# STATE AND MARKET IN THE ANALYSIS OF ANATOLIAN TIGERS: A CRITICAL SURVEY

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## ABSTRACT

# STATE AND MARKET IN THE ANALYSIS OF ANATOLIAN TIGERS: A CRITICAL SURVEY

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This thesis attempts to present a critical survey on studies on Anatolian capital focusing on their state and market conceptualizations. The studies have been grouped into three due to their theoretical frameworks as the studies employing New Regionalist, state tradition and state rescaling approaches. The thesis proposes New Regionalist and state tradition approaches to Anatolian capital are both ahistorical and aspatial approaches; these approaches develop in parallel with political developments and propose a glossed over portrait of Anatolian Tigers. Anatolian Tigers are generally presented as representatives of free market as they develop with little or no support of the state unlike the former generation of businessmen. Hence they stand for the legitimization of neo-liberal policies. The concepts of entrepreneurship, cooperation and competition are described as the nature and the merits of Anatolian small and medium scaled enterprises which make them compatible with the free market conditions. The last group of literature, state rescaling, is presented as the alternative to the first two with its historical and spatial analysis. The thesis will propose the relational analyses within the state rescaling framework is helpful to reveal uneven development which is veiled by ahistorical and aspatial approaches by including relations of state, capital and labour instead of defining the experience of Anatolian capital as a challenge to the state.

**Keywords:** Anatolian capital, Anatolian tigers, New Regionalism, State tradition, State rescaling.

# ANADOLU KAPLANLARI YAZININDA DEVLET VE PİYASA: ELEŞTİREL BİR BAKIŞ

# Gürbüzel, Merve Neslihan Yüksek Lisans, Siyaset Bilimi ve Kamu Yönetimi Bölümü

Tez Danışmanı: Doç.Dr. Galip L. Yalman

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Bu tez, Anadolu sermayesi yazınının, devlet ve piyasa kavramsallaştırmaları ekseninde eleştirel bir analizini sunmayı amaçlar. Yazın, kavramsal çerçevelerine göre, Yeni Bölgeselcilik, devlet geleneği ve devletin yeniden ölçeklenmesi yaklaşımlarını benimseyen üç gruba ayrılarak incelenmektedir. Tez, Yeni Bölgeselcilik ve devlet geleneği yaklaşımlarını benimseyen çalışmaların tarihsel ve mekansal olmayan bir temelde inşa edildiklerini iddia eder. Bu iki grup yazın, siyasi gelişmelerle paralel olarak fazlaca süslenmis bir Anadolu Kaplanları portresi sunmaktadır. Anadolu Kaplanları, kendilerinden önceki sermayedarların aksine, çok az veya hiç devlet desteğiyle geliştikleri için serbest piyasanın temsilcileri olarak sunulur. Bu da, aslında, neo-liberal politikaları meşrulaştırmaya yönelik bir çaba olarak görülebilinir. Anadolu sermayesinin serbest piyasa ekonomisiyle olan uyumu, onların doğaları veya erdemleri olarak tanımlanan girişimcilik, rekabet ve işbirligi kavramlarına dayandırılır. Üçüncü grup yazın, devletin yeniden ölçeklenmesi, tarihsel ve mekansal analizi ile, ilk iki gruba bir alternatif olarak sunulur. Tez, devletin yeniden ölçeklenmesi yaklaşımının aslında Anadolu sermayesinin gelişimi deneyiminin merkezinde olan ve Yeni Bölgeselcilik ve devlet geleneği yaklaşımlarında perdelenen eşitsiz gelismeyi ve devlet, sermaye, emek ilişkilerini anlamaya olanak verdiğini öne sürer.

Anahtar Kelimeler: Anadolu sermayesi, Anadolu kaplanları, Yeni Bölgeselcilik, Devlet geleneği, Devletin yeniden ölçeklenmesi.

To my sister, Aslıhan

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#### **CHAPTER 1**

## **INTRODUCTION**

This thesis aims at presenting a critical reading of the contemporary literature on 'Anatolian Tigers' by a stress on state-market or the political-economic dichotomy implicit in the conceptual frameworks of these groups of literatures. Three groups of literatures are specified for this purpose due to their conceptual frameworks: state tradition literature on Anatolian capital, New Regionalist literature on Anatolian capital and as an alternative to these two groups of literature a relational reading on the rise of Anatolian capital within the process of state rescaling. First of them, New Regionalist literature is important as it seeks to formulate policy recommendations depending on their belief in regional development and regional policies is shaped in their perspectives, regional development agencies (RDAs) established recently is an example of these policies. The second, state tradition literature depicts a sort of antagonism between political and economic spheres and refers Turkish-Ottoman history as an case of how does the 'strong' state affect the operation of market negatively; and 'Anatolian Tigers' are tried to be explained as an actor of market within this thought of line. These two groups of literatures are the two faces of the same coin as they are both aspatial and ahistorical. These two groups of literatures mainly try to describe 'Anatolian Tigers' in recent political developments in Turkey, mainly Justice and Development Party era. Local businessmen of Anatolia are glossed over as efficient market actors. The last group of literature-adopting state rescaling framework- will be presented as an alternative framework to the first to due to its relational conceptualization of Anatolian capital.

This thesis will focus on state/market conceptualizations of mainstream literature on Anatolian capital because their explanation of the experience of this specific capital group mostly develop through the characterization of "state versus market", and 'Anatolian Tigers' are presented popularly as developing in free market conditions, independent from (or sometimes despite) the state.

The thesis suggests establishing a relational analysis that regards the changes in the scale of the capital as a part of state rescaling and considers state as 'capitalist state' instead of 'nation-state' (Bayırbağ, 2006), which would dispense with regarding the local as a challenge to the national scale and focus on scale building processes of political actors which includes the experience of Anatolian capital. The relational analysis will also help to go beyond the identification of Anatolian capital with market and regarding it as a challenge to the state intervention of the economic sphere, more specifically regarding the Anatolian Tigers as an originality of Turkey and investigating the break or continuity with the past.

The thesis will seek to propose a critical reading of the current literature on Anatolian capital through employing interpretive text method. The thesis will propose that the recent mainstream studies on 'Anatolian Tigers' are ahistorical and aspatial and the literature develops mainly in parallel with the political developments. These studies depict Anatolian capital in a sense as a legitimization of neo-liberal economic policies and define their 'success' in an anti-statist tune. Therefore, the interpretation of the studies will be based on state/market separation in the theoretical frameworks of the literature groups and how it is reflected in the characterizations of entrepreneur Anatolian cities. The traces of the idea of state and market as separate entities will be searched in the defined role of the state in the process of the rise of the Anatolian capital, the policy prescriptions of the studies depending on the experiences of Anatolian capital and basically, their characterization of the reasons that led to the rise of the Anatolian capital. The interpretive base of the questioning the existence and the proposal of the state and market dichotomy is constituted on frameworks presented by Wood (1995) and Holloway and Piccotto (1991).

In capitalist mentality, the worker who is not under the specific category of 'slave' is considered 'free'. The usurpation of surplus value takes place in the economic arena and through economic strategies, without the use of direct force or coercion.

The establishment of capitalist mode of production necessarily involved the establishment of both sorts of freedom- the expropriation of the peasantry and the abolition of direct relations of dependence, sanctioned by force, on individual members of the ruling class (Holloway and Picciotto, 1991: 113-114).

On the other hand, the fact that the appropriation of the surplus does not take place in the political place per se does not exclude the political from the capitalist economic relations:

> The political sphere in capitalism has a special character to the extent that the coercive power supporting capitalist exploitation is not wielded directly by the appropriator and is not based on the producer's political or juridical subordination to an appropriating master. Nevertheless, a coercive power and a structure of domination remain essential aspects of this exploitive relation, even if the ostensible freedom and equality of the exchange between capital and labour mean that the 'moment' of coercion is separate from the 'moment' of appropriation (Wood, 1995: 81).

The differentiated moments of coercion and moments of appropriation is at the heart of the tendency to define the political and economic separately in capitalism, which also attributes an autonomous character to the state as part of the fetishization of social relations in capitalism (Holloway and Picciotto, 1991: 114). As a result of the fetishization of social relations in capitalism, state is defined in a 'fantastic form'<sup>1</sup> which represents reality and illusion, simultaneously: 'the reality depending ultimately on the successful struggle of the ruling class to maintain the complex of social relations on which the illusion rests' (ibid, 115). This thesis will present how

<sup>&</sup>lt;sup>11</sup> "It is a peculiarity of capitalist society that social relations appear not as what they are (relations of class domination), but 'assume a fantastic form of reality' (Capital, Vol.I, p. 77)" (Holloway and Picciotto, 1991: 111).

the 'fantastic form' of state and market is established in contemporary studies on Anatolian capital and propose that Anatolian capital should be questioned within a historical and spatial framework to understand the actual dynamics of the phenomenon, including the state, capital and labour relations. Then, the thesis will further propose the uneven development of capitalism that is veiled by mainstream literature is at the heart of the experience of Anatolian capital, as Harvey (2005) states

Regional structures have to be understood as inherently unstable at the same time as volatility of capital and labour flows between them become endemic to the uneven geographical development of capitalism. But this in turn requires that we confront the whole issue of territorial administration (and particularly the state and its powers) as overlain upon the inherent tendency towards the production of regionality through the circulation and accumulation of capital (pg. 80).

The following questions will constitute the structure of the thesis: What are the theoretical frameworks of these literatures? How do these different groups of literatures evaluate the neo-liberalization experience of Turkey in the 1980s? How do they relate the rise of 'Anatolian Tigers' and the 1980 changes? What are the main characteristics attributed to Anatolian capital and entrepreneur localities by these literatures? How are 'competition' and 'cooperation' behaviors of Anatolian capital depicted? What is the role of the state in this process? What are the implications of different definitions of the role of the state in the rise on the state/market or economic/political dichotomy?

'Anatolian Tigers' is generally used to refer to certain Anatolian provinces (namely, Kayseri, Malatya, Gaziantep, Konya, Denizli) that show striking economic performance starting from the year 1980. Yet, the term might sometimes be used to refer to firms of Islamic capital. In the former definition of the notion, the characterization depends on small and medium-sized entrepreneurs of Anatolian provinces which, owing to their competitive nature, are characterized as dynamic and adaptable. The term's reference to the East Asian experience, implied through the

word 'tiger', is common in both accounts. The Asian Tigers, Hong Kong, Singapore, Taiwan and South Korea, are characterized due to their success in the exportation of manufactured goods which led to an export-driven economic boom. The rise of the 'tigers' of Anatolia as named after the exporters of East Asia, is also claimed to be directly related to the adaptation of export-oriented production, which is a development that took place by adopting free market conditions after the 1980s.

Following the crisis period of the late 1970s, 1980 marks the start of radical changes in the strategy of industrialization. After 1960, Turkey adopted import substitution policies. These policies were implemented under state protection due to the weak manufacturing legacy of the country. The state took on the tasks of producing certain basic goods and services, controlling the mechanisms of redistribution, regulating labour-capital relations through legal and institutional means and taking the measures to defend domestic producers from the threats of foreign competition (Boratav and Türkcan, 1993: 16). The import substitution system of the era was built on the dynamism of the domestic market: the society's high propensity to consume was fed by increasing incomes, which became the main driving force of industries (ibid). The share of the paid labour in value added had risen from 28% to 37% between the years 1975 and 1979 which shrank the share of capital dramatically (Yeldan, 2001: 43). As an outcome of this change in the allocation, the high protective rents became inadequate to compensate the increase in wages (ibid, 44). When it comes to the end of 1970s, the shrinkage of the domestic demand, external shocks that increased the costs, insufficient productivity rates in industry changed distribution relations in favour of labour, and decreases in the industrial profits led to a crisis (ibid, 17). The import substitution industries of the era were mostly dependent on the imported intermediate goods, hence the need for foreign exchange had been continuously rising (ibid).

If the crisis that broke out at the end of 1970s created the need for certain changes, the post-1970 developments in the world economy determined the exact framework of the changes. Starting in the late 1960s, due to the global trend of decreasing rates of profit, neo-liberal policies to restructure the capital accumulation gained

popularity (Müftüoğlu,2005: 361). These neo-liberal policies with supply-side policies, which refers to sub-national scales as the scale of development and implies restructuring of local in line with the needs of the capital, have replaced Keynesian policies which aimed at national development through demand-side policies,(Müftüoğlu, 2005: 381). This policy choice of the recent capital accumulation restructuring process is built on the representation of locally/regionally structured small and medium sized enterprises (SMEs) as the successful competitors of global markets (Müftüoğlu, 2005: 382). Characteristically, neo-liberal policies accuse the state with over-intervening the economic sphere and aims at saving the economic sphere from the control of the political (Müftüoğlu, 2005: 382; Öngen, 2003: 167).

The stabilization program of 24 January 1980 was introduced to overcome the economic crisis through the virtues of free market. The establishment of free market implies the backing off of the state according to the neo-liberal dichotomy of the economic and the political. Hence, to strengthen free market, the state is required to withdraw from economy. Limitation on state expenditure and privatization of State Economic Enterprises, the immediate intention was to acquire enough foreign exchange to meet the growing deficit of payments, at all costs (Kazgan, 2004: 121; Aydın, 2005: 44).

The stabilization program rested on three aims: creating an export-oriented free market economy, improving the balance of payments, and combating inflation (Zürcher, 2003: 307). The long term objective was 'to introduce structural transformation measures which would open up the economy and integrate it into the world capitalist economy' (Aydın, 2005: 44). These aims are planned to be reached through radical policies which include the devaluation of Turkish lira, freezing wages, raising prices and encouraging exports through 'a set of specific measures: subsidies for exporters, simplification of notoriously complicated bureaucratic export procedures and abolition of the customs duties on imported inputs for export-orientated industries' (Zürcher, 2003: 307). Boratav (2006) defines the developments of 1980 and the following three and a half year as the 'counter-attack of the capital', since the relatively powerful position of labour in 1970s had been eliminated by the

suppression of wages which was only possible by means of the military coup (pg. 149). The motivation of 24 January decisions to suppress the wages has a twofold target: reducing the domestic demand to open more room for exports and restructuring the redistribution in favour of capital (Kepenek ve Yentürk, 2001: 201). In line with these motivations it is also critical to stress how the stabilization program encourages a labour intensive production model aiming at opening up to global markets. Keeping wages low is vital in this depiction, which serves to minimize the costs and increase the competitive power of the firms.

The policies of the stabilization program mentioned above obviously aim at establishing a labour intensive production. For instance, the foreseen outcomes of the devaluation of Turkish lira -in the short run, an increase in foreign exchange; in the long run increase in exports- effects the domestic production which does not depend on imported inputs; those which depend on imported inputs would be damaged by the continuous devaluation (Kepenek ve Yentürk, 2001: 203). This implies that the program foresees a restructuring of production in the direction of labour intensive sectors (ibid). Moreover, contrary to the main motive of the program which is establishing and strengthening free market, the interest rates are not left to market (ibid, 201). The high interest rates that the program aims at increases bank resources, diminishes demand, and directs investments to be 'less capital intensive' as the cost of the capital increases (ibid, 202). If the wages are suppressed simultaneously, more labour and less capital would be used in production. The high interest rates also boosted income transfer to capital. It has been stated that one of the critical motivations of the stabilization program is to shrink domestic demand. To this end, attempts were made to regulate redistribution at expense of labour through the policies of high interest rates, lowering taxes on capital, incentives to encourage exports, diminishing real wages (through the rate of raises in nominal wages that is below the inflation rate) to restrain the domestic demand, increasing savings and increasing exports (Yeldan, 2001: 131).

Until 1989, the main focus of the economic policies was on production. In line with the 24 January decisions, opening up to the global market through encouraging exports and establishing market price as the determinant factor in redistribution were major goals of the stabilization program of the era. Real wages dropped dramatically to shrink the domestic demand and reorganize the capital-labour allocation of production. A 'crooked populism', in the second half of the 1980s, was staged by major contribution from the local governments and aimed at the a-politicization of the urban poor to draw their demands out of the labour market (Boratav, 2006: 152-3). Price rises, a freeze on wages and high interest rates together caused a drop in real purchasing power of between 40 and 60 per cent for most wage earners in the years from 1979 to 1989' (Zürcher, 2003: 307). In 1988, the anti-labour policies implemented since 1980 created reaction in the form of strikes and the local elections that disappointed the ruling party, pushed the government to rise wages as a populist strategy (Boratav, 2006: 176). The increases in wages was compensated through the deunionization of labour and increasing rates of dismissal in private sector, unregistered employment has been spread (ibid, 177). The threat of unemployment arising from these developments grew further through privatizations, financial crisis and economic bottle neck (ibid). As a result, registered employment started to shrink continuously following 1988 (ibid).

To sum up, the opening up process of Turkish economy has created labour intensive production units oriented to global markets with deliberate economic policies. As a component of this project, the position of labour in terms of redistribution worsened, labour market elasticity has been increased through ununionized labour and through the threat of unemployment, and the path of informalization in production has been paved. On the other hand, the question of why only certain Anatolian cities emerged as entrepreneur cities stays unanswered. The mainstream claim on literature on Anatolian Tigers relate their rise with the adoption of export-oriented policies and the transition to free market conditions which prepared the perfect climate for these Anatolian Tigers, the main characteristics of whom is competitiveness. Furthermore, the small crafts production legacy of the entrepreneur Anatolian cities is shown as the main determining criteria for the particular cities that industrialize after 1980 by being incorporated into competitive world markets. However, the establishment of organized industrial zones after 1960 is critical to answer the question of why these cities became 'tigers' but not the others. To overcome the regional inequalities, in 1960s Edirne, Tekirdağ, Kırklareli, Çanakkale, Bilecik, Bolu, Denizli, Uşak, Afyon,

Gaziantep and Kahramanmaraş were declared as the priority regions for development in which organized industrial zones would be established and private investments to these organized industrial zones would be supported by the state (Tekeli, 1981). Starting from 1970s, private investments to these regions were fostered through subsidies (ibid). The considerable intersection of the priority regions for development and 'Anatolian Tigers' may lead to the conclusion that even if it is not the only determinant to set the rise of these certain cities, the state actions in the 1960s is a critical reason behind this rise. Even this statement, alone, is a call for a critical reading of the characteristic conceptualization of the role of state as rather passive in the mainstream literature on Anatolian Tigers.

In a sense, a certain interpretation of the experience of 'Anatolian Tigers' has been used to justify the neo-liberal policies that have been popular after 1980. One line of interpretation suggests that the entrepreneur Anatolian cities have flourished owing to the changes in economic policies, which had formerly been suffering from heavy handed state intervention. These entrepreneurs were freed owing to the neo-liberal economic policies which would be compatible with the competitive characteristics of these SMEs. This insistence on the compatibility of free market and the Anatolian SMEs necessitates a critical survey of the literature on 'Anatolian Tigers' that serves to establish a sort of myth around these SMEs.

The first chapter will focus on the literature on Anatolian capital that adopts the framework of statist-institutionalism. The statist-institutionalist literature on Turkey defines a 'strong' state tradition inherited by the Turkish state from the Ottoman state tradition. The state within this perspective is presented as the determinant in the capital accumulation process. This inherited characteristic of the state is treated as the violator of the duality of state/market by restricting the elbowroom of the entrepreneurs. Instead, the state tried to create its own bourgeoisie from the beginning of the Republican period. Following these arguments Anatolian capital is analyzed mainly in two lines within the state tradition literature, firstly due to the adoption of economic liberalization policies and export oriented production, Anatolian SMEs became 'winners' of globalization as the market is free from the

interventions of the political sphere. Öniş (1991; 1992; 1998; 2001), Nişancı (2006) and Öniş's joint studies with Türem (2002), Keyman (2003) and Bayram (2008) will be evaluated as the representatives of this line. There is another line which stresses the role of the state in the creation of Anatolian capital and claims that the relations of state and business in the pre-1980s still prevails as the capital accumulation process is still orchestrated by the state; hence what is observed in the case of the Anatolian Tigers case is merely a reallocation of capital to the favoured businessmen of the state. This line of literature is represented by Buğra and Savaşkan (2011). The ahistorical and aspatial tune of these studies will be stressed throughout their conceptualization of state and state and business relations.

The first chapter will mainly try to explicate the conceptualization of state and market in this literature. I will start with defining the main theoretical roots of the statist institutionalism by references from Skocpol (1985), Mann(1984) and Evans (1985). Then, a brief discussion of the general conception of state and business relations of the state tradition approach through their discussions of the Ottoman-Turkish states will be presented. Finally the main characterization of Anatolian capital in terms of the changes in 1980s and the role of the state in the rise of certain Anatolian cities within the literature that adopts the conceptual tools of state tradition perspective will be discussed.

