although World Bank declared the success of programme in the late 1980s, the declaration was accompanied by concerns about sustainability at the same time. For World Bank, at 1988 “Turkey’s adjustment program was undoubtedly successful and a major break from past policies that relied on import substitution, market intervention and reliance on state intervention” (quoted in Öniş, 1998: endnote 2). On the other hand, debt servicing costs and problems in transfer of resources to abroad and problems related to sustainability of creditworthiness, supported by worsening fiscal disequilibrium, were considered as major obstacles against sustainability of the proposed form of integration into world economy (see WB, 1990 and Wijnbergen et. al., 1992).

As the dual nature of evaluation by World Bank indicates, the relationship between success and the failure of the programme should be carefully evaluated. To provide a critique of the widespread scholarly explanations⁶ on state-capital relations in Turkey in the 1980s and locate the changing forms of state intervention in Turkey in the

⁵ Also the weight of distributional policies in the structural adjustment packet against labour was more striking in terms of suppression of internal demand, relative to economic policies under military regimes in Latin America (Boratav, 2003: 149).

⁶ The institutionalist position bending the stick towards distorting state intervention (Öniş, 1998) and / or dependency of bourgeoisie upon state (Buğra, 2003) and the success of coalition building (Özel, 2003) as well as the critical approaches that employed the conceptual framework of Regulation School (Keyder, 2000; Ercan, 2002 and Arın 1986) will be discussed in the second chapter.

1980s into the context of contradictions of capital accumulation process will be an important attempt in that direction. This necessitates questioning the role of the state that had an important part in the recomposition of the state-society relations in the 1980s from a critical point of view that emphasizes the contradictions and inconsistencies. It also compels us to critically evaluate the notion of structural adjustment and the important perspectives that form the ground for conventional wisdom in the explanation of the changes in Turkey in the 1980s.

This chapter will serve as a step towards discussion of the approaches to state-society relations and state-capital relations in particular, within the context of structural adjustment and state intervention into the process of capital accumulation in Turkey during the 1980s. The causes of the crisis of capital accumulation that plagued the developed capitalist countries as well in the 1970s will be summarized. An evaluation of the framework of structural adjustment programmes will follow the brief documentation of the trajectory in Turkey and the evaluation of the experience with specific emphasis to the problems within the proposed form of integration into world economy. It will be mainly argued that the success of the stabilization-cum-structural adjustment as a major break from past policies in Turkey can be perceived as failure in terms of the minimization of total stock of debt and provision of expanded reproduction of capital on the basis of private industrial investment. Nonetheless hegemonic role of economic individualism and the success in terms of the containment of labour for the restoration of profit rates and the reproduction of the capitalist social relations of production should not be ignored.

2. 2. The Economic Crisis in Turkey in the 1970s

Before a discussion of the specific experience in Turkey to be followed by the review of the framework of structural adjustment programmes, it would be beneficial to summarize the crisis of balance of payments in Turkey in the 1970s which was a manifestation of the crisis of the form of integration into world economy. The fact that form of integration into world economy was no more sustainable can be read as the expression of the changing balance of the class forces and the ineffectiveness of

the form taken by state intervention which was in line with the aim of industrialisation through the strategy of import substitution. The restructuring of the state in that sense, can be seen as the expression of the changing balance of class forces since the state can be perceived as the condensation of the balance of class forces (Poulantzas, 2000). Therefore, the process of restructuring itself should be conceived as the functioning of class contradictions within the state, not as the operation of bourgeoisie to overcome the crisis of import substitution industrialisation (ISI).

The developmental policies that were supported by the international institutions and enabled via the international monetary order after the Second World War were the testimony of an international attempt to reconstruct the war-torn economies and enhance global trade and transactions. Such policies had important implications for less developed countries. The planning activity and state intervention aiming the integration of national economies to world economy became a qualitative feature of economic policy-making in developing parts of the world. The import substitution strategy as the basic element in the process of state intervention into capital accumulation in Turkey in the 1960s and the 1970s aimed not directing the national economy toward developmental goals *per se*, but industrialisation for the sake of integration into world economy in parallel with the acceptance of the liberal rules of the game (cf. Keyder, 1996).

As Panitch and Gindin (2004) portray the post-Second World War era, the informal empire of U.S. required the sustainment of economic and cultural penetration of other states through coordination with other governments. This coordination activity was of course made possible through the economic and military power of U.S. Therefore the reconstruction in post-war period should be seen as integration of other capitalist powers into an effective system of coordination under American protection.

The international rise of proletariat and the forms that class struggle took in the aftermath of war made it necessary to take domestic concerns into consideration. The strategy of U.S. on the other hand during the cold war was to open up the world to

trade as well as to contain communism (Bacevich in Panitch and Gindin, 2004: 16). This could be achieved through the recovery of internal markets as well as the international integration. Therefore it can be said that the informal American empire reproduced itself by the help of recovery of internal markets especially in Western Europe and Japan. That is to say, expanded reproduction of capital aimed the construction of new spatio-temporal fixes (Harvey, 2001) for enhancement of global trade. The planning activity in less developed countries was opposed as long as it meant economic nationalism and hostility to liberal international economic order. As long as it was understood as a form of integration into world economy, it was supported by international financial institutions, as in the case of late 1950s Turkey.

Such kind of recovery based on domestic concerns could be established by the international monetary order that leaves a space to nation-states for manoeuvre. However, the extent of the so-called insulation of nation-states should not be exaggerated firstly, because the capital mobility was promoted by Bretton Woods system and high degree of capital mobility was generated after 1958 (Cohen, 1995:226) and secondly, of the fact that the insulation of national economies from short-term speculative capital movements does not mean the ability of nation states to pursue independent monetary policy. Although governments can affect the exchange rates of currencies they can never suspend the functioning of the law of value (Mandel, 1991: 57).

Bretton Woods system and Keynesian policies which were sacred for nearly thirty years in the capitalist world could not avoid the chaos in which global capitalism found itself in the 1970s. This had severe implications on the nation-states that preferred to promote industrialization by borrowing and deficits. The competition within the global capitalism from the 1960s onwards, indicating the contradictions in the global capital accumulation and the instability of U.S. economy exported to world economy in general, paved the way for global economic crisis. The problem of excess capacity and overaccumulation were the underlying reasons of deregulation of financial markets (see Brenner, 2004). Falling rates of profits meant that the productive investment became less profitable than financial activities. The global

economic crisis in the 1970s, which pushed a restructuring of the state-capital relations, and the deep recession of the early 1980s, provoked a turnaround in framework of economic policies. “The breakdown of Bretton Woods and the deregulation of international credit and money market proved to be the single most important event of the class struggle in and against the form of the capitalist state” (Bonefeld, 1993:260).

The deregulation of financial markets and the deepening economic crisis that severely affected the underdeveloped countries pursuing developmentalist and interventionist economic policies, have led to profound changes in the form of the integration of the national economies into world economy. Before and throughout such a change, a great deal of attention was directed towards the development of the third world economies and the linkages between less developed countries and developed ones in the literature of development studies. This had an obvious reason as the state intervention in those countries and the successes as well as failures had to be assessed by competing paradigms. A critical evaluation of these paradigms as modernization and dependency perspectives is out of the question within the context of this study but it should be mentioned that the post II. World War studies and the development economics had their roots in the form of the state-economy relations that supported a perpetual rise in economic welfare in developed countries and developmentalist policies in many parts of the world.

Post II. World War economic regulations that enabled governments to take domestic concerns into consideration by budget deficits when necessary, pushed many theoreticians to underline the state intervention as a compromise based upon domestic interventionism and the protection of the aim of multilateral trade and transactions (e.g. Ruggie, 1982). Domestic interventionism made possible by the international monetary system and the promotion of the developmental policies paved the floor for the practices of import substitution as a strategy of industrialisation in many developing countries⁷. It was argued that

⁷ For a summary of the interpretations of ISI experience mainly with reference to Latin American countries, see Eğılmez, 2003.

The developing country...must seek to learn from the already rich countries, even while protecting itself from a number of problems that the existence of rich countries creates... The basic rationale of the import substitution strategy is that in order for the modern, less developed country to make over its economy in the image just described, it needs protection, for a while at least, from the might of the GDP-rich countries. (Bruton, 1989: 1602-1603)

Although the import substitution industrialisation cannot be identified with the post-war strategies of developing countries as it had a history in Turkey and many Latin American countries before the war as well (see Yalman, 1985), the formation of the ways of intervention into the economy and the sphere of production by legal regulations and subsidies had a peculiar form in post-war Turkey. This means, there were significant differences when compared to early republican period in terms of the class formation in post-war period and the multi-party politics. One of the main differences was that the industrial bourgeoisie was becoming more powerful when compared to earlier decades and trade unions and the level of organization of working class had a significant effect in form of politics from the 1960s onwards (Savran, 1992). Aside from the fact that bourgeoisie has become a class for itself during the 1970s (Yalman, 1997: 224), the crisis of capital accumulation in the late 1970s had aggravated the redistribution policies from the side of working classes and the demands of working class organizations took the form of an open challenge, at least in the eyes of bourgeoisie and the military, against liberal and democratic parliamentary system (Yalman, 1997: 219).

It is an influential argument that the easy phase of the import substitution has ended in Turkey in the 1970s and the saturation of the market has exacerbated the crisis of capital accumulation (see Ercan, 2002). As discussed by Hirschman (1968) the easy phase consists of the production of consumer goods formerly imported. It is expected that this would result in a decrease in the ratio of imports to GNP and enable the strengthening of economy by creating the environment in which capitalists produce for internal market in return of high profits as a result of the protection and state intervention. However, for Hirschman (1968) the experience might result in disappointment as the implementation of ISI does not require fundamental changes in

political sphere. Because of the effects of sequentiality, this will retard the creation of the desired environment for growth of the economy.

For Ercan (2002) the reason that producing for internal market did not mean declining import of raw materials in Turkey, can be related to the characteristic features of the capitalist in late industrialising country, who prefers to import necessary materials and produce consumer goods for the internal market⁸. If the import dependency is not overcome, from such a point of view, the limitations of foreign exchange and the increasing deficits bring about balance of payments problems, the process which is supported by the exhaustion of the internal market. On the other hand the move towards capital-intensive goods exacerbates the problem of foreign exchange limitation (Ercan, 2002: 24).

This was the case in Turkey. However, the argument of the exhaustion of the market and inability to compete in world market as a result of the political and institutional obstacles (cf. Hirschman, 1968) should not be overstated. Hirschman in his discussion of the import-substituting industrialisation provides a critique of the exhaustion-prone arguments as they tend to ignore the economic environment and policies (1968: 13-17). Nevertheless, describing the process from a structuralist point of view, he proposes a tightly staged interpretation of the import substitution activity. Referring to his metaphor of import substituting country as a mountain climber, it can be said that the mountain does not get steeper all the time. Its slope flattens at a point if the easy phase is transcended via a stable policy and the changes depend on the economic environment as well as the relations between the business groups and the state (1968: 16). For Turkey, the mountain got steeper in the late 1970s not just because of the saturation of the market. The crisis of balance of payments and the crisis of capital accumulation had immediate relations with the world economic crisis. To put in other words, as Turkey climbed the mountain of industrialisation of which integration into world economy can be seen as a consequence, the stormy

⁸ “Between 1950-1978, while imports relating to consumer goods declined from 20,6 % as a part of total imports to 2,9 %, the import of raw materials rose from 33,4 % all the way to 62,4 % (TÜSiAD, 1979: 11)” (Ercan, 2002: 24).

weather of world economy and the clouds full of political instability raining over her head, provided the substantial obstacles.

Mutual relations between the capital groups and the state in the process of import substitution in developing countries should not be conceived as a zero-sum power game. The political and institutional obstacles before the industrialists which “neutralises some of the possible adverse effects of sequentiality” in Hirschman’s words (1968: 32) would be better conceptualised not as the expression of the backwardness of the country’s political and economic conjuncture but directly in relation to the crisis in developed countries and the forms of class struggle and capital accumulation as in the case of Turkey. While it is true that Turkish bourgeoisie had benefited from protectionism in ISI (Boratav, 2003), it would not be proper to rely on an explanation of economic crisis and inability to decrease import dependency as a consequence of the lack of political power of industrialists (cf. Hirschman, 1968: 31).

Boratav in his analysis of the crisis of import substitution in Turkey, refers to a phrase of insufficient or wrong import substitution (2003: 135, cf. Keyder, 2000). For him the economic bureaucracy had tried to provide an egalitarian distribution of rents derived from protectionism. Although such kind of rent-seeking activity could not be prevented, the allocation of resources to the sectors with priority was the main motive (Boratav, 2003: 128). Turkish state had the responsibility of providing the basic inputs to private sector. By the help of such support and incentives, the ratio of the intermediate goods and durable consumption goods produced within the manufacturing sector increased.⁹ However, the rate of the investment goods slightly declined between 1963 and 1980 and rate of imports in GNP did not decline (2003: 133-135) which means that Turkey’s import dependency continued, although she was successful in the promotion of an industry producing consumption goods for the internal market (Köse and Öncü, 2000: 79). When looked at the production of capital goods and later phases of import substitution, Turkish case was a failure. This

⁹ For the changes in the structure of Turkish manufacturing industry and role of state economic enterprises, see Boratav, 2003.

enabled the characterization of import substitution experience as insufficient in Turkey by Boratav (2003).

However, the insufficiency was not inherent in the implementation of import substitution as a strategy but rather in the process of capital accumulation. That is to say, the success of ISI was limited by the insufficiency of capital accumulation¹⁰ (Ercan, 2002). The deregulation of financial markets and capital mobility had made it more difficult for a developing country to sustain its policy of promoting industrialisation through budget deficits and debt. Short-term, high interest rated debts taken from international money markets from the mid-1970s (Keyder, 2000: 257) exacerbated the balance of payments in Turkey and undermined the strategy of ISI. The agreement with IMF in 1978 was the expression of the foreign exchange problems and showed the need for recomposition of state-capital relations on the basis of which depreciation of real wages and repression of organizational rights laid down. Nonetheless the adoption of a total strategy in terms of structural adjustment and repression of workers' rights took place in 1980.

2. 3. Adjustment *Par Excellence*: Turkey in the 1980s

Yeldan in his discussion on privatization in Turkey divides the comprehensive structural adjustment in Turkey into two phases. The first one is the phase from January 24 decisions to capital account liberalization in 1989. He summarizes the characteristics of the period, which is our concern as such:

The main characteristic of the first phase is structural adjustment with export promotion, albeit under a regulated foreign exchange system and controls on capital inflows. Over this period, integration to the global markets was achieved mainly through commodity trade liberalization. More importantly, both the exchange rate and direct export subsidies acted as main instruments for the promotion of exports and pursuit of macroeconomic stability. The period was also characterized by a severe suppression of wage incomes via hostile measures against organized labor. (Yeldan, 2005: 5)

¹⁰ Interpreting the insufficiency of capital accumulation mentioned by Ercan (2002), as the inability to promote deepening of the industrialisation as a result of the contradictions, emanating from the less developed country's process of integration into world economy would be proper.

These characteristics should be explained for an evaluation of the trajectory of structural adjustment in Turkey. The stabilisation programmes implemented in 1978 and 1979 could not overcome the crisis of Turkish economy. The stabilization package in March 1978 under Ecevit government, following the devaluation of the currency by 23 % against dollar, rested on control of money supply and aimed at increasing exports. The Economic Rescue programme, declared in March 1979, in a similar way aimed cutting down public expenditure and reducing inflation. Demirel government that came into office in January 1980 launched a new stabilization programme by the support of and in line with the proposals of the World Bank commission which visited Turkey in April 1979. The new programme included elements aiming qualitative transformation in the functioning of the economy according to TÜSİAD (1980). In fact, the measures within the package had a great chance of success for TÜSİAD, as the rescheduling of debt was guaranteed and credits were expected to flow in. In contrast to the “half-heartedly adopted” (TÜSİAD, 1980: 25) policies of former stabilization packages, January 24 decisions were the direct expression of the “realist way out” campaign of TÜSİAD¹¹ which corresponded to:

¹¹ The campaign, part and parcel of the perception that the strategy of industrialization was not feasible anymore, began with the declaration of TÜSİAD published in newspapers in May 1979. The critique directed towards Ecevit government offered a fundamental change in the form of state intervention. TÜSİAD perceived the failure of these packages in general, in light of the failure of commitment to right and sound economic policies. For the association “prerequisites were not provided at the right time” or the policies were “half-heartedly adopted” (TÜSİAD, 1980: 25). It was mainly stated by TÜSİAD (1980) that, the increase of petroleum prices and prices of goods Turkey had to import was contributed by the recession in West. This led to decline of Turkish worker’s remittances and imports from Turkey, which were counted as the external factors by TÜSİAD. On the other hand, the consumerism-excess demand-inflation circle, failure to increase exports and irrational policies formed the internal factors according to the mentioned association of industrialists and businessmen. It can be seen in the evaluations of TÜSİAD that the association prefers to demarcate the crisis of Turkish economy from world economic crisis in many respects similar to distinction made by Balassa (1986), between the outward oriented countries and the inward oriented ones. This distinction made by Balassa, who was the head of the mentioned World Bank commission conceives the first group as the competitive ones because of market mechanisms and the latter as command economies which are more vulnerable to crisis. The first group is stronger against external shocks as the efficient allocation of resources is provided through market mechanisms from such a perspective.

... basic reorientation of economic policy away from detailed government regulation and control towards greater reliance on market forces, foreign competition and foreign investment as a means to promote efficiency and better resource allocation, and thus sustainable economic growth over the medium term. (TÜSİAD, 1980: 75)

Comprehensive recomposition of the role of state in the process of capital accumulation and form of integration into world economy took place after the declaration of January 24 package. The programme, one of the main architects of which was Turgut Özal, included a substantial attempt to liberalise the economy. The reforms aimed and brought about a “permanent transformation of the economy” (Baysan and Blitzer, 1990: 10) which differentiates the adjustment from earlier periods. January 1980 reforms stamped the agenda throughout the 1980s as the agenda of a period of liberalization and had basic congruency with the policy framework of structural adjustment programmes that will be discussed below. The specific policy objectives were:

(i) the adoption of a realistic and flexible exchange rate policy; (ii) more effective export promotion measures to encourage rapid export-growth; (iii) gradual import liberalization, including the dismantling of quantitative restrictions and the rationalization of tariff structure; (iv) improved external debt management and information systems; (v) tight monetary controls and discipline to restrain domestic absorption and reduce the rate of inflation; (vi) deregulation of interest rates to encourage private savings; (vii) rationalization of the public investment program; (viii) a greater role for the private sector by encouraging privatization and limiting the range of sectors dominated by public enterprises; (ix) reform of the State Economic Enterprises to reduce their burden on the budget and improve their efficiency; and (x) steps to improve the institutional efficiency in key sectors. (Baysan and Blitzer, 1990: 10-11)

That liberal economic programme was not accompanied by a liberal democratic political framework in Turkey in the 1980s (Boratav, 2003; Güler, 2005; Özkazanç, 2005). Neither the tremendous support given in 1982 referendum to the constitution and the presidency of Evren, nor the transition to civilian rule in 1983 did mean that a democratic participatory regime was established in a few years after the coup. On the contrary, human rights violations reached historic heights, the activities of

political parties were restricted¹² and many professors were expelled from academia¹³ in the early 1980s.

The 1982 constitution implied the restriction of basic rights and liberties and provided a great sphere of political influence to military and National Security Council. The election system that were further revised by Motherland Party before 1987 general elections enabled an unproportionate power of representation in the national assembly to parties that received more than 10 % of the votes in the elections. The reformulated political system brought about centralization of decision-making and expansion of executive power and the legal regulations aimed preventing the return of political turmoil which marked the 1970s¹⁴.

The hostility against organized labour can be seen as such a response and should be related to the aim of suppression of real wages. The initial attempt to set a barrier against the falling rates of profits was lowering the real wages via prohibition of union activity and then after legalization, implementing pressure upon the unions through the mechanism of Coordination Council for Collective Bargaining (Toplu Sözleşme Koordinasyon Kurulu) and High Arbitration Council (Yüksek Hakem Kurulu). There had been a discrimination against leftist trade unions and particularly DİSK (The Confederation of Revolutionary Trade Unions) at that time. Some trade unions under the confederation of Türk-İş (The Confederation of Turkey Trade Unions) could survive through cadre changes and the nationalist and Islamist trade unions had chance to continue their activities. Hak-İş (The Confederation of Turkish Real Trade Unions) got permission from National Security Council in February 1981

¹² Aside from the closure down of all the parties in 1980, the leaders were prohibited from entering into political life until the referendum in September 6, 1987. The Law of Political Parties that was accepted by National Security Council in April 1983 strengthened the control of executive branch over political parties and confined the political sphere as it was forbidden for parties to engage in activities which were not explicitly stated in their programmes (Parla, 2002). The surveillance of NSC became explicit as it vetoed the entrance of all parties to 1983 elections except National Democracy Party, Motherland Party and People's Party

¹³ The martial law coded 1402 rendered the removal of public officers and civil servants from office possible and five thousand persons were subjected to the procedure between 1980 and 1983.

