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PART 1

Conflicts that Create Consensus



Two Lives of Developmentalism: A Polanyian View from Turkey

Ayşe Buğra

Abstract

Developmentalism refers to a particular ideology marked by a sense of inevitability about the nature of historical change and to political interventions to implement particular strategies of development. The paradox between the ideology of development and development policy challenges the notion of market-led economic progress that proceeds without government intervention and is closely related to social conflicts engendered by economic progress. This chapter approaches capitalism as a socio-economic order where the idea of progress is central to the ideological universe. It also highlights the historically changing and societally different characteristics of capitalism that affect its ideological universe and determine the way conflicts engendered by progress are handled through political intervention. It argues that the concept of developmentalism needs to be examined with reference to the political choices that are situated in different historical varieties of capitalism and that differ in the ways in which they shape the character of economic processes and in their impact on the life and livelihood of the individual. This argument is situated in an analytical frame built by drawing on Karl Polanyi's work and by remembering the historical trends in development economics, and is developed through a case study on Turkey that shows the variations in the relationship between the economy and politics in different historical periods.

1 Introduction

Developmentalism is a term that can be defined as 'an ideological orientation characterised by the fetishisation of development, or the attribution to development of the power of a natural (or even divine) force which humans can resist or question only at the risk of being condemned to stagnation and poverty' (Dirlik, 2014). However, the term is also used in discussions of 'national developmentalism' with reference to the strategies of economic development

promoted by international organisations and implemented by the countries of the periphery (Bresser Pereira, 2006; Kahn and Christiansen, 2011).

Developmentalism, then, refers both to a particular ideology marked by a sense of inevitability about the nature of historical change and to political interventions to implement particular strategies of development. There is, therefore, a somewhat paradoxical relationship between the ideology of developmentalism, which attributes to economic progress the characteristics of a natural force, and the very idea of development policy or strategy, which is about political action. This paradox between the ideology of development and development policy, first, challenges the notion of market-led economic progress that proceeds without government intervention. Second, it is closely related to social conflicts engendered by economic progress. The impact of the economic progress of different social classes or groups is never the same, but progress might also put social cohesion at risk in a way which might be unbearable for society at large.

Progress is central to the ideological universe of capitalism, as the following well-known passage from *The Communist Manifesto* clearly reveals:

The bourgeoisie cannot exist without constantly revolutionising the instruments of production, and thereby the relations of production, and with them the whole relations of society. Conservation of the old modes of production in unaltered form, was, on the contrary, the first condition of existence of all earlier industrial classes. Constant revolutionizing of production, uninterrupted disturbance of all social conditions, everlasting uncertainty and agitation distinguish the bourgeois epoch from all earlier ones. All fixed, fast-frozen relations, with their train of ancient and venerable prejudices and opinions, are swept away, all new-formed ones become antiquated before they can ossify. All that is solid melts into air, all that is holy is profaned, and man is at last compelled to face with sober senses, his real conditions of life, and his relations with his kind.

MARX and ENGELS, 2005 [1848], 9–10

This passage, in which we find probably the most succinct expression of what distinguishes capitalist society from all other societies, also makes us wonder whether any human society could survive without taking measures to control such a dynamic of ‘creative destruction’ in order to protect social cohesion. In his treatise on nineteenth century capitalism, Karl Polanyi discusses how the unleashed forces of economic progress would be inimical to the survival of society and argues that not only the form but also the pace of progress should be politically determined according to the goals of non-economic character.

However, the extent to which the forces of creative destruction are checked by political action or left to function unhampered differ in different historical periods and societal contexts.

In this chapter, I will approach capitalism as a socio-economic order with historically changing and societally different characteristics that affect its ideological universe and determine the way conflicts engendered by progress are handled through political intervention. I will argue that the concept of developmentalism needs to be examined in its relationship with the relative roles played by the market and the state in determining the character of economic processes and these roles' impact on the life and livelihood of the individual. I will try to show that the old and the new forms of national developmentalism are situated in two different historical varieties of capitalism with reference to the particular case of Turkey's economic development strategy before and after the country's insertion into the global market economy in the post-1980 period. The empirical case of Turkey also shows that the state remains an important actor in both historical contexts where development strategies are shaped within different frames of economic regulation and in both contexts state action is guided by political motives as well as economic growth related objectives. The analytical frame of the discussion is built with reference to the work of Karl Polanyi and the historical trends in development economics that closely follow the transformation of capitalism and change in nature in conformity with the characteristics of the historically different varieties of capitalism.

2 Analytical Backdrop

In Polanyi's *The Great Transformation* (1944), the word 'capitalism' appears very rarely and where it is used it is almost always preceded by a qualifying adjective—that is to say, 'early', 'industrial', 'agricultural' or 'modern'. Like capitalism itself, the existence of markets, found in all kinds of societies in all historical periods, is not the problem that is explored in this book. What Polanyi analyses is the nineteenth century market economy as a 'singular departure' from normal historical patterns where the economy remains *embedded* in society, subservient to the requirements of the norms that define the social order and assure its survival. It is only in the market society—where the totality of economic activity is guided by market exchange—that the economy constitutes an autonomous domain *disembedded* from society.