The second chapter will focus on the literature on Anatolian capital that adopts the New Regionalist approach. New Regionalist studies consider the changing scales of regulation and economic activity in their neo-Schumpeterian perspective which defines a transition from Fordism to post-Fordism due to technological changes. Therefore, the chapter will start with a general outline of three approaches to transition to post-Fordism (the regulation school, neo-Smithian and neo-Schumpeterian approaches). Later, main conceptualizations in New Regionalism will be introduced with a stress on their insistence on particular notions such as 'competitiveness' and 'learning' which are shown as the merits of localities, i.e. regions or cities. Then the perception of state and market of the position will be elaborated through its policy suggestions which seem to be Third Way-ist. The Turkish New Regionalist literature on Anatolian cities will be evaluated building on this conceptual framework, afterwards. The models that have arisen as the outcome of ongoing developments affecting the local scale are called New Industrial Spaces which are characterized by clustering due to learning processes through spatial experiences. The first examples of New Industrial Spaces was Baden–Württenberg Region in Germany, Emilia–Romagna in Italy and Silicone Valley of United States of America. A quick look at the characteristics attributed to these regions will be presented since the literature on Anatolian Tigers defines the entrepreneur Anatolian cities as New Industrial Spaces. The milestone for spatial transformation in Turkey is set as 1980. The adaptation of neo-liberal policies of the 1980s will be elaborated in this chapter before going into the representation of Anatolian cities as New Industrial Spaces and competitive practices which is shown as the substantiation for their potential of innovativeness. The discussion of the state and the 'New Industrial Spaces' of Turkey will conclude the chapter.

The third chapter will present an alternative approach to the previously discussed line of literatures, which mainly propose to understand the Anatolian capital in the framework of state rescaling. Within their conceptual framework, rescaling refers to rescaling as a political project rather than the notion of rescaling as a technologically determinant process of the New Regionalist framework. Hence emphasis will be places on politics of scale throughout this chapter. An overview of the critical conceptualizations of the literature on state rescaling will be presented at the beginning. Later, the spatialized approach to the state within this framework will be briefly presented through its conceptualization of urban entrepreneurship. A short discussion on local economic initiatives will also be included under this subtopic as non-market cooperation of the local economic initiatives is discussed through their neo-Keynesian features rather than neo-liberal characteristics. Building on Brenner's (2003) suggestion that Strategic Relational Approach is a an appropriate base to better understand urban entrepreneurialism and state rescaling, a glance at Strategic Relational Approach and the notion of state within this approach will be presented. Then the literature on Anatolian capital adopting the conceptual framework that has been mentioned will be evaluated with a critical stress on cooperation and competition instances to present the differences of the approach of this literature group from the first two groups of literatures. The notion of 'jumping scales' will also be stressed to understand the local entrepreneurs as political actors in shaping the rescaling process. The chapter will end with concluding remarks on the relational analysis of state and market or economy or political, on the contrary to the former ones that defined these two as isolated spheres and define a kind of antagonism between them.

Finally, the forth chapter will present the concluding remarks.

#### **CHAPTER 2**

## STATE TRADITION LITERATURE AND 'ANATOLIAN TIGERS'

Within the state tradition approach, the determinant force attributed to the state for determining the conditions and the direction of capital accumulation (or redistribution of capital for the current case) implicitly refers to the violation of the state/market duality by Ottoman and Turkish states, respectively. The separation of state and market is referred to as the main merit of the West, and the lack of this separation clips the wings of businessmen in non-Western contexts (Mardin, 1980). Furthermore, the experience of certain Anatolian cities is also evaluated by scholars through adopting such a framework. According to this approach, the reason behind the rise of Anatolian capital is the adoptation of economic liberalization policies in the 1980s which made export oriented production possible. These policies are considered to have freed capital from the intervention of the state –or the political sphere (Öniş and Türem, 2002; Nişancı, 2006). 'Anatolian Tigers' are generally defined as capitalists who have flourished with little or no state support (Nişancı, 2006; Öniş and Türem, 2002; Pamuk, 2007).

This chapter aims at presenting a general view of the studies that adopt the conceptual tools of 'state tradition' approach to present the rise of Anatolian capital as an outcome of the transition to neoliberal economic policies. In treating the statemarket notions of the mainstream literature on Anatolian Tigers, this thesis will use the general expression 'statist' for literature that follows the foregoing take on the state tradition, though it is also acknowledged that there are varying approaches to the specific question of Anatolian Tigers in this literature. These studies mainly focus on state- business relations with a stress on discussions of organizations of businessmen. The main purpose of the following discussion is to explicate how these studies perceive state and market in characterization of Anatolian Tigers. In line with this purpose, the chapter will start with presenting the theoretical discussion of statist approach. Focusing on identifying the characteristics attributed to the state, a special emphasis will be placed on the 'bringing the state back in' perspective. Following this discussion, the main arguments of the "state-tradition" literature on the Ottoman-Turkish case will be delineated. Finally, the question of the Anatolian tigers will be re-considered in light of these overarching perspectives.

## 2.1. The Conceptual Framework of Statist-Institutionalism

The statist-institutional perspective criticizes postwar social science for being entirely society-centered. Instead of a society-centered analysis employed by the social science of the era, the state centered approach proposes to focus on 'detailed case studies of state building, policy making, and implementation' (Jessop, 2001: 6). The main motivation behind this proposal is the idea that the centrality of the state is 'unique' and 'irreplaceable' in international and national levels due to the 'distinctive political pressures and processes that shape the state's form and functions; that give it a real and important autonomy when faced with pressures and forces emerging from the wider society' (Jessop, 2001: 7).

State capacity is a critical term in the theorization of 'Bringing the State Back in' perspective. Focusing on this term is aimed at saving social sciences from society-centered explanations in order to reach a socioeconomic and socio-cultural understanding:

Bringing the state back in to central place in analyses of policy making and social change does require a break with some of the most encompassing social-determinist assumptions of pluralism, structure-functionalist developmentalism, and the various neo-Marxism. But it does not mean that old theoretical emphases should simply be turned on their heads: Studies of states alone are not to be substituted for concerns with classes or groups; nor are purely state-determinist arguments to be fashioned in the place of society-centered explanations. The need to analyze states in relation to socioeconomic and socio-cultural contexts is convincingly demonstrated in the best current research on state capacities (Skocpol, 1985: 20).

There are fundamental elements that constitute state capacity and make the goals of the state attainable. These are 'stable administrative-military control of a given territory', 'sheer sovereign integrity', 'loyal and skillful officials' and 'plentiful financial resources' (Skocpol, 1985: 16). Hence, in this sense, state capacity is defined as the organizational structures crucial to execute specific tasks. Among the indicators of state capacity the most powerful one is its means of financial power (Skocpol, 1985: 18).

Therefore the main characteristic of the power of the state is described as its *'unevenness* across policy areas'. Even if the statist approach present their approach as a counter position to the society- centered approaches of the post war era (as the quotation above also affirms), there are critics claiming the statist approach does not constitute a major break from the society-based approach which it criticizes (Jessop, 2001: 9).

Statist-institutionalists are strictly against 'grand theories', they do not aim to formulate a state theory. The common base of statist-intitutionalist studies are Weberian approach to state refers state, as more than 'government'. Other than this intersection, theorists of statist-institutionalists varies in reference, For instance, Skocpol (1985) adds Hintze and Tocquevillian state to Weberian state. Skocpol depicts Tocquevillian state as the state counts for their organizational configurations, along with their overall patterns of activity, affect political culture, encourage some kinds of group formation and collective political actions (but not others), and make possible the raising of certain political issues (but not others) (Skocpol, 1985: 21).

On the other hand, Mann (1984) defines his position as 'Marxified Weberianism'. Mann (1984) builds his state analysis on the paradoxical basis where the state is both an arena of non-state actors, and also has an autonomy arising from being an arena. Following Weber, Mann (1984) differentiates two substances of state: despotic power of the state elite which is institutionalized through relations with civil society, specifically the infrastructural power to penetrate civil society. Mann (1984) attributes state power to the state's need for protection of life and property, its functions related to economy, defense and communications, its inherent centrality, territoriality and institutional structure.

The state is assumed as an autonomous entity in the 'Bringing the State Back in' approach. The notion of state autonomy in the statist-institutionalist perspective is based on the idea of the state as an organization for itself. Hence state autonomy is wielded for the state's own interest, independent of classes. In this view, the state is no one's ally. Yet, Miliband (1983) claims that '(I)n relation to countries with a solid class structure and a well-entrenched dominant class, such a model does not seem to be appropriate' (pg.66). Skocpol (1985) explains state autonomy as a feature of governmental systems that 'come and go'. That is to say, it is not a structural characteristic; instead it is affected by the transformations that arise from the crisis that results in changes in policies or administrative formulations (pg. 14). As Jessop puts it this kind of analysis of state (and state autonomy) 'reifies and renders the absolute what are really emergent, unstable, and variable distinctions' (Jessop, 2001:10). State autonomy provides a potential to widen the range of concessions for state officials (Skocpol, 1985: 15).

(t)hey emphasize: (a) state managers' ability to exercise power independently of (and even in the face of resistance from) non-state forcesspecially where a pluralistic universe of social forces provides them broad room for manoeuvre; and (b) the grounding of this ability in state capacities or 'infrastructural' power, i.e., the state's ability to penetrate, control, supervise, police and discipline modern societies through its own specialized capacities (Jessop, 2001: 8).

The strict separation of 'state apparatus and society', 'state managers and social forces', and 'state power and societal power' is a characteristic of the 'Bringing the state Back in' approach. Hence, these mutually exclusive concepts are examined individually without colliding with each other and it is enough to sum them up in order to complete the actual tableau (Jessop, 2001: 9-10).

The statist-institutionalist tendency to disregard considerations of the socioeconomic roots of the state or the basis of its legitimate actions (Skocpol, 1979: 31-32) fits well with the Weberian idea of the state. The characteristic of the modern state in Weber's words is 'to monopolize the use of force' (Weber, 1964: 156 cited in Waterbury, 1989:2). Weber has introduced the proposition that political phenomenon are determined by political and military considerations, hence production relations are irrelevant to explaining the 'political'. This characterization of the modern state is accompanied by a cultural focus, as seen in Weber's attempts to explain why the modern state has emerged in the West and not in the East.

The characterization of state in the Weberian sense is built on an 'individualist' methodology. In Weber's analyses, the individual is assumed as the basic unit of analysis. The multiple causality that Weber opts for instead of searching to deduct a one way causality in social relations, leads him to establish a methodological tool-'ideal type'.

Evans et al (1985) asserts that the studies they have collected adopt the method of analytical induction as this method is claimed to fit their concern of performing comparative 'cross-country or cross-time' analysis (Evans, 1985: 348) to reach general conclusions. The comparative historical analysis searches for regularities in order to reach generalizable conclusions, (Skocpol, 1979: 37).

The Weberian legacy of the state-centralists is not met by their methodological orientations which is positivism (Dinler, 2011: 31). In the epistemological sense, state tradition does not converge to Weberian individualism: Weber takes the individual's perception of reality as fundamental. Instead of Weber's concern for understanding the nature of capitalism and the modern state, state centrists focus on describing the state as an organizational structure (ibid, 32). The state conceptualization of the statist-institutionalist approach- state as an entity of its own-differs from the Weberian notion of state dramatically:

Even if the statists inclined to define the state due to the Weberian conceptualization of 'monopoly of legitimate use of force', their penchant to reify the state as an entity of its own through the dominant explanatory notion of 'state capacities' in fact distances them from Weber's own framework (Yalman, 2009: 53).

## 2.2. The State Tradition Based Literature on Anatolian Capital

This section aims at presenting a critical evaluation of the literature on the experience of the Anatolian Tigers which in some form adopts a statist-institutionalist framework that has been explained before. The studies referred vary in a spectrum from the defining the development of Anatolian Tigers as owing little or no support from the state to the accounts that define the rise of the Anatolian capital as a considerably state-supported process. Yet, both positions have a common ground: they take the state-created businessman of the former era as departure point and they are based on a perceived contrast between the strong state-state created (noncompetitive) businessman and the state in liberalized era and rather new capitalists of Anatolia. The rise of Anatolian capital is seen as a challenge to the old 'centre' in this sense. Moreover, apparently, these new capitalists offer a new field to question whether the patrimonial relations of the former era has changed or not, and what the implications of the possible change for the state are. The answers vary.

As mentioned rather briefly, the state tradition perspective operates through the dichotomies of state-society or state-business. Studies that focus on the former dichotomy reach the conclusion that the strong and nearly fully autonomous state hindered the modernization of Turkish society. As for the second dichotomy, studies following this line of inquiry tend to claim that an autonomous state deters businessmen from developing in a competitive way through corporatist relationships.

#### 2.2.1. The Transition in the 1980s and The State and Business

For the literature that adopts the conceptual framework of state tradition approach, the milestone is the 1980s. But this milestone is not a dramatic break from the past. Rather, it signifies a transition that reveals the counter positions of etatism and bureaucratic tutelage on one side and civil society on the other side (Nişancı, 2006: 111).

The developments in the global arena and the neoliberal policies adopted which required the restructuring of the state to change led interest groups to redefine their positions. The significant interest groups referred to are businessman organizations TÜSİAD (The Association of Turkish Industrialists and Businessmen) and MÜSİAD (The Association of Independent Industrialists and Businessmen) (ibid). The state-businessman relations were popularly analyzed through these two organizations, and especially these two are positioned as poles apart. These two organizations are referred to as interest groups in the post-1980 atmosphere as they are claimed to have weaker ties with the state from that turning point on. They are not hegemonic, but are powerful enough to express their desire to be active actors in shaping political processes (ibid, 114).

The first problem, namely the conflict in which so called 'Istanbul capital' squares off against 'Anatolian capital', has to do with the social balance of power, which should be seen as a result of the ongoing socio-economic process rather than the actions of either party. There is a serious conflict between Anatolian and Istanbul capital on many fronts. First of all, Istanbul capital, which emerged and grew with the help of state support, has the ability to influence state elite against Anatolian capital. Using this influence, they could get favourable legislation passed at the expense of Anatolian capital in such areas as investment reductions, import-export permissions, and tax exemptions. Anatolian capital's only advantage is its competitive power under free market conditions. Istanbul capital, moving hand-in-hand with the state elite – especially military and civilian bureaucracy – media and the secular elite, makes a difficult-to-reconcile major rival power for the conservative–religious bourgeoisie' (Demir, Acar and Toprak, 2004: 176).

The above-quoted quotation rests on a specific take on the pre-1980 situation of state-business environment. In order to better understand this perspective, a synopsis of this take is in order.

# 2.2.1.1. 'State-Nation' and Its Volunteer Businessmen in Chains: A pre-1980s Tableau

Since the state in Turkey is established based on ideal terms and in the state discourse the society is required to be worthy of this established state, Nişancı (2006) claims, for Turkish case what is observed is a *state-nation* rather than a *nation-state* (pg. 118). The stateness of the state-nation dominates business where business

volunteers for the domination of state over them basically due to clientalism (ibid, 119).

Stateness, as a foundational idea of the analysis above, refers to 'the greater independence of the state *vis-a-vis* other associations or collectivities' (Heper, 1985: 5). The definition of stateness seems to include the references in the definition of state capacities in 'Bringing the State Back' perspective, at least the existence of the goals of the state are stressed, again:

Thus, one would come across in different polities, or, in the same polity in different historical periods, a greater or lesser degree of 'stateness', depending upon the extent to which the major goals for society are designed and safeguarded by those who represent the state, independent of civil society' (Heper, 1985: 5).

The economic, social or political problems that Turkey faces are commonly attributed to its strong tradition of state. Heper (2006) defines 'strong state' as the state that aims to keep the political elites under control and is successful at this task to a significant extent. This approach has become popular as a result of the hegemony of the dichotomous conception of "state vs market" (Dinler, 2001:17).

"Patrimonial state" and "centre- periphery" are the fundamental notions of the strong state tradition. Within this literature, the Weberian idea of 'patrimonial state' serves to establish a perception of continuity from the Ottoman State to the Turkish State in the republican era. Patrimonial states enjoy 'despotic power' but they do not always have 'infrastructural power' (Öniş, 1992:5). Öniş explains these two instances of power in a contrasting notion:

Despotic power of may be associated with highly centralized and authoritarian states in which state elites extensively regulate economic and political activity, but, at the same time, take decisions without routine, institutionalized negotiation with groups in civil society. Infrastructural power, in contrast, signifies the ability of the state to penetrate society, organize social relations, and implement policies through a process of negotiation and cooperation with key groups in society (ibid).

This particular understanding of 'strong state' in the Turkish case (and the Ottoman state, by virtue of being its ancestor) is derived from a perspective that focuses to compare the Turkish case with the 'ideal' case of Western Europe. Mainly, the

difference between Turkey and Western Europe is pointed as the lack of '(T)he rich network of relations which had developed between the center and periphery in Western Europe since post-feudalism' (Mardin, 1980: 43).

Patrimonialism of the Ottoman State is placed at the opposite side of the central feudalism of England: in central feudalism, central authority is subject to the control of counterbalancing powers. In the patrimonial case that characterizes the Ottoman administration, however, the periphery is rendered completely ineffective by the center (Heper, 2006: 38). Building on such a comparative base, it is concluded that '(T)urkey showed the characteristic features of the patrimonial state even after the Republic'(Mardin, 1980: 43).

A system of values is set up via a comparison of the Ottomans with the Western world where the former rejects recognizing the individual, therefore economic profit or trade is far from being celebrated. Since the state stands as the distributer of resources and provider of the path of development for the industrialists, the latter became rent-seekers, non risk-takers unlike their Western counterparts which are not a state-created group (Buğra, 1997). Again, the problem is the lack of the distinction of state and market, or, political and economic spheres which results in the domination of political at the expense of the economic; as Yalman (2009) puts it :

Taking for granted the separation of economic and the political as autonomous spheres as the hallmark of the Western capitalist societies, stemming from the dominant conception of the market economy as a selfregulating entity, the Ottoman-Turkish social formation is characterized as lacking this separation, since the state is depicted as the primary instrument of appropriation as well as distribution of surplus (Yalman, 2009: 120).

The entrepreneurs of in the Ottoman context are claimed to suffer from exclusion from the political system. Therefore the subjects of the entrepreneur middle class could not follow the same path as their Western equivalents to develop into a capitalist class by their own efforts. These entrepreneurs flourished by favor of the state, and never sustained their own power (Heper, 2006: 179). The entrepreneur middle class stayed 'opportunistic' due to the restrictions imposed through law, lack

of mercantilist tradition and lack of prestige in the eyes of the bureaucrats<sup>2</sup> (Heper, 1985: 101-2). While these factors detained the entrepreneurs from engaging in entrepreneurial or creative activities in the Ottoman era, republican Turkey did not supply a positive transformation in the role or image of the potential entrepreneurs in the society (Heper, 1985; Mardin, 1980).

When it comes to Turkish Republic, both in the single party era and the multi-party era, businessmen are controlled quite strictly; Heper depicts the situation of capitalists in these eras as follows:

The top of the capitalistic entrepreneurial iceberg, the few leading industrialists and businessmen were allowed to figure in the system because they could easily be manipulated. During the single party years of the Republic, the private sector was consciously left outside of the authority structure. The dependence of business and commercial groups on governmental policies and resources in areas such as import allocation, credit and investment and infrastructure continued after the transition to multi-party politics. The governments closely controlled the various organizations set up by these groups... As late as the 1970s the remnants of an Ottoman tradition - a disorganized periphery in the face of an omnipotent state- lingered on (Heper, 1985: 102-3).

The dependence of businessmen on the state resulted in their indifference to political issues. Their identity as a constituent of the civil society is strangled. In a sense, the economic groups of Turkey are only interested in individual manipulation (Heper, 1985: 104).

The state-created businessmen of the Republican era are presented as rooted in the Ottoman era due to mainly two factors: the privileged position of non-Muslims as traders in the Ottoman Empire and the establishment of modern bureaucracy in Tanzimat (Reform) era. The lucrative career in bureaucracy that was presented to the Muslims hindered them from involving in risky business such as commerce or industry. Therefore Buğra claims '(W)hat was observed in early Republican period was, therefore, not a deep-rooted cultural phenomenon, but the end result of a

<sup>&</sup>lt;sup>2</sup> Heper offers the existence of Levantines (merchants and trader group consists of minorities) led further lost of prestige for Ottoman-Turkish entrepreneurs (1985: 101).

particular phase of social history' (Buğra, 1994: 38). 'The end result' is the businessman of republic being financially dependent on the state.

To be sure, the periphery is not only composed of businessmen. On the contrary, the periphery in both the Ottoman and Turkish polities is defined as quite fragmented– the aristocracy, the religious institution and economic middle class are 'successfully subdued' elements of the segmented periphery vis-a-vis the dominant center (Heper, 1985: 149). The relations of entrepreneurs and the state are depicted in accordance with the centre-periphery notion dominant in state tradition approach. The periphery is said to be suspect in the eyes of the centre because of its 'evil designs' and 'always smothered and consequently, whenever possible, over-defiant and irresponsible' (ibid).

The war years strengthened the Ottoman legacy of the 'strong state' of the newly founded Republic, as the considerable part of the commercialists were lost and the bureaucracy faced no challenges from this segment (Keyder, 1987: 79).