¹⁴ The hysteria was boundless. The names of primary schools, which included the word 'revolution', had been changed. Turkish broadcast TRT banned the use of words such as 'freedom' and 'revolution' in programmes in 1985 (see Cumhuriyet Ansiklopedisi cilt 4, 2003: 150)

and MİSK's (The Confederation of Nationalist Trade Unions) activities were facilitated from May 1984 onwards. The courts of martial law had banned on the other hand, all trade unions under DİSK but two. The acts dated 1983 on collective bargaining and the law of trade unions had further restricted opposition to the repression of real wages as they brought about the negation of the obtained rights in terms of going strike and organisation on the basis of working place or factory (Güzel, 1987: 78-89).

The calculations on the basis of the real wages in the manufacturing sector indicate that there has been a decline of 32 % in the real wages according to the consumer prices between 1978/9 and 1988 (Boratav, 2003: 164). Changing the composition of demand and suppressing the internal demand supported export orientation; however, it would not be true to locate demand suppression as the main aim of reforms and substantial element in a stabilisation programme (Savran, 2005; cf. Köse and Öncü, 2000: 81). Rather it would be viable to argue that contraction of internal demand supported the export orientation as the manufacturing capacity could be increasingly diverted to export markets (Yalman, 1997: 177).

As Milanovic mentions major changes in structure of exports in terms of product composition and country destination has occurred in the early 1980s (1986: 3). These should be understood in relation to the incentives such as tax rebates, lower rated export credits and foreign exchange allocations as well as dynamic nature of international relations that paved the ground for a substantial increase in exports to middle east countries (1986: 4-7). 87 % of manufactured commodities were under coverage of rebate system in 1983. However, strong export incentives ended in 1985¹⁵ in order to create neutral trade regime and minimize government expenditures (Baysan and Blitzer, 1990: 13-14).

¹⁵ Government reintroduced export credits in 1986 and provided cash incentives from 1987 onwards (Baysan and Blitzer, 1990). Therefore the support for exports and state intervention in line with export orientation continued.

There had been some restrictions on imports in the early 1980s. The commodities that were not in the quota list could not be imported and the import liberalization was gradual. The 1984 Import Programme abandoned the restrictions and the ratio of imports to GNP rose as a consequence (Baysan and Blitzer, 1990). The liberalization led to tripling of imports, especially the import of consumer goods and reinforced the import dependency of Turkey. That is to say, the rising volume of the imports raised the external debt and the growth was maintained by increasing debts to pay for deficits (Boratav, 2003: 160).

Although the period at hand is characterized mainly by commodity trade liberalization, steps towards financial liberalization were also taken from the early 1980s onwards. The deregulation of deposit interest rates in July 1980 was followed by mounting interest rates and the broker crisis in 1982. The gradual liberalization of financial system after the collapse of market in 1982 included the facilitation of stock exchange operations and diffusion of credit cards. Widening consumer credits accompanied the process and an uncontrolled financial system with an expanding banking system formed. The increasing debt stock undermining the credibility of Turkish economy in the late 1980s was forcing the government to borrow short-term high interest-rated debts and capital account liberalization in 1989 would indicate the “dependency of economy on private financial sources” rather than the “deepening of Turkish financial system and its integration with the international financial markets” (Yalman, 1997: 213-214).

Main objectives of reforms overlapped with the standard stabilization packages of IMF; however the fact that the adoption of the reforms had some specificity should be admitted. The qualitative nature of conditionality of World Bank in contrast to the strict quantitative measures of IMF had enabled flexibility in the implementation of the programme (Öniş and Kirkpatrick, 1998). The importance of the public investment in infrastructure for sustainment of high growth rates relative to other debtor countries in Turkey in the 1980s had negative effects to macroeconomic targets. “Because of the rise in public sector investment, the cut in government consumption did not,... translate into lower public deficits” (Winjbergen et. al.,

1992: 152). There had been a steady depreciation of currency in the 1980s which served as a promoter of exports alongside the incentives (Baysan and Blitzer, 1990). Nonetheless, that real exchange rate increased the real external debt burden and sustainment of the positive interest rates necessary to “reconcile persistent fiscal deficits with external balance targets” (Winjbergen et. al., 1992: 152) undermined the incentive for investment into export-oriented production. Hence, the output growth did not rest on the creation of new capacity in the 1980s but the use of the former excess capacity (Baysan and Blitzer, 1990; Ercan 2002; Boratav, 2003).

Turkish experience of structural adjustment differed from its Latin American counterparts as the country continued giving deficits in the 1980s.

It was ... specificity of Turkey's adjustment experience that it has achieved its 'success' while maintaining steady, though significant, trade and current account deficits until the late 1980s. (Yalman, 1997: 206)

The growth of output in Turkey at that time period was corresponded by growth of debt and raising future concerns from the benches of World Bank for the continuity of non-interest current account surpluses. As it was stated, the pattern of Turkish debt-output ratio was similar to highly indebted countries not because of the slower output growth but of the increase of debt (Wijnbergen et. al. 1992: 57). This had immediate relation with the real depreciation of the currency and the inability to reduce the expenditure. However, in order not to fall in the pitfall of methodological nationalism, the inability to reduce debt can be seen as the part and parcel of debt with growth strategy. This is to say that the public sector investment in infrastructure was portrayed as complementary to private investment (Winjbergen et. al., 1992: 153). The policy implementations and the export orientation based on devaluation of currency were found successful by World Bank¹⁶ in general despite the problem of growing debt servicing costs.

¹⁶ In case of Turkey, World Bank directed the attention towards the transfer problem of the country in late 1980s. It was mainly argued that the real exchange rate depreciation and the export incentives granted had structural effects in production and paved the ground for a comprehensive shift from non-tradeables to outward oriented sectors (WB, 1990: 4-5). However, this shift is questionable since the poor manufacturing investment (Şenses, 1995: 60) offset by higher rates of capacity utilisation raises concerns about the sustainability of GDP growth. Related with the high interest rates and costly

When looked at the main objectives of the January 1980 reforms and the main macro-economic indicators in table below, it can be argued that the liberalization of the trade regime and promotion of exports within the framework of structural adjustment resulted in moderate rates of growth. The growth was financed by the credits of international financial institutions and debt mechanisms (Boratav, 2003: 160). An increase in productive capacity was not witnessed and productive investment alone was not preferred because of its cost. Taking into consideration the foreign debt of 40 billion dollars and rising inflation combined with the mentioned fact, it can be concluded that the growth tempo of Turkey, 4,8 % on annual average between 1980 and 1989, was not due to capacity creation but rising capacity use and capital inflows in the forms of debts.

instruments to achieve competitiveness, the productivity increase is still needed at the end of 1980s. Hence ten years of structural adjustment did not solve the problems of integration into world economy, but rather resulted in the reproduction of the problems under new forms. This new form is named as the problem of sustaining the transfer of resources to abroad and sustainment of creditworthiness by World Bank studies (see WB, 1990 and Wijnbergen et. al., 1992). It was stated by World Bank, to overcome the problem of transfer of surplus generated in economy and thus, minimize the debt service, Turkey should “[run] current account surpluses that are large enough to allow for a net reduction in the stock of debt; or ... [manage] to refinance its existing debt with new borrowings that have longer maturities and grace periods than the existing debt stock” (1990: 35-36). This imposition by the Bank in fact, does not have a solid ground, as Turkish growth with debt strategy showed either used up nature or the impossibility of mentioned debt management techniques. For example, it is admitted that although Turkey runs non-interest current account surpluses since 1984, it was not possible to overcome deficits in overall account because of the large interest payments on external debt (WB, 1990: 25, cf. Kuruç, 1985:19-20). It is impossible for Turkey on the other hand to borrow with longer maturities since the process of borrowing from international markets paved the ground for monetization corresponding to inflation and overall high interest rates tends to shorten the time of debt return.

Table 1: Main Macroeconomic Indicators 1978/79-1988

	<u>1978/79 average</u>	<u>1988</u>
(1) National Income (index)	100.0	145.1
(2) Inflation Rate (%)	58.0	70.5
(3) Rate of Accumulation (%)	21.1	26.1
(4) Export (Million \$)	2275	11662
(5) Import (Million \$)	4834	13545
(6) Current Account Balance / GNP (%)	-1.8	+1.8
(7) Foreign Debt (Million \$)	13699	40722
(8) Foreign Debt Burden (%)	20.7	37.1
(9) PSBR / GNP (%)	5.2	4.8

Notes: Rate of accumulation: Ratio of gross national capital accumulation to GNP. PSBR: Public Sector Borrowing Requirement. Foreign Debt Burden: Ratio of foreign debt capital and interest payments to commodity and services' export incomes

Source: Boratav, 2003:159

It would be viable to relate continuity of moderate rates of growth, relative to the rates in the 1970s, during the 1980s thanks to growing debts to two major processes. First one is the effect of demand on industrialisation and rapid growth. As Celasun indicates, in pre-1980 period, “the protectionist system reinforced the effects of domestic demand expansion as a source of growth in manufacturing in general, and in private-led machinery and related industries in particular” (1983: 108). The end of easier stage of import substitution in the 1970s and further suppression of demand via repression of real wages had deteriorated the investment pattern for productive activities. Contributed by “the emergence of high-cost private firms that produce equivalent products for the domestic market under different technological agreements, and that exhibit no particular tendencies for the horizontal and/or vertical specialization needed for trade-oriented sustainable growth in the 1980s” (Celasun, 1983: 110), it was hard for Turkish manufacturing industry to show flexibility during the process of structural adjustment and changing form of integration into world economy.

Secondly, the effects of increasing capacity utilization in relation to declining real wages by the help of coercion and violence against leftist labour organizations should be noted. Rising capacity use and capital inflows in the forms of debts provided the mentioned rate of growth, not further manufacturing investment. As Şenses states:

The neglect of industrialization was most evident from the sharp fall in the share of manufacturing in total fixed investment by the public sector which declined from 20.7 percent in 1978 to 18.7 percent in 1984, 4.5 percent in 1990 and 2.9 percent in 1994. Likewise, in the distribution of investment incentives, the share of manufacturing declined from 90.1 percent in 1979 to 26.0 percent in 1983 and annual average of 59.4 percent during 1987-94. (1995: 57)

Therefore an “effective industrial restructuring” (Şenses, 1995) that pushes growth rates higher cannot be observed during the 1980s. Incentives given to production of goods, in which Turkey is believed to have a comparative advantage, did not mean a structural change and persistent growth of production in the manufacturing sector, the latter being due to increased capacity utilization. As it is worked out “The lack of structural change within the manufacturing sector can be attributed to the withdrawal of the public sector which, prior to SSAP [stabilization and structural adjustment program] had acted as the main vehicle for structural change in this sector” (Şenses, 1995: 63). The growing importance of financial activities in process of capital accumulation should also be noted. Taking into consideration the fact that from financial liberalization in the 1980s onwards, biggest five hundred industrial establishments gather 55 % of their profits on average from financial activities, (Karahanoğulları, 2003: 269) the preference of big capital groups for and shift to financial activities can be depicted.

Aside from the neglect of industrialization, some specific targets that were implied in January 24 decisions could not be achieved in the 1980s. First of all, the aim of reduction of deficits of State Economic Enterprises turned into the objective of privatization in the mid 1980s (Öniş, 1998: 186). The privatization campaign that was launched in 1987 could not gain acceleration but the liberalisation and the lack of technological investment immediately affected the positions of SEEs and their

competitiveness. The wave of privatization hit the coasts of Turkish social formation in a dramatic way mainly in the 1990s (Boratav, 2003: 155; Savran, 2004; cf. Aydın, 2002, Şenses, 1995: 56). Secondly, the limitations on subsidies for agriculture were not strictly followed as a result of the attempts to release the tension in agricultural sector in the 1980s and substantial restructuring of agriculture became a major concern in the 1990s within the framework of discussions of direct payment for incomes and abolishment of subsidies (Aydın, 2002). Last but not least, the public expenditure ratio was not decreased and the rate of public expenditure to GNP remained over 25 % through the 1980s (Saybaşı, 1992: 183). That was also the pattern in countries under the impact of neo-liberal economic thinking. As it can be seen in Britain under Thatcherite rule, in sharp contrast to discursive aspect of monetary discipline, the public expenditure could not be decreased (Leys, 1989: 105). This ratio also indicates that drawing a sharp distinction between Motherland Party's first four years and the second four, in terms of the effects of electoral pressure and populist policies on the public expenditure does not make sense.

In fact, the policy-making symbolised by Özal that used the space for flexibility in the structural adjustment loans of World Bank (Öniş and Kirkpatrick, 1998) alongside the centralization of decision making was mainly emphasized by those who focused upon the "success" of state intervention into economy. The lack of industrial restructuring and raising concerns about the sustainability of growth were attributed to discretionary policy-making and the enhancing of the instruments for intervention (see Buğra, 2003, Özel, 2003) from an institutionalist point of view. From such a perspective the lack of growth based on private industrial investment was perceived as the consequence of continuity of the strength of state that pushed the businessmen towards particularistic tendencies. Hence Turkish experience of structural adjustment under the steering role of state intervention and regulations is taken as the explanandum in institutionalist arguments and negatively related to the uncertainties and discretionary policy making.

It was also concurred from the standpoint of mainstream economics that the “success” of structural adjustment in Turkey depended on the abolishment of reliance on state intervention. The implementation of rational policies would result in macroeconomic stability (see Akyüz, 1991; Rodrik, 1991; Çeçen et. al., 1994) and was necessary for providing more space to market forces. Therefore the regulations within the framework of commodity trade liberalization, financial liberalisation and export orientation were focused upon in order to count for the effects of the policies pursued. Although the appropriation of the objectives within the framework of structural adjustment programmes were in line with the standard stabilisation-cum-structural adjustment programmes, despite the specificity of growth with increasing debts, the institutionalist analyses and economy-centric accounts which will be discussed in the following chapter had conceived the problems of adjustment *par excellence* as the gift of domestic policies. This can be explained as the consequence of portraying the state intervention as externally related to the economy. However as it will be argued in the third chapter state’s very existence in the process of capital accumulation should be understood in internal relation to the crisis-ridden development of capital accumulation. The following summary of the framework of structural adjustment programmes will emphasize that the standard packages were not strictly implemented in all of the developing countries that paid attention to Bretton Woods institutions. This lack of standardization, although explained by giving reference to domestic policies in mentioned perspectives, can only be understood as the reflection of balance of class forces in different countries.

2. 4. The Policy Framework of Structural Adjustment Programmes

1980s were marked by international debt crisis in terms of the relationship between developing countries and developed ones as well as banks and international financial institutions. The aim of the proposals for overcoming the inability of these countries to pay their debts was providing a stable path of economic development and a viable path of integration into the world market. Adjustment of developing countries was based on the dominant model of neo-classical economics and the principle of comparative advantage.

Balassa writing in 1982 defined structural adjustment as “the policy responses to external shocks, carried out with the objective of regaining the pre-shock growth path of the national economy” (1982: 23). A broader definition would include internal shocks such as the political instability and inappropriate policies (Balassa, 1982). Leaving aside the separation of Balassa, for the sake of understanding his concern, it can be seen that his basic argument is the necessity for developing countries to pursue outward oriented policies in order to gain from the specialisation in world economy and raise their export shares. For Balassa, not marginal but discrete changes those of which reorganise the policy instruments and give priority to investment over consumption should be realised (1982: 23). As newly industrialising countries and less developed countries had shocks in the mid and late 1970s and the outward oriented ones had suffered less from the loss of production and economic growth in the long run, outward orientation can be seen as the remedy for a healthy integration into world economy. Even arguing that, the outward oriented countries (OOCs) were more successful in import substituting, Balassa gives complete priority to the efficient allocation of resources:

Export expansion in the OOCs also permitted simultaneous import substitution as the exploitation of economies of scale led to lower costs. Such efficient import substitution contrasted with inefficient import replacement in many of IOCs, where net foreign exchange savings tended to decline as shifts occurred towards industries where the countries in question had a comparative disadvantage and increasingly encountered domestic market limitations. (1986: 77)

The reasoning of Balassa and the policy implementations in Turkey, after January 1980 that were praised by Balassa (1986) emphasizes the contrast between the dependency of import substitution on import of capital goods and the flexibility of the outward orientedness that results in export expansion. For Balassa, the experience derived from the shocks strengthens the competitive force of developing countries that prefer an outward oriented strategy. Since OOCs get relative prices right, to refer to Amsden’s terminology (1989), they tend to adapt to changes in world economy and improve the allocation of resources. Hence the structural adjustment becomes the

package of policies that aim to open the economy and creates a climate conducive to investment and growth. This necessitates the reduction of public spending and lowering real wages for maximization of rates of profits, giving way to the repression of the internal demand and promotion of export potential of the national economy¹⁷.

As outlined by Frenkel and Khan (1993), although the policy measures may differ from one country to another, there are common elements in the stabilisation programmes offered to countries having balance of payments difficulties. It is argued as a widely agreed policy framework that, countries should achieve the balance of payments viability by implementing a monetary restraint to reduce inflation, setting interest rates at positive and real levels, reducing public expenditure and limiting public spending to the provision of infrastructure, ensuring real exchange rates, putting limitations to borrowing to reduce external debts and achieving structural reforms to realise a flexible economic system (1993: 88). These policy prescriptions although grasped by many not as prescription or a paradigm as such but rather as the description of the possible solutions for a healthy integration of the developing countries into world economy at that time (see Williamson, 2004), raises the notion of structural adjustment and stability to a level in which the adjustment becomes an end in itself. Mainstream economists and neo-classical understanding focus upon gathering empirical evidence to support the argument that the more open becomes the economy of a nation-state the better it is integrated to the world economy and structurally adjusted.

The propagation of the Washington Consensus, although its name-giving father Williamson reduces it to a list of policies widely held in the international financial institutions in the 1980s, had an immense effect in the formation of the economic policies of the developing countries. Such an effect had immediate relations with

¹⁷ World Bank (1980) argued that the successful export expansion would mean more efficient allocation of resources and support the industrialisation. Hence it was emphasized that Turkey would catch up former rates of growth in the 1980s without facing the problem of heavy debts and balance of payments. From such a perspective, since “successful export expansion strategy [would]... permit a return to growth rates comparable to earlier periods of growth in Turkey” (Lewis and Urata, 1983: 59), Turkish economy should continue its export orientation relying on private sector.

what Gore calls the methodologically nationalist character of the Washington Consensus as an approach (2000). As Gore puts it:

While the normative frame of reference of the new approach [Washington Consensus] was global in scope, the explanatory arguments which sought to prove the instrumental superiority of LIEO [Liberal International Economic Order] were characterized by methodological nationalism. That is to say, in explaining economic trends within countries, they partitioned influences into external and internal factors and attributed most of what was happening to internal (national) factors and, in particular, to domestic policy. (2000: 793)

Methodological nationalism of the approach clears the ground for blaming governments and bureaucracy in conditions of crisis. It demarcates the national decision making process and policy implementations from the problems of world economy and portrays world system as the sum total of isolated national economies. As it can be seen in the accusation of the crony capitalism in East Asia, which was formerly the development miracle of outward orientation and the ‘implosion’ of Argentina (see Williamson, 2004), the poster child of the IMF in the 1990s, the crisis is explained by giving reference to inefficient decision-making and the lack of adopting one or more parts of the policy prescriptions. This case is well observed both in the explanations of the crisis in Turkey in the late 1970s and 1990s.

It can be argued that the changing climate of economic thinking meant the imposition of the monetary austerity upon social relations of production (Bonefeld, 1995) as the characteristic feature of the programs for structural adjustment in underdeveloped countries. The openness of the economy in terms of capital mobility and the real exchange rates helped the formation of an image identifying money with power and the capacity to develop. “The integration of multiplicity of states on the basis of floating rates imposed monetary discipline over the national organisation of money through the destabilising movements of speculative money capital against national currency” (Bonefeld, 1995: 41). In other words, the policy framework of structural adjustment removed the possibility of adoption of developmental goals by giving budget deficits when necessary and implementation of the protectionist restrictions upon the economy. This means, nation-states had to follow tight monetary policies in

order not to be attacked by destabilising speculative money. However as it is argued above this was not the case for Turkey in the 1980s since the growth of the economy was maintained by steady current account deficits. This indicates the fact that the policy framework of structural adjustment programmes was not strictly quantitative and the implementation in specific conditions of different countries did not follow a linear path.