Polanyi discusses the concept of 'disembeddedness' in relation to 'the institutional separation of society into an economic and political sphere' (Polanyi

1944, 71) and the emergence of 'economic society' as distinct from the 'political state'. According to him, market society was conceived independently of law and government and its foundations were 'utterly foreign to the moral world of which body politic hitherto had formed part' (Polanyi, 1944, 116).

The separation of the political and the economic finds its expression in the principle of non-interventionism, which, in *The Great Transformation*, is explicitly discussed in relation to the problem of progress. 'Nowhere has liberal philosophy failed so conspicuously as in its understanding of the problem of change', observes Polanyi (1944, 33–35), and continues by writing that:

Fired by an emotional faith in spontaneity, the common-sense attitude toward change was discarded in favor of a mystical readiness to accept the social consequences of economic improvement, whatever they might be. The elementary truths of political science and statecraft were first discredited, then forgotten. It should need no elaboration that a process of undirected change, the pace of which is deemed too fast, should be slowed down, if possible, so as to safeguard the welfare of the community. Such household truths of traditional statesmanship [...] were in the nineteenth century erased from the thoughts of the educated by the corrosive of a crude utilitarianism combined with an uncritical reliance on the alleged self-healing virtues of unconscious growth.

In his defence of the sixteenth century statesmen who resisted the enclosure movement only to be criticised by nineteenth century historians who qualified them as 'demagogic' or 'outright reactionary', Polanyi argues against the view that these statesmen had failed in their vain interventionist attempts and that their failure was proof of the futility of all interventionist attempts to obstruct the forces of progress by legislation. '[S]uch a view seems to miss the point altogether', Polanyi writes (1944, 36–37):

Why should the ultimate victory of a trend be taken as a proof of the ineffectiveness of the efforts to slow down its progress? And why should the purpose of these measures not be seen precisely in that which they achieved, i.e. in slowing down the rate of change? [...] The rate of change is often of no less importance than the direction of the change itself; but while the latter frequently does not depend upon our volition, it is the rate at which we allow change to take place which well may depend upon us.

This passage clearly reveals that it is not development per se that Polanyi problematises. What is problematic, according to him, is the principle of non-interventionism informed by a blind faith in progress led by the *self-regulating market* which comprises all elements of industry including land, labour and money. As Polanyi puts it (1944, 72):

[...] labor, land and money are obviously not commodities [...] Labor is only another name for human activity that goes with life itself [...] land is only another name for nature [...] actual money, finally, is merely a token for purchasing power which, as a rule, is not produced at all, but comes into being through the mechanism of banking or state finance. None of them is produced for sale. The commodity description of labor, land and money is entirely fictitious.

Polanyi writes that this commodity fiction is a logical absurdity, but it was according to this fiction that the nineteenth century market economy functioned and the faith in unhampered progress blocked the possibility of political intervention to prevent the inevitable human and social devastation caused by an institutional order where human beings, nature and purchasing power were treated as commodities.

While blind faith in the spontaneous forces of progress informed the liberal ideology of non-interventionism, the emergence of this strange institutional order organised according to the commodity fiction had nothing spontaneous about it: 'The road to the free market was opened and kept open by an enormous increase in continuous, centrally organized and controlled interventionism' (Polanyi, 1944, 140). Commodification of land, labour and money was realised by a series of deliberate interventionist measures and further intervention was required to make such a strange economic organisation compatible with human society.

Polanyi in fact presents detailed empirical discussion of the 'frenzy' of legislative activity as characteristic of the nineteenth century episode of capitalism, which ended after a series of disasters involving the Great Depression, the rise of fascism in Europe and the Second World War. *The Great Transformation* ends in the post-Second World War setting with Polanyi writing that 'After a century of blind "improvement", man is restoring his "habitation"' (Polanyi, 1944, 249).

Polanyi's vision of the post-war world economy was one where the diversity of instituting the economy in society was recognised. However, this diversity

of choices was going to have one outcome common to all societies: 'the market system will no longer be self-regulating, even in principle, since it will not comprise labor, land and money' (Polanyi, 1944, 251).

In the period following the Second World War, in all societies grouped in the first, second and third worlds—in developed capitalist societies, centrally planned economies with communist parties in power, and (as they were then called) underdeveloped countries—the protection of the domestic economy with trade barriers and financial controls as well as a series of agricultural subsidies, wage and price controls, and different instruments of demand management precluded an economic organisation based on the commodity fiction. Labour, land and money were indeed not commodities.

The rise of development economics was situated in this international environment. As some of the pioneers of the field later observed, the global victory of Keynesian ideas over economic liberalism constituted an important source of inspiration to the daunting task they have undertaken with the optimism characteristic of the period. One of these pioneers, A.O. Hirschman (1981), later commented on this unrealistic optimism, adding that without this they would never have attempted even to understand the problems at hand. But they did attempt to understand these problems and they also understood the limitations of development economics even before the discipline had come under attack from pro-market liberals.¹

Development economics indeed had many failings, the most important of which was probably the failure to properly address the political determinants of economic activity and society-specific policy approaches designed to shape the economy in line with the objectives of nation building and social cohesion or with the interests of ruling politicians. Such objectives often dominated the strictly economic growth oriented alternatives and seriously limited the successful application of development models.

Nevertheless, during the first phase of developmentalism these models were of a nature that provided ample room for protectionist policies, which could play a role in preventing the aforementioned kind of 'creative destruction' and its accompanying enormous human costs. This, as we know, has not been possible in the context of the market-oriented development strategies that accompanied late twentieth century globalisation.