In statist-institutionalism, the state is not 'fixed' but it carries the heritage of established tradition in different historical periods (Heper, 1987: 5). The patrimonial nature of the Ottoman state established its dominance over political and economic issues (Sunar, 1987: 63). After the foundation of the Turkish state the absence of any bourgeoisie class to take over the economy and the inherited patrimonial characteristic of the new state led state elites to create their own bourgeoisie, as the state tradition approach puts it. Heper (1991) describes the motive of establishing political control over bourgeoisie as a peculiarity of the Turkish state. Insel (1990) states that the new elites planned to keep the bourgeoisie within limits since they were wary that the market economy could provide autonomy to the bourgeoisie which they would use to challenge the state. Hence *etatism* is adopted to achieve this. Rather than repressing or trying to substitute the private enterprises, public sector developed side-by side private sector; public sector in a sense, helped state to provide the basis for development of the private sector (Boratav: 2003, 65). Yet, *etatism* is seen in line with the Ottoman legacy of Turkish state through an emphasis on the

*etatist* policies establishing dominance of the state over the business sphere (Insel, 1983).

## 2.2.1.2. Anatolian Tigers: Indebted to State or Not?

Within the context of the 1980s' liberal transformation, there are diverse views on the role of the state in the economic sphere within the literature that builds on the framework of state tradition. For instance, Buğra (1997) suggests considering the nature of state intervention instead of putting too fine point at the concept of stateness in the Turkish neo-liberalization experience. However both Buğra and Öniş abide by the strong state notion even if with a stress on the role of state intervention. Strong state is considered to be responsible for the failure of attempts at liberalization and the lack of democratization, according to this conceptualization. For the post-1980 era, the export-oriented bourgeoisie continued to be dependent on the state through rent-seeking behaviors, in order to gain access to incentives that the state provides (Öniş, 1991: 31).

The coup d'etat of 1980 and the following economic liberalization policies opened a new era for the relations between the bourgeoisie and the state. The transformations created an uncertain economic environment for the big bourgeoisie, yet, 'as a whole [the bourgeoisie] seemed to weigh political gains against economic loses and made the choice for restricted democracy, ideological hegemony, and a disciplined labour force' (Keyder, 1987: 225).

The big bourgeoisie 'who finally seized the chance emancipate the dominant ideology from its bureaucratic encumbrance' supported the new route of 1980s. The relatively small capitals also gave their consent, Keyder (1987) affirms, due to the 'the affinity between petty commodity production and the simple market mentality– a relation whose importance becomes apparent when the proportion of the self-employed in the labour force is considered' (pg. 226). Keyder (1987) claims that

competition is the very nature of small capital. However, it has been blocked by the intervention of the state to the economy.

Likewise, Buğra (1994) anatomizes small enterprises<sup>3</sup> depending on the legacy of Turkish businessmen that has been briefly mentioned above. The policies adopted by Republican Turkey match many other late industrialized states' policies: 'In these countries, government authorities often share an "esthetic concern" whereby small enterprises which do not resemble the modern, large-scale production units of developed Western countries are regarded with distaste' (Buğra, 1994: 61). Similar to Keyder (1987), Buğra (1994) highlights the blocked nature of small producers. Apart from the policies that characterize a late-industrializer, the basic character attributed to small enterprises, competition, is another requirement that Republican governments failed to meet: '...an equally strong belief in the wastefulness of competition which prevailed in the same period probably played some role in shaping policies unfavorable to small enterprises' (Buğra, 1994: 62).

Buğra, in her book 'State and Business in Modern Turkey' (1994), aims to portray Turkish businessmen as an example of the late-industrialization experience. "Late industrializing countries" in this work refers to Amsden's definition of the concept as 'countries which industrialized without the competitive asset of being able to monopolize an original technology' (Amsden, 1990: 5). Amsden specifies the late industrializers as South Korea, Taiwan, India, Brasil, Mexico and 'possibly Turkey', with a parenthetical argument on why Japan may be apprehended as a late industrializer, too (ibid). Businessmen of these late industrializers face many limitations, foremost the limitation of technology which hinders the evolution of small enterprises into modern firms and is overcome by state support (Buğra, 1994: 15).

> In the institutional environment of a typical late-industrializing country at the initial stages of the industrializing process, the underdeveloped state of capital markets and financial organizations also makes the state the most likely actor to provide financial resources and to share the risks taken by the individual entrepreneur (Buğra, 1994: 16).

<sup>&</sup>lt;sup>3</sup> 'Small Enterprises' refer to those employ twenty-five or less worker, in Buğra's (1994) work.

All in all, Buğra (1994) addresses the state as an obstacle for the realization of the 'nature' of small enterprises-which is competition, on the other hand, she asserts that as a late industrializer, state support is a need for small enterprises as limitations on technology requires such a support.

In a later work with Savaşkan, Buğra addresses spatial restructuring of capital and the rise of Anatolian capital in a relational perspective (Buğra and Savaşkan, 2010). Throughout the process of spatial restructuring, it is stressed that the role of state is far from degrading. Moreover, Buğra and Savaşkan clearly state that the development of new capital groups in this sense shows similarities with the process of the creation of bourgeoisie by deliberate state policies of the Republican period (2010: 92). The main axis of arguments is this statement. One may suggest that the state-business relation analysis in *State and Business in Modern Turkey* (Buğra, 1994) has been carried to post-1980 atmosphere, especially AKP (Justice and Development Party) era.

Buğra and Savaşkan (2010) suggest a chain of continuity that is composed of the Party of Union and Progress (Ittihat ve Terakki Fırkası), Republican era and the current phase of restructuring of capital. State promotion and intervention changed its form, yet, still performed to create businessmen like it has been since Union and Progress period, they claim (pg. 97-98). Buğra and Savaşkan assert that state motivation to create its national bourgeoisie in former periods turned into state actions to serve for reallocating capital accumulation among diverse groups. They also specify the channels for the reallocation of capital accumulation. The state takes part in business life, Buğra and Savaskan (2010) claim, over public procurement actions<sup>4</sup>, privatizations, local governments– especially through urban transformation projects. Buğra and Savaskan (2010) display a critical approach towards the literature that depicts Anatolian capital as market actors which gain competitive power; they instead propose that the source of the competitive power of these capitalists is not local economic processes. Rather, competitive power is derived

<sup>&</sup>lt;sup>4</sup> c.f. Ercan and Oguz (2006) on the changes of public procurement law. They approach the public procurement as a field of struggle for different capital groups i.e. global and domestic capitals.

from the relations of capitalists and central government by way of the redistributive mechanisms.

The labour in the process of the rise of Anatolian capital is presented within two camps: the first one focuses on the increasing employment and proposes it as an evidence for economic growth and the second asserts the role of cheap labour in the process. For the first line, the labour-capital relation in the process of neo-liberalization is depicted by asserting the creation of 'new employment opportunities' to overcome the unemployment. (Onis and Turem, 2002; Onis, 2006) Hence, through these employment opportunities, long term growth is possible through the positive effects of the neo-liberalization process by its 'winners'. In the words of Öniş (2006),

(t)he growth of entrepreneurship, as well as its spread across the country beyond the confines of the Marmara region, constitutes important positive developments from the perspective of longer-term growth. The so-called Anatolian tigers, emerging as the winners of the neo-liberal restructuring in Turkey, have not only widened the geographical boundaries of investment, but also created new employment opportunities in Turkey's peripheral regions (Öniş, 2006: 123).

In his later works, keeps this line of labour and capital analysis through employeremployee relation. Öniş and Türem (2002) state that the rise of Anatolian cities and their bourgeoisie is an opportunity to overcome the uneven regional development problem of the periphery.

The emergence of Anatolian bourgeoisie fosters long-term economic dynamism directly by its creation of employment, and indirectly as the dynamism created by Anatolian bourgeoisie drives big business to change its inward oriented production focus to an outward oriented production. This instance signals the increasing 'maturity' of Turkish capital and constitutes a source for long term economic dynamism (Öniş and Türem, 2002: 439).

There exist studies that defines the development of 'Anatolian Tigers' as independent (and maybe inspite) of state and regard labour not as a 'winner' of neoliberalization

process due to the increasing employment. Karadag (2010) puts emphasis on the role of cheap labour in these cities in the development of these export-oriented capitals by stating that '(T)hey [Anatolian capitalists] profited from an abundant stock of unskilled, cheap labor and from inner-group religion-based norms of trust and cooperation' (Karadag, 2010: 21).

Pamuk (2007) depicts the emergence of Anatolian capital as a result of economic liberalization in the post- 1980 era and the export-oriented motive arises after the economic liberation. In this environment, SMEs of Anatolian cities with craft traditions, Pamuk (2007) asserts, became critical contributors to increasing exports with a little support from state. However, even the export performance of the Anatolian cities is considerable, they are not deemed to worthy of the title of 'Anatolian Tigers' (Pamuk, 2008a). Pamuk (2007) stresses the role of cheap and non-unionized labour in their rise:

With craft traditions and non-unionized workforces, these industrial centres began to account for a significant share of growing exports in textile and other labour-intensive industries. Their competitive advantage was bolstered by low wages, long working hours and flexible labour regimes. Large numbers of small and medium-sized enterprises played a central role in the rise of these industrial centres. Their rise was achieved with little state support and little or no foreign investment (Pamuk, 2007: 21).

### 2.2.1.3. Anatolian Tigers as Islamic Capital

The role attributed to Anatolian capital as a cure for regional uneven development should be questioned. Such attribution is based on describing the environment in which Anatolian capital has developed with a stress on the cheap labour and placing the role of Islamist identity in capital – labour relations. The small and medium sized enterprises build on such a base, apparently increase the 'unevenness' more by feeding rural and urban poverty. Karadag states the Islamist business association (MÜSİAD) and trade union HAK-İŞ, increasingly capitalizes 'on the unsolved issues of rural and urban poverty in the name of a just and Islamic order' (Karadag, 2010: 21)

MÜSIAD emerged in the neo-liberalization environment which 'encouraged the private against the public sector, the growth of exports against the protectionist trade regime, and discredited import substitution for the sake of export-oriented industrialization strategy' (Şen, 2010: 72). The international trend of the same era was the rise of SMEs; hence the emergence and increasing visibility of this organization is a reflection of neo-liberal transformations not only in economic policies but also in political and cultural transformations (ibid).

A considerably voluminous literature on Anatolian capital follows the establishment and activities of business associations, especially on MÜSİAD. Nişancı (2006) states three critical characteristics of capitalists organized under MÜSİAD. First, these capitalists achieved their development without the protective actions of state; second, unlike TÜSİAD, the members of MÜSİAD are located all over Anatolia and lastly the members are involved in the secular/anti-secular confrontation (Nişancı, 2006: 129-130). The studies within this literature approach the Anatolian capital as Islamic capital besides being Anatolian, as the dominant character of MÜSİAD is its Islamic identity. The studies on business organizations mainly walk through the assumption of controversy between TÜSİAD and MÜSİAD. Roughly speaking, the mainstream assumption is that MÜSİAD is the representative of Islamic capital. The union mostly consists of small and medium capitals of Anatolia and stands for a democratic position against the clientelistly structured capital of the former era, whereas TÜSİAD represents the big capital of Istanbul that has been supported by the state for years and years and defend the continuity of its position. Öniş and Türem (2002) define these two organizations as representatives of two groups of Turkish businessmen which are very separate considering 'their economic activities, goals, approaches to the state, lifestyles, and ideological orientations' (pg. 447). Öniş and Türem (2002) stress the role of identity issue as the critical element which led to the differentiation of these two business groups:

Perhaps the fundamental difference between these two organizations arises over key identity issues. MÜSİAD challenges what it conceives as the authoritarian secularism of the Turkish state and pleads for an extension of religious rights and freedoms, whereas TÜSİAD has been a consistently staunch defender of the Turkish version of the secular state (Öniş and Türem, 2002: 101). The clash of the Islamic identity of MÜSİAD and the secular position of TÜSİAD is not going to be weighed much for the purpose of this study. Yet, it is not going to be ignored altogether, either. This dimension is not independent from the scheme of the clientelist desires attributed to big Istanbul capital and the self-made small and medium capital of Anatolia seeking for more democratic climate. MÜSİAD's Islamic identity that is stressed by Öniş and Türem (2002) above is linked with three 'facts' as Keyman and Koyuncu put it:

(a)it is affiliated with religious sects and communities; (b) Islam appears as a significant point of reference in its activities; (c) it has close ties with political Islam mainly presented in Turkey since the 1980s by the Welfare Party, then the Virtue Party and finally the Justice and Development Party (Keyman and Koyuncu, 2005: 112).

In the last instance of the explanation by Keyman and Koyuncu (2005) quoted above, the relation between the rise of Islamic political parties in different eras is related with the rise of MÜSİAD and the small and medium sized enterprises of this business organization. For instance, Öniş (2001) draws a dramatic analogy between the destinies of Islamic parties and Anatolian capital:

A key element in Refah's (Turkish word for Welfare, here refers to Virtue Party) constituency has been conservative entrepreneurs associated with the dramatic rise of 'Anatolian capital' during the 1990s. (...) These firms typically are highly export-oriented, employ flexible manufacturing practices and receive little or no subsidy from the state (...) The post Refah period, therefore, represents a period of self-evaluation on the part of entrepreneurial groups with an Islamist orientation (...) What is important to emphasize from an analytical perspective is that Islamist business, being a gainer from the globalization process, has much more to lose through direct confrontation with the state compared to other constituencies of political Islam which are located in the bottom segment of the socio-economic spectrum (Öniş, 2001: 16-18).

The parallelism of the fortunes of Islamist parties and Islamic capital (which includes the Anatolian SMEs apart from 'green' holding companies, and equated to Anatolian SMEs most of the time to create a more dramatic effect) is also underlined in the case of MÜSİAD as its members 'took advantage of their political affiliations mainly with the Welfare Party but also with other centre-right parties to benefit from the rents distributed by the State' (Aydın, 2005: 219). Another critical phenomenon that negatively affects the Anatolian capital (or Islamic capital within this framework) is signified by November 2000- February 2001 crises. Doğan (2009) defines these two important instances by differentiating them as voluntary (28 February) and spontaneous effects that damaged the competitive power of Islamic capital *vis-a-vis* Istanbul bourgeoisie where in Virtue party and Justice and Development party eras, they regained their contested power against big business (pg.302).

Çokgezen (1999) asserts that the 'second generation bourgeoisie' established their cooperation (MÜSİAD) around two core shared values: Islam and locality (pg. 538). The 'second generation' mostly consists of SME owners, for whom Islam provides a 'just order' to protect small entrepreneurs against the evil effects of capitalism and participation within an Islamic group means participating in a kind of sub-market to improve their business (Çokgezen, 1999: 539). Buğra (1999) stresses the role of the Islamic character of MUSIAD to foster 'cooperation':

The Islamic character of Turkish society is emphasized in an attempt both to show the compatibility of Islam with capitalism and to use religion as a source to foster a sense of solidarity among those segments of national and international business communities that stand to gain from enhanced cooperation (Buğra, 1999: 536).

Locality is also a shared value that forms a cooperative base among the members even if some firms are operating within national scale and others are SMEs of different localities.

These values- Islam and locality- play two important roles in facilitating collective action. First, sharing the same values facilitates the formation of a consensus on collective goods by increasing homogeneity in the group. Second, sharing values also makes it easier to find new members to contribute to the collective action by improving personal contacts. In particular, the function of social selective incentives primarily depends on the existence of like-minded people in the same group. People prefer to interact with others of a similar social status and/or with similar tastes. It is easier to get on with such people than with `outsiders'. Every member has to contribute to the collective action to gain the approval of his peers. Islam and locality have helped in the realization of these circumstances and, accordingly, in the collective actions. (Çokgezen, 1999: 540).

Hence Anatolian capitalists gained some kind of consensus on their shared values -Islam and locality- throughout a process of defining their cooperative bases and contraction with other capitalists.

To sum up, Islamic identity is attributed due to its network activities to form a 'community', the networks of this community are defined vertically and horizontally at the same time. On the other hand, one should also consider labour-capital relations as a significant dimension of Islamic identity, especially if MÜSİAD is insistently claimed to be the representative of small and medium capital of Anatolia<sup>5</sup>.

Öniş (2004) stresses the moderation of the 'winners of globalization' referring to their strategy of coexistence rather than confrontation. Apart from the Islamic identity of MÜSİAD's small and medium sized enterprises, Öniş stresses their identity of 'winners of globalization' and notes this position of them in globalization process as a reason of 'sharp difference' between them end members of TÜSİAD. In this sense, the difference turns into the difference between big and small and medium size business (Öniş, 2004: 23). The claim of the compatibility of the SMEs with globalization is adopted by the majority of Islamists who 'believe in the merits of free competition and the interplay of supply and demand forces that would bring wealth and prosperity for the community as well as entrepreneurs' (Şen, 2010: 73). Yet, they distinguish their idea of free market from the western meaning; they accuse the western notion of free market as being individualistic due to self-maximizing and materialistic motivations where the Islamist market is for the good of society at large (ibid 73-74). The economic actor in this market (*homo-Islamicus*<sup>6</sup>) combines his entrepreneurial spirit with morality. However despite the attempts to differentiate the

<sup>&</sup>lt;sup>5</sup> see Y. Durak (2011), for a well-established study on the role of Islamic motives in establishing the labour-capital relations in Konya Organized Industrial Zone.

<sup>&</sup>lt;sup>6</sup> Homo-Islamicus was manifested in publications of MUSIAD (see Yarar, 1996) The notion of *homo-Islamicus* is an obvious challenge to homo-economicus, and also the traditional businessman, homo-traditionalus. 'MÜSAD's motto "High Technology, High Morality" summarizes the organization and Islamic entrepreneurs' vision of Islamic society and their role within it' (Adaş, 2006:127).

Islamic entrepreneur from its western counterparts, 'the qualities and values of *homo-Islamicus* are still almost indistinguishable from the entrepreneurial values neoliberalism sublimates'(ibid, 74). This particular case on entrepreneurship shows the internalization of neoliberalism by Islamists<sup>7</sup>.

# 2.2.2. The 'Political Sphere' and 'Anatolian Tigers'

As the capital matures, its relation with state is stripped from its subordinate identity, the capital begin to stand as a challenging position *vis-a-vis* the state, Öniş and Türem (2002) states. The ongoing internationalization of capital, in this sense, gives the capital the force to push the state to change in terms of its regulatory acts most of all (ibid). The global capital (big business) demands the state to meet its expectations which requires a new form of state as it requires "a limited, transparent, accountable state that establishes the rule of law for all segments of capital and thus plays and instrumental role in creating a stable and predictable environment" (Öniş and Türem: 2002: 450).

In their study on the political economy of the JDP, Öniş and Keyman (2003) state the talent of the JDP to manage to form an 'effective state that can underwrite and safeguard a sparingly free but intelligently regulated market economy' (pg. 99) to meet the demands of the business. This act of the JDP is claimed to be its third way identity, as Turkey started to adopt this 'Third Way-ist' state-market practice, it is adopted to the global trends (Öniş and Keyman, 2003; Öniş, 2012). The third way politics that the JDP adopts is called as 'social neoliberalism' as a combination of 'regulatory neoliberalism' and 'controlled neo-populism' (Öniş, 2010). Controlled

<sup>&</sup>lt;sup>7</sup> 'Islamic Calvinists' is also a popular expression to refers 'Anatolian Tigers' especially in foreign media and literature to question the competency of Islam with entrepreneurial sprit; The successes of Islamic capital is told to be the outcome of compatibility between Islam and capitalism; and contrary to general European judgment, economic development and social development are experienced in a perfect harmony with Islam and modernity (See ESI Report, Islamic Calvinists: Change and Conservation in Central Anatolia (September 19, 2005): Berlin- Istanbul. Bilefsky, Dan, Turks Knock on Europe's Door With Evidence That Islam and Capitalism Can Coexist (August, 19 2007) New York Times. and Lodhi, Aashia (March 13, 2006) Turkish toil brings new form of faith [Radio broadcast] BBC Radio 3).

neo-populism of the JDP, Öniş (2010) continues, depends on its success to use both formal and informal channels and claim a dramatic increase in public spending on health and education to reach middle class as well as informal distributive mechanisms to reach the lower economic strata of the society (pp. 141-3). With the help of this neo-populist strategy of redistribution, the success of the JDP in handling the demands arising throughout the process of globalization is due to 'its ability to move beyond class-based politics and to forge a broad cross-class coalition that incorporates both winners and losers of neoliberal globalization' (Öniş, 2004: 29). Through its up-to-date politics defined as 'beyond class-based politics, in the age of financial globalization; this peculiar relation of economics and politics, in the age of financial globalization; this peculiar way, one may conclude, refers to globalizing capital and its challenge to state power and positioning the state accordingly –as the regulator in line with these demands.

The position describes a bourgeoisie that suffers from the lack of an independent economic sphere *vis-a-vis* the political sphere. The isolated economic sphere is presented as the main source of social, economic and political problems, which arises from the very nature of the Turkish state through the legacy of Ottoman state tradition. In this line of argument, the Anatolian capital takes the stage as the representative of 'market-created' and adopted to the neoliberal dynamics. This capital group is presented as 'winner' by neoliberal approaches, for instance. Yet, there is another line which stresses the role of the state in the creation of Anatolian capital without examining its 'winner' title.