The monetarism of New Right as a response to the world economic crisis had framed the policies to be pursued, in general. The declaration of the triumph of neo-liberalism in economic thinking in the 1980s had a concrete basis (see Biersteker, 1992). However, it should be noted that the process was uneven in many respects since the implementation of stabilization-cum-structural adjustment programmes do not foresee a uniform change in developing countries despite the general tendency for export promotion and suppression of internal demand (Yalman, 1984: 94, cf. Biersteker, 1992: 110). Indeed, uniform change was not possible because of the specific nature of class relations in different countries.

Although the Washington Consensus had a methodologically nationalist character that paved the ground for blaming governments in case of crises, and emphasizing the political will in case of success as in the case of Turkey in the eyes of experts of international financial institutions, the existence of varying relative weights of the instruments to reach the end of adjustment were also accepted. Nevertheless the necessity of domestic political stability and the expertise necessary to provide the timbre by playing various instruments in a harmony comes again to the fore for achievement of sustainable growth.

2. 5. Concluding Remarks

Contradictions can be seen in the politics of structural adjustment pursued in Turkey not because of the fact that government favoured a kind of “distorted populism” (Boratav, 2003) but rather because of the unfolding contradictions within the process of integration into world economy. The term “permanent transformation of

economy” (Baysan and Blitzer, 1990) is preferred to refer to the major orientation of the state intervention despite important drawbacks leading to particularistic tendencies (Buğra, 2003), which became concrete in reformation of tax system and foreign trade regime. The changes leading to uncertainties and tension between state and capital groups (see Buğra, 2003: 210-222) and the mentioned failure in terms of macro-economic objectives such as the inability to reduce PSBR and real interest rates did not mean a return from the aim of market liberalization.

The substantial liberalization attempts can also be referred to as adjustment *par excellence* to indicate the changing track of Turkish economy. However, the mentioned attempts and the restructuring of Turkish State did not result in an industrial restructuring and left such a legacy to following years that, the worst economic crises in history of Turkish capitalism were seen in the 1990s and the beginning of 21st century.

For conclusion, it can be argued that the liberalization of the economy had been achieved to some extent and it did not bring stabilisation with itself in the 1980s. The growth of the economy supported by increasing debts, inflation rate, inability to decline PSBR, all imply that the form taken in the process of integration into world economy cannot be seen as the provision of a pattern through which Turkish economy would achieve durable self-sustaining growth. Structural adjustment of Turkey can be seen from a critical point of view not as a smooth process but rather as a process in which contradictions play a great part. The various approaches¹⁸ to the experience of structural adjustment in Turkey should be subjected to critique to support such a point of view. The prevalent scholarly accounts of state-capital relations and the approaches to the restructuring of Turkish State have the main

¹⁸ For example, it is argued from an economy-centric perspective that the stable politics, elimination of policy reversals and institutional and structural measures for increasing efficiency (see Baysan and Blitzer, 1990; Akyüz, 1990) would help to solve the problems. Aside from mentioned perspective fetishising the market, an institutionalist evaluation of the changes that fetishise state intervention under the banner of state tradition (see Heper, 1985) blesses the minimization of state activity. Critiques using conceptual framework of Regulation School (see Keyder, 2000) prefers to portray the mentioned transformation of state and the politics of structural adjustment as the reflection of bourgeoisie’s will and impact upon the restructuring process in order to maintain the hegemony of individualism for the sake of overcoming crisis.

problem of demarcating state from society, which obstruct a fruitful understanding. The problems that these widespread ways of explanation have should be questioned and such an effort requires a critical review of the approaches to state-capital relations in Turkey during 1980s, which will follow in the next section.

CHAPTER 3

A BRIEF SURVEY OF THE APPROACHES TO THE TURKISH EXPERIENCE OF STRUCTURAL ADJUSTMENT DURING THE 1980S

Prevalent approaches to the Turkish experience of structural adjustment in Turkey in the 1980s should be critically reviewed as a part of the attempt of directing the attention towards the necessity of a relational account. The studies of critical and main figures, about the process of structural adjustment in Turkey in the 1980s will be looked at in this chapter, instead of aiming to provide a detailed argumentation about all the approaches. The structure of the main arguments will be expressed to underline the disputable parts of widespread explanations in understanding the transformation of Turkish politics and state-capital relations. It will be argued that the prevalent scholarly explanations of the transformation of state-economy relations in the 1980s are problematic as they demarcate state from the society and the process of capital accumulation.

The basic problem is the portrayal of state and society as externally related entities. Both institutionalist assumptions and the economy-centric perspectives conceive state intervention as external to the process of capital accumulation and social classes. Also, the critical perspectives reproduce the similar arguments as they explain the restructuring of state as the functional response given to the crisis of Turkish capitalism. It will be briefly argued, the institutionalist gaze at Turkish State in the 1980s and its relation with the capital groups (business groups in their preferred terminology) and critical understandings in quest of a crucial explanation of the Turkish politics fall short of providing fruitful accounts of the restructuring of

Turkish State. Therefore the integration of Turkish economy into world economy and the process of restructuring of the state have to be reconsidered via a critique that retains the strong emphasis on struggle and contradiction. It should be reemphasized that the state intervention into economy is internally related to forms of class struggle as the self-contradictory form of capitalist state is divided and constituted by contradictions emanating from social division of labour.

3. 1. Institutional Gaze

Attributing a distinctive characteristic to Turkish social-formation and its state is a widely used way of analysing state-society relations in Turkey. Statist-institutionalist perspective can be seen as an attempt to highlight the importance of political structure and state as the explaining factor of transformation of state-society relations. Although it has many variants, which make it difficult to paint a rigid picture of state-centrism or statist institutionalist perspective in Turkey, an outline of the main argumentations can be provided. Before such a line of argumentation it would be proper to summarise the motivating factor behind the institutional literature.

As a response to the so-called society-centred approaches such as Marxism and liberalism, in the terminology of statist-institutionalism, state-centred analyses came to the fore from the late 1970s onwards. Interacting with many theoretical attempts to explain state-society relationships and giving birth to new institutionalist literature in the 1980s (Cammack, 1990), the emphasis of statist-institutionalist line had a wide effect in the interpretation of the changes in societal organisations and interactions between state and social forces. The variations between different countries under the pressure of the market-oriented restructuring helped many to illustrate the diversity as a result of societal organisation and state as a set of institutions (see Remmer, 1997). To put in other words, state and institutions were taken as the explanan, the explaining factor of the failure or success of the economic liberalisation attempts and the process of integration into world economy.

Taking the government or political structure as explanan for giving them a proper place in the analysis within that process (see Skocpol, 1985) was the pitfall of such a methodological departure and combined with the ambiguity of the concepts such as state capacity or state autonomy, the analytical clarity was a main problem. In order to situate dynamism and avoid the vagueness, taking into consideration the rapid changes in the formation of coalitions, alliances and the environment of rule making was offered. Figures such as Migdal (1994) mentioned that the interaction between components of state and social forces altered the way in which the policies were formulated as well as the consequences of the course of action.

Statist-institutionalist perspective in general, had a considerable effect upon scholars aiming to illustrate the problems deriving from the process of Turkey's integration into world economy. The policy reversals and the uncertainties of state intervention in the process of accumulation were explained from an institutionalist perspective by referring to state tradition, elite confrontation and/or coalition building. Although there are variants within the institutionalist analyses, and diversity in the case of Turkey, the term can be used to denote the common way of argumentation in the explanation of the restructuring of the state in Turkey in the 1980s.

3. 1. 1. Strength of State (Plus ça change, plus c'est la même chose)

The influential state tradition thesis of Metin Heper is the most known example of the institutionalist argument about the Turkish political life. Emphasising that there is the need of taking the state as the object of inquiry and looking at the state tradition in Turkey to understand the Turkish politics, Heper introduced his state tradition thesis in the 1980s. According to him personal interest conflicts or the political culture could not be counted as the causes of the political instability in Turkey, since personalistic conflicts always took their place in politics and political culture does not crystallise in a vacuum (1985: 3-4). To reach a better understanding of politics, taking the state into account is necessary since "those countries with a state tradition show significant differences from those without such a tradition" (1985: 5). The emphasis on state corresponds to "bringing the state back in" (cf. Skocpol, 1985).

That is to say, state and political structure should be regarded as the explanatory factors in understanding the political developments and transformations within a country. It should be brought back into the analysis in order to count for the specificities and different historical trajectories.

The state is defined in a quasi-Weberian framework as “those human associations that successfully claim the monopoly of legitimate use of physical force within a given territory” (Heper, 1985:5). It is quasi-Weberian due to the eclecticism of statist-institutionalists to avoid grand theory. This favour of meta-theory takes the Weberian definition but refers mainly to empirical reality, not in a similar way to original use of the term that takes the discrepancy between empirical reality and constructed norm into consideration (Mommsen, 1989). Using a different formulation in which the sovereignty of the state is not taken for granted and emphasising the degree of independence of the state vis-à-vis other associations and collectivities, Heper uses the concept of “stateness” in the analysis of state-society relations. “Stateness” depends upon “the extent to which the major goals for society are designated and safeguarded by those who represent the state, independent of civil society” (1985: 5).

In addition, Heper reads politics in Turkey in terms of elite confrontation. “Bureaucratic elites, representing the state tradition against political elites, which emerged with establishment of multi-party democracy” is the main theme of Turkish political history that merely reflects cultural cleavages, because functional cleavages can not be developed (1985: 99). Since the basic cleavage was the one between a dominant centre and a fragmented periphery, Turkish politics “lacked a tradition of multiple confrontations as a way of resolving conflicts” (1985: 149). Also the group of economic elites, or the bourgeoisie, was not formed independently from the state, nor could it formulate economic policies in spite of the state (1985: 103; 1992: 147). Supposing that the strong state tradition had a considerable effect in Turkish politics Heper mentions that Ottoman Turkish polity should be explained by recognising the importance of state in the formation of elites.

Heper defines the 1970s as the period of incapacity of political elites, in which easy shifting of political regime between extreme transcendentalism and extreme instrumentalism (1985: 117) is seen. The military, forced to re-equilibrate the democracy put an end to turbulence for the sake of establishment of an instrumental regime¹⁹. The coup d'état of 1980, in that sense, can be taken as a “transient transcendental state” to reach moderate instrumentalism in which the fertile ground for the enhancement of liberal democracy was created²⁰. The developments that took place after the coup present “hopeful signs for the institutionalisation of the moderate instrumentalism in Turkey” (1985: 154). In this respect, consolidation of democracy or continued progress towards liberal democracy depends on the creation of a dynamic consensus among political elites and the willingness of state elites to form a rationalist democracy²¹ (1992: 163, cf. Buğra, 2003: 217).

State tradition thesis is also used by left liberalism (cf. Savran, 1986), which reads Turkish politics through a clear line of demarcation between state and civil society and identifies the degree of development of democracy as the degree of development and strengthening of civil society. Although such a characterisation would be objected by critical figures within the institutionalist camp, the arguments concerning self-legitimising state (İnsel, 2001) and continuity of the patrimonial and rentier state in Turkish politics (see Heper, 1988) symbolised by the strength of state apparatus in Turkey according to proponents of such a line of argumentation, enables one to criticise the model through which Turkish politics is understood.

¹⁹ The moderate instrumentalist regimes are those in English speaking, developed world in Heper's thought. “[I]n moderate instrumentalism it is assumed that consensus as progressive resolution of conflicts can only emerge in an atmosphere of civility, or restraint...Instrumentalism in general rejects the sole emphasis on government *for* the people” (Heper, 1988: 3-4)

²⁰ For Heper, the new state elites who are intent on developing normative ethics, approach democracy with a “belief in the capacity of people ‘to catch up and even surpass the contemporary civilization’” (1988: 9). As “no comprehensive political manifesto is clamped upon the Turkish polity by new state elite... there is scope for genuine democracy” (1988: 9) particularly in the economic sphere, according to him.

²¹ For Heper, the problems of Turkish democracy can be eradicated if politics is understood not on the basis of ideological positions but suggestions for solutions. A structural transformation may be accomplished if realist policies are advocated without discrimination between ‘we’ and ‘they’. (see Heper, 2002)

For example, the coups are analysed as the attempts for the restoration of the 'bureaucratic power' and the reflections of the *ceberrut* state tradition from such a perspective. A clear line of demarcation is drawn between state and civil society. The autonomy of civil society from the state is taken as the basis of economic development. While market relations so far as taken in opposition with state intervention, are seen as the basis of independent civil society, state is the fundamental obstacle against achievement of high level of integration with world economy (cf. Savran, 1986). State tradition argument characterises "the message of the existing studies on the subject...that Turkish bourgeoisie is a politically weak class, highly dependent on the state for its well being, lacking an industrial outlook, susceptible to quick, short term profits, as it is determined to avoid risk taking" (Yalman, 1997: 174-175).

Buğra (2003), from a similar theoretical background, argues for a "meta theory" that would not present itself as cohesive as Marxist or standard economic thought connected to liberal approach. Her main intention in explanation of the relations between state and businessmen in Turkey rests on the emphasis of the specificity of Turkey, shed light through a comparative analysis. She mentions that it would not be false to assume that Turkish businessmen did not internalise the basic principles of capitalist development since they are sceptical of the economic benefits provided by the market mechanisms functioning according to their own rules (2003: 18)²². They were dependent on state as the businessmen of a late-industrializing country. In contrast to specific cases as East Asian countries in which states played a market-augmenting role, the intervention of Turkish State displayed an ambiguity, as the economic policies were not consistent. In case of Turkey during the 1980s, she mentions the control of Turkish State on price determination and the centralization of decision making and the power of executive branch as seen in the use of extra

²² The institutionalist position underlining the theoretical perspective of state tradition thesis is perceived as useful by Buğra in terms of the explanation of the state intervention and the relative backwardness of level of adopted entrepreneurial values in Turkey. However, she claims that the institutionalist understanding alone would not explain wide range of variety of state intervention in late developing countries. Hence, Buğra refers to Polanyi to indicate that economy is socially embedded and the way in which society becomes an adjunct of market should be grasped by looking at the complex set of relations between political and the economic realms (2003: 27-40).

budgetary funds as the indicators of the continuity of state's weight over the economy. The policy reversals seen through the changes in tax system and the transformation of foreign trade regime²³ are counted as the proofs for the arbitrary intervention whereas the unexpected packages such as the liberalization package in August 1989 and the tension between business groups and government thereafter are presented as the failure of government in steering the market forces.

For Buğra, the policy reversals led businessmen to particularistic behaviour and rent seeking and forced them to follow the political agenda in a careful manner (2003: 217). The tensions between state and business groups point out the lack of dynamic consensus between political elites and economic elites, to refer Heper's terminology (1985). Therefore it can be claimed that a moderate instrumentalist political framework could not be created since the continuity of arbitrary state intervention as discussed by Buğra (2003) protected its determining position.

The permanence of state's arbitrary and discretionary intervention underlines the historical legacy of relations between state and businessmen (Buğra, 2003: 207) from such a point of view. Such a historical legacy is understood as the marker of state-businessmen relations in Turkey. Since state intervention carried the characteristics of arbitrariness, the capital groups had to avoid taking risks and could not develop an industrial outlook. Every "turning point" is then understood by giving reference to the unchanging explaining factors such as inconsistencies in macro economic policy framework and the arbitrary state intervention in Turkey.

It is noteworthy to mention that explaining the specificity of state intervention by underlining the historical legacy and uncertainty of state intervention integrates what Turner (1994) has called a "theory of absences" into analysis. Turner puts that the central question behind the comparison of Occident and stationary Orient is the uniqueness of the West in relation to the alleged stagnation of the East. "Theory of

²³ The list of exported goods within the scope of incentives had undergone several changes and the conditions for payback of export credits as well as the rate of tax returns were altered several times according to Buğra (2003: 216).

absences” attempts to account for the absence of capitalism, failure in terms of a healthy integration in our concern, in Oriental societies as a series of social and historical gaps. In that sense the Eastern societies are seen as a deviant case since they cannot develop the institutions, which are taken as the causes of Western dynamism and democracy. So East is explained by the absence of such institutions and the alleged lack of development (Turner, 1994:23).

Buğra, in her illustration of the specificity of the development of third world countries by remaining loyal to a thread of logic based on the lack of the confrontations, conflicts and pattern of relations which took place in West, remains in an orientalist framework²⁴. That is to say, as late-developing countries have relatively weak entrepreneurial classes and in addition to that as Turkish State had failed in leading market forces, the changes in Turkish social formation is explained with reference to the failure and success of institutions and lacking capacity of Turkish State. These institutions and policy-making processes reveal a fundamental difference with respect to the capitalist development and state-capital relations in West. Hence the form of state intervention in Turkey is bound to explain by reference to the historical legacy of relations between the state and the businessmen.

3. 1. 2. Continuity in Rupture

Turkish State’s economic policy making and the continuity of arbitrary state intervention in structural adjustment process are highlighted through emphasizing specificities of Turkish experience. Although it is stated as in the case of Öniş that what is observed can be seen as the reorganization of the state and “certain elements of pre-1980 import substitution regime... continued to manifest themselves in spite

²⁴ Remaining within an orientalist understanding, but much more critical of positivistic social theory, Mardin posed the key duality between centre and periphery (1973), which instigated the idea of permanence of tension between strong state and weak civil society. Mardin mentioned that the lack of multiple confrontations between centre and periphery, which led to compromises, was the difference of Ottoman and Turkish social formation that could be characterized by loose ties between centre and periphery as long as they proved workable (1973: 171). From such a point of view the weakness of civil society was related to the different path of Turkish development. As there was no panacea to historical difference of Turkey, the argument of the weakness of civil society reproduced itself under new forms in the explanation of the state-society relations in the 1980s.

of the profound shift in economic trajectory established in the post-1980 era” (Öniş, 1998: 194), such reorganization is understood in relation to the continuity of incoherent economic policies pursued by government. The continuity of the arbitrary state intervention as discussed by Öniş (1998) becomes a feature of Turkish politics in a detached form. That is to say, separated from the concrete struggles between different sectors and capital groups, the discretionary policy-making symbolised by prime minister Özal and the dynasty-like structure of the top bureaucracy (Öniş, 2004) are taken as the proofs of deviation from norms in the implementation of the structural adjustment programme. Turkish case is represented as an unorthodox case in that respect and the relative failures of the transformation of state-capital relations or the specificity of Turkish experience is attributed to the policy reversals and the inefficiency of the institutional structures, in correspondence with the aim of explaining the variations in different countries with reference to societal organisations and set of institutions. Hence, Turkish experience suggests that the quality of state intervention was a matter of concern from such a point of view, not the involvement of state in the economy (cf. Chibber, 2003).

It was argued that, in spite of the aim of relying on market forces and changing form of state intervention in accordance with the provision of necessary infrastructure that played a complementary role in export orientation during the 1980s, the extensive public sector that gives way to a rentier state (Öniş, 1998) and the dependent bourgeoisie seeking rent which was created by discretionary policy making (see Buğra, 2003) survived. In other words, although there was hope for moderate instrumentalism in Heper’s terms and business groups faced the most sympathetic government in republican history (İlkin, 1993; Özel, 2003), a healthier form of integration into world economy necessitated political stability and was difficult due to the cultural elements such as primacy of collectivity (Turan, 1988), or the weakness of civil society (Özbudun, 1988).

These cultural elements and the historical legacy of state tradition retard the development of democracy and strengthening of civil society in general and business groups in particular. As long as the discretionary policy-making survives, it would

not be possible for business groups to develop a long-term outlook and direct their attention to industrial investment. Then a moderate instrumental regime (Heper, 1985) in which the state intervention into economy is realized within the framework of a rational consensus among elites (cf. Waterbury, 1992; Özel, 2003) is necessary. To put in other words, the scepticism of Turkish businessmen against market mechanisms because of their dependency on state (Buğra, 2003) would be eradicated by the end of arbitrary state intervention and dominance of market mechanisms. This would provide a course for development of both democratic political institutions and voluntary associations in medium-term.

The continuity of the weakness of civil society can also be understood as the continuity of the weakness of Turkish businessmen in world markets. Therefore, from such a point of view, the state intervention, made explicit through the ideological onslaught against leftist labour organizations and the restructuring of the state and its intervention into economy allow the promotion of the idea of limited political liberalism for the sake of stable politics and a healthier integration into world economy (see Özbudun, 1988). The mentioned support given to structural adjustment programme from an institutionalist point of view can be understood by looking at the identification of economic liberalism with a gradual transition to political liberalism. In contrast to perspectives that focus upon the restructuring of the state by emphasizing the repressive political methods (Güler, 2005), the state regulations in the framework of structural adjustment are taken as steps for liberalization of the economy and hence strengthening of civil society. It is for sure that the institutionalist point of view focuses upon the critique of arbitrary state intervention as the explanan of failure of Turkish economy in terms of state-businessmen relations. However, this does not mean rejection of state's existence in the reorganization of production sphere and limitations on political and trade union organizations, since as in the case of Özbudun²⁵ (1988), the primary attempt at

²⁵ Özbudun states that the autonomous state “unhampered by established class interests and strong corporate structures... is much less likely to develop democratic political institutions than a post-feudal society in which feudalism and the system of representation of Estates left a legacy of autonomous groups with corporate identity and rights (1988: 39-40). As the historical legacy of strong state is an obstacle for democratic development “then policies that aim at establishing a healthier

liberalization of the economy would soon bring political liberalism from such a perspective.