In the early 1980s, at the end of this first phase of developmentalism, while the pioneers of development economics were engaged in thorough self-criticism,

1 See, among other essays on self-criticism by development economics, Hirschman (1981), Seers (1979), Streeten (1979), and Lewis (1984).

neo-classical economists who, until then, had been largely absent in the field, became increasingly vocal in their criticism of the sub-discipline. The demise of development economics was celebrated with the confident affirmation of the superiority of neo-classical economics and market-oriented policies. D. Lal's *Poverty of Development Economics*, which presented a particularly ferocious attack against what he called the 'dirigiste dogma' and 'the harm it had done to the vast bulk of the humanity contained in the Third World', has eventually become a very influential text, with several other editions following the first, published in 1983 (Lal 1983). This was not surprising in a period marked by statements such as Margaret Thatcher's 'There is no alternative' or Ronald Reagan's 'Government is not the solution to our problems, government *is* the problem'. The second age of global market society had begun and unbridled progress of the kind Hayek (1960, 39–40) associated with civilisation was the order of the day: 'In one sense, civilisation is progress and progress is civilisation. The preservation of the kind of civilisation that we know depends on the operation of forces which, under favourable conditions, produce progress.' It should perhaps be added that the phrase 'the kind of civilization that we know' refers to, or is even identical with, a self-regulating market society.

The global transformations of the last three decades have led to the emergence of a new capitalism with a renewed Hayekian faith in the self-regulating market mechanism strengthened by the demise of socialism. The markets, which were 'tamed' using different mechanisms in the post-Second World War period, have been freed to expand in a way that encompasses the 'fictitious commodities'. The second life of developmentalism began in the setting of this new capitalism.

As in the nineteenth century context of the self-regulating market economy discussed by Polanyi, contemporary market institutions were put in place by political intervention. In this process, international organisations such as the International Monetary Fund (IMF) and the World Bank, as well as the more recently formed World Trade Organization, have played an important role by presenting the blueprints for institution building, which have become the centrepiece of the international development policy environment. Economic stabilisation and structural adjustment were the key words and, apart from fiscal austerity, what they meant was privatisation, the liberalisation of trade and financial liberalisation, labour market de-regulation, and the elimination of agricultural subsidies.

While the previous mechanisms of protective state intervention were dismantled, the new capitalist order came with its own mode of regulation, which is characterised less by retreat than by a thorough 'metamorphosis'

of the state whereby political power becomes 'diffused' or 'de-centred' or is 'privatized'.² Hence, private–public partnerships of different kinds proliferate in different sectors of productive activity and in the provision of social services hitherto considered to be the realm of redistributive action by the state. At the same time, the voluntary sector is increasingly called upon to assume what were once the responsibilities of the state, and here—too—partnerships between the state and non-governmental organisations (NGOs) have become an important aspect of the models of good governance.

These models, which have been systematically discussed by the international organisations that set the present agenda for development policies considered to be viable in the context of the global market economy, are characterised by a blurring of the boundaries between the public and the private, between the governmental and non-governmental.³ In the context of the new capitalism in which the approaches to development have been shaped, the 'network', as organisational form and analytical concept, has become an integral part of socio-economic relations and social analyses. As Manuel Castells (2000, 14) discusses in his analysis of the new network society, the state has now appeared as 'a network state made out of a complex web of power sharing and negotiated decision making between international, multinational, national, regional, local and non-governmental political institutions'.

What we observe in this context is a change from one type of developmentalism to another type where state intervention continues by taking a different form within a network society. While the nation state is limited in its capacity to interfere with the commodification of land, labour and money, intervention can still be motivated by political factors, which vary in their compatibility with the requirements of economic progress. As mainstream development theories and policies undergo an important change, they continue to be marked by the tendency to overlook the significance of those objectives of a political nature pursued by nation states. In the meantime, deviations from 'rational' policy lines continue to frustrate attempts to put national economies on the market-led path to economic progress. The case of Turkey shows how these deviations

2 The authors who use these terms do so in different paradigms of political power and state action. The terms together indicate, however, a major change from the standard forms of the modern bureaucratic state towards formations where the boundaries between the political and non-political become blurred. See, especially, Strange (1996), Chandhoke (2002), and Hibou (2004).

3 In this regard, the *1997 World Development Report* of the World Bank (1997) is particularly significant.

appear in society in specific ways that nevertheless reflect the nature of the historically prevailing variety of capitalism.

3 National Developmentalism in a Protected Economy: Turkey before the 1980s

Starting with the Union and Progress Party's rule in the early twentieth century, there have been intense debates on the development of a 'national economy' in Turkey. These debates have involved, to a significant degree the creation of an 'indigenous bourgeoisie' consisting of Muslim Turkish business people. A transfer of capital to these business people from non-Muslim minorities, who had a centrally important presence in the nineteenth century Ottoman economy, was an integral component of the new nation building project. Two historical developments have significantly contributed to an accumulation of capital in the hands of a Muslim bourgeoisie that has emerged with considerable state support: the government initiated the forced dislocation and deliberate massacre of Armenians in 1915, which reduced the Armenian population from around 1.5 million to 100,000, and the population exchange after the First World War, when 1.2 million Greeks left Anatolia. Politically supported mechanisms of capital accumulation continued to benefit Muslim entrepreneurs, at times at the expense of their remaining non-Muslim peers, as in the case of the notorious Wealth Levy of 1942.