The emergence of Anatolian capital added a new focus to the studies of statebusiness relations in state tradition approach through interest groups with the introduction of MÜSİAD. It may be considered as Islamic capital, to include '28 February Process' or its identity of representing a certain geography and small and medium scales (in other words the *periphery*); the latter perspective is adopted by the academicians in the state-tradition line as an interesting case study of 'the awakening of the periphery'. The discussions along this line also serve for the legitimization of neoliberal policies.

State is described as the arena of struggle for the access to distributed surplus (Yalman, 2009: 122). 'Indeed it has been commonplace to depict the Turkish political as well as the intellectual life as a contest between two sets of 'elites' identified with by the labels, etatist/ bureaucratic and liberal/economic' (ibid). The experience of the Anatolian cities gains its significance in the eyes of the studies that adopt the state tradition approach owing to the fact that the dominance of the political over the economic sphere has always been the central notion in their analysis. This relatively new capitalists are questioned on whether state supported their development or it is an outcome of market conditions. Apparently some studies in this framework express overexcitement on the success of Anatolian capital with 'little or no state support' -unlike the capitalists of former era- and combine this statement with appreciating the ongoing transformations in state due to the acts of the JDP government. This appreciation is related to the identification of the JDP of the people of Anatolia, as a critic to the secular elites:

On November 4, 2002, a day after general elections, the headline of a mainstream Turkish daily read "Anadolu Ihtilali (Anatolian Revolution)". This headline encapsulated the winner of the election, the Justice and Development Party (Adalet ve Kalkınma Partisi, AKP), as the representative of Anatolia, the supposed home of authentic, humble, and uncorrupted Turkish-Muslim people, who are dominated and oppressed by secular and modernist (military-civil) elites, who are not only culturally alienated from the majority of the people but also resistant to the demands of the people and democracy (Şen, 2010: 59)

# **CHAPTER 3**

# ANATOLIAN CITIES AS NEW INDUSTRIAL SPACES: NEW REGIONALIST LITERATURE ON ANATOLIAN CAPITAL

This chapter will start with presenting a general view of New Regionalism especially focusing on its claim of constructing a 'third way' in state/market dichotomy (Amin, 1999), theoretical roots of this claim will be evaluated focusing on the understanding of state. Later, the conceptual tools to discuss New Industrial Spaces, such as flexible production, will be presented briefly before going into the basic characteristics of worldwide New Industrial Spaces literature. The evaluation of significant New Regionalist literature on *Anatolian Tigers* will be built upon the previously constructed base by the latter subtopics. The main goal is to investigate how New Regionalist literature describes the experiences of certain Anatolian cities through its state-market framework. Rather than analytical concerns, this literature focuses on policy recommendations that have a certain conceptualization of the state.

#### **3.1. New Regionalism: A General Overview**

New Regionalist analyses set the milestone for the change of economic organization as transition from Fordism to post- Fordism. It is argued that, the protracted crisis of the 1970s obliged small firms to adopt flexible specialization, to handle the uncertainty that arose from the fragmentation of mass market which once used to be solid and stable (Piore and Sabel, 1984). Hence, before getting into the discussion of the basic notions of New Regionalism, a brief look at the transition to post-Fordism from Fordism is required to understand what is specified as dynamics of transition and how the change of the system of production is described.

# 3.1.1. The Crisis of Fordism, Transition to Post-Fordism and Flexible Production

Fordism refers to the regime of accumulation in which the labour process is transformed by Taylorist<sup>8</sup> and Fordist forms of work organization and technology and prevailed in Europe and United States from the interwar period to a few decades after the Second World War. Essentially it is defined by mass production and mass consumption where welfare state plays the supporter role to stimulate rise in consumption and higher living standards:

The Fordist phase of capitalism was marked by the imposition of Taylorist labour processes in important sectors, associated by a considerable extension of wage labour (by repressing subsistence-economic forms of production in the agricultural and domestic sector); whilst at the same time making labour conditions relatively similar ('employee society'). The industrial mass production of consumer goods became the basis for an extensive capitalization of the sphere of reproduction, i.e. the reproduction of work forces became the integral part of the reproduction of capital on the basis of a generalized consumer model (Esser and Hirch, 1995: 75).

Fordism, as a social-scientific concept, is introduced by the Regulation School. Regulation School consists of works that show great amount of variety; yet, a central question in analysis of capitalism would be valid to gather them around: 'if, as Marx argued, capitalism is inherently unstable because its contradictory logic leads it inevitably toward crisis, how has it been able to continually overcome crises and persist as a hegemonic mode of socio-economic organization?' (Purcell, 2002: 302). The answer of the regulation school to this central question is established on the concept of 'mode of regulation' which is accompanied by the concept of 'regime of accumulation'. 'Regime of accumulation' refers to a specific combination that is produced despite the conflicting inclinations; where 'mode of regulation' is an institutional combination of norms that can temporarily support capitalist production notwithstanding the conflicting and antagonistic character of capitalist social relations (Lipietz 1987). 'Mode of regulation' has five dimensions:

<sup>&</sup>lt;sup>8</sup> Taylorism is sometimes referred to as Scientific Management and focuses mainly on improving labour productivity: 'Basically Scientific Management's task was, and is, to find ways of controlling labour in rapidly growing capitalist organizations. Capitalism is central to Scientific Management because the antagonistic social relations created by capitalism are taken by Scientific Management as natural and inexorable' (Cooper and Taylor, 2000: 558).

(1) the wage relation (individual and social wage-bargaining, labour market regulation); (2) forms of competition (internal organization, ties between firms and banking capital); (3) monetary and financial regulation (the hegemonic banking and credit system, relative allocations to sectors); (4) the state and governance (systems of local and regional governance); and (5) the international regime (trade, investment, monetary settlements and political arrangements that help integrate national and regional economies, states and the world system) (MacLeod, 2001: 822).

Esser and Hirsch (1995) defines Fordism as the mode of accumulation which is met by a 'monopolistic' method of regulation that would be met the by fourth dimension of Lipietz's formulation of mode of regulation—the state and governance. The state of Fordist era is widely referred to as Keynesian Welfare National State, which will be discussed in the next chapter while reviewing the position of Regulation School on rescaling. For the purpose of the current discussion, it seems sufficient to present a definition of Keynesian Welfare National State as distinctively aiming at stimulating full employment under conditions of a relatively closed national economy -mainly through demand-side management-, and at generalizing norms of mass consumption through welfare rights and new forms of mass consumption (Jessop and Sum, 2006: 107).

Fordist capitalism is claimed to experience the crisis starting from the seventies. A crisis, apart from the theories on permanent crisis, refers to a disruption in the reproduction of a social system. "Crises may be of two sorts: a crisis in the system which is a rupture in the reproduction of some part of the system, or a crisis of the system in which the system as a whole is under threat" (Goodwin and Painter, 1996: 638). A crisis may end up in a resolution or a failure. The resolution may take the form of changes within the system, or total replacement of it (ibid). "The crisis of Fordism in the 1970s led to the worldwide collapse of the mode of accumulation and regulation which were its characteristics" (Esser and Hirsch, 1995: 76).

'Transition to post-Fordism' is a subject of debate in three contracting approaches: neo-Schumpeterian, Flexible Specialization (or neo-Smithian) and the regulation approaches. The transition to post-Fordism is defined as an incomplete development, popularly, hence the era following Fordism is sometimes referred as *after*-Fordism (Peck and Tickell, 1995) referring to the twin concepts of Regulation School- mode of production and regime of regulation. An effective mode of regulation is discovered through social and political struggles that merge to form a hegemonic system: class alliances, based on consent secured by coercion, which design a harmony among the interests of ruling and dominated class and the accumulation regime (Lipietz 1986: 20 cited in Jessop, 1993: 72). Provided that regime of accumulation support the mobilization of counter tendencies to the crisis tendencies at the particular stage of capitalism, the system is stable (Jessop, 1993: 72).

Post-Fordism (as its verbal components imply) requires an interpretation in both a comparative and a relational base with Fordism: 'Without significant discontinuity, it would not be *post*-Fordism; without significant continuity it would not be post-*Fordism* (Jessop, 1995a: 257, italics are original). It is possible to regard this obvious relational reference within the framework presented by Jessop (1995):

This double condition is satisfied where: (a) post-Fordism has demonstrably emerged from tendencies originating within Fordism but still marks a decisive break with it, or (b) the ensemble of old and new elements in post-Fordism demonstrably displaces or resolves basic contradictions and crisis in Fordism- even if it is also associated with its own contradictions and crisis tendencies in turn' (Jessop, 1995: 257).

Jessop (1995) depicts five dimensions of a consolidated post-Fordism: as a labour process, as a stable mode of macroeconomic growth, as a social mode of economic regulation, as a mode of socialization and as an unrealized possibility. As a labour process, first of all, post-Fordism depends on a flexible production process, which consists of flexible production systems and flexible workforce and as a mode of microeconomic growth it refers to accumulation that depends on flexibility and innovation (Jessop, 1995: 257-8). The social mode of regulation dimension of post-Fordism implies supply–side innovation and flexibility of areas subject to regulation and as a mode of socialization, post-Fordism has not integrated a mode of socialization. Thus, the fifth dimension appears: a stable transition has not been reached yet (Jessop, 1995: 260). Accordingly, the studies analyzing post-Fordism refer to tendencies towards post-Fordist organization rather than established situations as a response to the crisis of capitalism:

This crisis continues: a new, stable, international, hegemonic 'post-Fordist' development has so far been unable to impose itself. In a national and international context, the situation is characterized rather by a complex mixture of alternative strategies for over-coming the crisis, which are at the same time the subject of deep political-social conflicts. National and Regional development concepts have stepped in to replaced the 'global Fordism' of the 1950s and 1960s; these diverging and, at the same time, hotly disputed concepts may eventually be realized and implemented. Thus, there can hardly be any talk of a restablized 'post-Fordist' capitalism or indeed even an international 'post- Fordist' capitalism. At best, there are tendencies towards it and starting points for it. But these can at least be specified on a national level and their chances of implementation and consequences can be evaluated (Esser and Hirsch, 1995: 76-7).

Neo-Schumpeterian perspective defines long waves (or Kontrodiev Waves) in economics; each long wave is met by a specific 'techno-economic paradigm'<sup>9</sup>. The long waves symbolize booms and busts of a fifty years period of time in capitalist economies (Amin, 1994: 12). The tecno-economical paradigm, on the other hand, met the Schumpeterian proposition that entrepreneurs<sup>10</sup> break the path through innovations and open the way for a new techno-economic paradigm, which is the engine of further growth (ibid). A new long wave is attained by a new techno-economic paradigm which is a combination of interrelated product and process, technical, organizational and managerial innovations, embodying a quantum jump in

<sup>&</sup>lt;sup>9</sup> Freeman and Perez (1988) explain the preferance of term 'techno-economic paradigm' instead of 'technological paradigm'(which is also used by some neo-Schumpeteians, see Dosi, 1982) as follows:

We use the expression 'techno-economic' rather than 'technological paradigm' because the changes involved go beyond engineering trajectories for specific product or process technologies and affect the input cost structure and conditions of production and distribution throughout the system (Freeman and Perez, 1988: 47).

<sup>&</sup>lt;sup>10</sup> In Schumpeter's notion, entrepreneurs are 'only a small fraction of population' who has the courage and desire to 'break the routine' not necessarily by inventions but mostly through innovations (Schumpeter, 2005; 132).

<sup>(</sup>t)he function of entrepreneurs is to reform or revolutionize the pattern of production by exploiting an intervention or, more generally, an untried technological possibility for producing a new commodity or producing an old one by new way, by opening up a new source of supply of materials or a new outlet for products, by reorganizing an industry and so on (ibid).

However innovation itself became a routine, it turned into a business for technical teams of firms which led the entrepreneurs to lose their social function (ibid). Depersonification and automatization of this process prepares the end of capitalist enterprise and capitalism, altogether:

The perfectly bureaucratized giant industrial unit not only ousts the small or medium-sized firm and "expropriates" its owners, but in the end it also ousts the entrepreneur and expropriates the bourgeoisie as a class which in the process stands to lose function. The true pacemakers of socialism were not the intellectuals or agitators who preached it but the Vanderbilts, Carnegies and Rockefellers. (ibid: 134).

potential productivity for all or most of the economy and opening up an unusually wide range of investment and profit opportunities (Freeman and Perez, 1988: 48).

Fordism was the techno-economic paradigm for the fourth long wave where post-Fordism refers to the techno-economic paradigm for the fifth long wave. The crisis of the fourth long wave occurs due to 'the mismatch between an emerging technoeconomical paradigm which could renew growth, and the enduring socioinstitutional framework<sup>11</sup> of the fourth Kontradiev' (ibid: 13).

There are similarities between the regulation approach and neo-Schumpeterian approach apart from critical differences:

There is broad agreement between the two approaches over: the cyclical nature of capitalist development; the periodization and general dynamic of Fordism; the significance of degree of match between, in neo-Schumpeterian language, the techno-economic paradigm (regime of accumulation) and the 'socio-institutional framework' (mode of regulation) and the stability of a 'long wave' or 'long-cycle' of economic development. One major difference, however, is the salience attributed in the neo-Schumpeterian approach to technology and technical standards in initiating, sustaining and separating individual long waves (Amin, 1994: 11).

Neo-Schumpeterian approach is criticized for being technologically determinist. Elam (1994) claims that the strong determinist power attributed to technology in ending and starting new long waves should be blended with a notion of social innovation (pg. 49).

Similar to neo-Schumpeterian approach, the flexible specialization approach also stresses 'technological paradigms', however social innovation weights more than technology in the latter framework (Elam, 1994: 50). The flexible specialization approach explains the transition as an outcome of the changes in international economy; tandem developments of 1970s, specifically ever increasing competition in globalization markets, bring the end of the old school mass production and its organization of labour and standardized products and replaced it with the 'flexible'

<sup>&</sup>lt;sup>11</sup> Here, 'the socio-institutional framework' refers to 'management and labour attitudes, industrial relations, working arrangements, industrial expectations, and political and economical priorities' (Amin, 1994: 13).

production. It is flexible as it easily adopts the novelties in the rapidly changing global markets. Scott (1988) stresses three industrial components of flexible production:

(a) revived artisanal and designitive industries producing outputs largely but not exclusively for final consumption, (b) various sorts of high technology industries and their associated phalanxes of input suppliers and dependent subcontractors, and (c) service functions, and most especially business services (Scott, 1988: 11).

In this respect, mostly depending on the second component that Scott defines, Marshallian Industrial Districts have the leading role in flexible production; in these industrial districts, large-scale companies have broken into small-scale enterprises, these enterprises are connected to each other through the networks they produce (Scott, 1988).

It is critical to note that the developments Scott and Storper propose in their collective and separate works, are not considered as 'positive' developments by the authors. In their articles, they mostly stress the low rates of unionization, low rates of wages, diversified structure of labour, pro-capital local government practices as negativities. Yet, most of their followers—that is to say, later studies that establish their analysis on flexible production—do not consider these dimensions of such a transformation, and hence present the transition to flexible production as a positive stage.

Scott and Storper establish their works on an analysis of capitalism that consists of supervening stages. The stages in their analyses are defined through the dominant industry of production of the era. Each dominant industry creates its own spatiality, when the dominant industry has been replaced by another one, spatial changes arise in production (Scott and Storper, 1987: 216; see also Storper and Walker, 1984). An industry declares its dominance if it accomplishes great percentages of growth or employment, if it opens the way for the development of other sectors and if it produces essential capital goods; all of these have an impact on social and economic development (Scott and Storper, 1987: 216). Following such a criteria, textile was the dominant industry of the nineteenth century, whereas automotive and domestic

appliance industry took over the dominance between 1920 and 1960. The dominant sector after that time has become new industrial high technology which leads to the transition to flexible production (*ibid*). Especially micro–electronics has the major role in this transition and has two aspects: first, it leads to industrial concentration for high-tech industries (such as Silicone Valley); second, it creates geographically disorganized units that are involved into routinized functions (Scott and Storper, 1987: 217).

In the framework of the flexible specialization approach on transition to post-Fordism, New Industrial Spaces become the lynchpin of the analyses of the post-Fordist era.

# 3.1.2. New Regionalism

New regionalism stands on two main arguments: the first one is the historical and empirical claim that the regional scale is the basis scale for economic development; and the second is the normative one that suggests the regional scale should be on the focus of the economic policies (Lovering, 1999 cited in Yılmaz, 2006: 199).

Lovering (1999) defines various strands within New Regionalist thought. The first strand (Piore and Sabel, 1984) stands on the claim that region gained its fundamental role as a result of post-Fordism. The second one is based on an institutional perspective, and adds the emphasis of civil society to the former one while also underlining the effectivity of the regional scale for flexible production, instead of the nation state scale. Amin and Thrift (1995) follow the latter line of argument, claiming that the local institutional capacity is a fundamental determinant in embedding to the forces of globalization.

Institutional capacity of region is attributed a crucial importance, as the institutional capacity of region refers to 'the way in which local knowledge, relationships and motivation interact to create a milieu conducive (or not) to learning, innovation and growth' (Webb and Collis, 2000: 859). The importance attributed to institutional capacity as a notion, is also visible in the policy prescriptions: policy makers are

expected to be sensitive about the construction of a suitable framework that will pave the way for development of the region's untraded interdependencies<sup>12</sup>, 'which facilitates institutional learning, which strengthens networks of association and generates clusters of innovation' (*ibid*). 'Institution' as mentioned here refers to the 'recurrent patterns of behavior, habits, conventions and routines' (Morgan, 1997: 493). As a matter of fact, 'the reflection of the notion of institutional capacity to the policy prescriptions' is not a quite proper expression since for New Regionalists 'the policy tail is wagging the analytical dog' as Lovering (1999) puts it. Furthermore, he proposes:

The ideas in the New Regionalist package are there because they seem to resonate when viewed from the point of view of a wish to focus on the scope for policy initiatives at the regional level. This, rather than logical or historico-empirical considerations, determines which ideas are allowed for inclusion in the bundle and which are not. It is impossible to resist the conclusion that the policy tail is wagging the analytical dog and wagging it so hard indeed that much of the theory is shaken out (Lovering, 1999: 390).

Amin (1999) depicts 'the institutional turn' and 'neo-Schumpeterian endogenous growth theory' as the elements to form the base for New Regionalist thinking. The first of these notions, institutional turn, refers to the 'growing recognition of the importance played by these in the process of regional economic development' (Webb and Collis, 2000: 858). The second component, endogenous growth theory, lends to New Regionalism few of their core notions: entrepreneurship and competition (Porter, 1998). 'Regional competitiveness' is the basis for all New Regionalist studies. This competitiveness is sustained through learning from customers, suppliers or other firms (Morgan, 1997), therefore the notion of the 'learning regions'<sup>13</sup> has great importance in New Regionalist analyses. The learning regions of New Regionalism gain its competitive power from its *sine qua non* characteristic of innovativeness and which provides it with a solid competition power, compared to

<sup>&</sup>lt;sup>12</sup> Untraded interdependencies 'take the form of conventions, informal rules, and habits that coordinate economic actors under conditions of uncertainty; these relations constitute region-specific assets in production' (Storper, 1997: 5).

<sup>&</sup>lt;sup>13</sup> Florida (1995) declares regions as the important modes of economic and technical organizations as the learning regions operate as 'collectors and repositories of knowledge and ideas, and provide the underlying environment or infrastructure which facilitates the flow of knowledge, ideas and learning' (pg. 527).

those whose 'competitiveness based upon price/cost advantages provides a weak position always under the attack of new entrants' (Storper and Walker 1994: 48).

Krugman (1997) calls attention to the danger of obsession with 'competitiveness' of New Regionalists as it might veil the questions of the uneven power relations in the context of regional development: 'Thus, as regional alliances and academics endeavor to convince each other that ''everyone is a winner'', it is surely unwise to ignore the spectra of globalized neoliberalism and interterritorial competition and the socioeconomic relations of exploitation and acrimony they entail' (MacLeod, 2001: 819).

Lovering asserts that the New Regionalist conception of region is mainly based on the exploration of economy and society depending on 'political-economic tradition business studies, neo-classically inspired economic geography, and policy-driven studies of technological change'. Accordingly, local (region/city) is perceived as the area of industrial independence and as a melting pot for competitive industry at the regional level, instead of an 'over-determined' venue for the intersecting relations of power that is characteristic to capitalism (Lovering, 2003: 45). The literature on New Regionalism focuses on notions of 'learning' and 'knowledge', generally, 'unfettered by either fact or theory' (ibid). Thus, 'New Regionalist approaches have been much more inclined to prescribe, or rationalize, the activities of the new regional elites' (*ibid: 45-6*). This predisposition is also apparent in their discourse of 'innovation', 'associative governance', 'clusters' and 'regional competitiveness'.

In the light of the main conceptions that have been briefly reviewed above, the perception of economic and political in New Regionalist thought and the notions of state and market will be evaluated in order to clear the way for discussion of the New Regionalist literature on Anatolian cities.