3. 1. 3. The Turkish State and Business Groups as Coalition Builders

Institutionalist point of view also allowed the use of coalition building as a concept for signifying the compromises and tensions between the state and the business groups. Waterbury (1992) stated that the dynamic and fragile centre-right coalition in Turkey, one part of which is large business, pursued liberalization and deregulation for the support of international donor community. However, the maintenance of coalition needed subsidizing private sector and establishment of discretionary credit mechanisms as well as deterioration of income distribution. The fragility is derived from the fact that the financial problems of Turkish economy prevent creation of new organized interests between coalition builders to sustain the mentioned coalition.

Following a similar line of explanation, but remaining loyal to what she calls the problem of “orthodox paradox”, Özel (2003) documented the tensions within the alliance between the state and the business groups, which agreed in the early 1980s for launching the market-oriented reforms designed for stabilisation and structural adjustment. She basically argued that, the sustainability of coalition is bound up by the creation of institutional channels for participation in decision-making processes (2003: 98). As in many other countries, the market reforms ended in centralization of decision-making and the expansion of public sector, which broke up the mentioned state-business coalition in the late 1980s. From Özel’s point of view, as uncertainty became the norm in business community (2003: 105) and government failed to stop corruption which occurred as a result of the discretion of overpoliticized bureaucracy

balance between state and the society will clearly be functional for democratic development” (1988: 45-47). These policies are market-oriented economic policies, policies aiming the strengthening of local governments and promotion of voluntary associations. The first two are already developed after 1980 whereas the latter can be achieved by minor modifications of the 1982 constitution that may prove helpful in preventing the repetition of political chaos of the former decade as it strengthened the executive branch and changed the electoral system. Therefore, the strength of state continues, albeit in a political climate which provides positive signals for development of civil society, from Özbudun’s point of view.

(2003: 103) the business groups were urged to transform the pattern of relations which left no space for mechanisms of participation, but in sharp contrast strengthened the power of bureaucrats in the process of decision making.

Therefore, with the help of coalition-building approach, Özel explains Turkish experience of structural adjustment as the re-entrance of orthodox paradox to the scene of politics: “while the MP government aimed for a smaller state, it ended up expanding and strengthening it during the reform process, enhancing the discretionary instruments at the incumbent’s disposal” (Özel, 2003: 102). The causes of the so-called paradox are seen as the lack of institutional capacity or institutional measures. From such a point of view, in order to be successful, the reconstruction of state in the era of market reforms has to be achieved by abolishment of the old apparatus and embedding a coherent one instead²⁶ (cf. Chibber, 2003; Öniş, 1998). Such coalition building will enable mutual trust and lend credibility to government’s promises of subsidies and support for entrance into the foreign markets (Chibber, 2003: 235). This institutional capacity would bring about a climate conducive for investment and development.

The problem of such a perspective is that state and business groups are portrayed as two separate entities forming an alliance for transforming the state apparatus and political “elites” are rendered guilty for behaving inappropriate to the conditions of contract. “Coalition-building” understanding conceives the state as an autonomous entity upon which the alliances between bureaucracy and bourgeoisie or political elites and economic elites (Heper, 1985) impact for transformation of the apparatus. The instability of the economy or the problems of Turkish economy, then, is explained by emphasizing the lack of coherency and capacity of state. The lack of capacity is directly related to the break up of coalitions and insufficiency of the

²⁶ See Chibber (2003) for such a line of argumentation in the case of Indian liberalization. He states that “in the absence of a cohesive rational policy apparatus, firms view the promise of subsidies as not being credible” and “in most developing countries, including India; the efforts at export promotion were not accompanied by a transformation of the policy apparatus. The strategy remained dependent on state structures that had been established in earlier years, typically those of concerted ISI.” (2003: 234).

participation mechanisms through which the demands of business groups are recognised.

Although critical of statist perspective in its own way as it ignores the interaction between state and societal actors (Migdal, 1994), such a perspective does not take into consideration the fact that state itself should not be seen as a coherent entity. Contradictions of the changing form of integration into world economy can not be attributed to lack of a coherent state and institutional capacity since, as it will be discussed in the following chapter, the state is not immune from contradictory social relations of production.

3. 2. Economy-Centric Perspective

Extensive literature on the change of the form of Turkish State's intervention into economy, underline the rapid change in the economic structure and the liberalisation attempts. It is widely argued that the Turkish economy had achieved a considerable degree of liberalisation and opening up of the economy in the 1980s (Çeçen et. al., 1994; Arıcanlı and Rodrik, 1991; Rodrik, 1991). Many scholars indicated the dilemmas of the policy-making process in an export-promoting less developed country and underlined the destabilisation of the economic structure regarding the deregulation and liberalisation (Akyüz, 1991; Rodrik, 1991). Although these accounts provide a more reliable explanation of the contradictions in relation to the process of accumulation than the ones that tend to overstate the role and characteristic of leadership (e.g. Öniş, 2004) as well as those relying on elite confrontation, they reproduce the conception of state as an agent responding to changing conditions. It is important to note that to the extent the evaluations based on economic explanations need a state theory to give an account of the policy changes and state intervention, they may easily rely on one of the mentioned variants of the institutionalist perspective (e.g. Öniş, 1998)

Government and state institutions are externally related to the developments within the sphere of market in many economy-centric accounts. The portrayal of state as a

subject vis á vis social classes or the rational executor of the policy reforms packed by international financial institutions can be perceived as indirectly the consequence of the lack of a state theory and/or comprehensive understanding of state-society relations. For example, in their discussion of the negative list system introduced in 1983 and 1984 as part of import liberalization, Baysan and Blitzer explain the list in which goods that could be imported after the payment of a special levy took place as the Fund list (1991: 17). This list was mainly used to tax luxury goods, yet as the revision of list in the mid-1980s indicated that the list became a mechanism of greater price protection. The authors view the changes as the government's "giving in to demands for higher protection" (1991: 22), hence their analysis emphasizes the policy reversal. It is argued that the export performance is crucial for servicing foreign debt and supporting growth (1991: 33) and the necessity for a sound macroeconomic management was vindicated by the structural change in Turkey as the government policy reversals deteriorate the economic stability. Bringing policy reversals to the fore without looking at the fact that TÜSIAD was in favour of a gradual commodity trade liberalization despite the pressure from World Bank for further progress, means business groups are conceived outside the state apparatus from such a point of view. Turkish State is portrayed as the instrument for implementation of the rational policies, which means that the method of rational economic policy-making and the so-called art of exporting are presumed by the analysis.

That presumption is the marker of economy-centric explanations that shed light on the economic policy-making without questioning the state-capital relations from a critical point of view. As it can be seen in the argumentation of such a perspective, the presumption of rational decision-making for leading the market through a healthy integration into world economy marks the evaluation of the structural adjustment process. In correspondence with the institutionalist way of reading state-society relations, these analyses point out the need for a developed capital and money market with the belief of market as promoter of wealth given the right policies and proper intervention (see Akyüz, 1991: 33; Rodrik, 1991: 191).

New institutionalist aspirations within the domain of elucidation of economic policy making confines the analysis to explanation on the basis of performance of markets paralleled by suitable policy making processes. In words of Çeçen, Doğruel and Doğruel: “Both the recent maladjustments during the second phase of import substitution and the ensuing debt crisis have demonstrated that the need for necessary adjustment policies in the economy is crucial for the long term growth prospects of the country” (1994: 52). Such a perspective coincides with the policy proposals in the framework of structural adjustment. It is the uncritical acceptance of the functioning of market and capitalist social relations of production. The main problem of such a perspective is that it is not possible to determine *the* rational and necessary policy for integration into world economy. Considering the fact that, “the track record of Turkish bourgeoisie would not support the argument that there is a correlation between the implementation of ‘sound’ macroeconomic policies and the private sector firms’ willingness to invest” (Yalman, 1997: 189) there is a need to shed light upon the contradictory nature of the process of capital accumulation and the preference of capital groups to maximise their profits by not necessarily making investments.

3. 2. 1. World Bank’s Evaluation

World Bank proposed the retreat of state from market in Turkey in the early 1980s as the state intervention was held responsible for the fiscal imbalances and retardation of development of market. The emphasis of World Bank discourse for less developed countries in general, turned into rather implementation of “sound policies” in later years. However, this shift is questionable, as what World Bank did in the 1980s could be defined as discussing the ways of intervention into economy as well, since the retreat of state was in fact a way of formulating the new forms of the intervention.

It is argued from a perspective which focuses upon the capacity of state and institutions, that since “reliance on market forces” as the motto of the 1980s was challenged by the influential evaluation of the East Asian experiences of state

intervention²⁷, World Bank (1993) integrated terms such as “market-friendly intervention” to its terminology in the following years. However, an appropriate interpretation may conceive the shift as an attempt for being more influential on what the state does, rather than being state-friendly. As Fine (1999) implied, the emphasis on state intervention did not mean the destruction of the elements of old consensus²⁸. Washington Consensus’ stranglehold over the debate on developmental state and state intervention does not mean that proposals on the forms of intervention into economy did not take place in Structural Adjustment Loans. On the contrary the conditionality of SAL as in case of Turkey included specific qualitative targets to be achieved for releasing loans.

In the Turkish experience, World Bank’s discourse of greater role for market forces leading to efficient allocation of resources was in direct contradiction with the incentive schemes. It can be argued that in spite of the wording of World Bank studies and in line with the proposals of the same institution for overcoming balance of payments problems to achieve creditworthiness, Turkish state took its place in the process of capital accumulation through the mechanisms of support. State intervention into the process of capital accumulation took the form of infrastructural

²⁷ Chibber points out the importance of Amsden’s and Wade’s studies. These studies, for him, “have triggered a disintegration of the consensus on the role of the state in development. It can no longer be argued confidently that a reliance on an interventionist state in developing countries was a mistake. State intervention is a phenomenon that has been common *across* the development experience, in the successful cases as well as the failures. This fact had led several prominent scholars to conclude that the East Asian experience differed from that of other developing areas, not in the *fact* of state involvement in the economy but rather in its *quality*” (Chibber, 2003: 6).

²⁸ Fine in his discussion on the concept of social capital and the emerging new consensus, states that the concept serves for tightening the control over the debate revolving around the forms of state intervention that corrects market imperfections. “First, ... the notion of social capital has provided the World Bank with the analytical capacity to propose its new agenda without having to come to terms in any serious or substantive way with the critical literature of the old consensus, especially that around the developmental state. One suspects that the new consensus will be mild in reassessing the past practices of the old and how they were rationalized by those who will, presumably, continue to provide the rationale for the new agenda in the future. Whatever its merits, the literature on the developmental state will be ignored, as in the past, in pushing forward an agenda based on social capital and the need to enhance the market and relieve market imperfections... Second, then, the notion of social capital allows the new consensus to be selective in where and how it addresses the role of non-economic factors in economic performance. In this light... it also allows for that [critical] literature and its proponents to be incorporated on the terms set by the new consensus... In this way, the politics of bringing the state back in and the theory of the developmental state have become tied to the notion of social capital and more amenable to the tacit postulates of the mainstream economic theory associated with the post-Washington consensus” (Fine, 1999: 12-14).

investment and generous support for tradeable sectors as a result of SAL conditionality. Such expenditure but not manufacturing investment became sine qua non of growth orientation. This process made the stone of expenditure under which public sector crawled heavier. Obtainment of funds and financing of deficits through market mechanisms and interest rates made government confront with debt servicing problems at the same time.

As Öniş and Kirkpatrick state “Considering that Turkey provided the first major test of SAL programmes, the World Bank was clearly committed to the success of the programme” (1998: 143). This enabled a qualitative flexibility in some areas as the use of Extra Budgetary Funds in contrast to quantitative performance measures and restrictions on the agenda of IMF (1998: 131). However, this flexibility should not be exaggerated as a proof of discretionary powers of policy makers. Nor is it convincing to relate emergence of unfavourable economic trends and problems throughout the decade to “failure to develop an analytical macro framework which would have enabled the Bank and the Fund to assess the economy level repercussions of specific policy reforms” (1998: 130), as it reiterates the misperception of market as a sphere functioning flawless, given the right macroeconomic policies.

As it was argued in the first chapter the debt-output ratio of Turkey remained high and the sustainability of growth and transfer of resources became the major problem in Turkey in the late 1980s. World Bank’s evaluation (1990) at the end of decade was a warning within the policy framework of the structural adjustment programmes. It was stated from an economy-centric perspective that only the implementation of “sound” macroeconomic policies would bring about realization of the prospects for long-term sustainable growth. Therefore the state is once again, understood as the implementer of the rational policies. This is mainly because “World Bank discourse, while nominally hostile to excessive state intervention, offers little or no political analysis of the state, instead concentrating on ‘technical’ issues of economic efficiency” (Storey, 2000: 368).

3. 3. Critical Approaches

Regarding the contradictory nature of capital accumulation process as a result of the attempt for exploitation as much as possible on the one hand and necessity of reproduction of the labour power on the other, many scholars put forward the critical aspects of the structural adjustment process. Stabilisation-cum-structural adjustment in Turkey during the 1980s is understood as the effort for overcoming the crisis of Turkish economy. The fiscal discipline and the hegemonic discourse of law and order are conceived as the response of Turkish capitalism and bourgeoisie to the severe crisis of balance of payments problems and challenge of class-based politics against the form of state in Turkey in the 1970s. The analyses of the crisis in Turkish economy with respect to the contradictory nature of capital accumulation process included an immense effort to explain the meaning of Turkish State's intervention into economy and the consequences of process of liberalization. Nevertheless, the valuable accounts of many scholars should also be subjected to critique and this section will briefly underline the facts that relying on regulation approach and presuming the classes as pre-existing determined initiators of transformation form the main problems in these accounts. A general critique will follow the brief summary of regulationist conceptual framework and its effect in the analyses in our context.

3. 3. 1. Regulationist Framework and Regulationist Analyses in the Context of Turkey

Regulation theorists “focus on the historically contingent ensembles of complementary economic and extra-economic mechanisms and practices which enable relatively stable accumulation to occur over relatively long periods” (Jessop, 1997). For Boyer, regulation can be defined as “the way in which a system as a whole functions, the conjunction of economic mechanisms associated with a given set of social relationships, of institutional forms of structures” (in De Vroey, 1984: note 1). In order to answer the question of how relatively stable and long periods of

capital accumulation are seen regulationists laid down their arguments on key terms such as accumulation regime and mode of regulation²⁹.

For regulationists, the periodisation of historical development of capitalism can be made via the understanding of the regimes of accumulation and modes of regulation. As Kenny notes regime of accumulation (RA) means “the particular configuration of production and consumption relationships which prevail at the macroeconomic level within a given national economy (though not all regulationists regard the national economy as the central structural locus in this way)” (1999: 41). In the regulationist accounts, the RA occupies a central role in the understanding of the capitalist development and the logic of accumulation and the institutional and social forms that serves for the reproduction of the particular social relations. The surplus value as the product of the ratio between constant capital, that is dead labour embodied in raw materials and machinery and variable capital that corresponds to living labour power, is looked at for grasping the characteristics of the RA. Talking in historical terms, it can be claimed that the rise in the rate of surplus value could take place either by an increase in the absolute surplus value or by an increase in the relative surplus value. The RA that is based on the increase in absolute surplus value, that means longer working hours or an expansion in workforce would signify an extensive regime; whereas the RA that is based on the increase of relative surplus value that means the process of reducing the socially necessary labour time through new production methods and technological developments would delineate an intensive regime.

²⁹ As Kenny (1999) indicates Regulation School is deeply engaged in problems of capitalist reproduction and socio-economic change. Deeply shaped by the interest in the so called superstructural in the Western Marxism and Gramsci's essay on Americanism and Fordism, regulationist ideas stress the integration of the role of political and social relations into the conception of capitalist reproduction (Tickell and Peck in Kenny, 1999:36). Criticizing the absence of an account of the extra-economic dimensions of accumulation, they aimed to supplant the artificial distinctions between economic development and social institutions. For demonstrating the relations between economic activities and the institutional forms that are the products of the actions of the agents, regulationists based their attempts on a twofold critique that should be clearly emphasised in an account of the theoretical position of the regulationists. First dimension was the critique of neoclassical economics and the second of the sympathised structuralist approach.

Although the most common meanings of the terms intensive and extensive are widely used in the literature with specific reference to monopolistic and competitive structures respectively, it should be noted that the terms could be taken as ambiguous to some extent³⁰. The problem emerges from the fact that these terms are preferred to define a specific RA, which designates the specific institutional framework and social norms proper to so-called stages of capitalism. It is to be debated that whether the various historical processes seen in capitalist development can be categorised by using the mentioned terms and the distinction between relative and absolute surplus value. Since “the capitalist labour process has been transformed and re-transformed through new techniques that have brought greater profitability to individual firms by providing greater efficiency” (Brenner and Glick in Kenny, 1999: 44) it seems not valid to impose a kind of rupture in terms of a transition from a period based on the dominance of absolute surplus value to a one of relative surplus value.

It can be argued that, as positing an institutionally determined development at a time of fully established capitalist social relations, in which capitalists find a way of reproduction of the relations of production by blocking consumption, is not possible, regulationists cannot describe a period similar to the competitive regulation era. Therefore the conceptions of intensive and extensive regimes of accumulation remain problematic in such an account (Kenny, 1999).

The configuration of the production relations and consumption patterns needs some regulations. The term, mode of regulation (MR) is used to indicate the institutional forms, social relations and norms that make the contradictory aspects of economic units compatible within the given economic structure and relations of a society. Regulation approach looks at the codification of the social relations and mainly five institutional forms and their permanent transformation: Monetary regime, wage-

³⁰ De Vroey states that extensive accumulation at another level refers to a situation, in which the accumulation and technical change occur predominantly in production goods industries, consumption goods remaining unchanged. He goes on claiming that, if narrowly defined intensive or extensive accumulation become only elements among others rather than characterizing the period of capitalist development as a whole. The same ambiguity is also seen in the terms monopolistic and competitive structures (1984: 47).

labour nexus, forms of competition, form of insertion into the international regime and form of the state (Boyer and Saillard, 2002). Taking into consideration these institutional forms, it is argued that the stabilisation of an accumulation regime through practices, norms and habits is dependent upon the ‘structural coupling’ between RA and MR. “When the coupling between a system of accumulation and [MR] achieves a level of stability in terms of its reproducibility, the way is prepared for the predominance of a particular accumulation regime” (Kenny, 1999: 46).

It is thought that a conflict between RA and MR in a particular historical period of capitalism brings about a crisis in terms of the capital accumulation process. The attempts to explain the crisis of Keynesian policies and welfare state in the 1970s from a regulationist perspective emphasises the slow down of the productivity growth leading to the weakening of the links between real wage increases and productivity and also to problems in terms of the valorisation of capital, higher state expenditures and fiscal crises, redistribution of income and wealth through inflation and the fact that “consensus” had broken down as a result (cf. De Vroey, 1984). The falling rates of profit and the insufficiency of the institutional forms in mobilising counter-tendencies are also referred to.

Therefore the crisis is understood in relation to the fact that the intensive RA was exhausted. This gives way to the search for a new articulation between a MR that proves itself to be compatible with the dominant RA, an articulation that would take form as a result of struggles over the control of production and the reproduction of relations of production.