These tragic episodes marked and tainted the twentieth century nation building experience of modern Turkey. They were obviously not in conformity with a rational economic strategy given the fact that entrepreneurship is a scarce resource and national development would necessarily be affected negatively by the elimination of the holders of that resource. Yet, even beyond the extraordinary circumstances of the war years, optimum use of entrepreneurial resources has not been the most important motive determining the state support provided to entrepreneurs. Government-business relations have continued to be influenced by political factors, and the potential to contribute to economic development has not necessarily been the main criterion guiding the choice of the beneficiaries of political support (Buğra, 1994).

Deviations from the pursuit of strictly economic goals have not been informed solely by nationalistic motives. To maintain social stability and, after the transition to multi-party rule in the post-Second World War period, to gain electoral support, Turkish governments followed a policy orientation that slowed down economic progress and prevented the commodification of land, labour and money.

The commitment to support the agricultural sector and to prevent the dismantling of the peasant economy was an important aspect of government policy from the early years of the Republic, and continued until the 1980s. In fact, one of the first economic policy decisions taken by the founders of the Republic was the abolition of the agricultural tithe—a major source of public revenue—in 1925. Agriculture was thus left out of the tax system and subsequent governments, even in the planned economy period between 1960 and 1980, have never followed a strategy of using the surplus extracted from agriculture to support industrial development.

This has been at times questioned by economic planners, among others by the important Keynesian economist Nicholas Kaldor, who was invited to advise on the tax reforms to be implemented following the establishment of the State Planning Organization by the government formed after the military intervention that had overthrown the Democratic Party's government in 1960. There are, in fact, anecdotes about Kaldor's surprise with regard to the tax statistics presented to him, which indicated that the agricultural sector, where the overwhelming majority of the workforce was employed, paid practically no taxes. According to these anecdotes, Kaldor, who could not appreciate the political significance of leaving the peasant population undisturbed, actually thought that the statistics had to be inaccurate.

Along with other forms of support provided to agriculture, the political choice that the statistics reflected was instrumental in sustaining peasant farms as the typical land tenure pattern and slowing down the pace of urbanisation. The urban population was about 25 per cent of the total population in 1945 and had only reached 44 per cent in 1980. After several decades of a first unplanned and then systematically planned policy of industrialisation, 45 per cent of total employment was still in agriculture.⁴

However, even these statistics do not give a fully adequate idea of the dynamics of rural–urban development in Turkey. The survival of family farms has defined a situation where immigration to the city has not led to a total rupture with the countryside. The remittances that immigrants sent to family members who remained in the village contributed to the survival of family farms, and these remittances—which were reciprocated by in-kind or in-cash support from the peasant economy—would constitute a mechanism of social protection for workers in urban industry or services.

4 Hobsbawm (1995, 291) observed that, in the 'neighbourhood' of Europe and the Middle East, Turkey appeared to be an exceptional case of a still remaining 'peasant stronghold' in the early 1980s.

Urban employment relations were situated in a protected economy with the risk of unemployment being much lower than that which currently prevails in open market economies. However, the integration in the urban economy did not only depend on the prevailing employment opportunities. There was another society-specific mechanism of integration, which owed its existence to the character of state–society relations. *Gecekondu*, the Turkish form of irregular housing settlements, in fact appears as a key to any analysis of the nature of the interaction between politics and the economy during the first phase of developmentalism in Turkey. The unique economic and social significance of irregular settlements in Turkey can be explained with reference to two factors. First, illegal appropriations of public land and housing developments without construction permits, which built on what were previously agricultural plots in the urban periphery, were enabled by the characteristics of urban real estate property. Hence, irregular settlements, which in another context of property relations would have met with strong opposition from the owners of private land with proper construction permits, could easily mushroom. Also significant in this development was a second factor, which was political. This pattern of irregular access to urban land was situated in a context where a proper public housing policy was absent, but electoral competition prevented political actors from being indifferent to popular demands. In this context, the inhabitants of *gecekondu* acquired title deeds through periodically enacted amnesty laws and the irregular settlements were regularised through the provision of municipal services, usually around election time as favours granted in exchange for votes. Hence, the *gecekondu* appeared as a society specific form of popular housing and the irregular settlements have developed to also include middle-class residences. However, it would be a mistake to regard irregular settlements solely as a response to the need for shelter. These settlements were also spaces of livelihood with a variety of both formal and informal economic activities gravitating around them. The inhabitants engaged in these activities could remain together with their family members in space and often in economic interest. Kinship ties could thus remain strong in their ability to provide support to individuals in social risk situations.⁵

This policy environment of the first phase of developmentalism in Turkey clearly reflected a disregard for the institutional norm expected to guide economic development in a market economy. Policies that were implemented checked the forces of creative destruction and slowed down the pace of economic development. Nevertheless, it would not be justified to suggest that the country's strategy of economic development was entirely unsuccessful.

5 See, on this, Buğra (1998) and Buğra and Keyder (2006).

State-owned enterprises and the modern firms in the private sector could contribute to a process of industrialisation that constituted the basis for the expansion of Turkish manufactured exports after the insertion of the country into the global market. These enterprises could also provide decent jobs—today conspicuous by their absence in Turkey, as in most other countries—at least to a limited segment of the workforce.