#### 3.1.3. New Regionalism as A 'Third Way' to State and Market Dichotomy

The studies on regions in the context of the transition from Fordism to post–Fordism, even has announced the end of the nation state (see Ohmae, 1995). The developments in world economy, namely market liberalization, globalization and the increasing mobility of capital due to these phenomenon, is considered as the reasons for the degrading power of nation states to formulate and implement economic policies *vis-à-vis* ever the increasing power of market mechanisms. The scale of the nation state started to lose its ability to handle the recent developments in global economy: the national scale is either too small or too large: it is too small to solve problems with globalized capitalism and too large to respond to the fast changes quickly (Amin and Tomaney, 1995; Keating, 1998) or as Giddens (1998) put it 'too big for small problems and too small for big ones' .This need is said to be responded by 'governance'.

Governance is in a sense the organizational opposite of 'government'. Instead of the hierarchy of governmental organization, governance 'indicates heterarchic self-organization as opposed to the hierarchical mode of organization associated with the term government' (Jessop, 1998, cited in Webb and Collis, 2001: 858). From this perspective, the case in point is a failure of the central policies and response of local, as Webb and Collis put it:

The central argument here is that a nascent mode of regulation and coordination based around inter-firm networks and public private partnerships at the regional level has developed from below in response to the failure of top-down policies to deal with the subtle complexities of local and regional development in a globalized world' (Webb and Collis, 2000: 858).

Storper (1997) insists on the importance of supply-side orientation, which is sensitive to the needs of structure of regional economies, as the key feature of successful governance. Crucially, stress on the nation state in this new 'governance' phase is rather weak. The nation state is mentioned as an ineffective mechanism and its role in facilitating and organizing the institutional reforms to form regional governance is under-emphasized (Webb and Collis, 2000: 862). This may be because of the common approach to regard the 'past' wherein prevails the

organizational hierarchy of 'government' as representative of inefficiency. In contrast, the 'present' is celebrated as the venue of economic practices depending on networks represented by 'governance'. MacLeod agrees with the implementation of New Regionalist discourses on nation state in the current phase of capitalism: 'the nation-state is confronting a series of immense challenges to its erstwhile power and its institutional capabilities, legitimacy and territorial mapping'' (MacLeod, 2001: 813-4).

Put in the simplest terms, the New Regionalism's conceptualization of state would sound in the following way: state power faced a challenge from globalization and it has been defeated. This misconception is mostly because of the lack of the notion of a capitalist state. Because the state is perceived as 'national', the downscaling to the local or upscaling to the global are interpreted as threats to the 'national' scale. The national state is depicted as the object of rescaling developments, just an oldfashioned institution that is exposed to destruction by ongoing developments.

Amin (1999) claims that New Regionalism presents a third alternative to the statemarket dichotomy. Amin mentions the deficiencies of the 'Keynesian legacy' and the neoliberal approach, and concludes that there is a need for a third approach:

The common assumption in both approaches, despite their fundamental differences over the necessity for state intervention and over the equilibrating powers of the market, has been that top–down policies can be applied universally all types of region... In short, the choice has been that between dependent development or no development...Partly response to these failings, more innovative policy communities have began to a third alternative, informed by the experience of prosperous regions characterized by strong economic interdependencies... However, its axioms contrast sharply with those of the policy orthodoxy, in tending to favour bottom-up, region-specific, longer-term and plural-actor based policy actions (Amin, 1999: 365-6).

Based upon this assertion, Webb and Collis (2000) claim there is a strong possibility of the convergence of the New Regionalist notion of economy and the discourse of Third Way.

'Third way' by its literal reference, implies that there have been two other 'ways' to which it appears as an alternative. Referring to Giddens (1998), these two are old-school concepts of social democracy with their stress on either state or neoliberalism (or the New Right), which attributes the major importance to the market. Hence, Third Way aims to find a middle approach between these two extremes—extreme, in its own sense. It should be questioned though, what kind of balance they formulate between the two. A cursory answer would be to advocate the rejection of the former one and adoption of the latter. Third way claims to embrace the economic policies of New Right and social policies of the left.

Other than Amin's own words on presenting a 'Third Way' and the claimed relation of Third Way and New Right, Webb and Collis propose that New Regionalism serves to legitimize the critical axioms of New Right by 'presenting the developments it purports to describe in terms of enhanced reflexivity and greater scope for self-determined activity' (2000: 862). They claim further that New Regionalism interiorized the New Right Ethic that attributes the responsibility of the economic failure to the individual (*ibid*). New Regionalism states the reason of economic failure as the inadequacy of 'action frameworks' formulated by the regional actors, instead of referring the uneven development patterns of capitalism or popular story of 'hostile brothers<sup>14</sup>, (*ibid*, 863).

It is not anomalous to claim a connection between New Regionalism and New Right. New Right appears in the post-1970 era with the collapse of welfare state.

<sup>&</sup>lt;sup>14</sup> 'Hostile brothers' is a popular metaphor for competing localities in literature on local and regional development. The phrase originally belongs to Marx; in Capital (Volume 3), Marx refers the relation between capitalists by the phrase 'hostile brothers'. For instance '(H)ow much the individual capitalist must bear of the losses, *i.e.*, to what extent he must share in it at all, is decided by strength and cunning, and competition then becomes a fight among hostile brothers'.

Thatcherism and Reaganism are leading political projects of New Right which adopted pro-market, deregulationist economic policies. The policies adopted were based on deeper intellectual roots of Hayek and Oakeshott.

Hayek defines a double order of society: constructed order and spontaneous order. Constructed order may refer to planning and spontaneous order corresponds to the market. Constructed order should only operate to create the suitable environment for spontaneous order. The constructed order, or governmental planning, results in government's tyranny and oppression. State, in this framework, is interpreted as 'always a dead hand, a burden, however necessary, on the creativity and energy of civil society' (Gamble, 1996: 187).

Oakeshott, who is regarded as a conservative liberal, defends that the role of the state is only establishing the rules: it should not undertake happiness, coordination or education of the people as duties:

Oakeshott criticizes the liberal view of the state as a conciliator of interests, which he considers to be as remote from civil association as the idea of the state as promoter of an interest, and he declares 'it has been thought that the "Rule of Law" is enough to identify civil association whereas what is significant is the kind of law: "moral" or "instrumental" (Mouffe, 1993: 67-68).

Webb and Collis (2000) define New Regionalism as an ideology and system of thought: it is ideology due to Hawkes' depiction of ideology as 'a false consciousness resulting from the belief in the autonomy and determining power of representation' (1996: xi; quoted in Webb and Collis, 2000: 862) and a system of thought 'which emphasizes the determining power of representation as a means of propagating a systematic falsehood, namely that economic prosperity depends upon the form taken by particular territorially bound modes of representation' (Webb and Collis, 2000: 862).

#### **3.1.4.** New Industrial Spaces:

It has been argued that due to the developments that took place post-1970 -namely the weakening of the state with its financial, decisive and distributional powers, and the increasing global circulation of capital- have been the reasons why a shift has taken place from state–directed development policies to the prominent position of competitive localities that take their power from their learning capacities (Eraydın, 2002: 200).

These developments pave the way for debates on self-developing localities with a stress on small enterprises. However, the explanation supplied by these debates has limitations for contemporary local developments and has led to the rise of new local development models (*ibid*). New Industrial Spaces is one of these models which rise upon the notions of competitiveness and cooperation. The basic tenet of this approach is to emphasize profits from clustering, since learning processes operate through spatial experiences.

Literature on New Industrial Spaces gained popularity in the 1980s through their motivation to explain the uniqueness of individual localities that experienced the concentration of industrial activities. New industrial Spaces are evaluated due to their superiorities over other regions in this regard. Popularly referred to as New Industrial Spaces in the first examples of the literature are Baden–Württenberg Region in Germany, Emilia–Romagna in Italy and Silicone Valley of United States of America. Following the analyses on these regions, some export oriented industrial regions in Turkey are also referred to as New Industrial Centers (see Eraydin 2002, for instance). Before reviewing the New Regionalist literature on Turkish industrial cities, a brief discussion of the industrial regions of Germany, Italy and United States will be presented to supply a critical base for the New Regionalist literature on Anatolian experience.

Throughout their study on Baden-Württemberg region, Cooke and Morgan (1994) define three bases of the success of the region: vertical and horizontal network relations between firms, vocational training-education system and state and private

investments to support regional development, which consists of innovation and technology transfer. What rise from these three strengths of the region are small and medium scaled enterprises that are involved with machine production and big firms such as Mercedes-Benz and the small subcontracting firms around them.

Emilia–Romagna of Italy -which is also referred to as Third Italy- is more diversified in industrial production than Baden–Württenberg. Emilia–Romagna is a rich region in which many small 'flexible' firms operate mainly in ceramic, textile and mechanics. In this region production is carried on small and medium sized enterprises and used to exemplify 'flexible production' widely. Piore and Sabel (1984 cited in Y1lmaz, 2011: 74) highlight that the foundations of flexible production in Third Italy are as follows: workers whose contribution to production depends on their knowledge and talents, product differentiation, developing new production processes and local actors that supports the production process. Due to the high-tech small scale enterprises of Third Italy, Piore and Sabel (*ibid*) believe that creativity and talents of workers, which is filed under Fordist production, will further develop. It seems that this strong assumption makes Piore and Sabel (1984) stress the talent and knowledge of workers throughout the success story of Third Italy, which may also be referred as the social capital of the North Italy on which Putnam (1993) develops an institutional analysis.

Putnam (1993) explains the importance of the social capital in developing the economic and political performance instead of the claims of the reverse of this statement (pg. 179). To this end, he establishes an analysis on the historical cultural characteristics of northern Italy in comparison to southern Italy. Putnam (1993) proposes the creation of the civic capacity that lead the development of the North depends medieval city-states which leads the nineteenth century developments in cooperatives, voting behaviors and further fed the recent developments of the regions. In this line of thought, Putnam (1993) states

As the 'new institutionalists' have emphasized, institutions –and we would add the social settings that condition their operation– evolve through history, but they do not reliable until they reach unique and efficient equilibria. History is not always efficient in the sense of weeding out social practices that impede progress and encourage collective irrationality. Nor this inertia somehow attribute to individual irrationality. On the contrary, individuals responding rationally to the social context bequeathed to them by history reinforce the social pathologies (pg. 179).

Tarrow (1996) criticizes the analysis of Putnam (1993) mentioned above by stressing lack of 'agency' in the analysis, more specifically lack of 'state agency'. Tarrow (1996) also rejects the perception of history in Putnam's (1993) analysis, Tarrow (1996) states that "History is not a neutral reservoir of facts out which viable generalizations are drawn" (pg. 396). The state is external to Putnam's institutional set up examined throughout the Italian history. Putnam (1993) ends up with a Tocquevillian policy recommendation for Third World: "Work to develop networks of social capital in the cities and cooperative arrangements" (Torrow, 1996: 396).

Silicon Valley is characterized by clustering. Felbinger and Robey (2001) define clusters as 'geographic concentrations of competitive industries that either have close buy-sell relationships, common technologies, or that share a labor pool that gives businesses within the cluster competitive advantage' (pg. 69). In this definition stress seems to be on competitiveness of firms which are in the same 'network' of relations.

In sum, New Industrial Spaces literature originally evaluates the concrete cases of Baden- Württemberg, Third Italy or Silicon Valley due to the their competitive power, mutual and competitive relations with other firms and their contribution to creativity both for workers and production processes. These regions are still celebrated as success stories; yet, some of these regions are experiencing economic problems, as MacLeod puts it,

These regions continue to be acclaimed as post–Fordist exemplars of economic success whose routes to prosperity were founded on agglomerations of small and medium firms in high technology (Silicon Valley), engineering (Baden-Württemberg) and design-intensive traditional craft sectors (the Italian districts). But, in turn, it is this prolonged fixation with such stylized success stories that Lovering considers to be limiting both the geographical scope and the analytical rigor of the current wave of New Regionalist analysis. Not least in that, for a few years now, some of these prototype regions have been facing economic problems and institutional rigidities (MacLeod, 2001: 801).

These appear to be the common bases of analyses in these cases, so these are expected to be stressed equally for the New Regionalist literature on Anatolian cities, also. Obviously, the genuineness of each case has been emphasized, still the main steps of their success has been set to a common base of competition of the firms in complex network relations and the partnership of state and private investments with less dependence on central institutions through the practices of governance.

New Regionalist literature generally defines a common good of society as an outcome of the development of , trust and cooperation in regional industrial development which are essential in the development of local industries. Such a 'common good' veils the tension arising from the declining condition of labour and asymmetrical relations between competitive firms due to price shrinking competition.

# 3.2. New Regionalism and 'Anatolian Tigers': Spatial Transformation in the 1980s

The milestone of the 'new' phase of regions is pointed as the 1980s-when the protectionist economic policies have been left behind and market forces took control: the steps towards liberalization of economy went hand in hand with the restructuring of various institutions (private, public or semi–public), all the changes in economic policies aiming at liberalization (and support of institutions) paved the way for spatial transformation (Eraydin, 2002; Eraydin and Armatli- Koroglu, 2005, Erendil, 2000). Spatial transformation in New Regionalist literature mainly describes transition from national to sub-national level organizations due to technological change (especially in the communication sector). In the New Regionalist literature on Anatolian experience, the 1980s have a crucial importance due to the role of exports in the rise of localities other than the big cities in which productive sectors used to intensify earlier:

While the areas with relatively developed manufacturing capacities became the cores of export activities, the regions with a weak manufacturing basis obviously had difficulties in becoming involved in the newly–emerging trade relations with the external world. What is striking during this spatial economic transformation is the increasing importance of some industrial agglomerations that are located far from the earlier manufacturing cores, in terms of production and exports' (Eraydın and Armatlı-Köroğlu, 2005: 244).

It is a common line of argument that 1980 is clearly demarcated as the milestone for the destiny of Anatolian SMEs. According to this argument, before this critical date, regions used to be subjected the policies determined by state due to its desires on income distribution where after 1980 state could not keep its determinant pose before globalization which led rapid industrialization of Anatolian cities. I would like to place the citation of their description of timeline as the depiction is a clean-cut sample for this popular reasoning.

Before the 1980s, regional economic growth had mainly depended on the state's income redistribution and welfare policies. During this inwardoriented policies era a few metropolitan regions dominated Turkey's industrial production. However, after 1980, it became difficult to sustain interventionist state policies within the context of globalization processes and state-led development strategies were replaced by market-directed and export-oriented policies. In this context, some less developed areas have exhibited rapid increases in manufacturing activities, showing the potential of areas outside the major industrial metropolises (Istanbul, Ankara, Izmir and Bursa) (Köroğlu and Beyhan, 2003: 229-230).

The evolution of 'local' economies where SMEs have gained more importance arise from changing global conditions, and the adoption mechanisms that SMEs employed to survive and gain competitive power before their global rivals. Köroğlu and Beyhan (2003) insist on the role of the state's fading from stage on the rise of SME's, particularly for the rise of Anatolian Tigers. In this regard, post-1980 changes in economic policy orientation have built on the traditional organization of production in successful Anatolian cities in order to integrate them into world economy as suppliers to the greater firms.

# **3.2.1.** Anatolian Cities as New Industrial Spaces: Competition and Cooperation as Bearers of Innovation

Is it possible to explain the Anatolian cities' industrialization experience through the New Industrial Spaces conceptualization? Eraydin (2002) tries to answer this question by presenting analyses on the types of the export products of cities, innovative capacity and innovations on technologies and products, and organization of production. The fundamental merit attributed to SMEs by the New Regionalist literature is their innovativeness. Taking the innovativeness as granted, New Regionalist studies especially on Turkish SMEs try to find reasons that hinder the potential innovation capacity of these enterprises, even if it is often an implicit question in the background of these studies. An example that implicitly has this motivation is Köroğlu (2006)'s study on Anatolian SMEs; she presents a general layout of definition of organizational models, how these organizational models take peculiar forms for particular localities and the factors in the process of establishing network relations that put spanner in the capacity of 'innovativeness'; the proposition of this study does not address a concrete outcome or possible outcome of the innovativeness of SMEs. Innovativeness is just a potential now, and it has always been a potential for the Anatolian SMEs that Köroğlu (2006) consider, as far as it is concerned. The experiences of Third Italy and similar regions are affirmative of the innovative capacity, and it is referred to in the study, as well.

Eraydın (2002) claim that the New Industrial Spaces notion of the New Regionalist literature has an explanatory power on experiences of certain Anatolian cites. Since these cities are just at the start of the development phases of industrial spaces, the following phases foreseen by New Regionalist literature on New Industrial Spaces are believed to be obtained by these cities through the efforts of local entrepreneurs, local labour and local actors, sparingly (Eraydın, 2002). New Regionalist literature on Anatolian Tigers mainly stresses the same point that literature on Germany, Italy and United States experiences and that has been briefly mentioned before. For instance, Özelçi-Eceral (2006) defines the conditions of regional development as local institutional innovation, local leadership, economic renovation, new relations to enforce social development, customs, norms, local-national actors, stratified institutional forms such as public-private partnership (pg, 479 cited in Yılmaz, 2011). Furthermore, one of the magic ideas of New Regionalist literature, cooperation, has been stressed in many studies on individual stories of Anatolian Tigers. As a popular exemplary case, Denizli is characterized by family firms that are specialized in one stage of production and operate in harmony with other firms in the pre-1980 era (Eraydın, 2002; Varol, 2002; Özelçi, 2002). These cooperative family firms are presented as carriers of flexible production through their harmonized specializations and attributed a tendency to 'cluster' due to their spatial concentration (Penbecioğlu, 2009: 140). Denizli, as one of the Anatolian Tigers, is characterized by industrialization building on the knowledge and competitive power of small and medium sized enterprises.

The success of the Denizli cluster depends on the local collaborative environment, the availability of high quality raw materials, the historical roots of textile production and entrepreneurial capacity. Moreover, the local environment mainly depends on competition that is balanced with cooperation, which is based upon mutual trust. The results of this study also reveal that both local competitors and local trust circles such a family and kinship relations, friendship and compatriot relations, religious communities, relations based on past familiarity are important as sources of knowledge (Eraydın, Armatlı-Köroğlu, 2005: 251).

The differences of experiences of developed countries and underdeveloped countries are also specified. The development of Anatolian industry gains importance as a representative of local dynamics of a peripheral country that led to export-led growth:

Their experience is important, since their path of growth indicated that the industrial clusters located in the periphery could be competitive at the international markets, at least at certain fields of production. The interesting finding is that export-led growth can be achieved by local dynamics, not necessarily by the state support' (Eraydın and Armatlı- Köroğlu, 2005: 260).

The consideration on the diversity of experiences of different countries is one of the common stresses of literature on Anatolian cities as New Industrial Spaces. Even though it deserves appreciation, the purpose of the stress on the originality of different experiences sometimes seems to be an excuse for the insufficient innovative activities of these industrial spaces. The first difference between the new industrial centers of developed countries and underdeveloped countries concerns the

organization of production. The former depends on production networks, vertical organization of production, flexible production and specialization in different stages of production. In the case of the latter, small firms in the production network consent to vertical integration when the increasing demand for the product reaches a level that single firms are not able to meet (Eraydın, 2002: 172). Cooperation networks are also different in the Turkish experience. In developed countries firms of a region cooperate to carry their regions into world markets. However, for the firms in Anatolian cities, this is not a general motivation. Eraydın (2002) defines diverse natures of tendencies for three Anatolian cities (Denizli, Gaziantep and Çorum), Denizli has the most observable formal cooperation networks, in Gaziantep and Çorum cooperation networks are either informal or coincidental (2002: 174).

Besides showing different organizational behaviors, the export products of the Anatolian cities are also different than that of the regions of the developed countries (Eraydin, 2002). The export products are not special products that are developed within the particular locality. Rather, they are standard products. Hence no important proof for the existence of innovative behavior or product development is observable; production depends on the imitation of production technologies or products. Eraydin claims that the absence of innovation in the Anatolian firms arises from lack of contribution from local and national institutions and universities (2002: 178).

Eraydın (2002) lists the indicators of being a New Industrial Space as: relatively high amounts of exports to the international market performed by the region compared to previous industrial centers, escalating welfare level of the region, and competitive power of the region (pg.19). In this sense, two distinctive features of the New Industrial Spaces of Anatolia are domestic production that is oriented to international markets and motivated by a competitive force, and capacity to discover and create (Eraydın, 2002:38). These distinctive features are outcomes of non-market mutual commitments and learning through these non-market mutual relations (ibid, 41).

Studies that refer to the pre-1980 environment of traditional production methods for certain Anatolian cities as the origin of its becoming of a New Industrial Space, insist on the existence of concepts such as 'cooperation' and 'co-working' or trust. This

approach results from an effort to stress a kind of social homogeneity and/or harmony in these cities as a heritage of production. This stress on inherited values veils unequal development, class conflicts and structural contradiction arising from capitalism and reaches a conclusion that regional development would generate desirable conditions for any segment of society (Penbecioglu, 2009: 7).

What we have seen in Denizli is that the driving force behind the unprecedented development in the town's textile and clothing production is highly dynamic small and medium-sized firms and their relations based on mutual trust. These relations, which had been part of a survival strategy of artisans under the conditions of poor local economy in the previous period (Pinarcioğlu, 2000: 265).