This conceptual framework had its reflections in the conceptualisation of state’s functioning. Jessop defined the role of state and state intervention from a regulationist point of view as such:

[G]uaranteeing certain economic and extra-economic preconditions for the profitable operation of capital; securing the economic and extra-economic conditions for reproducing labour-power; and coordinating global flows of capital with national labour markets and addressing the resulting contradictions. The manner in which it served these functions and undertook specific economic policies was often seen as politically overdetermined by its ‘relatively autonomous’ role as a specific expression of institutionalised compromises. In this sense, then, the state, too, should be seen as *socially embedded*; it was reducible neither to a rational planner nor an instrument of monopoly capital. Its role in responding to the crisis of Fordism was to fashion a new *institutionalised compromise* that would underpin a new and dynamic ‘structured coherence’ between the emerging accumulation regime and its mode of regulation (1997:7)³¹

Within the context of Turkey in the 1980s, from such a perspective, the restructuring of Turkish State indicated the emergence of a new structured coherence. In his interdisciplinary study of the relations between state and social classes of Turkey, Keyder (2000) prefers to employ regulationist ideas and related institutionalist way of conceiving the crisis and transformation in Turkey in the late 1970s and the 1980s³². His argument presents the importance of class struggle and political action in a rather eclectic way. For him, the import substitution industrialisation went into crisis at the end of the 1970s and bourgeoisie, although not beneficial for the class as a whole, had to choose ready made liberal programme to overcome the crisis. For Keyder, this restructuring was indeed destruction of the former patterns of state-bourgeoisie relations. The choice of bourgeoisie was a mode of regulation in which limited democracy and hegemony of economic liberalism as much as disciplined workforce played a great part. The problems of the economic programme were worth since it led to the hegemony of economic liberalism, the ideology necessary for the

³¹ Italics are mine

³² It is noteworthy that the methodological difference between the explanation of early republican period and the 1970s-1980s makes it rather impossible to find solid way of explanation of Turkish politics in Keyder’s account. The unquestioned determination of bourgeoisie for initiating a new regime of accumulation in the late 1970s from the viewpoint of Keyder cannot be understood given his explicit emphasis of dependency of capital groups throughout republican period. However, it should be added that the regulation theory provides a course for referential pluralism. Middle-range theorising enabled regulationist analyses to refer variants of institutionalism. As it is argued by Mavroudeas (1999) the major weaknesses of regulation theory, the lack of a coherent theory of state and coherent theory of crises, paved the ground for regulationists to place “unjustified emphasis” on institutional forms and arrangements.

specific form of integration into world economy, supported by international financial institutions.

Arın (1986) in her regulationist account claims that the crisis that has been faced by Turkish economy was in fact not severe enough to force exit of weak firms and the regime of accumulation that is based on import substitution cannot overcome its crisis. In a sophisticated version of the explanation of the state-capital relations in Turkey by focusing upon the coherence between the regime of accumulation and mode of regulation, Arın locates Turkey as a country which would not overcome its crisis of capital accumulation due to the contradictory nature of the regulations employed after 1980. The oscillation was necessary in order not to deepen crisis that would provide the exit of many weak firms on the one hand and to implement severe economic programme aiming to increase the rate of profit and overcome the problem of excess capacity on the other. This two-fold nature of state-capital relations in the 1980s and the contradictions would make Turkey become more inward-oriented and stay away from the proposed ideal form of integration into world economy.

Ercan (2002) in his analysis of the capital accumulation process emphasizes the importance of the 1980 as a turning point from an inward oriented capital accumulation regime to an outward oriented one. He mentions that “transformation of the state in harmony with the passage to the new accumulation regime brought about a series of changes with respect to the mode of organization of the state as a whole” (2002: 26). Such transformation was based on a *triple alliance* which was formed by big capital, state and IMF-WB (2002: 25). For him, the traumatic transformation of the Turkish society, on the one hand based on the internationalisation of capital, meaning the acceptance of the hierarchy of global capitalism by the big capitalist groups organised under the form of holding companies, and repression of the social opposition by any means necessary through state and political structure on the other, has destroyed the structured arrangements of the inward oriented accumulation (2002: 24-27). The binary cooperation between state and big capital was supervised by the propositions of the World Bank and IMF, namely the requirements of the structural adjustment process, enabling the definition

of major actors in a tripartite mode. Therefore the restructuring of the state is related to the activities of major actors in Ercan's account (2002). Yet, the transformation of state as a whole is portrayed as the establishment of MR coherent with the outward-oriented RA. Therefore, the process of structural adjustment that Turkey lived is signified as an operation of capital and capital forces that aimed the "eradication of arrangements peculiar to the inward-oriented accumulation strategy" (2002:25)

As it can be seen in mentioned examples the class struggle and its effect in the policy making with direct reference to the importance of the process of capital accumulation are integrated into the analysis. However, either the choice of bourgeoisie for itself, given the structural crisis of Turkish economy or the contradictory nature of regulations is relied on for explaining the transformation and situation of Turkish economy. While Arın (1986) prefers to focus upon the immanent crisis of capitalist social relations of production, Keyder (2000) conceives the change with much more emphasis to the will of bourgeoisie for restructuring under the conditions of international economic crisis. It is underlined by Ercan (2002) and Keyder (2000) that eradication of the former pattern of relations between state and capitalists, the implementation of policies within a new mode of regulation was necessary.

The regulationist conceptual framework is employed in the critical analyses of state-capital relations in Turkey, without any detailed argumentation of the theoretical problem of attributing responsibility to state such as guaranteeing extra-economic conditions for the operation of capital. As it will be discussed in the next chapter, this is the reproduction of the structural-functionalist understanding and may be unintended but nonetheless as a consequence, subordination of struggle to structure (Bonefeld, 1991).

The conceptual framework of Regulation School and its reflections in the sense of understanding state intervention into economy is commonly used in critical analyses of state-capital relations in Turkey. It should be admitted that the studies that base themselves on regulationist insights provide vigorous examples of the integration of the perspectives that give proper place to contradictions derived from capital

accumulation process into economic policy making (see for example Arın, 1986; Ercan, 2002). However, they may easily reproduce the structuralist-functionalist notion of state, which is based on the assumption of state as an entity charged with reproduction of the social relations of production. Although the state is claimed to be a form of relation, the transformation of state and political structure becomes a complete derivative of economic crisis. Military regime between 1980-1983 is reduced to the arrangement of overcoming the inability to implement January 1980 programme or policy-making symbolised by Özal and the execution by MP government are presented as indicators of controlling the intra-class agonies and provision of economic hegemony of bourgeoisie (see Öngen, 2003: 176-177). The integration of Turkish economy into world economy on the basis of outward orientation is demonstrated as the abandonment of political structure and the former economic model. Spring of labour-intensive sectors in many Anatolian towns is read as the repercussions of the objective of integration of a peripheral country into world economy (Köse and Öncü, 2000). Conceived rather as a smooth process by which the export-oriented regime of accumulation and corresponding mode of regulation is imposed upon the relations between state and market, regulationist conceptual framework underlies the explanation of the mentioned transformation.

There is a high degree of convergence of opinion that the regime of accumulation in post-1980 period can be characterised as export-oriented (Boratav, 2003: 161)³³ or outward oriented (Savran, 2005, Ercan, 2002) mainly based on labour-intensive industries (Köse and Öncü, 2000) and flexible labour force (Onaran, 2000). It is for sure that also the policy makers had characterised the era on a discursive basis as one in which transformation to an open economy had been achieved. However, the characterisation of the 1980s as one in which import dependency declined, or Turkish capital groups directed their attention towards world markets would be misleading. The characterization of the 1980s as the rupture in regards to transformation into an outward oriented RA should also be questioned. As Yalman

³³ Boratav emphasizes the import dependency of the Turkish economy in the same period and the requirement of foreign inflows for the sustainment of growth tempo (2003: 161). This indicates that the export-orientation in Turkey did not lead to sustainment of export-led growth of the economy.

mentions, “[M]any leading ISI firms, including the multinationals, were continuing their plans as if there has been no change of strategy from ISI to export promotion in the early 1980s” (1997: 199, cf. Arın, 1986). Given the fact that Turkish capital groups were favouring a more gradual liberalisation (Yalman, 1997: 201) through which they would enjoy the protectionist policies for a while not altering their organisation of production, the main assumptions on the transformation of Turkish economy should be revised in favour of an analysis taking into account “the maintenance and reproduction of the much criticised import substituting industrial structure” (1997: 205).

3. 3. 2. Presumed Class Formation and Original Sin in Critical Understanding

Marx argued long ago that primitive accumulation was the original sin of the classical political economy in a similar way to theological explanation of the human condition. “Its origin is supposed to be explained when it is told as an anecdote of the past” (1967: 713). While problematising the bourgeois revolution in Turkey and questioning limits of bourgeois revolutionary politics, Savran argues that the original sin of Turkish bourgeoisie was not instigating a transformation in the structure of agriculture (1992: 98). Although it can be claimed that the scope of agricultural surplus had played a restrictive role against the accumulation of industrial capital and the transfer of agricultural surplus to manufacturing industry was limited (Savran, 1992: 99), it seems troublesome to argue that disenchantment regarding the development of capitalism in Turkey has something to do with an original sin as such. This notion of the inability of Turkish bourgeoisie in terms of achievement of historical missions led Savran (1992: 110) as many others to refer to a cursed legacy. The dependency of bourgeoisie on the profit channels opened by state and intervention of state into economy is presented as an implicit deviation and marker of the limited hegemony of (industrial) bourgeoisie. Although critical of the notion of state tradition presented as in the case of institutionalist understandings, the critical approaches which include notion of the weakness of the bourgeoisie point out the presumption of class formation in the analyses.

Identification of bourgeois revolution with the path of class struggle in developed countries tends to reproduce the “theory of absences” (Turner, 1994) within a critical framework (see Boratav, 2003: 202; Savran, 1992: 110; Öngen, 2003: 170, Boratav et. al., 1994: 62). Original sin of bourgeoisie becomes being the bourgeois class of an underdeveloped country, a class that does not present itself as a class for itself and seek an independent existence from the state. Oddly, the transformation in state-capital relations in the 1980s and the instigation of structural adjustment and liberalization process turn out to be the initiative of that sinful bourgeoisie. The restructuring of Turkish State is conceived as the initiative of Turkish bourgeoisie, which is different from its western counterparts and dependent upon state intervention. The dependency of bourgeoisie upon state, the so-called cursed legacy of absent bourgeois revolution, on the other hand, are not referred in the description of the venture of integration into world economy during the 1980s. Of course, there is a difference between the analyses investigating the change by taking into account the contradictions in the process of capital accumulation (Savran, 1992, Öngen, 2003) and eclectic attempts as relying on institutionalism in explanation of early republican period and regulationist approach in crisis of the 1970s (Keyder, 2000). However that difference loses its importance if social groups and classes are portrayed as pre-existing initiators of transformation and/or abstract categories externally related.

Boratav, Türel and Yeldan present a similar point of view in line with the emphasis on the dependency of bourgeoisie upon state and the continuity of dependency. They mention that the liberalization of the economy meant creation of new rents and explosion of corruption in Turkey in the 1980s (1994: 62). From their perspective which criticizes the liberal dogma based upon the belief that the more economy is liberalized, the more will be the elimination of rents, the specificity of Turkish case is that “bourgeoisie itself is a creation of state and this historical phenomenon has created cultural, sociological and economic traits which do not disappear with changes in the policy model” (1994: 62). This line of argumentation mentions that the source of rent-seeking is not state *per se* but bourgeoisie or the continuity of dependency of bourgeoisie (deviation from Western type of development). From

such a point of view, the rent-creation under the very process of liberalization should be analyzed by grasping the corrupt nature of relation between bourgeoisie and bureaucrats who gradually lost their instrumentality of “creating a significant degree of stability for the bourgeoisie as a whole” (Boratav et. al., 1994: 65) from the mid-1970s onwards.

This was the new tendency of arbitrariness in rent-creation leading to tensions between state cadres and bourgeoisie as well as within the bourgeois class. It is clear that, the arbitrariness and the uncertainty which made the then chairman of TÜSİAD accuse the government of establishing a regime of kleptocracy (Boratav et.al. 1994: 66) or lead TÜSİAD members to blame government for attacking their vital existence for the Turkish society (Özel, 2003: 62-63) was an element of tension. However claiming complete dependency of bourgeoisie upon the mechanisms of state intervention and/or asserting unorthodoxy because of the unreduced public expenditure and continuity of arbitrary state intervention from another point of view (Öniş, 1998) demarcates the state intervention from the contradictory social relations of production and the forms taken by the class struggle within the process of structural adjustment.

3. 4. Concluding Remarks

This chapter mainly evaluated the literature on the state-capital relations in Turkey of the 1980s and provided a brief critique of the key explanations. This brief survey of different approaches to state-capital relations in Turkey and state intervention into economy during the 1980s in particular, indicated that the widespread explanations remain problematic in the elucidation of the period as they conceive the relations between the development of the form of state in general and the restructuring of Turkish State in particular and the process of capital accumulation as relations of exteriority.

It has been argued that statist-institutionalist perspective remains within an orientalist framework as the specificity of Turkish politics and transformation of state capital relations in the 1980s are explained by focusing upon state tradition and the set of institutions that are different from Western type. Although there are variants within institutionalist perspective that takes us to the problem of defining an institutionalist position as such³⁴, it is viable to talk about a theoretical convergence on the conception of state as an explanan. As much as the state and institutions are emphasised, the relative success or failure of structural adjustment in Turkey is attributed to policy reversals and distorting state intervention. In correspondence with the economy-centric illustrations of the adjustment process that state the necessity of sound macro economic policies, “the emphasis on ‘policy-induced uncertainty’ has the implication that a capitalist market economy faces instability because of exogenous interventions rather than its inherent systemic characteristics; that is to say, left to its own devices, it would avoid these ‘instabilities’” (Yalman, 1997: 189).

In relation to mentioned motive in presenting market as a sphere of opportunity and stability, the statist institutionalist perspective and economy-centric perspectives with institutionalist aspirations draw a clear line of demarcation between state and market or state and civil society. Further reifying the concepts of state and civil society, “this dichotomy... corresponds to opposition between coercion, as embodied in the state, and freedom or voluntary action, which belongs to civil society” (Wood, 1995: 243).

In addition, the critique of Gore directed towards the paradigm of Washington consensus in terms of methodological nationalism can be repeated against the institutionalist perspectives. The structural adjustment of Turkey is explained within country in the sense that what happened is attributed to internal factors and domestic policy (Gore, 2000).

³⁴ Figures like Buğra and Öniş are closer to the analysis of state in its relation to social groups and international context, whereas Heper’s account remains within a positivist interpretation of the political structure and state as an independent variable (cf. Dinler, 2003).

Statist-institutionalist perspective and economy-centric accounts, as they emphasize the necessity of a moderate instrumental regime (Heper, 1985) abolishment of discretionary policy-making (Buğra, 2003) or implementation of sound macroeconomic policies (Çeçen et. al., 1994, Rodrik, 1991) focus upon the domestic policy measures and their viability in terms of the mentioned objectives. Such a focus upon the reformulation of political system, the centralization of decision making, the policy reversals giving way to particularistic tendencies and lack of sustainment of growth based on private industrial investment, exploitation of the flexibility element in World Bank Structural Adjustment Loans and/or the export incentives, process of trade liberalization, necessity for development of capital market in Turkey, does not bring with itself the documentation of systemic characteristics of Turkish capitalism.

Critical approaches on the other hand which tend to use regulationist conceptual framework and convey state intervention as the way of reproduction of social relations of production, enjoy the unbearable lightness of structural-functionalism. While regulationist insight poses a duality between structure and struggle (Bonefeld, 1991), the analyses reduce state to a collective capitalist acting on behalf of capital groups. The restructuring of Turkish State is conceived as the corresponding mode of regulation of the emerging outward oriented regime of accumulation. It is also noteworthy to underline the fact that as much as the contradictions within the process of capital accumulation and policy reversals are located as the patterned effects of cursed legacy of Ottoman-Turkish social formation, the “theory of absences” (Turner, 1994) is reproduced within a critical framework. It can be argued that as long as the specificity of Turkish structural adjustment process and its success or failure are tried to be explained by state tradition or state intervention, state is further reified and the “age old myth of market as a self-regulating entity” (Yalman, 2002b: 21-22) is postured.

As it will be argued in the following chapter, state intervention into economy should be investigated by taking into consideration the contradictory nature of capitalist social relations of production and the relations between state and capital. It is the

argument of next chapter that the unity of social relations of production and the determination of the forms taken by these relations can be highlighted by such an endeavour.

CHAPTER 4

IN QUEST OF A RELATIONAL ACCOUNT OF THE RESTRUCTURING OF THE TURKISH STATE

Every phenomenon exists only in relation to other phenomena, or, in other words, exists only in and through other phenomena. Every phenomenon exists only as a movement of contradiction, that is as a movement of its own historical constitution. Hence the question of determinate negation, or social form of human relations: what constitutes the relation which makes it possible for phenomena to exist side by side in an apparently independent manner but nevertheless through each other; what is the historical determination which constitutes them as in a relation of mutual dependence and determinate negation, a relation which makes an independent existence for each impossible? Hence the economic and the political, although seemingly existing independently from each other, stand to each other as moments of one process. (Bonefeld, 1992: 99-100)

Appearance of social phenomena in an independent manner, the economic and political alongside each other in particular, is the fetish form of the existence of the substantive relation that constitutes them. The substantive abstraction then traces out the inner connections between these apparently independent forms, the forms assumed by social relations of production (Bonefeld, 1992). From such a critical view the fundamental importance of the separation between the economic and political in capitalism can be seen as the constitutive element in form of the capitalist state (Clarke, 1992). In abstract terms, the expropriation of surplus value through non-coercive mechanisms in capitalism characterises the state as an “illusory community” (Marx and Engels quoted in Bonefeld, 1992: 117) that appeal people as abstract individuals who are free and equal.

The authority of state as the representation of the general will over civil society was restored in New Right thinking through the “reassertion of the right to property” (Gunn in Bonefeld, 1992: 116), the right which locates members of particular classes

as the individuals equal against the law and order. Moreover, the change in the form of state in accordance with neo-liberalism aimed the subordination of state to the power of money (Clarke, 1992; Bonefeld, 1995). The imposition of monetary austerity upon social relations implies attributing responsibility to individuals for reproduction of their own existence. In abstract terms, the process goes hand in hand with the presentation of the market as a sphere of opportunity, as an autonomous sphere devoid of class interests. The further separation of the economic and political take the rhetorical form of “relying on market forces” for efficient allocation of resources. Market ideology if it is endorsed by large sections within society plays cementing role for containment of labour.

Deriving insights from theoretical discussion on the functioning of capitalist state is crucial for a critique of the institutionalist and economy-centric perspectives as well as the critical understandings discussed in the previous chapter. As it is implemented, an institutionalist perspective relates the problems within the experience of structural adjustment in Turkey during the 1980s to the state intervention which is externally related to the process of capital accumulation and economic sphere. The mentality of international financial institutions expressed in WB studies and the perspective of TÜSİAD share the idea that effective state intervention would be a remedy for the pain of adjustment of Turkish economy. On the other hand, critical accounts, discussed previously, portray the changing form of intervention as a functional response to the crisis of Turkish capitalism. This point of view focuses upon the strategy of overcoming the crisis of form of state for reproduction of capitalist social relations of production.

This chapter is an attempt to indicate the importance of understanding separate and independent forms assumed by social relations of production as internally related parts of a whole. By such an insight it will be argued that the changing form of state in Turkey during the 1980s should be understood as the expression of the changing form of intervention into economy and the relations between state and society, which should be understood as internal relations despite the independent appearance. The first part of the chapter will provide a review of fundamental element in capitalist

state form and the state debate, which revolved around the functions and the form of capitalist state³⁵. The second part will seek for a linkage on the basis of the insights derived from critical contribution of the mentioned debate. The restructuring of state in Turkey during the 1980s will be approached by questioning the functioning and the intervention of Turkish State and emphasizing the need for taking into account the functioning of class contradictions within the state and the unfolding of the substantive and antagonistic relations between capital and labour.

4. 1. Approaching to Functioning of Capitalist State

4. 1. 1. The Separation of the Economic and the Political

The capitalist state poses a problem for those who question its relation with social classes. State, which should be conceived as a form of social relations, presents itself as the negation of the particularities and different interests in civil society and it appears as an entity on its own. However, accepting this presentation would be contenting with the appearance since the existence of the capitalist state and its reproduction are dependent on the contradictions and particularities arising from the conflicts within civil society. As Marx notes the universality presented by state assumes the existence of real distinctions and particularities in civil society: “[T]he state only exists on the presupposition of their existence; it feels itself to be a political state and asserts its universality only in opposition to these elements of its being” (1997: 34).

Wood in her attempt to understand the emergence and the specificity of capitalism clearly expresses these points, which need to be underlined and taken as crucial parts in an analysis of capitalism. The crucial feature of the capitalism, according to Wood who follows Marx, is the detachment of economic power or the separation of the economic and the political, in other words:

³⁵ For a similar attempt in terms of deriving insights from the mentioned state debate to overcome state-market duality and a critique of the reflections of such duality within the context of globalisation see Yılmaz (2004).

The character of old [feudal] society was *directly political*, that is to say, the elements of civil life, for example, property or the family, or the mode of labour, were raised to the level of elements of political life in the form of seignior, estates and corporations. In this form they determined the relation of the individual to the *state as a whole*, that is to say his *political* relation, that is, his relation of separation and exclusion from the other components of society. (Marx, 1997: 45)

As Wood mentions several times what differentiates capitalism from other modes of production is the separation of political and economic and the dominance of market imperatives (1995 and 2003, cf. Hirsch, 1978: 61-64). The dominance of capitalist imperatives means that everybody is subject to the market conditions to provide their subsistence. “In capitalism, the market dependence of both appropriators and producers means that they are subject to the imperatives of competition, accumulation and increasing labour productivity; and the whole system, in which competitive production is a fundamental condition of existence, is driven by these imperatives” (Wood, 2003: 9). What characterises the mentioned market conditions is the appropriation of surplus value through pure economic processes. The coercive power in the sense of sanctions and regulations appears as separate from the functions of appropriation.