Nevertheless, such positive developments were overshadowed by the unstable environment created by macroeconomic mismanagement, which proved to be fatal after the oil crisis of 1973. Inflationary pressures and the growing deficit of balance of payments led the government to adopt an economic stability package imposed by the IMF in January 1980; but the package could be implemented only after the military intervention of 1980, by far the most ruthless and the most enduring of such interventions in terms of its impact on political and social relations. Turkey has thus entered the age of globalisation with a military intervention and, for those of us who were around at the time, it was quite surprising to hear the leader of the junta state, in his first public address broadcast on television, that the implementation of a market-oriented, outward-looking development strategy was among the objectives of that intervention.

4 **The Second Phase of Developmentalism: Turkey in the Global Market Economy**

In Turkey, the country's insertion into the global economy started with a thorough change in the foreign trade regime. Most tariff and non-tariff barriers to trade were eliminated, and the foreign direct investment regime was liberalised. Towards the end of the 1980s, capital controls, too, were eliminated with full financial liberalisation. While the barriers to agricultural imports were eliminated, agricultural subsidies, too, began to be discontinued without being fully eliminated. In the meantime, the most fertile plots of land in the western and southern regions of the country were sacrificed to tourism and real estate development, which had become the leading sectors for economic expansion in the 1980s. Thus, de-ruralisation has gained impetus; in the mid-1980s rural and urban populations reached parity and urbanisation has proceeded at an increasing rate since. Yet, the final hour of the peasant economy came only in the first decade of the new millennium, when a series of policies directed at the full commercialisation of agriculture were systematically implemented. Until then, agricultural productivity continued to decline in such a way that Turkey appeared to be one of the few countries in the world where there were

no productivity improvements in agriculture between the early 1980s and the late 1990s (World Bank, 2001, 312).

At the same time, the *gecekondu* began to lose its basis of legitimacy as the indisputable need for shelter no longer seemed sufficient to morally justify irregular patterns of access to urban land. With the geographic expansion of the cities and the new popularity of suburban, middle-class residences, the inhabitants of irregular settlements and new immigrants hoping to find shelter in these areas found themselves in intense competition with real estate developers. However, the outcome of this newly competitive environment also only became clear in the first decade of the new millennium, when the urban property regime was finally established as part of a systematic strategy of urban transformation.

During the 1980s and 1990s, these trends continued without a proper regulatory framework in which a market economy could develop. Neither could the separation of the economy from politics be achieved since the political concerns of the governments in power prevented them from implementing drastic measures to eliminate all agricultural subsidies, organising the urban land market in conformity with the norms of private property relations or even refraining from attempts to control interest rates to prevent the ruin of many small and medium-sized enterprises. Ongoing state intervention in an unregulated market economy, which was nevertheless set out to function by treating labour, land and money as commodities, led to a series of crises, in 1994, 1999 and the worst in 2001. When the decision to eliminate capital controls was being debated at the end of the 1980s, Keynesian economists warned the policy makers that financial liberalisation in the absence of mechanisms to assure fiscal discipline was a recipe for disaster (Akyuz, 1990). These economists were proven right by the developments that followed.

The hold of the IMF and the World Bank on Turkey's economic development strategy became particularly strong after the crises of 1999 and 2001. In the aftermath of the devastating economic crisis of 2001, the coalition government then in power invited a high-ranking World Bank bureaucrat of Turkish origin, Kemal Derviş, to implement a series of market reforms. The main purpose of these reforms was to prevent discretionary political involvement in the economy. Hence, a series of independent regulatory agencies were put in place and existing agencies were further strengthened. The importance of the central bank's autonomy was also stressed and consolidated.

While these reforms were clearly in conformity with the logic of an efficiently functioning market economy, and could in fact play an important role in preventing serious financial crises in the following decade, the majority of the population—whose lives had already been devastated by the crisis—was not

at all happy to swallow the bitter pill of economic rationality. It was thus not surprising to see the newly founded Justice and Development Party (*Adalet ve Kalkınma Partisi*, AKP)—the final reincarnation of a series of political parties that were situated in the Islamist National Outlook Movement,⁶ and were closed one after the other due to their nonconformity with secularist principles—come to power in the general elections held in 2002.

The leaders of the AKP had drawn important lessons from the crisis-laden years of the 1990s. They had learned, first and foremost, the importance of the risks involved in any kind of intervention that would erode investor confidence in an open economy, given Turkey's extreme vulnerability to capital outflow. This called for respect for the regulatory framework of a market economy, but also required political stability, which any manifestation of Islamic radicalism would endanger. The rise of Islamic politics and the Islamic radicalism that marked the discourse of the Welfare Party—in which most of the leaders of the AKP, including Erdogan, had held important positions—had constituted a source of serious political tension in the 1990s. By replacing overt Islamism with references to the party's conservative liberalism and avoiding previously popular debates around Islamic economic and social institutions, the AKP, at least until quite recently, managed to keep these tensions under control by presenting its outlook as simply a culturally conservative one limited to references to the merits and potentialities of 'our culture' and the special emphasis placed on traditional family relations and philanthropy as an antidote to the social disruption caused by modernisation. But modernisation had remained an important objective and in an interview given to the *Washington Post* in 2002, Erdogan, the leader of the AKP, answered a question about his vision of a different Turkey by saying 'I will modernize Turkey' (Waymouth, 2002).