New Regionalist literature on Turkey stresses the competition as the dynamic of development of entrepreneurial spirit; yet the highlight on the coexistence of competition and cooperation due to the common background of small and medium sized firms is always noted:

As we know, the initiators of the local transformation in Denizli were small and medium-sized firms seizing abundant opportunities which emerged through linkages with international retailer chains, wholesalers or producers. Because of their small size, these firms had to construct close local subcontracting relations to carry out production according to specifications provided by international firms. In the meantime, imitation and competition (without ruling out co-operation among producers who had more or less equal powers and very common grounds) have contributed to the expansion of the entrepreneurial spirit in the local economy (Pinarcioğlu, 2000: 271).

On the other hand, Erendil (2000) critically evaluates the attribution of such competitive and cooperative motive to Anatolian small and medium enterprises. She states that production relations among these firms are getting a hierarchical form and this wipes the cooperative base out (Erendil, 2000: 111). Erendil concludes that destruction of cooperative base implies the validity of network theories (*ibid*). Network theories<sup>15</sup> stress 'horizontal' organization instead of the old 'vertical' style. What all 'capital' needs to do is to hold access to critical cities which open the way

<sup>&</sup>lt;sup>15</sup> Cooke integrates network theories into new regionalist framework. In this context, three types of milieux might be observed: technology regions, technopols and hybrid spaces. The first one refers to the regions that consist of formerly organized small and medium scaled enterprises, technopols are the region into which big companies carry their disjointed research and development departments; finally, hybrid spaces is defined as the mixture of these previously described types of milieux, and organized by the partnership of SMEs, universities and governments (Cooke, 1997: 37).

for global market. This process completely drives nation-state out of the picture by de-structuring its previous relations (Hardt and Negri, 2001: 332).

Varol (2006) evaluates the Denizli and Gaziantep experiences through the networks in which the firms of these cities take part. From his point of view, in the beginning, the firms used to be in equal positions in network relations; yet, after this equality has disappeared to create an asymmetrical network relation. This asymmetry, now lacking reciprocity or interdependence critically determines the relation between a subcontracting and international firm. Studies on Denizli popularly search for a flexible production model to fit on the experience of the city. Nevertheless, scholars who employ flexible production as the explanatory idea for Denizli emphasize that Denizli fits neither into a 'cluster' nor into a 'solar system' model (see Aslanoğlu 2001 and Küçüker 2001). Based upon these two definitive flexible production models, Aslanoğlu (2001) derives a new model of organization within New Regionalist framework to define Denizli: a 'star cluster'. To expand the comprehensiveness of the flexible production analysis for these rule-breaker cases, it is stressed that models of flexible production may take sui generis forms for singular regions and/or localities (Küçüker, 2001). Therefore 'cluster' or 'solar system' models are not ultimate models for flexible production practices, many different models might be well observed for various experiences.

Particularly for the experience of Anatolian cities, Küçüker (2001) defines a spectrum of flexible production practices; two extremes on this spectrum are marked as Denizli and Gaziantep cases. He asserts that Denizli used to be the least developed city relative to its neighbors; nevertheless following the specialization in product/sectoral base, it has established relations with international economy (Küçüker, 2001: 487). Gaziantep, on the other hand, has always been a regional center. Therefore its experience is a model for transformation of a historically developed city to a multi-sectoral internationally oriented urban economy (Küçüker, 2001: 488). Once such a spectrum is established by marking extremes according to the starting positions of cities, Küçüker asserts that even if there is not a comprehensive abstraction or model for Anatolian cities' cases, it is possible to observe certain common points of these cities. Most significant of all, they are all

directly related to technical and organizational developments, within a global-local integrality (Küçüker, 2001: 488).

New Regionalist literature that defines entrepreneur Anatolian cities as New Industrial Spaces assumes competitive localities which are competitive enough to encourage innovation, and cooperative local actors to organize for further development of local. However the base of the competition in Anatolian SMEs is not stated when the positive outcomes of the competition are glossed over. The competitive power of Anatolian SMEs depends on cost minimizing, labour-intensive production bases on cheap and commonly informal labour, therefore their competitive power is vulnerable, especially in periods of crisis (Bedirhanoğlu and Yalman, 2009). Developments in the 1990s clearly proved that the integration of Anatolian firms to the world economy as suppliers of great firms has been due to the employment of cheap labour and fierce competitive atmosphere. Erendil (2000) also stresses that the main reason behind industrialization of Denizli has been cheap and qualified labour. Erendil (2000) is concerned about the possible risks of employing cheap labour. She states that a system which depends only on cost minimization and shrinking the product prices to gain competitive power stands on thin layer, because it escalates the inequality among firms and causes relatively weak ones to leave the sector. Erendil's (2000) warning reminds Storper and Walker's (1994) advise on competitive power which stresses the importance of establishing it on innovativeness rather than cost advantages (pg. 48).

Özelçi-Eceral (2006) present a study on the presence of the cooperative attitudes of the firms, their solidarity in organizational sense, and the importance attributed by singular firms to these behaviors of cooperation, if these behaviors exist. The clearcut answer to all these minor questions and the main one is negative depending on the empirical research carried out by Özelçi-Eceral (2006). The study concludes that the economic cooperation became fragmented due to the sudden industrialization and inconvenient economic climate (pg. 473). Critically, the size of the capital of the enterprise is directly proportionate to the activity of the enterprise within economic organizational structure (such as local development agencies, subconstruction cooperations among firms): small scale firms are nearly isolated from the organizational relations, whereas medium scaled and large scaled firms which are open to improvements actively play a role in shaping the policies of these organizations (*ibid*, 475-6). Subcontraction is seen as an advantage for the flexibility of the firms, since the flexibility of production that subcontraction relations present led the firms to exceed their capacity (Köroğlu and Beyhan, 2003).

### 3.2.2. The State and 'New Industrial Spaces' of Turkey

Eraydın (2002: 202, 2003: 103) stresses her concern of 'building a third way' for regional development: it is a third way as it pretends to develop a moderate approach between "the hard theories of economics and the soft theories of territorial development" (Eraydın, 2002: 103). The 'hard theories' refer to the attempt of economists to alter the classical development theories for territories, whereas "the soft" ones refer to institutional theories that concentrate on learning and innovation (*ibid*). This intention stated above completely fits in to the claim by Amin (1999) to create a third alternative to state/market dichotomy through New Regionalist framework. The implication of such a claim has been discussed before. The references to New Right and Third Way politics would be valid for the studies on Anatolian experiences that share the same point of view with Amin (1999). Furthermore, Eraydin's 'Third Way-ist' proposition seems to favor the state more as she advocates a 'State-directed New Regionalism'. The reasoning of this proposal is presented as follows: since the organization of the local is not suitable for operation for implementation of New Regionalist policies because of the inequality among localities created and further recreated by neo-liberal economic policies and insufficient rate devolution of authority from central government to local government (and sustaining patronage relationship of center and local), more 'creative' action to take will be supplied by 'State-directed New Regionalism' (Eraydin, 2002). What 'State-directed New Regionalism' is expected to provide cooperation various local actors, representatives of civil society and central government through regulations and clear the path for vertical decision making processes, and materialization of governance (Eraydin, 2002: 204).

The State-directed New Regionalism may well fit the case of Regional Development Agencies (RDAs). RDAs are a part of restructuring regional government in the European Union process of Turkey. Within this restructuring attempt, 26 'statistical regions' have been established at the NUTS-II level. In line with this statistical grouping of provinces, RDAs are meant to 'play a critical role in mobilizing support and funding for regional development projects' (Lagendijik, Kayasu and Yasar, 2009: 383). Regional Development Agencies entered the agenda in 2003 as a draft law. The purpose was to create autonomous local institutions that would allocate the funds (from central government and international bodies) and monitor the regional development process of the regions (Gundogdu, 2009: 290). Gundogdu proposes that the draft law was a statement of interventionist state as these local autonomous agencies were meant to be granted the right to decide on the allocation of financial funds and the usage of natural and social resources of the region (ibid). Due to the reactions against the draft law, it had retracted.<sup>16</sup> In 2005, a new draft law on the RDAs proposed, this time the abilities of the RDAs were quite restricted such as investigating the potential of region, or dealing with permissions of entrepreneurs (TBMM, 2005: 28 cited in Gundogdu, 2009: 291). The governance of RDAs would be threefold, including a Development Board, a Management Board, and a General Secretariat :

The Development Board is constituted of members from representatives of various public and private organizations, NGOs and universities, and primarily plays an advisory role. The Board thus serves to gain broad regional support and legitimization. What RDAs will need to overcome, in particular, is the image of Turkish state organizations as being overly bureaucratic and ineffective. Yet, they will also need to overcome potential resistance from public bodies that might feel intimidated by organizations which include powerful non-public agents. The Management Board is composed of provincial governors, mayors from metropolitan municipalities, the chairmen of the Chambers of Commerce and Industry, and three

<sup>&</sup>lt;sup>16</sup> The draft law of 2003 was supported by MUSIAD and TURKONFED as they state the RDAs would help development of the SMEs and create awareness on foreign investors for local entrepreneurs (Gundogdu, 2009 : 291); on the other hand TUSIAD did not support the draft law due to its proposition that weakening of the regulative power of central authority would damage the sustainability of economic success (ibid, 291). Apart from the fractions within the bourgeoisie, labour organizations reacted against the implications of the designation of the RDAs on opening new spaces for exploitation for international capital and damaging the institutional identity of the state (ibid).

representatives from NGOs or the private sector. The General Secretariat is the executive body in RDAs. Alongside, Investment Support Offices will be established, located in each province in related NUTS-II regions(Lagendijik, Kayasu and Yasar, 2009: 388).

As the quotation above states, the new form of law tries to include 'public' bodies more in the processes of regional restructuring and decisions on regional economic processes, to compromise the autonomous character of RDAs defined in the former draft law in 2003. The law came into effect with the support of TUSIAD despite the dissatisfaction of MÜSİAD and TURKONFED (Gündoğdu, 2009: 294) which are mostly identified as the voice of the local entrepreneurs. The discussion of the affectivity of RDAS are out of the scope of this work, yet the important implication of the RDA experience for the purpose of this thesis is to show how the process of establishing a body which might be described in the framework of 'State-Directed New Regionalism is not independent from the struggles within capital or between capital and labour. It does not just stand between the categories of state and market. The regional restructuring, a process in which RDAs play a role, is an attempt to overcome the problems of capital accumulation in the 1990s and the process itself is shaped by inter-class and intra-class struggles.

In the New Regionalist literature that has been evaluated, a major importance has been attributed to competition for opening way to further innovation which brings economic growth. The neo-liberalization policies in the 1980s are defined as the salvation of the market from intense intervention by the state. The increasing freedom of the market from the state, accompanied by technological developments especially in communications, paved the way for the rise of Anatolian cities that already had a production tradition. In this perspective, the state is seen as an obstacle for economic development as it hinders competitive power. Turkish state is accused for neglecting a strategy for private sector to support its competitive power in export markets: Nevertheless it can be said that during this period [i.e. the period after the adaptation of export oriented production] the state has focused on direct financial incentives but mostly neglecting institutional supports especially labour training and research and development. Considering this export period, the fragmented nature of bureaucracy, its devouring red tape and the importance of clientelist relations in the allocation of incentives have been the main problem for producers (Pinarcioğlu, 2000: 271).

The 'clientelism' and 'bureaucracy' pose obstacles for singular firms that want to take place in global networks through export oriented production. The state is expected to formulate policies to clear the way of export motivated firms whereas 'clientelism' is considered as another obstacle as bureaucratic red tape. In this line of thought the governmental structure of RDAs, mentioned above is designed to overcome the image of the organizations of the state as inefficient and overly bureaucratic (Lagendijik, Kayasu and Yaşar, 2009: 388).

Regarding the developments in 'globalization' and localization instances, Turkish state is defined as 'already lost its driving seat in the economy and faced its growing regulative incapacity' and its possible contribution to 'upgrading these localities towards ideal dynamic social and economic systems and provide better distribution of wealth particularly for the bottom of the society, instead of just waiting for the happy hour for trickle-down mechanism' (Pinarcioğlu, 2000: 273). In the process of answering the questions on the new role of state that emerges as a response to local developments, first of all, the state is conceptualized

(...)both as a part of global, national and local political and economic networks and as an organization which should take a new structure itself (paying attention to the local states and their relations among themselves and the central state as well as to their better connections with semi-public and private institutions) (Pinarcioğlu, 2000: 274).

It is obvious that the state is expected to be a part of network relations, as a regulator of the relations within the network, yet the state should get free of its hierarchically constructed position throughout its new regulatory role to respond to the needs of localities. In other words, the state should open more space to market for competition and cooperate with local actors for economic development. To conclude, the presented third way (to replace the state/market dichotomy) essentially begins with accepting the separation of state and market and tries to integrate the state into market networks such that the state would be a neutral institution, a member of network, yet is able to regulate private and semi-public spheres to a certain degree. For Turkey, since national networks are still important (to attain raw materials for instance) the state is said to need some more space to move as the regulatory body.

## **CHAPTER 4**

# QUEST FOR A RELATIONAL UNDERSTANDING OF 'ANATOLIAN TIGERS'

This chapter seeks to present the 'alternative' explanations to the rise of Anatolian capital, which mainly refer to the studies adopting the framework of state rescaling. In the previous chapters, the reviewed attempts to explain the rise of Anatolian capital either tried to fit the experiences of Anatolian cities into 'models' moving from which the policy recommendations are formulated, or evaluated the Anatolian Tigers on a comparative base within the history of Turkish state-bourgeoisie relations. This chapter aims to review alternative positions which read the Anatolian Tigers within a wider framework -namely, that of the state rescaling process. To that end, first, a general introduction to the rescaling literature will be presented before dealing with the literature specific to the Anatolian experience. Before going into such a survey, it should be noted that rescaling as a concept has also been employed by New Regionalist accounts which depict Anatolian cities as New Industrial Centers. Yet their rescaling analysis is a technical-organizational one: this account explains the reason behind rescaling by an increase in productivity and innovations (Gough, 2006). Even though these may be related to the rescaling process, it is important to see what is veiled by such an approach.

Gough (2006) states that these studies disregard class, gender or race while considering social relations. Furthermore, in this framework, social relations are reflected as non-conflicting and functional for a productive reason of rescaling. Contrary to technical-organizational approaches, scale is a historical outcome of social actions. It is not ontologically given and it is not objective; scale is a political project which is shaped by contradiction, struggle and cooperation of classes on space (Yilmaz, 2006: 189). Hence a technical-organizational approach ignores the

possible characteristics of social relations as the reason and the aim of rescaling process. Politics of scale, which will be emphatically mentioned later in this chapter, opens the path for avoiding technical-organizational interpretation of rescaling. In this chapter, the statement 'rescaling process' will be employed in its connection with power relations.

# 4.1. State Rescaling and Local Scale in Neo-liberal Context: An Overview of the Current Literature

Much of the literature on the ongoing process of simultaneous internationalization and localization since the 1970s argue that through the process of globalization place, territory and scale are deconstructed. "Placeless, distanceless, and borderless" global space is the main assumption behind such deterritorialization approaches (Brenner 1999: 61). The process is illustrated as an antagonism between the supra-territorial spaces of globalization and localities. Such conceptual setting eventually leads to the proposition that territorial state has declined, being eroded and disempowered by the process of globalization (ibid).

The literature on state rescaling might be seen as a critical response to these postmodern accounts. According to the rescaling approach place, space and scale are not being completely deconstructed, instead they are being reorganized (Buchs 2009: 38).

A relational approach to the rescaling process is established on the politics of scale. The main proposition of the conceptualization of politics of scale is the notion that as scale is politically constructed, it is subject to historical change through sociopolitical challenges (Brenner, 2001: 599). This approach to the production of scale is commonly employed to understand the ongoing socio-spatial practices in the current phase of capitalism. Smith (2003) suggests that the politics of scale is an effective tool both to construct a theoretical base to study contemporary questions on

competition and cooperation, and to understand the direction of the 'New Europe'hence, the restructuring of geographical scale (pg.228).

Adopting the concept of scale as socially and historically constructed has some strong methodological implications. The crucial question is how scales are "the result, the product of socio-spatial change"; rather than limiting the analysis with questions of the role of global and local in determining the conditions of life (Swyngedouw, 1997: 140). This question has been directed to many specific issues in production scale and rescaling, such as "the uneven development of capital and geography of industrial location"; "the changing geographies of state power, political regulation and sociopolitical identity"; and "the organizational structures and strategies of labor unions, political parties and social movements" (Brenner, 2001: 501).

Swyngedouw (1997) stresses the need for a continuous redefinition of spatial scales, instead of regarding them as fixed structures. This state of perpetual change of scale implies that the restructuring of scale must be an outcome of 'processes'; as scale itself is produced through complex processes that develop across various territorial places. Hence any level of scale cannot be taken as the inception of sociopolitical analysis (Swyngedouw, 1997: 141). Approaching scale as a produced entity stresses its relational characteristic. Such a thinking of scale would save one from the reductionism of describing external and competitive relationships between various scales of political economy –such as local versus global– and prevents the ahistorical perception of local as the primary object of study, which is common in regional studies (Bayırbağ, 2006: 56).

In order to clarify his advocacy of politics of scale instead of the usage of 'global' and 'local' as conceptual tools, Swyngedouw (1997, 2004) -among many others<sup>17</sup>-follows the Regulation Approach, at least by employing the vocabulary and heuristic tools advanced by the Regulation Approach. Through the ontological standing of process-based approach, Swyngedouw (1997) comes up with the concept of

<sup>&</sup>lt;sup>17</sup> see Peck and Tickell (1995) and MacLeod and Goodwin (1999), for instance.

'glocalization' by which he refers to the ''parallel and simultaneous movement to the smaller and larger scale, to the local and global scale'' (pg. 142). More specifically, developments characterizing the contemporary glocalization process are explained in the following manner: ''the spaces of circulation of capital have been upscaled, while regulating the production-consumption nexus has been downscaled, shifting the balance of power in important polarizing, or often painly exclusive, ways'' (ibid: 160).

Swyngedeuw (1997) lists several important rescaling processes: The first is the change in bargaining for wages and working conditions, which refers to "the devolution of capital-labor regulation from some kind of national collective bargaining to highly localized forms of negotiating" (pg. 157). The second is the hollowing out process, as " the hollowing out of the welfare state rescales relations to the level of the individual body through powerful process of social, cultural, economic or ethic exclusion" (ibid). Finally, the rescaling of state interventionism can be "either downward to the level of the city and region where public- private partnerships shape and entrepreneurial practice and ideology needed to successfully engage in an intensified process of interurban on competition, or upward" (ibid: 158).

Building on the foregoing methodological positions, rescaling studies of the regulation school seek for interactions, matches or mismatches between the scales of state and the scales of economy (Gough, 2006: 104). In search for such matches and interactions, some studies consider the rescaling of production as primary and others take the state as the determining actor in the rescaling process (ibid: 105). Purcell (2002) describes three main elements of state restructuring in the Regulation School analyses: (1) 'the state is re-scaling, shifting more responsibility and functions up toward the international scale and down toward the regional/local state'; (2) 'the state is moving away from the policy ensemble of social insurance and social welfare and toward the policy ensemble of workfare, job training, and supply-side intervention in production- in short from collective consumption to collective stimulus for production'; (3) 'the state (especially local state) has been increasingly transferring

its duties outside of the formal state structure to NGOs, quangos, and the private sector<sup>18</sup> (pg. 304).

#### 4.1.1. Spatialized Approach to State and Urban Entrepreneurialism

State Rescaling literature mostly regards Western Europe as the empirical case of the study. As such, urban entrepreneurialism is anatomized moving through Western European practices. However, main themes of urban entrepreneurialism depicted in these studies might be useful for the Anatolian case since urban entrepreneurialism is defined as depending on neoliberal themes such as 'local economic development' and 'local economic competitiveness'. Brenner (2003) attributes a greater importance to the urban entrepreneurialism as he believes that the entrepreneur cities are the key to understand the 'glocalized'<sup>19</sup> geographies of state power. Urban entrepreneurialism is a major point of difference that shows the break between Keynesian and post-Keynesian state:

In contrast to the Keynesian welfare national states of the postwar era, which attempted to equalize the distribution of population, industry and infrastructure across the national territory, the hallmark of glocalizing states is the project of reconcentrating the capacities for economic development within strategic subnational sites such as cities, city-regions and industrial districts, which are in turn to be positioned strategically within global and European economic flows. This emergent strategy of urban reconcentration is arguably a key element within contemporary post-Keynesian competition states and has generated qualitatively new forms of uneven spatial development throughout western Europe (Brenner, 2003: 206).

The following lines will present a brief discussion of local economic initiatives of these entrepreneur cities in order to enlighten the relation of the spatial transformation of the state and urban entrepreneurialism, once again as it has appeared in western Europe.

<sup>&</sup>lt;sup>18</sup> It is possible to paraphrase this third statement by using more popular words as 'from government to governance'.

<sup>&</sup>lt;sup>19</sup> Brenner (2003) asserts that claiming that the tendencies of the post-Keynesian state might be called as 'glocal' as "they involve diverse political strategies to position selected subnational spaces (localities, cities, regions, industrial districts) within supranational (European or global) circuits of economic activity" (pg. 198).