In pre-capitalist modes of production, the extraction of surplus value was not achieved solely through economic means. Extra-economic means were at issue in every sphere of life and the unity of economic and extra-economic means was one of the basic characteristics of these systems. Coercive power was the power to exploit in other terms and being dominant politically and militarily was also being dominant in economic terms. What we see in capitalism is the lack of such a unity. For Wood (2003), the basic condition of capitalist expansion beyond the limits of political and military domination is the imposition of economic imperatives, introducing the compulsions of the market where they do not exist and sustaining them where they do. On the other hand, the separation of the economic and political and the concretisation of the extra-economic power in the form of state do not mean a well operating market that is immune from contradictions and crises. That is to say the separation of the economic and political has made it possible for capital to extend its

reach, however this does not mean the suspension of contradictions. Capital, on the one hand is based on the effective exploitation of labour power and repressing the price of labour power for the conditions of profitability, yet on the other hand, it necessitates the existence of labour and labourers to form a demand mechanism for the produced goods. As Wood (1995 and 2003) mentions the drive of capital is towards expanding market imperatives and competition on the one hand and its need to resist competition on the other. Capital is based on expansion and constant accumulation that goes far beyond the limits of nation state; yet, states are indispensable for the daily regulations and the reproduction of the social relations of production.

As it is implied, the separation of the economic and political in capitalism presents itself as if there is a self-regulating market posed versus a state to ensure the legal rights and equality of the citizens. However, it is for sure that the states were effective in the creation of a domestic market in the formation of capitalism and nation-states played a major role in the later developing capitalist formations (1999). States, still by ensuring the functioning of legal system based on private property and imposing and placing regulations serve for the reproduction of the capitalist social relations of production. Counterfactual speaking, we could not see the universalisation of the nation-state form, if capitalism did not depend on it (Wood, 1999). However, it should be noted that claiming that states involve in economics to secure the reproduction of relations of production is to talk in terms of capital logic and such an emphasis bears the risk of functionalism, reducing the state to an organ functioning on behalf of capital.

Before Wood's emphases, the theme of universality of state constructed through and against the particularities of class society did provide a course of debate and discussion among Marxists attempting to provide a "theory" of state. This was the case for Poulantzas in his search for scientific-Marxist and regional theory of state. He tried to explain the process not by referring to the separation of state and civil society. In fact, he perceived such discussion as the transplantation of the Hegelian problematic (1976: 138) and refused such historicism as it started from the separation

of civil society and state, leading to focus upon the individual agents of production, namely *bare individuals*. For Poulantzas, the presupposition of state as a superstructure based upon economic-individuals and agents “prevents us from understanding the relation of the state to the class struggle... it becomes impossible to conceive the specific autonomy in the capitalist mode of production of the economic and political” (1976: 125). As civil society was not a concept for grasping the features of economic instance, he refers to the structure of labour process and the over-determination of the production relations by the juridico-political. The agents are portrayed as the *trägers* of the structure of labour process in his account.

However, his explanation of the systematic concealment of the political character of state seems to revise the argument of young Marx from an Althusserian point of view. “The separation of the direct producer from the means of production in the relation of the real appropriation (the labour process), which produces the specific autonomy of the political and the economic, determines the setting-up of agents as juridico-political subjects, *in that it impresses a determinate structure on the labour process*” (Poulantzas, 1976: 129). Therefore the effect of isolation in his terms, “the effect of concealing from the agents [of production] in a particular way the fact that their relations are class relations” (1976: 130), is produced. That explains the charge of state from a structuralist-functionalist line: “[T]he capitalist state is determined by its function with regard to the economic class struggle, in the form in which it appears by reason of its isolation...” (Poulantzas, 1976: 133).

Attributing a function to state such as the imposition of the effect of isolation or implementation of necessary regulations for the reproduction of the social relations of production seem to be the salient problem of functionalist accounts. To provide a viable account of the form and function of the state, state derivationists assured the importance of Marx’s method in *Capital*. In an attempt for the explanation of the separation of economic and political in capitalism, taking economic and political not as separate realms but as different forms assumed by social relations of production seemed to be the way to overcome the problem. Instead of arguing for a study of the political, which locates state as an autonomous subject, this insight brings to the fore

a critique of the fetish forms of social relations by focusing upon the inner connection between social phenomena. The source of the separation of the economic and political is looked upon through such an approach, instead of taking for granted the mentioned separation and particularization. As Holloway and Picciotto stated with reference to Müller and Neusüss,

Just as Marx's analysis of the relation between commodities and money was based on the analysis of the source of this relation or, in other words, on the derivation of the money form from the contradictions of the commodity... the analysis of the relation between state and society must be based on the *derivation of the state form* (as a 'particular existence standing alongside and outside bourgeois society' (German Ideology, MECW, vol. 5, p. 92)) from the contradictions of capitalist society. (1978: 16)

“Existence alongside bourgeois society” is the appearance of the state form. From such a point of view it can be argued that the ‘autonomisation’ of state, the separation of economic and political in Wood’s terms, is a fetish and like every form of fetishism it is illusion and reality at the same time (Holloway and Picciotto, 1991). State may present itself as separate from economics and it is real in the sense that the extraction of surplus value does not depend on the use of extra-economic power. However, it would be illusory to say that the state does not involve in economics as a constitutive form since the state as a form of relations taken in the struggle affect the course of economics and impact upon the reproduction and the regulation of the social relations of production. It is crystal clear that, capitalist state is based on the separation of the political and economic and this is the peculiarity of it. Yet much attention should be paid in an attempt to understand the mentioned analytical separation in order not to grasp the relations between economics and politics as relations between separate fields

4. 1. 2. Form Analysis

The method of Marx in his critique of political economy was dissolving the categories which were perceived as natural and eternal and indicate that how these categories can be seen as the perverted forms of the historically specific social relations of production. He was deriving the money form and capital form from the

social relations of production and problematising the forms in terms of the function they fulfil for the reproduction of the social relations of production. That form analysis applied by Marx (1967) implies that something exists through the form it takes. Social relations of production exist through the forms they take³⁶ (Burnham, 1994). This is to say that economic and political should not be taken as externally related spheres but as different forms through which the relations of production exist. Therefore form analysis comes to the fore as a prerequisite for the critical understanding of social relations of production and the forms they take. It should be emphasized that social antagonism, antagonism within capitalist social relations of production exists through forms, which constitute the existence of the social relations³⁷.

From such a point of view vital role of state, which should be conceived as a form of social relations in terms of the reproduction of the social relations of production, can be noted. The importance of state as a form of social relations of production should be emphasized for the grasping of social changes. It becomes obvious that the changing nature of the state form as mode of existence of class relations should be critically evaluated in our quest for explaining social change and development. The state-capital relation looked at from such a point of view would provide a fruitful ground for analyses of social change and struggles. The contribution of state

³⁶ Holloway, develops this view and argues for the importance of an analysis which bases itself on the antagonism between form and content: "Doing, ... exists antagonistically, as a doing turned against itself, as a doing dominated by the done, as a doing alienated from the doer. The antagonistic existence of doing can be formulated in different ways: as an antagonism between power-to and power over, between doing and labour, between done and capital, between utility (use-value) and value, between social flow of doing and fragmentation. In each case there is a binary antagonism between the former and latter, but it is not an external antagonism. In each case, the former exists as the latter: the latter is the mode of existence or *form* of the former. In each case the latter denies the former, so that the former exists in the mode of being denied. In each case, the content (the former) is dominated by its form but exists in antagonistic tension with this form" (2002: 34-35). The state and its representation of general will, then, exist in antagonistic tension with the class society and in relation to inner antagonism between capital and labour.

³⁷ "Form is seen here as the *modus vivendi* of antagonistic relations and, as such, form is 'generally the way in which contradictions are reconciled' (Marx, 1983, p. 106)... The existence of social antagonism in forms 'does not seep away' (ibid.) the inconsistencies of antagonistic relations; rather, these forms constitute the existence of this relation, a constitution which exists historically and has to be analysed in an historical fashion" (Bonefeld, 1992: 105).

derivation debate lied in its reassertion that, what should be done was to follow Marx's method in general³⁸.

For state derivation approach, the economic political and ideological can be grasped as the forms of social relations, shaped by the struggles over the reproduction or destruction of them (cf. Clarke, 1991). Derivation of state form and the debate revolving around state-capital relations did not compose a coherent approach. The contributors had different emphases on the function of capitalist state and the works were very much prone to criticism. As it was summarized by Holloway and Picciotto (1978), different lines of approaches were on the agenda, from arguing that state functions for reproduction of total social capital and prevents the unleashing of self-destructive character of capitalist society to perception of state as the form which should be derived from the domination relations.

However, it should be noticed that deriving the form of the state from the functions it performs in a capitalist society would lead to economic reductionism and therefore, this line of argumentation is labelled as the capital logic approach as it relates the function of state to the logic of capital, further mystifying the notion of capital. Through a criticism of the functionalism of this line of argumentation a relational perspective can be provided. This critique is already embedded in the debate according to Jessop. Another approach "*first* derived the form of the capitalist state from the nature of generalized commodity production in the capitalist economy *then* showed how this form problematised the state's functionality for capitalist reproduction" (1991a: 77). Accordingly this productive approach, although opens the gate for politicist interpretations provides space for struggles and enables one to claim that the policy making may not coincide with the needs of economy.

Notwithstanding the limitation of the contributions that reproduce the counter-positioning of the "logic of capital" and class struggle, the debate provided enough room for discussion on the basis of relations between the form and content. "The

³⁸ The centrality of form analysis in Marx's thought was emphasized by I. I. Rubin and Pashukanis before derivationists as well (see Holloway, 2002: 75-76)

very major advance of ‘form analysis’ approach is not to have solved all the problems of Marxist theory of the state, but to have established the *essential prerequisite for an understanding of the state based on the dialectic of the form and content of the class struggle*” (Holloway and Picciotto: 1978: 30). To put in other words, the state, from point of view of form analysis, then is not the bearer of particular functions but the very notion of capitalist state’s function is an expression of the historical form of class struggle (Hirsch, 1978).

The discussion of the dialectical inner connections between form and content corresponded by relational conception of power which was instigated by Foucaultian perspective, directed the state debate towards an understanding which tried to articulate the emphasis on the incapability of state in serving for reproduction of social relations of production. Attributing to state “a power and a knowledge which it cannot possess” was a line of critique directed against capital logic within the state derivation (Holloway and Picciotto, 1978: 21). Similar insights were introduced by Poulantzas who was labelled as politician in return of his description of the mentioned debate as a fruitful effort to provide an *economic* understanding of state activity (2000: 52).

In his last work *State, Power and Socialism* originally published in 1978, Poulantzas provided a critique of his former attempts to produce a regional theory of state in accordance with the structuralist line of thinking³⁹. He mainly argued that it would not be viable to pose the relations between the economic and the political as the relations between different levels. Hence, he claimed that the relations between politics and economics should not be grasped as relations of exteriority. His attempt to reach a relational understanding of power included the preposition that the political was effective in constitution and reproduction of the relations of production. That meant the relocation of struggle in a primary position, underlining the critique

³⁹ It should be mentioned that Poulantzas does not completely abandon his earlier views on state-capital relations and the legacy of structuralist terminology. He points out the limitations of his early texts and presents his last book as the attempt to draw lessons from the importance of social division of labour and the critique of state debate of 1970s which was incapable of explaining the material specificity of state (see Poulantzas, 2000: 49-53).

of orthodox Marxist reductionism on the one hand and revisionism on the other. Defining state as the condensation of the class forces, Poulantzas (2000) tried to explain that class contradictions are always expressed as internal contradictions within the state. State was a form of the social relations of production, which were contradictory in nature, and the power of the state, although presented as the expression of the power of hegemonic class or fraction was, indeed, incapable of cementing narrow cracks within the power bloc, hence leading to reproduction of the contradictions (Poulantzas, 2000).

4. 1. 3. Reformulation of State Theory and Its Critique

In his long review of the debate revolving around the form and function of state, Clarke refers to the thread that runs from Althusser and Poulantzas through Regulation School to Hirsch and Jessop as “reformulation of state theory”, as the reproduction of the forms of theorising in which the separation between economic and political and the duality between structure and struggle forms the basis (1991: 37, footnote 16; cf. Bonefeld, 1991). Once the mentioned separation is taken for granted and a demarcation is drawn between relations of production and relations of distribution or the struggle over production relations is identified as the economic struggle, attempts for understanding the functions of capitalist state ends up with the reproduction of various forms of structural determinism according to Clarke’s critique. Giving proper weight to the role of class struggle does not change the structure and core of the arguments. However, it should be also mentioned that an adequate understanding of state as a form must be related to the functions it performs. Notwithstanding the harsh critique of Clarke against Hirsch and Jessop, but taking into consideration the problems emanating from the duality of structure and struggle, it can be argued that Hirsch’s and Jessop’s reformulation of state theory provides insights for form-determination and changing forms of state intervention into social relations of production.

Hirsch's reformulation of state theory by the insights of state derivation debate and the regulationist approach seems to provide space for class struggle at first sight⁴⁰. He argues for the derivation of the form of the state as an autonomous power. For Hirsch the coercion necessary for the reproduction should be established at an autonomous level, autonomous from individual capital and the immediate exploitation in the capitalist relations. The autonomisation of state is once and for all in the historical development. This separation between state and economy makes the state depend on the capital relation and reproduction of the capital. That the historical form of the state presupposes the continuation of the separation between economic and political means the reproduction of the state depends on the reproduction of the mentioned separation (cf. Clarke, 1991a). The state intervention, from such a point of view can be explained in relation to the political need to sustain capital accumulation and institutionalising class relations, which in turn secures the reproduction of the conditions for the existence of the state.

With reference to regulationists, Hirsch (1991a) claims that there can be different accumulation strategies, whether intensive or extensive one. For Hirsch, the crisis of the Fordist model of intensive accumulation, due to these insights should be understood by looking at the class relations and the specific forms of these relations that are no longer sufficient to mobilise the countertendencies to the fall in the rate of profit. The crisis of Fordism is understood as the crisis of the accumulation strategy corresponded by hegemonic structure in terms of the valorisation of capital. The crisis of the Taylorist organisation of work, the welfare costs and the high real wage levels combined with the growing contradiction between corporatist system of mass integration and international competition. This crisis clears the ground for imposition

⁴⁰ This is probably due to the tension unresolved in articles of Hirsch. Holloway and Picciotto suggest with reference to original and revised versions of *State Apparatus and Social Reproduction* (1974) that there was a shift "from arguing that accumulation must be seen as a crisis-ridden process of class struggle... to suggesting that the relation between accumulation and state activity must be seen as being mediated through class struggle" (Holloway and Picciotto, 1991: 96). The contradiction in the article is related to the oscillation between functionalist and historical, non-functionalist ways of thinking. While Hirsch's derivation of the state implies that the capital is not external to class struggle, the relation between crises and state functions is discussed in functionalist lines (Holloway and Picciotto, 1991a). The "autonomisation" as argued by Hirsch also bears the tension as the "autonomisation" is portrayed in relation to its functioning for the subordination of labour (Clarke, 1991a)

of a new social formation. The new accumulation strategy coupled with the new hegemonic structure would lie upon the dualisation and hierarchisation of society. Lowering the level of material reproduction as a whole, this formation would mean the restructuring of the state to ensure the divisions. The post-Fordist state would need to be strong, as it would need apparatuses of surveillance and repression to present itself as autonomised from social interests in a strongly divided society (Hirsch, 1991a).

For Hirsch, “crises and resolutions of crises are ultimately the expression of concrete class struggles, albeit struggles which always take place under ‘objective’ conditions which establish themselves behind the backs of the actors” (1991a: 13). This politico-economic theory looks at the correspondence between particular strategies and the class relations and strategies. He goes on by claiming that:

The realisation of a particular strategy of accumulation or model of accumulation is always bound up with the possibility of imposing a compatible political-ideological hegemonic structure and an appropriate form of political system, manner of suppressing the working class and institutionalising class relations (Jessop, 1983; Hirsch, 1983). However, the concept of strategy must not be misunderstood as implying a theory of agency: the implementation of an accumulation and hegemonic structure is always the result of structurally determined and contradictory class and group action, and thus a ‘process without subject’. (1991a: 12)

Hirsch clearly states that the tendency of the rate of profit to fall should be referred in the explanation of crises. But this does not mean that Marxist understanding of crises is an economist or a mechanist one. In great similarity to structural coupling of RA and MR in regulationist ideas, he claims that a definite accumulation strategy is corresponded by a hegemonic structure. The crises of historic bloc that emerge as a result of the dysfunction of MR and thus institutionalised class relations, or better to say, the result of the struggles leading to transformation of the compromises should be resolved for the continuation of the capitalist accumulation process. This leads to the transformation of the structure and imposition of a new capitalist social formation. However this struggle takes place under the objective conditions that establish themselves to refer to Marx’s terms (1967) ‘behind the backs of the’ actors.

The term ‘process without the subject’⁴¹ is thus, employed in Hirsch’s argument and this is to underline the fact that struggle takes place within a given structure, if it’s proper to use the term.

Jessop criticising theories of the state those gather their arguments from formalist general models and stressing the need to refer to specific models, implies that Hirsch does not distinguish abstract, general and formal term of Fordism from the specific German experience (1991a: 82-83). For him, it can be claimed that there is an overestimation of changes leading to a post-Fordist state and different trajectories should be concerned to provide a clear picture of the crisis and the transformations. However in terms of theorising and general line of argumentation, a similar view on the conception of crisis and the employment of regulationist ideas in state theory can be seen in Jessop’s position. This is due to the fact that he believes in viability of regulation theory as in his own view; it is concerned with the stages of capitalist development in a manner that is sensitive to the ‘relative autonomy’ of economic and political sphere and the institutional level. The form of the state is understood as the expression of class struggle and the dialectic of structure and strategy is emphasized in his account.

By a Gramscian reading of Regulation school, Jessop states that the RA and MR can be used to understand the historical bloc within a society. Historical bloc grasped as the unity of the base and political and ideological superstructures, implies the institutionalised long term equilibrium among class forces under the hegemony of dominant class or class fraction, rather than an automatic procedure related with the objective laws of capitalist development (1991a: 74). For him the regulation theory should be understood in a similar way as emphasizing the fact that the development of capitalism is mediated through historically specific institutional forms, regulatory institutions and norms of conduct. RA and MR comprise a terrain on which particular forms of struggles take place. This does not mean ignorance of the role of

⁴¹ For Jessop, far from implying that there is no class subject in capitalism, the term means that the “totalizing dynamic of capital relation works ‘behind the backs’ of these subjects” (1991b: footnote 8).

agency for Jessop. The stability of RA and MR is always relative and when the contradictions and struggles are no longer contained, crises occur (Jessop, 1991a). Jessop's account develops on the basis of his discussion about the dialectic of structure and strategy; the structural conditioning of strategies and the strategic transformation of structural ensembles. According to him, the regulation approach provides such a basis as the regulationists insist that RA and MR are 'discovered' rather than planned. For there is no global subject or a mastermind to plan accumulation strategies and hegemonic projects to institutionalise class relations and implement them successfully, the process can be seen as one without subject. This approach indicates the complex interaction between structure and struggle, which we need to grasp to give an account of the forms in which capital exploits labour power and their implications for class struggle (1990; 1991b). Jessop mentions that, regulation theory is helpful since it theorises the form-determination of the class struggle and capital as a relation⁴².

Jessop's theory of state⁴³ seems to provide an answer to the questions related with the functioning and mediation of the different forms of the social relations of production. For Reformulation theorists, the state as the ensemble of structural forms, institutions and organizations, provides the extra-economic conditions since

⁴² Another element in understanding Jessop's views is the autopoietic theory, which suggests that the major societal sub-systems can be studied as self-regulating. Law, politics, economy etc. can be understood as self-referential, self-producing and self-regulating. "Such systems constitute their own boundaries, re-create the conditions for their internal operations, and develop according to their own operational logic rather than obeying an external logic" (2001: 86). Self-referentiality means that the relations between particular systems are to be grasped as they are externally related to each other. Jessop (2001) states that, drawing on these ideas, "historic blocs could be understood in terms of the path-dependent 'structural coupling' of two operationally autonomous but substantively interdependent subsystems". The synthesis of regulation perspective and autopoietic theory leads Jessop to argue that economics and politics as subsystems are structurally coupled for regulation of the capital relation. In that respect economics and politics are understood as separate but interdependent spheres and mutually conditioning each other. It is crystal clear that the separation of economics and politics, with the contribution of the autopoiesis idea and the reading of regulation approach paves the ground for the reproduction of the arguments which do not properly fit Marxist critique of political economy.