The AKP's commitment to a culturally informed process of modernisation respectful of market reforms was more than welcomed by the Western establishment especially in an international environment dominated by the fear of radical Islam. For over a decade, international media and many academic researchers presented Turkey under its 'moderately Islamic' AKP rule as a model that proved the possibility of successful economic development and a political

6 The origins of the National Outlook Movement go back to 1969 when a group of conservative members of the parliament split from the centre-right Justice Party and began to follow an independent political trajectory characterized by a religious conservatism that has taken different forms closely reflecting the political opportunity space defined by the nature of domestic and international developments. It was in the 1990s that the movement began to affirm its Islamist orientation forcefully. In this period, the Welfare Party (*Refah Partisi*, RP), situated within the movement, enjoyed significant electoral victories in municipal and national elections.

democracy in a Muslim country. 'The Turkish model' has often been discussed in terms of the extension of industrial production to some Anatolian provinces, where local business people have acquired a more important position in an economy previously dominated by big enterprises located in a few industrial centres. These new Anatolian business figures have been praised for their competitiveness and non-reliance on state support. Their Islamic mentality and outlook have been widely discussed as variables in studies on the rise of political Islam and the compatibility of Islam with capitalist development and political democracy.

While it is indeed possible to observe that religion has recently become an important element in business life in Turkey, the direction of causality between religious outlook and political developments seems to be somewhat different from the one generally emphasised in the literature. In the 1990s, the rise of political Islam with successive victories in Turkish municipal and national elections was accompanied by the emergence of voluntary business associations that used Islamic references in their organisational discourse and strategies. With close ties to Islamist politicians, these associations have played a role that is not limited to a straightforward representation of interests. They have, rather, interpreted Islamic identity in ways that are compatible with capitalist development and used this as a network resource to bind their members in coherent communities of interest and outlook situated within the constituency of political Islam. The networks thus established have been useful for small and medium-sized enterprises as channels of access to markets and as sources of input or technological know-how. They have also been beneficial with regard to relations with local government or to the formation of subcontracting relations with larger firms operating at the national level. The complex relational matrices thus formed with the active involvement of business associations could hardly be interpreted in terms of a unidirectional causality between the emergence of a provincial Muslim bourgeoisie and the ensuing political developments in the country.⁷

The extensive attention the media and academic circles have devoted to 'Anatolian Tigers' has been unable to provide a meaningful analysis of the relational matrix in question. Furthermore, it has precluded a deeper scrutiny of the nature of the country's economic development strategy and the interfaces between economic and political processes. During the AKP's first decade in power, attention was diverted from the fact that investments in infrastructure and construction had become the engines of growth and, like those in energy and mining as well as in the now commercialised health sector, these

7 For an in-depth discussion, see Buğra and Savaskan (2014, Chapter 4).

investments were carried out in a context marked by serious government intervention. The government has remained a crucial actor in investments in infrastructure and, in the construction sector, a giant of public administration—the Mass Housing Development Administration (*Toplu Konut İdaresi Başkanlığı*, TOKİ)—has been able to acquire quasi-total control of developments in real estate in collaboration with private contractors. Government regulation remained important during and after the privatisations in energy and mining, which gained impetus under AKP rule. Meanwhile, the current significance of the private sector in the health care domain has not undermined the role of the government in the new system, where private provision goes together with public funding.

During the last decade, in all of these areas there has been a frenzy of legislative activity that aims to expand the scope of discretionary political intervention in these areas beyond the regulatory framework consolidated before the AKP came to power, and to limit the involvement of the judiciary in policy decisions to protect the public interest. One of the outcomes of these changes has been the limiting of the authority of independent regulatory agencies, many of which have lost their autonomous powers.⁸ Higher courts still tried to intervene to protect the public interest with regards to the privatisation process, until their prerogatives in this area were largely eliminated by the constitutional amendment accepted by the referendum held in 2010.⁹

The legislative action taken to eradicate the barriers to discretionary intervention in the economy has been significantly directed at the creation of opportunities for capital accumulation in the hands of privileged business people. The spectacular rise of a group of big business figures who had no serious presence in the economy until recently has been a particularly striking development of AKP rule. Even those provincial small and medium-sized enterprises whose competitive potential has been widely praised have not been excluded from this picture of a politically shaped market economy. Although these ‘Anatolian Tigers’ could hardly take part in government bids related to infrastructure megaprojects or in privatisations in energy and mining, those with the right political affiliation and associational membership have been able to benefit from politically supported processes of capital accumulation as subcontractors to big business.¹⁰

8 In 2011, a government decree practically ended the autonomy of these agencies, placing them under the authority of the ministries in their respective areas of responsibility.

9 On this, see, Buğra and Savaskan (2014, Chapter 3) and Sonmez (2010).

10 In this regard, Article 15 of the Public Procurement Law, allowing the administrative unit granting the contract to demand that the contractor change the subcontractor, has been

The AKP government's cosy relations with these privileged business people have gone together with its increasingly tense relations with the established big business community, uncomfortable with deviations from the market reforms put in place after the economic crisis of 2001. Established big business figures who refused to provide their unqualified support to the AKP faced serious threats of marginalisation and, at times, punitive tax inspections. In this new setting of government–business relations, it is in fact possible to observe certain parallels with the early twentieth century history of the politically guided transfer of capital from one group of business people to another. Once again, this process is hardly in conformity with economic rationality, although it now takes place in a country that is active in the global market economy.