Local economic initiatives (LEIs) are portrayed as 'relatively weak local solutions to extra-local problems' by Peck and Tickell (1996: 402). Einsenschitz and Gough (1996) put emphasis on neo-Keynasian quality of LEIs. They suggest that even if neoliberalism has declared its dominance in post-Keynesian era, LEIs should be considered as neo-Keynesian rather than neoliberal as they intend to establish a non-market cooperation to be protected from market failures and as they use their local identity to cooperate between the state, the capital, and sometimes, labour (Einsenschitz and Gough, 1996: 434).

Gough (1996) criticizes Peck and Tickell for their disregard of the neo-Keynesian characteristic of LEIs. Peck and Tickell neglect to include a full analysis of LEIs, he claims, and they tend to understand these initiatives only as neoliberal initiatives. This understanding is based on the LEI's competition on mobile investments that lack any mechanism of coordination between these competitive localities<sup>20</sup> (Gough, 1996: 394).

Gough (1996) suggests that only some of the LEIs, 'which weaken local state regulation, attempt to cut wages and adopt a strategy on pure cost competition', may be considered as neoliberal depending on this criteria (pg.394). On the other hand, the majority of LEIs –even those that are located in countries that have strong traditions of neoliberalism– do not fully operate through this strategy; instead they

(i)nvolve the construction of varied non-market forms of collaboration between firms, between business and levels of state, and sometimes between these and community groups, and even trade unions. This non-market coordination is in the tradition of Keynesianism and against the principals of neoliberalism. The local networks and ad hoc bodies aim to intervene to correct the market failure–again, a notion foreign to neoliberalism.

<sup>&</sup>lt;sup>20</sup> Gough criticizes specifically Peck and Tickell's article titled as 'Jungle Law Breaks out: Neoliberalism and Global-Local Disorder'. Peck and Tickell later replied Gough's criticisms in 'Neoliberalism and Localism: A Reply to Gough' (1996). The criticism adressed to Peck and Tickell is mainly in three lines: on their argument on neoliberalism, on their interpretation on local economic initiatives and on their 'wish-list' for future. For the purpose of this work, I have only presented Gough's criticism on their perception of LEIs. As a reply to his criticsm on this part of their analysis, Peck and Tickell comment on Gough's criticism as merely misreading and they continue: 'we did not intend to claim, as he implies, that all local economic initiatives are necessarily neoliberal but instead argued that such initiatives exist within a wide context which affects what they can achieve' (1996: 401). I believe what Gough did was a choice –rather than misreading- to strengten his own position against such neoliberalism-centered analyses.

Mainstream LEIs seek to elicit active cooperation between local actors, rather than mere submission to market discipline (Gough, 1996: 394).

Neo-Keynesian LEIs may be considered as an attempt to get rid of one side of the contradictions in contemporary capitalism: 'fixity against mobility, local against global, productive against money capital, socialization against regulation by value, concrete against abstract labour power' (Einsenschitz and Gough, 1996: 435).

Brenner (2003) proposes that strategic relational approach is a useful base for figuring out urban entrepreneurialism and state rescaling together, in a relational perspective. Following this line of thought, I will review strategic relational approach in the context of state spatiality for a clear understanding of the issue.

#### 4.1.2. Strategic Relational Approach and The State

Strategic Relational Approach (SRA) is a useful framework for the interrogation of emerging concepts, exploring their interrelated structural and strategic dimensions, and tracking these in different levels of analysis (Jessop and Sum, 2006). This approach considers the production of hegemonic concepts from a historical perspective and tries to combine 'softer' discursive approaches with a structuralist perspective (Lagendijk, 2007: 1196). The SRA puts emphasis on two issues: the contradictions and conflicts in specific periods and conjunctures, and attempts to regularize and govern capital accumulation and domination (Jessop and Sum, 2006).

While employing Jessop's SRA in his inquiry or regions, MacLeod refers to this approach as institutional-relational approach, basing his description on the claim that he places the institutionally driven sedimentation of society at the heart of his work (2001: 815).

(t)he institutional- relational perspective could alert us about the extent to which the regionalization of conventions, untraded interdependencies, institutions and networks represents a politically constructed analysis hierarchized process: one that is often critically influenced by the state in all its contemporary re-scaled manifestations (MacLeod, 2001: 818).

Jessop defines political regimes through their economic and social roles for Atlantic Fordism and post-Fordism depending on the understanding of the state as both the object and the subject of regulation (Jessop and Sum, 2006: 236). In the light of the twin concepts of the Regulation School (regime of accumulation and mode of regulation), the postwar period, before the break in 1970s, is defined by the regime of accumulation that links mass production and consumption and Keynesian Welfare National State as the matching mode of regulation for the regime of accumulation. Keynesian Welfare National State (KWNS) distinctively aims at stimulating full employment under the conditions of a relatively closed national economy mainly through demand-side management, and generalizing norms of mass consumption through welfare rights and new forms of mass consumption (Jessop and Sum, 2006: 107). The 'object of regulation' of KWNS was national economy. Besides, it also aimed at managing the integration of economy into international economy and regulating the sub-national spaces (ibid). The regime of accumulation that meets KWNS was the Fordist regime of accumulation. However, since a stable mode of accumulation has not been acquired yet, the present period is commonly referred to as after-Fordist, instead of post-Fordist (Brenner, 2004; Goodwin and Painter, 1993; Jessop and Sum, 2006; Peck and Tickell, 1994; MacLeod and Goodwin, 1999). Such perception of a transition stage and search for less-conflicting regimes of accumulations and mode of regulations for long periods results in their comprehension of path dependency as a static situation of transition between two definitive regimes. On the other hand, path dependency might be seen as 'the durability of class relations embodied in institutions, distribution of resources and consciousness' (Gough, 2002: 423).

Jessop defines a transition from KWNS to SWPS after the crisis of 'Atlantic Fordism'<sup>21</sup>, as he calls it. The transition that Jessop describes is quite visible through the concepts he uses; whereas KWNS is characterized by demand-side

<sup>&</sup>lt;sup>21</sup> The expression of 'Atlantic Fordism' refers to the Fordist experiences of certain countries, namely the USA and Canada, North Western Europe, Australia and New Zealand. This expression is formulated to refer the spread of Fordist sccumulation regime among these countries (originally from the USA) in spite of their domestically structured growth dynamics and the support to this accumulation regime by various transatlantic international regimes (Jessop, 2003: 55).

(redistributive) policies, SWPS policies are supply-sided and obviously, they operate through the Schumpeterian concept of entrepreneurship. Jessop asserts that an important characteristic of this new era, after the crisis of Atlantic Fordism, is the entrepreneurial activities of extra-economic actors:

(c)ompetition occurs not only between economic actors (for example, firms, strategic alliances, networks) but also between political entities representing spaces and places (for example, cities, regions, nations, triads). It is justified to treat cities, regions and nations as 'units' or subjects of competition insofar as competitiveness depends on extra-economic as well as economic conditions, capacities and competences. For this means that competition is mediated by more than pure market forces and raises the question whether the conditions of successful competition for a city, region or nation are analogous to those for a single firm (2003:87).

MacLeod and Goodwin lay emphasis on the claim of the SRA that 'any substantive unity which the state possesses only derive from (but never be guaranteed through) specific political projects' (1999: 518). Jessop (1997, 2002) defines three key processes of current state restructuring. The first process is 'denationalization of the state' which may be equally called the 'hollowing out' of the national state, with state capacities being reorganized on supranational, national, local, trans-local levels. Hollowing out is composed of two contradictory trends: while the national state remains politically important, its ability to reflect its power even within national borders is remarkably undermined through the shift towards internationalized, flexible (but also regionalized) production systems and through the increasing confrontation posed by risks stemming from the global environment (Jessop, 1994: 264). The second concept is 'de-statization of the political system'; it alludes to the shift from government to governance which is connected to 'a relative decline in the state's direct management and sponsorship of social and economic projects, and an analogous engagement of quasi- and non-state actors in a range of public-private partnerships and networks' (Macleod and Goodwin, 1999: 506). The last key concept for the current restructuring process is the 'internationalization of policy regimes' which includes the increasing importance of international and global contexts, increasing significance of international policy communities and the increasing speed of international policy transfer (Peck and Jessop, 1998). Much of this is most clearly discernible 'insofar as the prime object of economic and social intervention by the national state has changed from the well-balanced domestic performance of the

national economy to its overall international competitiveness' (Jessop, 1997a: 37). At both the regional and local levels this has helped to foster the rise of the 'entrepreneurial city' and the 'learning region' as economic spaces where supplyside initiatives favour the promotion of technology and innovation, labour market flexibility as well as a 'productivist' reordering of social policy (ibid).

The lynchpins for the SRA are the notions of structure and agency. Agency is reflexive and strategic. Besides, it has a significant role in reshaping structures. Agency's ability to reshape structures is referred to as structurally inscribed 'strategic selectivity'. The process of strategic selectivity refers to the state's privileging some strategies over others; such as privileging the access by some forces over others, some interests over others, some time horizons over others, some coalition possibilities over others. A given type of state, a given state form, a given form of regime, will be more accessible to some forces than others according to the strategies they adopt for gaining state power. And it will be more suited to the pursuit of some types of economic or political strategy than others because of the modes of intervention and resources which characterize that system (Jessop, 1990: 10).

Non-state agency does not have perfect information on the terrain and their strategic selectivity is limited (Hay, 2002: 9). The selection is determined by "individual, collective, or organizational learning capacities and on the 'experiences' resulting from the pursuit of different strategies and tactics in different conjunctures" (Jessop, 2004 : 38). The selective impact on agents may be modified through agents' ability to form different types of alliance strategies (Jessop and Sum, 2006: 8).

Jessop merges the strategic relational approach to the state with a neo-Gramscian reading of the regulation approach and constructs a regulationist account of the institutional restructuring of the capitalist state system. Structural coupling and co-evaluation of economic (regime of accumulation) and political (mode of regulation) is crucial in formation of '(t)he differential competitive advantages of nations, variations in national or regional systems of innovation, contrasting historical patterns of finance industry relations, and different modes of economic governance' (Jessop, 2000: 326) and 'the forms of internationalization that are pursued from

different national economic spaces and/or by multinational firms with their home base in different national economies' (ibid).

In the course of this path of analysis, Jessop's identification of forms of state is critical. He indicates three components of 'state as form': 'form of representation', 'form of intervention' and 'form of internal organization' (Jessop, 1990: 161). State projects stand for 'forms of internal organization' and refer to the state policies to consolidate its own institutional structures into a joint organizational framework and political agenda (ibid, 353). State strategies coincide to forms of intervention and indicate the strategies that are directed to the capital relation and the civil society and aim to impose particular forms intervention (ibid: 260). Form of representation is the key process through which the strategic selection of actors takes place. Hence, analyzing 'spatial form of representation' is important 'to show how the agency of cities and regions is linked to, and interacts with, the changing spatiality of the capitalist state' (Bayırbağ, 2010: 367).

Brenner (2003) suggests that the SRA is appropriate for spatialized conceptualization of state restructuring. The methodological proposition of state spatial restructuring is that "state spatiality is never a fixed, pre-given entity, but like all other aspects of the state form, represents an emergent, strategically selective and socially contested process" (pg. 7). Brenner (2000, 2003) further states that recent developments of state restructuring are outcomes of spatially selective political strategies. He depicts the state rescaling in the neoliberal context as follows:

In general terms, the current round of state spatial restructuring can be interpreted as a contradictory ensemble of political strategies to reactivate the productive force of capitalist territorial organization in the wake of the crisis of global Fordism during the 1970s. In this sense, neoliberalism entails a more directly productivist incarnation of the state mode of production than existed under the Fordist-Keynesian regime of neocapitalism. Insofar as the scalar organization of state power is essential to its capacity to mobilize social space as a productive force within particular territorial arenas, processes of state rescaling have figured crucially within this neoliberal-productivist project (Brenner, 2000: 371).

These statements above may seem to contradict Gough's (1996) definition of the practices of LEIs as neo-Keynesian due to the assessment that non-market coordination in the local networks is against the principles of neo-liberalism, which has been mentioned earlier in this chapter. On the other hand, this situation in the applications of the neo-liberal policies has been explained throughout the previous chapters: while the neo-liberal principles preaches on the virtues of free market and declares their aim to give total autonomy to the free market, the 'political' or 'non-market' has always been involved in the operation of market through redistribution policies, or more generally through regulatory activities. Therefore interventions to correct the market failure may be against the principles of neo-liberalism as Gough (1996) states. Yet, it does not imply that the ongoing process is neo-Keynesian. Rather, this reveals the contradiction of neo-liberal policies and calls for a relational analysis in which the economic is not isolated from the political, or put it other way, in which the market is not sharply divided from the state.

## 4.2. State Rescaling in Turkey and 'Anatolian Tigers'

In the literature that presents 'Anatolian Tigers' within the framework of state rescaling, the 1980s is considered to be the major milestone. However the export orientation policies introduced in the 1980s and the realization of the competitive nature of the Anatolian capital is not what sets this date as critical. The 1980s not only changed the economic policies: the transformations 'aimed to reconstitute social relationships along market principles and eliminate the obstacles against the process of market-oriented integration with world capitalism' (Ercan and Oguz, 2006: 648). Furthermore, the roots of industrialization and the traces of the activism of local bourgeoisie of these certain Anatolian cities go back to the 1970s, 'the accumulation strategy shift and the associated state rescaling process of the post-1980 period channeled this potential towards a business-led local mobilization and shaped the local accumulation strategies of its bourgeoisie' (Bayirbag, 2010: 369-370).

For Turkey, the tension and division between the large capital that has established relations with international networks and small and medium (export oriented) capital is defined as the main antagonism in the Turkish bourgeoisie. Large capital is defined in close ties with Kemalist central bureaucracy whereas small and medium capital is claimed to be given a chance of representation by the Justice and Development Party (JDP) (see Onis, 2004). In line with such reasoning, the JDP politics of regional development might be an outcome of pressures from small and medium capital. If these assertions are defendable, Gough (2006) states that this situation can be interpreted as the crystallization of the process of rescaling of the state as a result of the relations of fractions of capital and labour. The demands of different capital fractions on pursing diversified scalar strategies reveals the character of the state as the arena of the struggle over rescaling through their diverse strategies: 'domestic capitals may try to integrate with the world market, attract the overaccumulated global capitals in the form of money capital, or cooperate with international productive and money capitals in order to use local opportunities.'(Ercan and Oguz, 2006:647).

Ercan and Oguz (2006) evaluate the 'scale' both as a relation and a process: scale as a process refers to the structural dynamics of the capital accumulation whereas scale as a relation means simultaneous interaction of the classes. The authors present this dual ontology of the scale as a solution to what they analyze to be the deficiencies of the current literature on scale, mainly over generalized abstractions and one-way causality that often favors late-capitalist countries.(Ercan and Oguz, 2006: 160-1).

The role of the state in the mode of integration to world economy might be observed through legal changes: 'Legal changes not only reflect class contradictions over rescaling, but also shape the rescaling process by constituting new scales that represent the changing balance of class forces' (ibid). Through the frame of this assertion Ercan and Oguz (2006) read the Turkish Public Procurement Law as an area of class struggle. The legislative process is a dimension of the role of state in promoting product, process, organizational and market innovation and enhances the structural competitiveness of open economies mainly through supply-side intervention (Jessop and Sum, 2006: 110).

Bayırbağ(2006) proposes to understand the rise of the localities as a component of rescaling the capitalist state, which is a project aiming at the strengthening and

construction of hegemonic projects that are shaped by the process of capital accumulation. The problematic mainstream approach to the rise of cities or regions arises from most of all the conceptualization of state necessarily as the 'nation-state'; hence the end of the nation-state is claimed to open the path for the rise of cities and regions (Bayırbağ, 2006, 2010). That is to say, some kind of competition of scales is set as the main assumption of analysis, in the previously mentioned accounts. On the other hand, state rescaling context to understand the rise of cities proposes the state as a 'capitalist' one through which the competition of the scales is replaced by a relational and historical understanding.

Bayırbağ (2006) merges Brenner's framework on rescaling to the Gramscian conceptualization of hegemony to include the role of political agency to the framework of rescaling analysis. In the incorporation of these two the rescaling of the relations between the capitalist state and the localities is understood through the inclusion and exclusion processes throughout the establishment of hegemony. The mechanism operates through territoriality of the nation state. Territoriality determines the included and excluded ones within the relations formed in a specified geography (ibid: 61). Yet, the ongoing process of rescaling has reduced the significance of this strategy of power by leading to an increase in the elbow room of the local (ibid: 62).

The local in the rescaling process is not limited by its geographical definition. Rather, it should be defined as a political actor. Bayırbağ (2006) claims, in the political context at hand the local has become a political actor due to its relations with institutions and actors that are positioned on various scales (pg. 59). The relations of the local with the institutions or actors of the other scales are structured through cooperation or struggle. In order to better understand the local as a political actor in rescaling process, the notion of jumping scale is important.

Jumping scale refers to 'the reorganization of specific kinds of social interaction at a higher scale and therefore a wider terrain, breaking the fixity of "given" scales'; and 'this applies whether we are considering national claims to empire, a city's efforts to

annex surrounding suburbs, or feminist efforts to dissolve the boundaries between home and community' (Smith, 2003: 230). Jumping scale is interpreted by various positions such as the activities of actors to reconstitute the geographical set of their organization through their praxis; or as the process of relocation of actors among existing scale- dominantly global or local- even the scales are considered as socially produced (Herod, 2001: 126). These positions on jumping scales lie in two parallel lines, one considers 'how social actors operate in and across space' and the other one stresses 'how they actually produce space as an integral part of their social praxis' (Herod and Wright, 2001: 10-11). Gough (2004) regards jumping scale both as a statement and constitutive factor of class power. According to his line of analysis, changes in scale are closely tied to developments in class relations, scaling may be incorporated to class projects and process through class struggles (pg.185).

The political activism of the local actors is a response to 'the increasingly crisisridden nature of the capital accumulation process and the capitalist state rescaling, itself and attempt by the nation state to contain and facilitate associated broader accumulation strategy changes' (Bayırbağ, 2010: 363). Bayırbağ (2010) focuses on the 'spatial interest representations' of local entrepreneurs of Gaziantep to understand local entrepreneurialism as a political project within the context of state rescaling. Local entrepreneurialism implies a break from the past 'in terms of both the form and target of the political activism of the local bourgeoisie' (ibid: 379). Local entrepreneurialism sets its political activities through business associations as the rescaling of the state, which is a reaction to the political and economic crisis of capitalism, and has created a new 'opportunity' to reorganize the distribution (ibid: 379).

Gaziantep is presented popularly as a model case for the other Anatolian entrepreneur cities that would like to step in global markets successfully. In this conjunction, Bayırbağ (2010) states that if Gaziantep will be presented as a model, it should be defined as a political model 'which emerged through local bourgeoisie activism to promote a multi-scalar local accumulation strategy in the context of state rescaling' as opposed to a model of local economic development (pg. 367).

Scalar strategies of representation is the indicator of the varying forms of representations due to their aims and conditions of crystallizing: apart from the traditional forms of representations, such as parlementalism, corporatism and clientalism, scalar strategies of representations have come to appear in the current phase of the capitalist state (Bayırbağ, 2010: 368). On the whole, scalar strategies of representation may be defined as an instrument that is effective in the reproduction of the 'capitalist state as a condensed form of rescaled social/class relations that can no longer be constituted solely within the spatio-temporal matrix of the national state'<sup>22</sup> (Bayırbağ, 2010: 368).

#### **4.2.1.** The Dialectic of Cooperation and Competition

Cooperation and competition between different scales and within these scales, arise as critical notions in defining local within its contemporary process not only in the rescaling literature due to the definition of jumping scale behaviors but also in previously evaluated frameworks of New Regionalist and state tradition literatures. However the studies employing the conceptual frameworks of New Regionalist and state rescaling approaches mainly limits the competition with economic sphere and define cooperation where the political sphere meets the economic sphere in a regulatory role. Therefore it is important to ask the question of how these literatures define and analyze cooperative bases and competitive behaviors of the actors of different scales specifically in the Anatolian experience to better differentiate the convenience of rescaling framework for the case of 'Anatolian Tigers'.

<sup>&</sup>lt;sup>22</sup> Poulantzas (2001) states the spatio-temporal matrices ' vary with the mode of production and that they are themselves presupposed by the forms of historico-social appropriation and consumption of space' (pg. 99). The matrix is crystallized through the state apparatuses:

It must be made clear, however, that this national territory has nothing to do with the natural features of the land. It is rather of an essentially political character, in that the State tends to monopolize the procedures of the organization of space. The modern State materializes this spatial matrix in its various apparatuses (army, school, centralized bureaucracy, prison system), patterning in turn the subjects over whom it exercises power. The individualization of the body politic- as an ensemble of identical monads separated from the State- rests on the state framework that is inscribed in the spatial matrix implied by the labour process(ibid: 104).