⁴³ Jessop's search for conceptual tools to grasp the dialectic of capitalist development force him to use non-Marxist perspectives and dissolve Marxist theory to a pluralist, eclectic account. His self-criticism for his earlier works (see Jessop, 1991c) can be repeated in the context of his later works as he is at pains to distance himself from structuralism while retaining the subsumption of struggle to structure in a sophisticated account of capitalist development and class struggles (see, Bonefeld, 1991; Clarke, 1992).

reproduction of capital relation depends on such regulations and the changing modalities of state intervention should be looked at by reference to reproduction of the economic and extra-economic conditions for accumulation. Needless to say, Jessop's effort is to stay away from functionalism but his understanding is criticised by Bonefeld, Holloway and Clarke because of its structural-functionalist tendencies.

For Bonefeld the attempt to overcome the slow-down of state derivation debate by reformulation proves insufficient as it mainly deals with the regulatory forms of value realisation. It conceptualises the complex articulation of the accumulation strategies and the corresponding forms of social regulation. Bonefeld (1991) explicitly states, in his critique of reformulation of state theory that, Reformulation aims to develop an analysis of the crisis-ridden development of capitalism and the changing relation between the accumulation process and state functions. Reformulation tries to look at the economic, ideological and political by uniting them into a unified structure and state the importance of the objective laws of capitalist development such as the tendency of rates of profit to fall as well as the class struggle. The regulative forms are condensed within the state and it is through the state the regulations are consolidated.

The important thing in the Reformulation is the understanding of class struggle in a 'but also position' (Bonefeld, 1991). The problematic lies in the assumption of the articulation between accumulation strategy or RA and hegemonic project or MR. It is thought that the historical correspondence between RA and MR, characterised as historical bloc paves the ground for the reproduction of the social relations of production. It is mentioned that the articulation is a product of complex economic, ideological and political struggles, also it is stated that there is no definite course or a plan of formation of a historical bloc, and the process is without subject. Therefore how the mentioned articulation is achieved remains problematic and such an assumption as a 'process without subject' brings about the disarticulation of structure and process. It also creates a dualism between structure and struggle.

The structuralist tendency of argumentations lies on the main assumption of the Reformulation that a particular accumulation strategy providing the surplus value should be accompanied by a hegemonic project or a mode of domination in other words. This means in the theory that the objective laws of capitalist development are at work and the articulation of an accumulation strategy and hegemonic project tries to mobilise the countertendencies to the rate of profit to fall. The political struggles of different groups and classes in favour of different strategies are based on such a terrain and marked by the mentioned articulation. Structural crises occur if the particular articulation does not lead to a sufficient mobilisation of countertendencies. As Bonefeld (1991) states, general speaking, the line of argumentation underlines the structure in which the struggle takes place and gives new life to structuralist analysis of capitalist development. This disarticulation of the structure and struggle leads to positioning of struggle as either retarding or accelerating the course of law determined path of capitalist development. Therefore the struggle is subordinated to structure and the crisis of Fordism and the emergence of the so-called post-Fordist regulations in advanced capitalist countries are seen as a law determined process without a subject. Instead of such a perspective, Bonefeld argues for a conceptualisation of historical development as a process of structure and struggle, in which structure is understood as implicit in the form of class relation.

Theorising the state as ensemble of structural forms, institutions and organizations that regulate and secure capitalist reproduction, leads Reformulation to functionalism, for Bonefeld (1991). It is due to the fact that analyses of state looking to its so-called functions such as regulating and securing capitalist production and measurement of success of a hegemonic project by its correspondence to the needs of capital accumulation, by definition, presuppose a state functioning on behalf of capital.

For example Fordist state is usually described as the institutionalised form of class struggle in which a rise in the living standard of workers that is not detrimental to profitable accumulation is maintained. If there is any, the compromise that is reached is presented as the regulative form of the Fordist mode of domination. The situation

is not recognised as the concessions to a relatively strong labour movement after the Second World War (Bonefeld, 1991: 52). The attempts to specify new forms in the capitalist development through such a perspective, presuppose a definite logic of capitalist development. The restructuring of the state is seen as a functional response to the crisis of Fordism, rather than the expression of the defeats of the working class in its struggle against capital's domination. Treating working class as the object of history results in the naturalization of the regulations imposed in terms of the effective exploitation of labour power. Bonefeld concludes his critique by indicating the elimination of all dynamic of struggle in Reformulation as a result of the teleological reading of history:

The analysis of post-Fordism is thus a part of the impositions of post-Fordism itself. Within the Reformulation and its inherent political implications, the working class appears once again only as object, as victim. This victimisation of the working class is entailed in the presupposition of the debate: the dualism of structure and struggle. (1991: 65)

To summarize the debate it can be claimed that although the initial aim of regulation theory was to overcome structuralism, it could not; because of the disarticulation of the structure and struggle (see Bonefeld, 1991, Holloway, 1991a and Clarke, 1991b). Since it is explicitly stated that class struggle and the forms of social relations mediate the historical development of capitalism, it is thought that the charges of structuralism and functionalism could be dismissed. However as the establishment of an RA is taken as the objective condition for the stabilization of capitalist class relations and the reproduction of the social relations of production, and it is this stability that the regulation approach tries to explain, the contradictions inherent in capital as a relation are ignored⁴⁴ (Clarke, 1991b). This leads to attributing a priority

⁴⁴ Jessop (1991a) rejects most of the criticisms of Bonefeld such as teleologism, structuralism and functionalism. He claims that Bonefeld misreads the regulation theory and Reformulation. Mentioning the structural conditioning of strategies and strategic transformation of structural ensembles, Jessop claims that the politicist tendencies can be remedied and dialectical relationship between structure and struggle can be maintained within the methodological framework of Reformulation. For him, although there is much work to be done such as the analysis of national modes of regulation and the specific historic blocs to which these gave rise; the regulation theory and the state derivation debate are useful as they may be used to emphasize the relative autonomy of political and economic spheres and the importance of strategic conduct and struggle.

to the structural imperatives of a regime of accumulation and seeing the relation between capitalist development and class struggle as an external one⁴⁵.

Form-determination, that is to say the determining effect of the forms assumed by social relations of production provides the nexus of debate and the only point of convergence seems to rise upon the emphasis on critique and form analysis in order to elucidate the internal connections between social phenomena. The endeavour of open Marxists can be seen as demystifying the assumed forms of social relations and attacking the attempts to separate politics and economics in the analysis of state-society relations. However, critique of open Marxists directed towards *capital logic* and the *reformulation of state theory* is also criticized by many because of their workerism and essentialism (cf. Jessop, 1991a). It is for sure that such a focus upon the social relations of production as in the case of open Marxist critique remains essentialist if essentialism is related to the explanation of social transformation with reference to contradictory nature of capital relation and open-ended nature of class struggle.

From such a perspective, Bonefeld (1992) explains the changes in state-society relations with particular emphasis to class struggle and the forms it takes. Persisting that labour exists *in* and *against* capital he recommends that the capitalist state should be explained by giving reference to the class struggle. The state presents itself as subsuming the particular interest to universal interest. At the same time, the content of the state presupposes the contradictory unity of surplus value production leading to the particularization of the state itself. Hence, there is a contradiction between the form and content. “The autonomised [verselbständigte] power of the

⁴⁵ For Holloway (1991a) to speak of an external relation between ‘the objective laws of capitalist development’ and class struggle does not make sense since the ‘laws of capitalist development’ are nothing other than the movement of class struggle. Holloway states in highly abstract terms that capital is not external to class struggle, it is the historical form assumed by class struggle (1991a). If political and the economic are taken as different forms of social relations but not as separate realms and the structure or the laws of capitalist development are not taken external to class struggle, then the crisis can be understood as the crisis of the class relation, the crisis of the capital in ensurance of its rule over labour and containment of social conflicts. Therefore transition from Fordism to post-Fordism cannot be seen as an unproblematic change in the mode of regulation. It is a matter of bloody struggle between capital and labour and clearly not a response of states functioning for the ensurance of the reproduction of capitalism.

state (cf. Marx, 1974, p. 882) entails the form-determined content which puts the state right back into process of value” (1992: 118). That brings about an understanding which is based on the rejection of idea of capitalist state as a structure that is functionally required to regulate accumulation (Bonefeld, 1992). The state is understood as a moment of class antagonism and this approach paves the ground for analyzing the state as the form through which the contradictory nature of the social relations of production is expressed. Then the change in form of state is a mode of motion of the antagonism between capital and labour:

The development of the form of state is neither a reflection of political and ideological changes, nor merely a result of economic crisis, but a mode of motion of the self-contradictory form of the capitalist state in the face of the crisis-ridden development of accumulation and, as such, a process of the constituting power of labour within capital. (Bonefeld, 1991: 121)

4. 2. Apprehending the Restructuring of the Turkish State during the 1980s

Understanding the developments within political economy of Turkey and restructuring of Turkish State from a relational perspective necessitates questioning the functioning of state as a moment of class antagonism. Since the relation between failure and success of the form of intervention into economy should be addressed by taking into consideration the antagonistic social relations of production, the process of integration into world economy must be explained via theoretical endeavour, discussed briefly above. Deriving insights from these discussions and theories of state will enable one to grasp the changes in terms of the state-capital relations within the context of Turkey and also provide a critical gaze to literature on state-capital relations in Turkey in the 1980s. With reference to the deficiencies as much as advantages of derived insights, the political economy of Turkey in the 1980s can be perceived within a critical perspective. Providing an alternative framework that provides comprehensive answers to the question of explaining the restructuring of state as a form assumed by class struggle is not the aim of the following parts, yet some clues for a relational understanding of state-capital relations in Turkey will be searched.

4. 2. 1. Changing Form of the Turkish State

In his attempt for providing the theoretical tools of periodisation of a social formation on the basis of specific articulations of the levels of that social formation and their contradictions Poulantzas (1976) introduces the concept of forms of state. For signifying the modification of relations between economic and political levels of that social formation he goes on to claim that the concept is particularly useful for analysing “the state’s relation *to the isolation of socio-economic relations, the economic struggle*” and “the state’s relation *to class hegemony and power bloc the political struggle*” (1976: 151). The relative autonomy of the economic and political is the invariant of the capitalist mode of production according to Poulantzas. In the original use of the term, he claims that the specific forms of the state should be conceived as changing forms of articulation of the political and economic instances within the context of the specific invariant of capitalist mode of production⁴⁶.

From such a point of view, it can be claimed that the changing form of the Turkish State was a change in the form of articulation of the political and economic instances, externally related to each other in such a way the political is in charge of the reproduction of the isolation effect. Although the role of state in the process of capital accumulation differed from the previous decades, the isolation effect was reproduced by appealing to individuals as rational actors that were in quest of maximization of their interests. The economic individualism of New Right thinking had particularly important effect in state’s relation to isolation of socio-economic relations. However, such formulation would mark the analysis with the detrimental effects of structuralist view focusing upon the interaction of autonomous levels.

Instead, the change in the form of state should be directly related to the inner and contradictory relations between the economic and political. It can be also noted from such a perspective that “putting an end to class-based politics” as the core of politics

⁴⁶ “If the capitalist type of state involves in the first place a specific autonomy of economic and political structures, which can be located in the autonomy of the state from socio-economic relations, the forms of state of this type will have to be grasped by reference to a modification of the relation of the state to these relations” (Poulantzas, 1976: 148).

of structural adjustment in Turkey during the 1980s (Yalman, 1997: 225) meant the transformation of the balance of class forces. The process of structural adjustment was itself, the expression of the changing form of the condensation of the balance of class forces. This means that economic policy making and the forms of state intervention in the process of structural adjustment, which were marked by class contradictions, did not have the logic and capacity of promoting durable and self-sustaining growth through which the reproduction of capitalist social relations of production would be secured for a relatively long period. The tax rebates, subsidies and incentives provided by state as well as the coercion against trade unions for appealing workers as individuals are themselves *de facto* reflections of the contradictory process of capital accumulation and class struggle that is open-ended by nature. Therefore, the restructuring of the state should be seen as the change in the state-society relations in abstract terms. That means the recomposition of the role of state is the functioning of class contradictions within the state, or to put it in the terminology of form analysis, it is the form taken by class struggle. As a result, the emphasis on particular measures and the reformulation of legal-political sphere should not be conceived as the suspension of contradictions but only the projection of the agents that are themselves subject to the social division of labour and contradictory social relations of production that work “behind the back”.

The establishment of State’s policy must be seen as the result of the class contradictions inscribed in the very structure of the State (State as a relationship). The state is the condensation of the relationship of forces between classes and class fractions, such as these express themselves, in a necessarily specific form, within the State itself. In other words, the State is through and through constituted-divided by class contradictions. Thus an institution destined to reproduce class divisions is not and can never be a monolithic bloc without cracks, whose policy is established, as it were in spite of its own contradictions. Contrary to conceptions that treat it as Thing or a Subject, the State is itself divided. It is not enough simply to say that contradictions and struggles traverse the State – as if it were a matter of penetrating an already constituted substance or of passing through an empty site that is already there. Class contradictions are the very stuff of the State: they are present in its material framework and pattern of organization; while the State’s policy is the result of their functioning within the State. (Poulantzas, 2000: 132)

The emphasis of late Poulantzas thus can be seen as a shift to provide space for the contradictions emanating from social division of labour and social relations of

production. Not attributing a priori function to state such as being the executive committee of capital groups the state is conceived not as a monolithic bloc but rather as a relationship, as the condensation of the relationship between the class forces. As it is divided by class contradictions, construction of a bloc that has the cement for preventing fissures is out of the question. As contradictions and cracks pattern the bloc, the policy of state is nothing but the expression of the class conflicts and struggle.

The changes after 1980 can be illustrated from such a perspective as not preference of independent policy makers or as the reflection of the so-called autonomy of military regimes from social forces, but rather as a way of containment of labour through repression mechanisms, as a “moment in the class struggle” (Savran, 1992). Since the military regime’s concern was “to ensure both the external financial circles as well as the domestic bourgeoisie that it is going to remain loyal to structural adjustment programme” (Yalman, 1997: 219), it is not viable to refer to a kind of autonomy or separate existence from class struggle as in the case of statist-institutionalist perspective. Nor it seems proper to reduce the transformation of Turkish state to preferences of bourgeoisie (see Keyder, 2000) or a functional response given to the crisis of capital accumulation. That is to say, the hegemony of economic individualism was made possible though the defeat of radical leftist organizations, not simply by the choice of bourgeoisie. Rather than perceiving the change from a teleological point of view as an embryo in political turmoil of the late 1970s, the connections between the restructuring of the state and the forms assumed by class struggle including the universality of state form should be focused upon.

The fact that the representation of general will by the assumed universality of the state form depends on the particular interests in civil society should be underlined for explaining hegemonic role of economic individualism. The substantive relation between structural adjustment and the aim of raising the average rate of profits for economic stability and expanded reproduction should be noted not as a strategy *per se* but as the form of containment of labour within the process of class struggle. The mobilization of counter tendencies in Turkey until the late 1980s, against falling rate

of profits was based on increasing the absolute surplus value (see Hirsch, 1978)⁴⁷. However, it should be mentioned that technological transformation of labour process and the aim of increasing productivity of labour, the elements for an increase in relative surplus value, are always on the agenda within capitalist accumulation (Brenner and Glick in Kenny, 1991). For it is problematic to pose such analytical distinction between relative and absolute surplus value as the basis for conceptualization of different regimes of accumulation (cf. DeVroey, 1984), it seems not proper to assume the existence of a particular regime of accumulation based on a particular accumulation strategy in Turkey in the 1980s.

The transformation of labour process and the problems emanating from the production sphere was not conceived as the first and foremost problem to be solved by industrialists in Turkey in the mid 1980s (see TÜSIAD, 1987). This should be related to defeat of working class movement as well as the relative success of economic individualism. The success of *main pillar* discourse and aim of liberalization provides a course for arguing that the deterioration of social and economic rights of working classes does not necessarily result in an upheaval or protest against the economic policies pursued. It can be claimed that the economic individualism in the 1980s calling for the abolishment of old patterns of solidarity had achieved success if Gamble's warning is remembered:

...success [of a hegemonic project] is not to be measured by the actual achievement of objectives but rather by the extent to which a significant proportion of both the objectives and the priorities and the means to achieve them advanced by a particular group become endorsed and shared by other groups within the society. (Gamble quoted in Yalman, 1997: 229)

However, the political and intellectual leadership of bourgeoisie and the state intervention that restricted labour militancy and repressed the real wages did not mean suspension of contradictions. Experience of structural adjustment resulted in revival of concerns about sustainability in the late 1980s (see WB, 1990 and TÜSIAD, 1990). The instability of the economy could be characterized by continuity

⁴⁷ As it is noted in chapter I. the decline in real wages in manufacturing sector amounted 32 % according to consumer prices, between 1978-79 and 1988 (Boratav, 2003: 164)

of reliance on debt mechanisms that were detrimental to stability of economy. Further cuts in the public expenditure were not realised and the growth of debt servicing costs was a major problem. The change in the form of state did not mean the provision of a smooth pattern of accumulation, but rather was supported by the presentation of state and market as separate spheres. The further separation of economic and political in other words, lied on the marketing of new right policies in congruence with the presentation market as a sphere with its own rules and devoid of class interests.

In contrast to mentioned attempt at presentation of market as a sphere isolated from state, intervention of state in Turkey during the 1980s continued despite the changing form. That is why the capital groups had to follow the political agenda and government measures (cf. Buğra, 2000). This also explains what Parla (2002) conceives as contradiction within the political programme of MP, which did not exclude the notion of state intervention for the reconciliation of particular interests of social groups:

We believe that varying group interests in society are complementary parts of a whole and they can be reconciled within the framework of national interests in a harmonious way. For providing the development of economy in its natural way, it is our choice that market economy, in which conditions of competition prevail through minimization of interventions and delimitations in line with the interests of country, should be put to effect. (MP programme quoted in Parla, 2002: 155)⁴⁸

Since neo-liberal critique of state intervention aims at flexibility and sensitivity of the forms of intervention rather than abolishment of it, the interventionism within the programme of MP can be seen as an attempt to support the idea that means for collaboration of state and industrialists when necessary would be established under the rule of party. Taking into consideration the fact that TÜSİAD was advocating such institutional means of collaboration and corporatist framework in the mid 1980s (Yalman, 1997: 225), the togetherness of emphasis on state intervention and free

⁴⁸ My translation

market economy in discursive framework of MP and TÜSİAD can be taken as the reflection of interventionism within neo-liberalism.

For, state as a form and state intervention cannot be seen as externally related to market, the change in that form should not be evaluated on the basis of misleading claim that Turkish State had lost “power” to market forces (cf. Burnham, 2000: 10). After all, “what has... been taking place in the course of the major reorientation of economic policies in the 1980s... is not the diminishing of the significance of state ‘intervention’ into economy but rather a change in the *forms* of intervention” (Yalman, 1997: 241).

It is crystal clear that, notwithstanding the rhetoric of neo-liberal programme on minimization of state interference, state intervention in the form of subsidies, incentives and juridical activities, accompanied the changing form of the state. The significance of Turkish experience should be derived from the neo-liberal economic policies articulating individualism with the authoritarian form of the state. Therefore labelling the form as authoritarian individualism would be proper to indicate the specificity of the restructuring of the state (see Yalman, 1997: 228). The importance of the structural adjustment in the 1980s relies on the fact that the form of state intervention targeted the accomplishment of overcoming the crisis and providing sustainability via presentation of market as an autonomous sphere. The irony is that this had taken place by heavy state intervention and under the guidance of state regulations.

4. 2. 2. Hegemonic Project: The Turkish Experience

Changing role of state within the process of capital accumulation in Turkey in the 1980s should be related with the hegemonic practices. Following Poulantzian emphasis of power bloc on the unification of different interests under the hegemony of one fraction, Jessop puts forward the importance of concepts such as hegemonic project and accumulation strategy. For him, an accumulation strategy articulates different interests of particular capitals and plays a hegemonic role through

acceptance by subordinate classes and non-hegemonic fractions (1991: 163-165). This does not mean that different strategies vanish or wither away. On the contrary, it is always possible to find countervailing strategies supported by different fractions (Jessop, 1991: 168). However, the implementation of a successful hegemonic project will resolve the tensions through specific political and cultural practices. This implies that given the right strategic orientation the problem of dislocation of the functions of state and articulation of particular interests will be resolved on behalf of the structurally privileged class fraction. The success of a hegemonic project depends on the “flow of material concessions to subordinate social forces” (1991: 174) as well as the “imposition of degree of substantive unity on the state apparatus” (1991: 181).

In case of Turkey, as it was argued in previous chapters, the accumulation strategy supported and promoted by international financial institutions and associations of industrialists was export-orientation. However, two things should be noted: First one is the fact that adoption of a specific strategy does not mean resolving contradictions. “The activity of state, is not a means of *resolving* contradictions of capital accumulation, but is an *expression* of those contradictions”⁴⁹ (Clarke, 1991a: 50). Secondly, the fact that the form of outward orientation in Turkey, the speed that negatively affected the sectors benefiting from protectionism, in particular, were criticised by capital groups, should be noted. Contrary to common notion of turning point, production for domestic market continued to be an important way of capital accumulation in Turkey in the 1980s. This was explicitly stated within the atmosphere of the late 1980s, which can be characterized by increasing tensions between TÜSIAD and government due to the increasing problems of economy⁵⁰. It should also be claimed that producing for domestic market as if there has not been a

⁴⁹ Clarke goes further and expresses from a high level of abstraction that “there can be no such thing as an ‘accumulation strategy’, because there is no agent, not even the state, which can stand above the process of accumulation to give it unity and coherence by resolving the contradictions inherent in capitalist accumulation.” (1991a: 50-51).

⁵⁰ The chairman of Turk-Trade in 1989 stated: “We cannot see what is in the near future. We cannot make any contracts. If we knew that [the government] would provide us with the subsidies, we would act accordingly. We have already started shifting towards the domestic market” (quoted in Özel, 2003: 104).

change towards export-orientation was a widespread practice among leading ISI firms (see Yalman, 1997: 199).

In relation to the difficulty of denoting export orientation as *the* accumulation strategy in the 1980s, the economic problems undermining the hegemonic practices and the insufficiency of hegemonic project in its coupling with capital accumulation, if it is proper to use Jessop's terminology, should be noted. However, as it was noted in the first chapter, major changes in terms of the structure of exports and spectacular export performance were witnessed (Milanovic, 1986; Baysan and Blitzer, 1990). The point is that this did not lead to a decline of the import dependency of Turkish economy (Boratav, 2003) and the production of firms for the internal market (Arın, 1986). This means that the promises such as export-led industrialisation which were brought about by the form of integration into world economy were not actualized and it makes the picture more complicated than it was painted in economy-centric accounts.

Tünay (1993) gave the vigorous example of theoretical contribution in line with the *reformulation* within the context of Turkey. He argued that, through Jessop's approach, the complexity of Turkish case could be depicted. The export oriented accumulation strategy typical in New Right's discourse was accompanied by an attempt at expansive hegemony in the 1980s. Yet the conduct was apparently in contradiction with the discursive framework and MP's economic programme resulted rather in a two-nations project which failed mainly because of the "inability of Turkish new right to provide benefits for the first nation" (1993: 25). It was also noted by him that "export promotion accumulation strategy" had been a failure (1993: 24), expressed in general decline in manufacturing (cf. Şenses, 1995) and high public expenditure and monetization pressing for further inflation. For Tünay "new right formula of economic failure but political success did not materialize in Turkey because even the two nations project could not be carried out consistently in its logic" (1993: 25, cf. Özkazanç, 2005: 4). This failure paved the ground for a shift in hegemonic project from an expansive hegemony to a passive revolution which would neutralize or contain the interests of second nation by the cement of ideological

elements that would secure the dominance of the first one (1993: 26). However in the lack of power of ideological elements for such a passive revolution the hegemonic crisis would deepen in Turkey.

The power bloc as it was unable to overcome its contradictions could not secure the rearticulation of different interests, according to Tünay (1993: 27). What we see in such an approach is the ignorance of the shift in Poulantzas that refilled the content of concepts like power bloc with contradictory aspects of class struggle. This is also the expression of tension within Poulantzas' later works and the critique of Jessop that searched for detailed analysis of restructuring of the state in West, by employing regulationist insights. From such a point of view, hegemonic project structurally coupling (Jessop, 1991c) the accumulation strategy, should overcome the contradictions to be successful; although there may be dislocations they should be subordinated albeit in a temporary manner for the reproduction of the social relations of production. The failure to suppress contradictions emanating from accumulation strategy and inability to widen the first nation by introducing effective cleavages marks the hegemonic crisis and the problems of state intervention in Turkey from such a perspective.

Even if we prefer to remain loyal to the Gramscian reading of Regulation School proposed by Jessop, it seems hard to perceive Turkey in the 1980s as a country in which the unfolding contradictions between attempt at expansive hegemony and the conduct of two-nations project were on the agenda. For it would be more relevant to locate military regime and thereafter as a period in which the neutralization of the interests of the politically agitated sections and particularly working class of the 1970s took place. Hence the term passive revolution (cf. Yalman, 1997) can be used for Turkish case in the 1980s for relatively successful adherence to economic individualism, which would be deteriorated by the problems of the proposed form of integration into world economy.

It should also be added that to the extent identification of the experience of structural adjustment as the export promotion accumulation strategy corresponded by an

attempt at expansive or two nations hegemonic project in our case overlooks the reproduction of patterns of import substitution under new forms, the power of theoretical tools to explain socioeconomic transformation is lost. Therefore the dislocation between needs of capital accumulation and functions of state, discussed by Jessop (1991) should be carefully delineated as reflection of contradictory capital accumulation process.

The intervention of Turkish State into capital accumulation through infrastructural investment, debt mechanisms and incentives cannot be conceived as incongruent elements leading to the failure of accumulation strategy. On the other hand, the forms of intervention should not be seen as the a priori functioning of Turkish State mechanism in line with the needs of capital accumulation, as in the case of functionalist assumptions. Neither of them is viable for an account for the changes in forms of intervention and the recomposition of social relations of productions.

4. 3. Conclusion

The changing balance of class forces should be explained by referring to the antagonistic social relations of production and the internal relations between the forms taken within the process of struggle. As forms are temporary reconciliation of antagonisms and marked by inherent contradictions, the restructuring of Turkish State should be seen as the change of form of state in the face of contradictory social relations of production. That is to say the restructuring can be read as the form of the restructuring of the substantive relation between capital and labour. That restructuring is not the suspension of contradictions but the reproduction of the contradictions under new forms and new ways of containment of labour. The change in the form of state meant the repression of organizational capacity of labour and recomposition of the role of state⁵¹. As every recomposition can be read as decomposition, the change in the form of state in the case of Turkey should be related to the decomposition of the elements articulated via the cement of

⁵¹ The terminology is owed to Bonefeld (1993).

developmentalism from the 1960s onwards. The restructuring in the 1980s was the expression of such decomposition as the recomposition of social relations through imposition of monetary austerity upon the lives of people. Presentation of market as a sphere of opportunity conditioned the way of looking to reality and the integration into world economy as an end in itself was endorsed by large sections of society. That endorsement should be carefully investigated to give a comprehensive account of the restructuring as the reproduction of the social relations of production in Turkey during the 1980s. The restructuring, then aimed the restructuring of the conditions for profitability of capital; however, it was a process *with* subject aiming the conduct of conduct and subject in two senses of the term. That is being subject to the contradictory existence of the social relations of production that worked “behind the back”, at the same time. Therefore the restructuring cannot be read as the complete accomplishment of what was aimed.

The restructuring denied the contradictions within Turkish capitalist social formation; however, in fact, the contradictions existed in the form of restructuring, in the form of being denied (see Holloway, 2002 and Bonefeld, 1992). The immanent contradictions of capitalist social relations of production existed in antagonistic tension with the claimed universality of state in Turkey, against particular interests. As every form is historically constituted and transitory (Marx, 1967), the mode of existence of antagonistic social relations of production in Turkey was due to change in new moments of class struggle. Restructuring can be conceived as the form of changing balance of class forces in that sense. It is not viable to attribute a priori function of resolving contradictions to Turkish State which was itself constituted and divided by class contradictions. Nor is it possible to assume autonomy of Turkish State in terms of its relations with society or implementation of “rational” macroeconomic policies. As it would be more helpful to grasp the state as a moment of the class struggle in general terms, the state of things and the negation of that state should be elucidated from a relational point of view, since every historically developed social form should be considered in fluid movement.

CHAPTER 5

CONCLUSION

The restructuring of Turkish State in the 1980s has been addressed with a special emphasis to state intervention into the process of capital accumulation and state-capital relations in this thesis. The questions that instigated such a study, in fact, had a wide range of variety: How can we provide a relational account of the transformation of state-society relations in Turkey within the context of structural adjustment? What are the problematic aspects of the widespread scholarly explanations of the mentioned process? Can it be claimed that the engagement of Turkish State in the capital accumulation and export promotion was a functional response to the crisis of ISI? Is it viable to approach state-capital relations and restructuring of Turkish State by revisiting the “state debate” (see Clarke, 1991) and reviewing the contributions of critical figures who took part in the analysis of the Turkish transformation in the 1980s?

The first chapter has dealt with the crisis of capital accumulation in Turkey and the mentality of structural adjustment marketed by international financial institutions and appropriated by the Turkish policy makers in the 1980s. It has been claimed that the commitment to the success of structural adjustment meant a significant transformation of the forms of state intervention and the hegemony of economic individualism. Two things should be noted at that point:

First one is that, the mentioned commitment did not provide a smooth pattern of capital accumulation in Turkey and the economic policies resulted in concerns about the sustainability of the rates of GDP growth and the service of debt in the late 1980s. This had immediate relation with the high rates of public expenditure which

did not lead to industrial restructuring expected. Hence, the moderate rates of growth in Turkey in the 1980s could only be explained by the utilization of the former excess capacity. Second one is the fact that although there were points of failure regarding the achievement of the aims within the programme of structural adjustment, the Turkish experience in the 1980s can be seen beyond comparison. It was different from former periods of stabilization due to the fact that the major orientation was protected and neo-liberal prescriptions dominated the political agenda for a quarter century.

Although, the forms of intervention into economy were in correspondence with the perspective of TÜSİAD and WB in the 1980s, there were drawbacks and problems derived from uncertainties according to capital groups especially in the late 1980s. This was explained with reference to the continuity of distorting state intervention or the end of coalition between state and business groups from an institutionalist point of view. It was also stated from a technicist interpretation of the economic developments and the macroeconomic policies, “rational” and “sound” policies would solve the problems of the Turkish economy. The second chapter provided a brief review of the mentioned perspectives within the context of the Turkish experience in the 1980s. It was argued that state and market are portrayed as externally related spheres within these accounts and the state intervention is taken as the explanan of problems in the process of integration into the world economy.

On the other hand, those explanations, which focus upon the process of capital accumulation and approach the process from a critical point of view, have some problems, related with the adoption of the regulationist conceptual framework and/or the presumption of class formation, that is to say taking the bourgeoisie as the subordinating actor, instigating the restructuring of Turkish State. That has led critical accounts to perceive state intervention as in charge of the reproduction of the social relations of production. The final section of the second chapter had also integrated a brief discussion in which it was claimed that the specificity of Turkish case is also related to the deviation of Turkish capitalism from the historical

development of capitalism in “west” from a critical point of view. That is to say, the traces of “theory of absences” can be followed also in critical explanations.

Third chapter was an attempt at explaining the development of state form and changing form of state intervention in the context of structural adjustment in Turkey by giving reference to the mentioned state debate. It has been argued that despite the independent appearance of social phenomena, changing form of state should be understood in internal relation to class struggle and the process of capital accumulation. In other words, the state should be understood by giving reference to the dialectic between form and the content of class struggle. The substantive relation between labour and capital should be the basis of an account which aims to indicate that class contradictions are the very stuff of the state (cf. Poulantzas, 2000: 132).

Hence it was argued that analysing the restructuring of the state by taking into account the definition of fetish forms taken by the social relations of production is possible. Forms are temporary reconciliations that constitute the very existence of the antagonistic social relations of production. State, then, as a form, constitutes the existence of social antagonism, while it assumes universality because of the separation of the economic and the political in capitalism.

From such a point of view, it was argued that the restructuring of Turkish State should be seen as a change in the form of state, which should in turn, be conceived as the expression of the class contradictions, rather than so as to resolve these contradictions. Therefore the restructuring of the Turkish State within the context of the structural adjustment process should not be explained with reference to the autonomy of the state or attributing power to the state as a subject that should implement “rational” macroeconomic policies. The intervention of the Turkish State into the process of capital accumulation was, thus to be understood as the expression of the contradictory social relations of production and the existence of the state as a moment in the constitution and reproduction of the class contradictions.

The problematic aspects of the relational perspective through which the summarized conclusion has been reached out should also be noted. The main point to be emphasized is the essentialist emphasis on class struggle. In relation to that, the high level of abstraction that makes it harder for an attempt to give a concrete account of the contradictions deriving from the process of integration of less developed countries into world economy should be mentioned.

Regarding the first point, the essentialism in the works of Open Marxists can be revealed with their focus upon the substantive relation between capital and labour. This essentialism is directly related with the emphasis on critical method and theoretical approach that “has to specify the historical process which constitutes the common element that makes social phenomena different from each other in unity” (Bonefeld, 1992: 99). The substantive relation between capital and labour has fundamental importance for the investigation of the modes of existence through which the reproduction of contradictory social relations of production is achieved. The analysis from such a point of view, takes class struggle as the starting point but critiques can be directed to such emphasis on struggle as the concept loses its explanatory power. It can be argued as a critique that class struggle is not the starting point but one of the mediations in and through which capital accumulation has been realised (Jessop, 1991b: 150).

The abstract language in the works of the critical figures, discussed briefly in the third chapter should be brought back into the concrete political scene and employed in more concrete terms in the discussion of the role and functioning of the capitalist state. The high level of abstraction can be explained from the viewpoint of the previously mentioned position, by the fact that the capital relation is a global relation and what needs to be done is to criticise the fetish of the nation state as an actor. The form determined purpose of capitalist state is the reproduction of the capitalist accumulation. However, the question should be the social constitution of capitalist state (Bonefeld, 1992). Therefore the specific form of capitalism and attempts at periodisation (for a critique see Clarke, 1992) are only taken into account as long as

the social constitution of capital as a global relation is the major concern (cf. Holloway, 2002).

Therefore not the hegemony of capital but the social constitution of the fetish notions of abstract laws is questioned from such a point of view. The notion of hegemony is disregarded on the grounds that it ignores the “existence of labour in and against capital” (Bonefeld, 1993) and opens the gate for politicist interpretations of the development of the form of state (cf. Bonefeld, 1991; Holloway, 1991a). However, the notion of hegemony does not necessarily result in such ignorance. On the contrary, it has analytical value as the form-determined function of capitalist state and the recomposition of the role of state in specific conjunctures can well be understood in relation to the mechanisms for endorsement of specific objectives by large sections of society and reproduction of the moral, intellectual leadership of dominant classes. Hence, although the critique of Open Marxists has been referred to in previous chapters, the concept of hegemony has also been employed.

Further research areas should be indicated to point out the limitations of the study at hand. Three areas of research seem crucial for a comprehensive explanation of the Turkish experience of structural adjustment and the restructuring of the state in Turkey during the 1980s. First one is the deployment of “free subject” and “entrepreneurial self” as the instruments of achieving the aim of the liberalization of market and reliance on market forces. Secondly, the existing critical literature on relations between nation states and international or supranational organizations should be integrated into the analysis. Finally, a detailed investigation of the process of liberalization upon different sectors and the tensions between capital fractions is needed.

Foucault, in his discussion of governmentality defines the ways in which governmentalization of the state served for the elaboration of power relations in such a way that power came to be identified with reference to the state and state institutions. In his critique directed against liberal and reductionist Marxist versions of theories of state, he denotes the fact that these understandings attribute excessive

value and capability to the state. State, in fact is a mythicized abstraction and does not have such functionality or unity (Foucault, 1991). His notion of governmentality instead opens the gate for interpretation of power relations and “conduct of conduct” as the shaping of human conduct through a multiplicity of rationalities and various means of subjection, enabling the working through the freedom of the governed as well (Dean, 1999: 15).

That notion was crucial for the analysis of neo-liberal regime of government. Essentialising the importance of market mechanisms and construction of markets where they do not exist, the freedom understood with reference to market as the sphere of opportunity (see Wood, 1994) becomes the artefact of civilization as noted by Hayek. It becomes legitimate to argue for the provision of legal conditions of the market through state intervention, from such a point of view. Juridical activities and specific regulations support these conditions alongside the deployment of free subject as an instrument for the discipline imposed upon social relations:

Neo-liberal critiques of the welfare state sought to redeploy the ‘free subject’ as a technical instrument in the achievement of governmental purposes and objectives... The notion of freedom and the free conduct of individuals once again become the principle by which government is to be rationalized and reformed. However this principle is subject to a series of successive displacements. The displacements reveal a conception of freedom that moves away from the emancipatory aspirations of social movements toward the virtuous, disciplined and responsible autonomy of the citizenry desired by neo-conservatives (Dean, 1999: 155).

That perspective of neo-liberalism characterizing all its variants, attribute a responsibility of conducting in accordance with the presence and the construction of markets⁵². The difference from the early and classical liberal understanding founds

⁵² For Peters (2005) the notion of neo-liberal governmentality brings to the fore the questions about the “reconstruction of the relations between government and self-government”. Through neo-liberal governmentality “responsibilized individuals are called upon to apply certain managerial, economic, and actuarial techniques to themselves as citizen-consumer subjects — calculating the risks and returns on investment in such areas as education, health, employment, and retirement. This process is both self-constituting and self-consuming. It is self-constituting in the Foucauldian sense that the choices we make shape us as moral, economic, and political agents. It is self-consuming in the sense that the entrepreneurial self creates and constructs him or herself through acts of consumption” (2005: 134). Although his characterization of construction of citizen as a consumer is questionable, the

itself on the fact that market activity is not conceived as the activity of homo economicus in pure sense, but the activity of manipulable individuals responsible for the proliferation of market mechanisms and the discipline and security of the market that would provide the efficiency in turn (cf. Lemke, 2001).

The construction of markets where they do not exist and the reconstruction of individual as a “free subject”, free as long as subject to the mechanism of market should be investigated from a critical point of view. The analyses that base themselves on further questions about the “conduct of conduct” in the Turkish experience of economic liberalization should integrate concrete examples through which the reconstruction of individuals would be conceived as the reflections of a hegemonic class project.

Secondly, the literature on the process of globalization and the relations between nation states and international financial institutions should be subjected to a critical, non-determinist reading. As long as states and markets are perceived as isolated spheres, which are externally related, the economic policy making cannot be adequately theorized (Burnham, 2000). “Viewing the state and market as opposed forms of social organization” and arguing for the changing balance in favour of markets as a result of the process of globalization or neo-liberal strategy would artificially disaggregate social phenomena (Burnham, 2000: 15). The changing form of state intervention cannot be analysed on the basis of assumed dualities between states and markets.

An analysis of the restructuring of the Turkish State in the 1980s should be discussed in relation to the critical literature about the internationalisation of national economies and qualitative features of the changing nature of the relations between the nation-states and the international financial institutions. Although the critical constructivism and historical materialism proposed by the neo-Gramscian perspectives provide tools for the recognition of the mechanisms for gaining consent

reconstruction of the class categories on the basis of individualistic assumptions in neo-liberal discursive framework should be emphasized.

in the process of “internationalisation” of national economies, the explanations that portray the nation state as a “transmission belt” for global capital in the globalization process or the implementation of neo-liberal strategy, are “too top-down in [their] expression of contemporary power relations” (Panitch in Egan, 1997: 80).

Through a critical survey of the literature of international political economy and a historical analysis of the transformation in Turkey during the 1980s, the mechanisms of the transformation, which were framed by international financial institutions, should be documented. Such a critical review should not limit itself to the misleading problematic whether the restructuring of state was an operation of external forces or the Turkish bourgeoisie, but show the importance of restructuring in terms of the global flow of capital and mobilization of the countertendencies against the falling rates of profit in the Turkish economy.

Finally, the conclusion summarized above should be supported by detailed investigation of the effects of the restructuring of the Turkish State. It should be noted that an account of the adjustment process in Turkey is not given in detail but only a brief description of the major changes was integrated into the analysis in this study and an argumentation on concrete examples and tensions between the institutions as well as different capital groups because of the pursued policies goes beyond the scope of the thesis. In addition, only the illustrative explanations of scholars were selected to paint the picture of major tendencies and widespread ways of explanation of the changing form of state. The huge literature, especially in Turkish, about the effects of the process of restructuring in different sectors and institutions has not been taken into consideration. The representative articles and modes of explanation were focused upon and minor differences between the figures were assumed secondary for the sake of classification. The study at hand, by providing a brief review of the process and widespread ways of explanations, only directs the attention towards the necessity of critique and steps to be taken for a comprehensive, relational account.

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