The policies of the AKP government have, however, conformed fully with the trend towards the commodification of life and livelihood that currently prevails in the global economy. Most of the legislative changes that have led to a complete restructuring of the agricultural system were introduced in the first decade of the new millennium. These changes include the elimination of state-supported purchases of agricultural produce; the restructuring of the tobacco, sugar and dairy product markets, which has opened them up to agribusiness; the 'seed law', which introduced intellectual property legislation that has also contributed to the increasingly important presence of agribusiness in the sector; a direct income support policy that was designed as a temporary measure to compensate farmers and support them in readjusting their crop choices during the phasing out of subsidies, but has actually led to a loss of crop diversity; and measures leading to the expansion of contract farming with the involvement of domestic and foreign companies as important actors in the trends towards the commercialisation of agriculture and the commodification of land.¹¹

The dismantling of irregular settlements and the commodification of urban land has also been a particularly impressive achievement of the AKP. While the municipality laws of 2004 and 2005 have proved important in expanding the prerogatives of municipal governments in controlling urban land, the real turning point in this dismantling process came in 2007 with the Law for the Protection of Dilapidated Historical and Cultural Real Estate through Protection and Renewal. In a massive wave of demolition, eviction

useful in expanding the scope of discretionary political involvement in the business opportunities of smaller firms. For a detailed interpretation of the article, see Doganyigit (2009, 416–424).

11 For a comprehensive discussion of these transformations and their consequences for farmers, see Aydın (2010).

and reconstruction in Istanbul, Ankara and a number of other smaller cities, the inhabitants of irregular settlements were displaced. The mixed property structure of these settlements, in which owners as well as tenants lived, made the displacement process very complicated, but at times also facilitated it by allowing the authorities to benefit from the conflicts of interest existing between those entitled to different types of compensation and tenants who were often unable to secure low-cost housing elsewhere. There were episodes of resistance, supported by civil society initiatives, such as the widely known case of the gentrification project in Sulukule, the centuries-old Roma neighbourhood in Istanbul. The response of the political authorities to such resistance has involved the widespread mobilisation of the security forces, and appeals to the requirements of public morality and social order that have described the irregular settlements as hotbeds of criminality, terror and violence. As the head of the Istanbul Municipal Housing Administration succinctly put it: 'Terrorist groups and people who are involved in drug and women trafficking try to obstruct urban transformation projects, by manipulating innocent people who live in *gecekondu* settlements. Irregular urbanization breeds terrorism' (Bartu Candan and Kolluoğlu, 2008, 19).¹²

The urban transformation process was not, however, limited to the demolition of irregular settlements, neither was it only about changing forms of residential housing. In Istanbul and elsewhere, it proceeded unscrupulously at an accelerating pace through the construction of hotels, business plazas and shopping malls, and through mega investments in urban infrastructure, all proudly presented as signs of the country's impressive economic progress envied throughout the world. This 'impressive economic progress' was also related to infrastructure projects involving the construction of interurban highways, bridges and dams that extended to the country at large and contributed to the transformation of the countryside led by the previously discussed changes in the strategy of agricultural development.

While the impressive economic progress in question was not exactly blind to its impact on the process of capital accumulation, the forces of creative destruction have remained largely unchecked with regard to their impact on the socio-economic and natural environment of people. In the period following the economic crisis of 2001, Turkey's economic growth figures were quite good, although not very high compared to other Asian 'emerging countries', to emerging countries in Latin America, or even to the Organisation for Economic Co-operation and Development (OECD) average. However, unemployment

12 On popular protests against urban transformation projects, see also Deniz (2010).

remained around 10 per cent throughout the decade¹³ and informal employment has continued to be important especially among female workers.¹⁴ The failure of the prevailing economic strategy to create 'decent work' is reflected in the importance of 'vulnerable employment'—the self-employed and unpaid family workers, according to the definition of the International Labour Organization (ILO).¹⁵ Flexible employment practices, especially the widespread practice of subcontracting, along with very repressive policies with regard to trade unions, have made it practically impossible for labour unions to be effective in their defence of workers' rights. According to OECD statistics, trade union density in Turkey fell from 20.8 per cent in 1986 to 4.5 per cent in 2012.¹⁶ The dismantling of the peasant economy accompanied by the increasingly narrow urban opportunity space has forced people to accept extremely hard working conditions. Currently, Turkey is one of the countries where weekly working hours are the longest in the world and work accidents claim the lives of hundreds of workers annually.¹⁷

Under these circumstances, rural–urban migration patterns, too, have changed. As economic opportunities in the city have ceased to be attractive, people have begun to look to non-agricultural employment in rural areas where agriculture could no longer offer them a viable source of livelihood. Seasonal service work in tourism and employment in the privatised mining industry have been among the opportunities that have presented themselves.

Fatal accidents in the mining sector have recently attracted widespread attention in Turkey. Especially since a disaster in the coal mining town of Soma, which is located in a once relatively rich agricultural region in western Turkey, revealed the literally criminal neglect of basic safety measures in the mines operated by private subcontractors of public mining administrations. Unlike other mining accidents where casualties had been fewer in number, the Soma

13 World Data Bank, *World Development Indicators*: <http://databank.worldbank.org/data/reports.aspx?source=2&country=&series=SL.UEM.TOTL.ZS&period> (accessed on 7 October 2015).

14 Half of the country's working women are currently employed in the informal sector: TURKSTAT, *Household labour force statistics*, http://www.tuik.gov.tr/PreIstatistikTablo.do?istab_id=2258 (accessed on 17 November 2015).

15 TURKSTAT, *Basic Indicators of Workforce*, household labour force survey 2014: http://www.tuik.gov.tr/PreIstatistikTablo.do?istab_id=2257 (accessed on 8 October 2015).

16 OECD, *Trade Union Density*, https://stats.oecd.org/Index.aspx?DataSetCode=UN_DEN# (accessed on 8 October 2015).

17 ILOSTAT, Database of Labour Statistics: http://www.ilo.org/ilostat/faces/help_home/data_by_subject?_adf.ctrl-state=1au3aa3w04_321&_afLoop=17358436464058 (accessed on 17 November 2015).

tragedy—in which over 300 miners lost their lives—received widespread media coverage that clearly showed the helplessness of a rural population that had no choice but to enter these lethal mines in the full knowledge of the threat to their lives that working there entailed. Erdogan, the then Prime Minister, reacted to the tragedy by saying ‘such accidents are in the nature of mining’ (Daloglu, 2014), which rightly caused outrage among a large number of people. Yet Erdogan’s statement, in a way, conformed to what people were being forced to accept as natural in the context of the country’s prevailing development strategy.¹⁸

In fact, shortly after the Soma disaster media reports emerged of a coal mine—this time in the south-eastern town of Şırnak—where the informally employed miners worked under unbelievably hazardous conditions. The mine was eventually closed by the authorities despite strong resistance from these workers, who wanted to continue risking their lives and to work in truly inhuman circumstances because they had no other source of livelihood.¹⁹

5 Conclusion

Protest against loss of livelihood did not always take the form it did in Şırnak. During the last two decades there have been strong popular movements against the forces of ‘creative destruction’ that have been unleashed in the new capitalist economy of Turkey. The massive, nation-wide demonstrations of 2013, which began in downtown Istanbul, were preceded by a series of local urban and rural protests and formed part of a wave of global anger reported by *The Economist* magazine in a cover story entitled ‘The march of protest’.²⁰

This march of protest was against the form developmentalism had taken within a variety of capitalism organised on the basis of what Polanyi called the ‘commodity fiction’, a capitalism that aimed to function by separating politics from the economy. In reality, however, government intervention continued not only to put the market economy in place but also to achieve objectives

18 For a comprehensive discussion of different aspects of the Soma mining disaster, see the report prepared by an interdisciplinary group of professors and students from Bogazici University: Bogazici Universitesi Soma Calisma Grubu (2015).

19 *Milliyet*, 7 and 8 July 2014; *Radikal*, 7 July 2014.

20 The cover of *The Economist*, dated 29 June 2013, featured four figures, representing the protests of 1848 in Europe, of 1968 in America and Europe, of 1989 in the Soviet Empire Bloc, and of 2013 everywhere. <http://www.economist.com/printedition/2013-06-29> (accessed on 19 February 2017).

of a non-economic nature. In fact, in 2012 *The Economist* magazine published a special report entitled 'The rise of state capitalism: the emerging world's new model'. The report focused on the crucial role of giant national or state-controlled companies in the rapid growth and the increasing global influence of the 'emerging economies' including Russia, China, Brazil and India, as well as several others. The report's investigation of the subject was accompanied by the expressions of concerns about developments whereby 'the invisible hand of the market is giving way to the visible, and often authoritarian, hand of the state.' (*The Economist*, 2012).

The visible hand of the state in these countries was of course present also in the post-war period that preceded the globalisation of the late twentieth century. In that period, as now, economic development was an important objective pursued by policymakers and the conflicts of capitalist development were not independent of the political concerns of governments. What becomes important, then, is to see how the dynamics of conflict and conflict management articulate with the particular political economy setting proper to the existing historical variety of capitalism.

We have seen, for example, that in Turkey politically supported capital accumulation has always been important in defining the character of government intervention. Therefore, government intervention has not been neutral in its impact on different groups of people; beyond differences of class, both ethnicity and political affiliation have played a role in the way the opportunities and challenges of economic development have presented themselves to different members of society. However, during the first phase of developmentalism, the measures taken to prevent the social dislocations brought about by capitalist development from threatening social cohesion and political stability were also important. To control the dismantling of the peasant economy and to keep urban poverty under control, political authorities were willing to resist the commodification of land and labour at the expense, when necessary, of achieving a higher rate of growth.

In the current setting of the global market economy, economic-growth-oriented objectives can still be dominated by political concerns in a systematic and sustained policy orientation that serves the accumulation of capital in the hands of politically privileged business people rather than in those of other business figures who are not close to the government. However, attempts to prevent the commodification of land and labour are no longer in the picture. In other words, the forces of creative destruction are left unchecked in terms of their impact on the natural and social environment, but progress is far from blind to its impact on the business interests it serves.

The state–society relations of the past cannot provide models that can be emulated in an attempt to change the present order. What must be acknowledged is the need for a serious assessment of both the pace and the direction of progress in light of the requirements of a viable and just society. It is possible to affirm that this is the main challenge facing critical approaches to economic development in our contemporary societies—societies that increasingly appear to be neither viable nor just.

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