Competition should be understood not only in economic sphere, among firms, but also among regions through political entities (Jessop, 2003: 87). Once the concept of competition is established on such a wider base it will be clear why the competition and cooperation are critical concepts to develop a critical approach to recent literature on Anatolian capital. The studies built on the theoretical frameworks of New Regionalist and state tradition approaches define competition as the 'nature' or the 'merit' of SMEs and considered cooperation as an 'inherited practice' and 'mutual support networks' to characterize Anatolian capital as ideal economic units of development for neo-liberal era. To uncover the veil on the uneven development, in these studies and to examine the rationalization of neo-liberal economic policies over Anatolian SMEs, spatial and thus a relational understanding of the concepts of 'cooperation' and 'competition' should be established.

Smith (2003) states that the production (and reproduction) of scale plays a major role in politics and the processes of uneven development, where the production of scale itself is a highly political process (pg. 230). The main logic of political economic rescaling is the dialectic of cooperation and competition among capitalists (Smith 1992, 1993: 99-101 cited in Gough 2006: 101-102). Furthermore, Smith (2003) asserts that the cooperative and competitive practices of the actors may differ in different scales:

Within the nation-state, corporations cooperate broadly in the construction of governmental apparatuses determining conditions of work, legal systems, conditions of private and public property holding, infrastructure for commerce, travel to work and communications, national defense. At different scales, these same corporate entities may well compete over customers, product identity, technological advantage, markets, etc. The boundaries of the nation-states became the geographical demarcation of the compromise between competition and cooperation (Smith, 2003: 228-229).

This contradictional dialectic leads to differentiated territorial corporation scales and also the competition tension causes these territories to be in competition (ibid). He derives the idea of jumping scales on this line. The framework that depicts the local as a political actor does not limit the range of competition with only economic competition among entrepreneur localities as New Regionalist and state tradition literature on Anatolian capital generally do. 'Instead we can talk about competition between different political modes of local governance, which take different scales of political economy as their target and frame of action' (Bayırbağ, 2010: 380).

In the discussion on LEIs, it has been stated before that Einsenschitz and Gough (1996) define a non-market cooperation (in which the state, the capital and sometimes, labour are involved) by gathering around their local identity as a strategy to run away from the market failures (pg. 434). This kind of wider approach to the cooperation in local is in line with Swyngedouw's (2004) 'scalar regulation' conceptualization which is defined as the 'institutionalized territorial compromises that mediate processes of cooperation and competition' (pg. 312 cited in Ercan and Oguz, 2006: 645). That is to say, competition and cooperation are not purely market concepts; instead they are implicit in political processes in which the local plays the role of a political actor.

#### 4.2.3 Concluding Remarks

In the previous chapters the stress has been put on the dichotomy of economic and political which also refers to the separation of market and state where the state is equated to the political and the market is equated to the economic spheres. Put in another way, the political is limited within the defined borders of the state. The 'rescaling and scale jumping as a political project' is a useful explanatory tool to overcome the duality of the political and economic spheres. As it has been mentioned, state rescaling literature presents a relational and holistic understanding of the ongoing experience of Anatolian Tigers. First of all it has been stressed that the rescaling process "neither suppresses nor by-passes the nation states" (Poulatzas, 1974: 73 cited in Ercan and Oguz, 2006: 647). Moreover, depicting a 'capitalist state' instead of a nation state would illuminate the process of strategic strategies of representations of local entrepreneurs as political actors (see Bayırbağ, 2006, 2010).

The state rescaling framework calls attention to the jumping scales behaviors of the local entrepreneurs in order to understand the experiences of the Anatolian cities. Yet, placing emphasis on the mode of integration to the world economy would improve our understanding better. Ataay (2001) advocates that the changes in the

allocation of capital (which includes the Anatolian Tigers experience) should be analyzed through the identification of the characteristics of the process of capital accumulation. The restructuring of capital, as Ataay (2001) puts it, has three dimensions: (1) mode of integration to the world economy and sectoral developments, (2) the relations among the inner components of the capital, (3) the role of the state in economy (ibid: 56). The first of these, namely "sectoral developments", stands for the identification of the sectors in production. Generally, the sectors that are defined as the most improved sectors in the employment issue are involved in labour-intensive, low value-added production (ibid). Hence, the mode of integration to the world economy through this sectoral characterization takes the shape of the production of low-value added goods with labour intensive technologies, mainly through the SMEs. Throughout this process, Anatolian Tigers enjoyed some opportunity due to the cheap labour stock that they supplied for production, their advantage of being located close to certain materials, and local capital accumulation at a certain level and finally state incentives available for them (Ataay, 2001: 86).

The second dimension, namely the relations among capital fractions, has been mentioned before in the context of spatial strategies of different capital groups in which the state is defined as the mediator (see Ercan and Oguz 2006). An additional point is that the dominance of large capital in domestic markets drives the SMEs to open up to the world market in the role of subcontractor or exporter, especially in periods of crisis (Bedirhanoğlu and Yalman, 2009: 253). This assertion contradicts the popular neo-liberal proposition that equates economic development with increase in exports (ibid).

For the last dimension of restructuring of capital, the role of the state in economy, incentive policies is one of the critical arenas. Bedirhanoğlu and Yalman (2009) establish that local businessmen engage with the distribution of the incentives by making demands for themselves and criticizing the incentive policies<sup>23</sup> when other

<sup>&</sup>lt;sup>23</sup> They assert the Incentive Law No 5350 gets negative reactions from the businessmen of Eskisehir, Gaziantep and Denizli as these businessmen claim this law creates new competitors which is

cities are in the range of it (pg. 261). This attitude of the Anatolian businessmen breaks the myth of Anatolian Tigers as having the motivation of striving to become independent from the state (ibid).

The framework introduced in this chapter seeks to depict the rescaling process as an outcome of class struggle, unlike the technical-organizational approach to scale that has been evaluated before. This proposition is supported by the assertion that capital and labour maintain diverse abilities and possibilities to direct the spatial variations, therefore scale studies should focus on the contradictions of the spatial strategies of the classes (Bedirhanoğlu and Yalman, 2009: 243).

Defining the production sectors that Anatolian Tigers are involved in as depending on labour-intensive production gives an idea on the capital-labour relation in this particular arena. It is obviously taking the advantage of cheap labour, indeed cheap and unorganized labour. On the relations of labour and capital within the rescaling framework, Gough (2006) states that contrary to pressure from the globalization process, the promise of respecting the culture and traditional economy of local while 'modernizing' it might be quite attractive. Neoliberal programs ensure the corporation between workers and the enterprises. Therefore, corporation becomes a form of discipline. The 'corporation' in Anatolian SMEs is generally established through building the perception of sharing the common fate and traditional practices (Bedirhanoğlu and Yalman, 2009; Durak, 2012).

Gough (2006) further explains the discipline mechanism of neoliberal localism over labour through the competition. The bargain on wages and working conditions take place in the local level (company, workplace, store or personal level) instead of the national level; such a spatial fragmentation increases the sensitivity for profitability of local enterprises and generally profitability is related to the wages.

The relation between labor and capital in this era constructs the intra-capitalist relations as well. Ercan (2006) asserts that internationalization of commercial capital has led the inner capital accumulation to weaken and cleared the path to capacity

inefficient than supporting the already existing exporters of Anatolian cities (Bedirhanoğlu and Yalman, 2009: 261).

utilization of export oriented sectors, which implies intensive work of labor. Such process enforced the power of capital on state and labor (through the state). Furthermore, this process has created new capital fractions and increased the intra class struggles.

#### **CHAPTER 5**

# CONCLUSION

'Anatolian Tigers' is an interesting case study for the discussion of the role of the state on the operation of market, on economic development (especially through the notions of cooperation and competition), and the relations of local and national scales for the literatures that adopt various conceptual frameworks. The developments leading to the rise of Anatolian Tigers is traced back to the 1980s when neo-liberal policies have started to be adopted and export-oriented production has replaced the import substitution of the former era. The competitive nature attributed to the SMEs of certain Anatolian cities is said to be compatible with free market conditions. Hence, they are widely defined as self-developing entities receiving little or no subsidy from the state. This feature in a sense stands on a comparative basis with the state-created bourgeoisie and a kind of virtue is attributed to these Anatolian SMEs whose 'only advantage is its competitive power under free market conditions' vis-avis the big (Istanbul) capital's power to effect the legislation 'at the expense of Anatolian capital' (Demir, Acar and Toprak, 2004:176). This self-developing ability in the market-wide and local cooperative basis is also shown as the basis for their innovative power. All of these notions of Anatolian capital directly refer to neoliberal policies and establish compatibility between Anatolian SMEs and the free market conditions. This approach veils the political implications of neo-liberalism and reduces it to only economic policies which eventually have positive outcomes for both regional development and the overall economic performance of the country. The attempts to establish such a perception of neo-liberalism might be deliberate since neo-liberalism is presented as 'rational, efficient, and inevitable economic policies' and throughout this representation, economy is established as a separate sphere from the politics 'which means the restriction and minimization of the political activity from non- economic issues' (Sen, 2010: 69). In a general sense, the presentation of 'Anatolian Tigers' as an evidence for the

virtue of the market operating in a neo-liberal restructuring constitutes the reason for the need for a critical survey on the mainstream literature on Anatolian Tigers.

This thesis aims to establish a critical base on state and market dichotomy in capitalism to evaluate two specified lines of the literature on Anatolian capital: the literature that adopts the New Regionalist conceptual framework and the literature which builds on the framework of the state tradition approach. The thesis tried to show the resemblances of these two approaches to Anatolian capital, the ahistorical and aspatial tunes of the studies within these frameworks has been stressed through dominant concepts in these studies such as competition and cooperation. The thesis also seeks to bring together the alternative approaches to Anatolian capital which considers labour-capital and intra-capital relations in the process. Hence the alternative is specified as the literature that considers the Anatolian capital within the framework of state rescaling.

The aim of the first chapter is to explore the claims of the literature on Anatolian capital that adopts the conceptual framework of the "state tradition" approach. The literature evaluated in this chapter places emphasis on the existence of a heavyhanded state in Turkey as it has been inherited from the Ottoman state. The economic and social problems are attributed to the strong state. The Anatolian capital case is critical within this literature for creating a base for the debate on defining the limits of the state actions in the economic sphere. This is a critical question to ask within the state tradition framework as the strong state is blamed for hindering the development of business by heavily intervening in the economic sphere. The failure to free the economic sphere from the political one –as typical in the representation of "the West"- is defined as the major cause of the troubles in the economic and social issues. 'Anatolian Tigers', on the other hand, appears as the representative of freed market, after the neo-liberal transformations of the 1980s. Yet it is possible to observe two lines of argument within this literature that has here been mentioned as "state tradition approach". The first one declares 'Anatolian Tigers' as the winner of the globalization process and celebrates them for developing with insignificant or no state support. This reasoning sets Anatolian capital as the opposite of the big

(Istanbul) capital and implicitly declares the separation of state and market in the post-1980s era, which would be a positive development as the nature of the small capital (*i.e.* competition) is not hindered by the state anymore and the free capital adapts perfectly to the global markets. The legitimization of neo-liberal policies is in the heart of such depictions. On the other hand, another line of argument within the literature that adopts state tradition framework defines some kind of continuity in the practices of state where the state creates its own bourgeoisie. Capital accumulation is reallocated by the state in favour of Anatolian capital due to the change in the political sphere in the current era (Buğra and Savaşkan, 2010).

Competition, within the literature on Anatolian capital adopting the conceptual framework of state tradition approach, is defined as the 'nature' of the small capital, which makes them representatives of the free market mentality. The cooperative base is also stressed through the volunteer business organizations, namely TÜSİAD and MÜSİAD. The former is generally accepted as the representative of old-big-Istanbul bourgeoisie where the latter presents Anatolian capital. The 'green' labour organization-HAK-İŞ- is also defined as a part of this cooperative base on the side of MÜSIAD through their Islamic identity. Islam is defined as the main unifying force for Anatolian capitals and Anatolian capital and labour. Locality is defined as another base for cooperation among the capitalists of Anatolia.

In the second chapter of the thesis, the New Regionalist literature on 'Anatolian Tigers' that defines the entrepreneurial Anatolian cities as New Industrial Spaces has been evaluated by stressing their adaptation of the established state-market dichotomy. As a conclusion of this adoption, the policy recommendations formulated would be an alternative to social democracy which stresses the role of the state and the market orientation of neo-liberalism. I have presented a general outline of the conceptual framework of New Regionalism and the transition to post-Fordism from Fordism, due to its importance in the New Regionalist literature. Among the three approaches mentioned in this transition-namely, the regulation school, the neo-Smithian and neo-Schumpeterian approaches-, New Regionalism as a result of the technical developments and the role of innovation in this process due to the

activities of entrepreneurs. This reasoning is the root of the search for 'innovative capacities' of New Industrial Spaces both in the literature on Baden–Württenberg Region in Germany, Emilia–Romagna in Italy and Silicone Valley of United States of America, and Anatolian cities. The flexible production of post-Fordist era is carried out by the flexibility of smaller scales instead of the mass production of Fordism. For the Turkish case, the neo-liberal transformation in 1980s constitutes the source of spatial transformation by the removal of protectionist actions in favour of the free operation of market forces. The role of exports in the rise of Anatolian cities as a challenge to the large capital of Istanbul is stressed. In this process, reference is also made to the fading role of the state where the SMEs of Anatolia adopt global changes thanks to their competitive power.

The competitive power attributed to New Industrial Spaces combines with the cooperative actions of local actors to supply economic development. This cooperation is an inheritance of the earlier era in the local traditions of crafts production. The existence (or non-existence) of these traditions is also stated as the reason of the industrialization of certain Anatolian cities and not the others. The definition of competition here overlaps with the literature that adopts state tradition framework mentioned above. The former defines competition as the merit of the SMEs where the latter defines it as the nature of the SMEs; both define it as the main characteristic of Anatolian SMEs that is freed after the 1980s and makes the Anatolian SMEs compatible with free market conditions. The presentation of a cooperative base, on the other hand, differs across these two strands of interpretation. The state tradition literature on Anatolian capital describes Islamic identity as the main base for cooperation among Anatolian bourgeoisie, while also acknowledging the role of the locality. The New Regionalist literature on Anatolian capital, on the other hand, views the cooperation in entrepreneur Anatolian cities as a tradition inherited from former local manufacturing experiences and as a result of the cooperation of local actors. The difference becomes apparent once the frameworks of these two groups of literatures are set. The state tradition framework attributes originality to the Turkish experience, thus Anatolian SMEs are understood within their historical and social experiences. On the other hand, the New Regionalist literature mainly seeks to establish parallels with the models of New Industrial Spaces of other countries and find similarities between them and the Anatolian case.

The literature on Anatolian capital adopting New Regionalist framework also seeks for the validity of 'models' in Anatolian case. Clusters are defined due to their competitive/cooperative characteristics and compared to established models in the New Regionalist framework. The results seem to be rather confusing, the existing models seem to be not responding to the empirical cases, and yet sometimes new models are proposed as hybrid forms of the existing models. Furthermore, the existence of cooperation is questioned widely. Erendil (2000) reaches that the cooperative base for the Anatolian SMEs is getting lost due to the propensity to evolve into hierarchical organization. New Regionalism is very much interested in policy prescriptions; as does the literature on Anatolian Tigers that adopts New Regionalist framework. For instance, Eraydın (2002) suggests a 'State-directed New Regionalism' which will form the basis for the cooperation of the local actors and create the possibility of the existence of vertical processes in local decision making. Erendil's (2002) suggestion reminds Amin's (1999) Third Way-ism which tries to develop an alternative to the dichotomous policies of either state-dominated or free market paths.

After the evaluation of the literature groups adopting the conceptual framework of state tradition approach and that of New Regionalism, mainly through their depiction of the neo-liberalization in the 1980s and characterization of Anatolian capital by cooperation and competition; the third chapter presented the literature that proposes to understand Anatolian capital through state rescaling process. Rescaling is a critical conception within New Regionalism, also. Yet it defines the driving force of rescaling as technical and organizational changes. The literature presented in the third chapter of this thesis, on the other hand, builds on a conceptualization of scale as a historical outcome of social actions. The literature sets the neo-liberal transformations of the 1980s as the milestone for rescaling process. Yet, distinctively, it does not consider neo-liberalism only as consisting of economic policies but also as a political process reshaping social relations due to market conditions. Rescaling is considered as an outcome of the spatial strategies of classes.

The concept of *jumping scale* is critical in this sense, as a concept which seeks to set the local entrepreneurs as political actors. Jumping scales is closely related to the dialectic of cooperation and competition. Cooperation moment creates the differentiation of scales where competition leads the cooperative based scales to establish relations. In this sense, competition is not limited within the economic sphere it also includes the competition among the different scales as well as different localities; cooperation on the other hand may be observed among the actors of various scales and the actors of the same scale. These two instances lead to jumping scale practices of the local actors. Such a conceptualization of cooperation and competition is clearly dissimilar to the employment of this notion in the previously evaluated literature groups. The literature that adopts state tradition framework and the literature that adopts the New Regionalist conceptual framework define competition as the merit and the nature of Anatolian SMEs which is what makes them compatible for global markets. On the other hand, cooperation in the literature adopting state tradition framework refers to Islam and local values as the basis for cooperation among capitalists and between capital and labour to create 'consent'. The literature adopting New Regionalist framework defines cooperation more like a *network* of local actors. The cooperation in state rescaling perspective, however, refers to the political actions of the local actors which create the 'scale' and it is not independent from competition which appears between cooperating localities and as a result of cooperation in different localities and different scales. Hence both cooperation and competition refers to the crystallization of political processes instead of being the 'nature' or 'merit' of Anatolian SMEs.

The literature which proposes to understand Anatolian capital within the process of state rescaling does not stick on the state-market dichotomy, which is characteristic in both of the previously evaluated literatures. It does not describe state and market as separate entities. Instead, the analysis is a relational one. Describing the state as 'capitalist' rather than 'national' (Bayırbağ,2006; 2010) saves the state from squeezing into political arena or defining the local entrepreneurs as belonging to the market sphere. The notion of 'capitalist state' also saves the analyses from the definition of clashing scales, i.e. national versus local and national versus global;

instead the political processes shadowed by these sharp antagonisms come to the light.

All in all, this thesis has regarded 'Anatolian Tigers' as a case for analyzing the state and market conceptions of mainstream literature; which is in close connection with the representation of neo-liberal policies in this literature groups. To that end, the literature groups have been evaluated in two main lines with a focus on their interpretation of the neo-liberal transformation in the 1980s and the main characteristics attributed to Anatolian capital, namely cooperation and competition. In may be concluded that the representation of neo-liberal policies, mainly as mere economic policies and define a compatibility with the Anatolian SMEs and free market conditions, which are common in the mainstream literature on Anatolian capital, are attempts of vindication of neo-liberalism and need for isolated economic and political scales. A relational perspective established by the state rescaling analysis is proposed to understand neo-liberal policies as more than economic policies and understand the experience of Anatolian capital as a part of political process shaped by the political activism of local actors.

It should also be noted that there are other dimensions that need further investigation in this literature research on Anatolian capital. The thesis has limited itself to find out the effect of the assumed state/market dichotomy in studies on Anatolian capital through searching for the traces of this assumption on their conceptualization of post-1980 developments and the notions of competition and cooperation notions. There are yet other dimensions which call for a comparison between these literatures. For instance, the spatial frameworks of New Regionalist and state rescaling literatures may be further investigated as they both define a spatial transformation of capital after 1980s. A separate study focusing on the spatiality of the debate on 'Anatolian Tigers' may investigate this comparison. Furthermore, state rescaling literature presented in this thesis as an 'alternative' is kept in a framework level, empirical researches questioning the validity of this framework as well be carried on; I believe the 'clusters' defined in New Industrial Spaces definition may be investigated in this framework as the clustering seem to represent a good example of competitive and cooperative instances. Furthermore, when the isolation of economic and political spheres in these studies is considered the overlap of the 'institutional spheres' (public, private and academic) defined in these studies may be observed in experiences of chambers of commerce of the Anatolian cities. The practices of Anatolian chambers of commerce within the process of rescaling may be investigated within this framework. Moreover, the ahistorical and aspatial studies on Anatolian capital call for alternative studies on the issue center around the concept of uneven development that has been veiled by these studies.

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## APPENDIX: TEZ FOTOKOPİSİ İZİN FORMU

## <u>ENSTİTÜ</u>

Fen Bilimleri Enstitüsü	
Sosyal Bilimler Enstitüsü	X
Uygulamalı Matematik Enstitüsü	
Enformatik Enstitüsü	
Deniz Bilimleri Enstitüsü	

## **YAZARIN**

Soyadı : Gürbüzel Adı : Merve Neslihan Bölümü : Siyaset Bilimi ve Kamu Yönetimi

<u>**TEZİN ADI**</u> (İngilizce) : State and Market In The Analysis of Anatolian Tigers: A Critical Survey

	TEZİN TÜRÜ : Yüksek Lisans X Doktora	
1.	Tezimin tamamından kaynak gösterilmek şartıyla fotokopi alınabilir.	X
2.	Tezimin içindekiler sayfası, özet, indeks sayfalarından ve/veya bir bölümünden kaynak gösterilmek şartıyla fotokopi alınabilir.	
3.	Tezimden bir bir (1) yıl süreyle fotokopi alınamaz.	

## TEZİN KÜTÜPHANEYE TESLİM TARİHİ: