



Political Economy of Transformation of Capital Structure in Turkey: A Historical and Comparative View

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1 Introduction

The political-economic transformation of Turkey, particularly in the last 40 years, requires a deep reading in terms of the historical background, as well as current facets, including the policy implications bringing about the transformation process as reflected in today's capital structure. Thus, the historical basis of the issue should include center-periphery relations,¹ mainly evidenced as tension between the two blocs of the Turkish political-economic juncture. Historically, state-led capitalism in Turkey and its privileges given to the political-economic elite constituted the very basis of the capital structure in the country. A comprehensive look at the breakthrough period initiated by the Özal era in the early 1980s should focus on the main policies aimed at transforming society based on political and economic liberalism and its direct/indirect reflections in a newly emerging capital group mainly based in Anatolia, along with the statistical rise of some new local cities/regions/corporations, and its political-economic content.

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In this framework, the two main interest groups of industrial and business associations, Turkish Industry and Business Association (TUSIAD) and Independent Industrialists' and Businessmen's Association (MUSIAD), appear more clearly in this historical process as representatives of the two different political-economic bases in terms of magnitude, volume, regional/geographic distribution of the members, institutional codes/roots, and, hence, differentiated vision and structural realities. It has been widely accepted that TUSIAD stands more on the conventional status quo, largely relying historically on a state-led capitalism model, while MUSIAD relies on a civil and private sector-led model. Yet the Özal era had partially switched relations between economic actors and the state and changed the characteristics and direction of this relation while creating newly emerging economic actors favored by the transformed political-economic sphere in Turkey.

In this regard, MUSIAD, by its development process and revealed vision since its foundation in 1990, represents a new economic sense and strategy in Turkish politics as well. Surely, this has been related to the liberalization of Turkey's political-economic base since the 1980s, followed by the Europeanization and globalization of Turkish politics during the 1990s and 2000s, which resulted in MUSIAD's sphere of influence becoming more institutionalized and deepened in the AK Party era.

On the other hand, TUSIAD, despite some dramatic and hard-fought internal battles on the path toward a smooth in line with the newly emerging structure, generally has coped with the fluctuations regarding problematic issues such as the content, form, momentum, and direction of the reaction to be given to the challenging transformation of Turkey's political economy. The most prominent example of this was the group's reaction to and political stance regarding the 28th of February process,² which led to the collapse of the Erbakan government by a postmodern military coup in 1997. This process and its aftermath, which paved the way for the 1999 and 2001 financial crises as the biggest economic events in modern Turkish economic history, were altogether a resistance against democratization, and had a substantive and significant economic base that provided the "rationality" of this political stance.

2 A Historical View: Two Different Perspectives and Political-Economic Bases

As an expression of political positions within the political spectrum, the terminology used within the right-left spectrum has been meaningful to some extent. However, this context has been subject to major changes through complex political-economic developments on a global scale since the 1980s. Therefore, because the term *center* has gained more importance in determining the political-economic positions in transition countries like Turkey, terminology around the center implies a deeper consideration of the political, economic, and sociological aspects. Sartori (1976: 186–214), in a two-pole-based political analysis, stressed that the space between two poles regarding political stances would determine and shape the scope and role of the *center* and thereby cause one to rethink political relations. While associating the term *center* with its urban, upper-middle-class components, Wilson (1980: 25–49) also notes that the conventional understanding of the characteristic of this political-economic classification has also undergone qualitative transformations and has begun to lose its former influence with the emergence of new conceptualizations and rapid developments.

In this sense, to understand the term *center* in Turkish politics and Turkish political-economic history, one should go beyond right-left contradictions or party politics, which requires a deeper interrogation and a new look that basically relies on the contradiction between political-statist center and societal center. There has been a dualistic structural composition of political culture in Turkey since the foundation of the modern republic, which created a bipolar political-economic pattern. We can regard this controversy as a differentiation and even dispute in the political and economic spheres between statist and state-centric identity values, conventionally represented as the *center*; and liberal or conservative ideology-based identity values, again conventionally represented as the *periphery*. For some, this expresses some kind of “oligarchy–democracy tension” which immediately spurs a political cultural debate in our discussion. Inspired by Edward Shils’ (1982) center-periphery model, Mardin (1973) has proposed applying the model to political artifacts in

Turkey. Whether we use the classification of the two sides as statist elites and traditionalist liberals (Kongar 2012), also characterized as cultural dualism in Timur (1968), or the categorization of state bureaucracy and producer groups (Karpat 2009), all these attributions draw a picture of a bipolar structure in the Turkish political-economic mold.

The differentiation between early republican elites and emerging potential power groups becomes evident with respect to their attitudes toward the modernization of the state, law, culture, and lifestyle, as well as economic and social development, free markets, civil and democratic rights, and religious, national, and traditionalist values, which are undergoing partial and gradual changes in perspective. Mannheim (2013), in this regard, conceptualizes *bureaucratic conservatism* to argue that conventional republican political elites are defenders of the Kemalist construction with its all components, compressing the political-economic sphere and restricting the horizon of new sorts of comprehension and initiatives. In contrast, the newly emerging groups from rural Anatolia have been motivated in taking a dynamic position toward widening the scope of politics and economics for various societal groups. Küçükömer (2009), in this connection, has labeled the core contradiction as, on the one hand, pro-Western seculars, which denotes the continuation of the bureaucratic character of centrist statism and the creation of a new capitalist class involving state-led capitalism, and, on the other hand, Eastern Islamists who defend decentralization and the exclusion of the state from the field of societal, civil, and economic rights and activities.

While the political-economic dimension of the break is as described above, the interpretation of this struggle among political actors refers to a confrontation of two streams, namely the Committee of Union and Progress (İTC) to the Republican People's Party (CHP) versus the Freedom and Accord Party (HİF) to the Democrat Party (DP), Motherland Party (ANAP), and AK Party. The transition to a multiparty system by the late 1940s eroded the absolute domination of the *old* center. The early republican period was shaped in accordance with the demands of the mostly upper-class civil-military bureaucracy and big agrarian elites and gentry, which shows an elitist political-economic base formed and governed by the CHP for years. The political stream began with the Progressive Republican Party (TCF) to the Free Republican Party (SCF) and

continued with the DP, ANAP, and AK Party, on the other hand, reflected by demands for reform in social, economic, and political concerns to be practiced through a more liberal and individual-based structure.

Many scholars have highlighted the tension between Republican elitist secularism, which is authoritarian in nature, and the broad masses, which are closer to traditional and religious values and have been excluded from the mainstream political-economic and social realm for years. Thus, the Republican experience since the early years of the new state has shown a sharp divide regarding the mode of modernization. Economic and societal relations shape politics and political relations such as state-society and state-economy in many ways; but it has been more significant in the Turkish experience than in any institutionalized Western or Eastern country owing to its unique characteristics and historical vulnerabilities. Thus, the Turkish experience, in the construction of a new mode of the modernization project, involved coping with challenges regarding the anachronistic nature of the project, which stemmed both from its mindset and methodology. That is to say, by changing the parameters of economic activity and societal relations in the contemporary world, the political and institutional mindset was subject to a critical test, and the question was whether traditional Republican state practices would be able to handle or even change the crux of the problem. As Buğra (2002: 191) points out, “While the state has extensively intervened in economic life, it has not done so, first, in a rule-based manner via formal institutional arrangements, but through particularist relations between political authorities and individual businessmen. Second, extensive state intervention in economic and social life was not successful in assuring social integration. Large segments of the population have remained excluded from economic benefits of modernization and no significant uniformization of life styles could materialize. Many of the problems today stem from this double failure of the Kemalist modernization process in Turkey.”

The direct and positive relation between state-led capitalism and the dominance of secularism in the Turkish experience would give insight into the rationale of demands for restructuring Turkish politics, economics, culture, and society, in line with contemporary schemes and frameworks. In this context, when the critical stance of *periphery* against state-led modernization initiatives has been attributed to political-economic

concerns, there is an underlying rationale. In terms of their class origins, these societal groups predominantly come from small shopkeepers, merchants, artisans, peasantry, and even working classes. For a long time they lacked the necessary physical and social capital to compete with bigger firms in the market and largely relied on favors from the state, such as cheap credit, subsidies, and public contracts.

3 Breakthrough Period: Özal Era, Policy Implications, and Formation of a New Capital Structure

After the DP carried the *periphery* to power with a social base composed of peasants, urbanite liberals, conservatives, local middle class, and mainly small industrialists and businessmen and disturbed the monopolistic and partisan role of the state in economic life, the second major breakthrough took place during the ANAP governments in the 1980s.

The global environment Turkey went through by the 1980s has opened a new age with rapid changes in the economic, political, and ideological spheres, spurred a reformulation of global political economy by globalization and capital mobilization, and brought about the replacement of the welfare state by neoliberal and new right politics. This has brought new formations of governance and various sorts of sovereignty for world politics. Integrated with globalization, and its emphasis on individualism, a market economy, restricted/minimal state, and liberal rationalism, neoliberal policies have opened new vistas and a new form of politics referred to as the new right or liberal conservatism, composed of neoconservative politics. Giddens (1994: 22–45) states that such a paradigmatic change in neoconservatism has a sociological content rather than philosophical and in this regard has no reservation with being integrated with liberal democracy. Such a convergence of liberalism and conservatism is a sign of new political-economic measures for Turkish political culture in the age of globalization. Structural transformation in economics associated with politics mainly relied on a change of mindset in the Özal era. The prolonged political, legal, and bureaucratic modernization process since the time of Tanzimat began to give way to a new modernization paradigm,

highlighting an economic rationalism via commercial, fiscal, and technical modernization.

The 1980s brought paradigmatic changes in cultural and mental codes alongside the political and economic developments. Cultural impulses, with changing structures, generated a new tendency toward cultural relativism in most societies. This has led to an acceptance of new conceptions of diversity, the recognition of local and traditional values, and the path to multiple perspectives opposing the unilinear conception of modernization associated with the West. Cultural pluralism, in this regard, associated with postmodernism, brings with it a structural transformation in political mindsets, implying a radical shift from a simplistic right-left division to the acknowledgment of new and complex identity issues. In addition, in the economic field we have witnessed new forms of production, referred to by some as flexible production in post-Fordist conditions. This allows some sectors of the production and wholesale supply-chain processes to take place in different countries or different districts within a country with relatively low costs thanks to technological developments and new economic rationalities. Within this new form, small cities and small-sized firms in these cities, including the wider metropolitan areas, took on new functions and roles. As a result, Turkey has been one of the core actors embodying the implications of the aforementioned global framework.

The transformation of Turkish capitalism from the 1950s to the late 1990s has been instructive in comprehending the political-economic stances of several governments vis-a-vis the compatibility of a developing country's changing economic mindset with global developments. Öniş (2010: 48) classifies the developmental process of the Turkish economy in the last 50 years starting with a multiparty system as a gradual process and also a sort of cyclical pattern with a break, continuity, and overlap.

The 1950s correspond to the liberal turn in the Turkish economy involving an attempt to reverse the statist and protectionist policies of the inter-war era. The second phase, under successive five-year plans implemented during the 1960s and 1970s, represents a shift to national developmentalism and ISI (import substitutive industrialization)-based strong protectionism of the domestic market. This phase resulted in the institutionalization of the domestic market. The third phase, the 1980s and the 1990s, corresponds to

Turkey's encounter with neoliberal policies and the logic of the Washington consensus which is based on the liberalization of key sectors of the economy. The fourth and final phase constitutes the regulatory phase of neoliberalism with policy-makers emphasizing strong regulatory institutions and paying more attention to social protection. This phase reflects Turkey's encounter with the emerging post-Washington consensus.

The policy phases of this development path imply and correspond to qualitative changes within the nature and form of domestic capital structure in Turkish business community considering the reality that essential determinant of this process is the relation, even the alliance, between state and domestic capital primarily. As mentioned in an earlier section concerning the historical basis, the Turkish domestic capital structure, which was substantially survived under protectionist policies, had begun its transformation by the 1950s and continuing into the 1970s' new political-economy. The industrialization and urbanization of societal and economic relations were effective in the transitional process of large firms from agrarian or commercial form to a domestic-capital-based industrial structure, followed by a shift toward export orientation in the next phase by the 1980s and early 1990s. Depoliticization of the market occurred in this period, following the considerable political and economic instability of the 1970s' domestic and global political-economic environment. One important consequence inherently attached to this path has been the development of small and medium-sized enterprises (SMEs), within the last phase of globalization of industrial relations by the 2000s, under a setting conducive to local enterprises to mobilize their economic capacity. Different industrialization and growth waves would be defined in the sliding scale for Anatolia in this period starting with channeling the savings of Turkish immigrants in Europe to their homelands, which in turn were being invested in newly established SMEs. That was followed by the involvement of the state in the form of the State Planning Organization's medium and long-term development strategies with the inclusion of SMEs as the key actor in this state-led development projection by the 1980s (Özcan and Çokgezen 2003). Yet the debate over the expansion of SMEs, mainly in Anatolia, is one of the most contentious within the last 30 years in the academic and political literature in the Turkish case and is associated with

arguments on modern ideological patterns and new forms, actual political processes such as voting behavior theories, discussions on democracy, Islamism and its main objections to the establishment, responses by secular elites, and new horizons within political-economic contexts.

The appeal of the new horizons mentioned previously has to do with moral and actual concerns regarding poverty, income distribution, social justice, and the improvement of the material conditions of disadvantaged groups. This vision, placing developmental goals on a moral basis, has opened up a wide scope for an alternative pattern to the entrenched *center* or establishment and enabled the birth of a cross-class alliance through an awareness of the common ground of being a part of the *excluded*. This sociopsychological and socioeconomic basis, with all its rationalities, has formed and provided a transformational vision, under the favor of global and domestic events, essentially implemented and realized in the Özal era by the 1980s.

In this context, the main determinants of the economic approach in the Özal era were empowerment and securing economic development of the middle class, deep trust in market mechanisms, a transition from import-substitution development to an export-oriented economic perspective, opening up to international competition, a shift from state-led capitalism to free markets, and from patron-client relationships to economic interest-based policies of the DP and AP governments. The institutional and legal regulations of those policies were realized via fiscal, monetary structural adjustment decisions taken on January 24, 1980. Three main stages of the new policy, also indicating a shift toward a free-market economy, were the adjustment of fiscal and monetary regulations, an export-oriented development strategy, and the liberalization of commercial and financial markets. Privatization, flexible exchange rates, new central bank credits, tax incentives, removal of quotas and restrictions on imports, reductions in government expenditures, promotion of supply-side economics and exports, and an overhaul of the bureaucracy were the main policy goals of the new era. The late 1970s' great economic crisis, while causing all to rethink state-economy relations, in the meantime was causing an essential breakup of the Turkish political-economic structure. A comprehensive approach to a new political-economic mindset was being accepted and expanded, with an inclusion of social and cultural

aspects alongside the political and economic ones. A set of discussions was held concerning the role of the state in economic life and societal relations such as social service mechanisms, the creation of trust and justice, interpersonal and social relations, and finally the question of whether the state or society has ontological priority. This has created a new form of combination of economic liberalism with political liberalism, appearing in political and social processes as a function of the economic mindset and activities. Such a conception of economic-based modernization also represents a paradigmatic break from Kemalism's state-centric and culturally based modernization perspective. Kadioğlu (1999) argues that Özal transformed the modernization perspective of the Republican epistemology in two senses: first, by transforming the Kemalism-based modernization mindset and practice by replacing ideology with economic thinking; and second, by attempting to impose an individualism-oriented development and growth strategy rather than the state-centric model.

The critical point here concerns the historical pattern of Turkish public administrative thinking, which mainly relies on the general consent of a transcendent, sacred state, which implies an ontological priority of the state over citizens, which has the power to settle almost in all spheres of life (Habermas 1991). One of the basic changes realized by Özal here is the transformation of this state-dominated sphere, which resulted in the recognition henceforth of the individual as a *political subject*.

In addition, the principle of *populism* as one of the central tenets of Republican epistemology that pictures the societal envisagement and shapes relations between state and citizens started to be questioned and challenged. As Parla (2006) stated, the Republic, with its generality perspective, has tried to merge all citizens in a corporatist manner and to generate a uniform society via populist and solidarist relations, whereas, because the corporatist philosophy repudiates liberal individualism, the presence of social classes, and, hence, the reality of class conflicts, this would open the way to Özal's reforms, which advocate an individual-based society with an entrepreneurial and civil mindset on a more reasonable and rational base, and convince the society for their necessitation. He, in such a framework, by avoiding the generation of a common solidarity among occupational clusters, rather backed up the

Anatolian capital against the major political-economic actors in İstanbul. In this respect, the political-economic factors that create the present dynamism in Anatolia have been very important in explaining the transformational process. Yet the capital structure in the Anatolian business community represents a new growing power, independent of state support, at least at the initial stage.

The Özal era has to be understood as a shift from a slow, bulky, bureaucratic, ineffective, and state-centric structure of big capital to a new one that has spurred a political-economic transformation achieved with improvements in the infrastructure of the Turkish economy and huge leaps in communication, transportation, and energy investments. The Anatolian capital and newly rising middle classes, thus, found their economic and social demands being met in the new political model with ANAP. In other words, the rationalities of internal dynamics to realize the transformation for Anatolia coincided with Özal's perspective and policies. If the two facades of Turkish modernization were to be discussed, the societal facade benefited from serious improvements both in mentalities and practices in the Özal era (Kasaba and Bozdoğan 2010). The societal transformation, connected with urbanization, new waves in cultural production, and gradual establishment of global perspective signifies, on the one hand, an expansion of the periphery, while the establishment of the new middle-class structure points to an immanence and embeddedness³ of an economic mindset in the political and societal relations on the other. Özal, at this juncture, as a leading actor carrying correspondence of the mentioned transformation to historical processes and realities, once again is worth mentioning. He, in particular, represents a break from Republican epistemology by his transformational vision with its emphasis on individual-based political-economic configuration and an expansion of liberties and democratic and civil rights. In this way, he embodies different political and social tendencies in a synthetist approach that works toward the harmonization of conflicting components of conventional ideologies and class struggle processes. The new societal center includes agricultural producers, workers, officials at all ranks, artists, artisans, and businessmen, and in this sense comes to the focus of the debate for its meaning as a new construction of the center in Turkish political-economic life.

The historical episode of the break from Republican epistemology, which led to the transformation horizon in Özal era, created its own path by the 1990s in a more institutional framework. Specifically relying on the criticism of Justice Party (AP) management for its dependency on big and foreign capital, one distinctive type of social mobilization, sociopolitically called National Outlook (Milli Görüş), was led by Erbakan, starting in the 1960s, with its small and medium-sized businessman, artisan, and merchant components in Anatolia. Since then, the central focus of the National Outlook movement has been income distribution and poverty reduction, foreign aid and capital dependency, poor financial statements, and the necessity of industrialization and heavy industry. In the cultural sphere, a Western-oriented social structure and education mode and a value-free pro-Western political-economic perspective and practices of other political parties were termed by Erbakan as counterfeiting and rentier capitalism.

The economic sphere opened up by Özal's liberal policies in the 1980s and early 1990s eased the institutionalization of the aforementioned social mobility, which was critical of the past and thereby has been promoted to set a new political-economic mold in Anatolia since the 1960s. Thus, there have been social, political and economic rationalities and growth dynamics for the new capital. Small businessmen and shopkeepers in the small or medium-sized Anatolian cities were important actors in binding political demands to economic ones during the 1970s. From the National Salvation Party (MSP) to the Welfare Party (RP), this ground had gradually been nourished in accordance with the development process of Turkish capitalism. After the 1960s and 1970s industrialization wave, a second but more essential and dramatic was established and was strongly connected with the deregulatory and liberal policies of the 1980s.

In the classification of the dynamics that led to the transformation, three main issues should be handled in depth. One is about the new policy phase incorporating an export-orientated growth strategy, part of general trade liberalization. The export-orientation strategy, in this framework, while providing benefits for large conglomerates, also created great opportunities for SMEs operating in rising sectors such as textiles, construction, and services, mainly located in new industrial growth centers

in inner Anatolian towns. As statistics show, the share of exported manufactured goods of firms having wholesale and retail chains both in Turkey and abroad increased from 31% in 1980 to 48% in 1994 (Adaş 2003: 42, cited by Hoşgör 2011). As part of trade liberalization in a broader sense, this process was directly enhanced by other components of the free-trade regime where liberalized trade policy provides opportunities to import required production inputs at low cost and to export final goods to a wide and diversified range of districts without any local, national, or transnational obstacles. This eased and opened ways for firms to expand their scope with an eye toward reaching a transnational level through investments in the USA, Europe, the Middle East, and Central Asia by the post-2001 era. Yet firms, mostly SMEs operating especially in the three favored sectors of textiles, construction, and services, took advantage of the growth strategy, such that more than 500,000 firms were established between 1983 and 2000, and by 1990, the SMEs constituted almost 90% of all manufacturing firms in Turkey and employed more than one-third of all workers in the manufacturing sector (Adaş 2003: 71–72, cited by Hoşgör 2011).

This situation was not only related to compatibility with the external environment but also very closely related to government policies, including cheap credit opportunities from public banks, direct/indirect investment incentives, preferential public contractual regulations, legislation conducive to growth, and the formation of industrial districts in various cities and towns. In addition, public expenditures were more concentrated in infrastructure investments such as transportation, communication, energy, and urban renewal projects. Hence, the neoliberal period led by Özal did not simply signify a shift from a state-led development model to a purely free market economy with minimal state intervention. Along with significant liberalization in key areas of economic activity such as financial markets, trade regime, and capital movements, the state has continued to play a role in facilitating the growth of real sectors within the economy. However, this presents another problem in the form of discriminatory use of state facilities in the private sector. This assigned an economic rent allocator role for the state, followed by unfair distributional processes, abuse of state subsidies and incentives, and high-interest-rate loans from the private sector to the state, resulting in two major

financial crises in 1999 and 2001. That is, if the transformation process has not been enhanced and empowered by a strong institutional foundation, in the long run the path will be subject to structural failures that affect all the components including even the beneficiaries.

A third issue to consider in depth is investment fund mechanisms, including attracting foreign capital, particularly from European and Gulf countries, capital financing instruments, and institutions especially required by SMEs and newly emerging capital owners in Anatolia.

Financial liberalization and capital mobility have brought new opportunities for capital inflow, particularly from the Gulf region in the form of interest-free banking (IFB). The introduction of IFB facilitated the financing of investments by aggregating the small amounts of capital to into large amounts as required for new investments, particularly for SMEs, which also mostly consider some moral and religious sensitivities in their economic activities. The first interest-free banks were Turkish–Saudi joint ventures; the Al Baraka Finance House and the Faisal Finance were established in 1985, followed by another Arab–Turkish investment, the Kuwait Turkish Finance House, in 1989; and Anadolu Finance, Ihlas Finance House, and Asya Finance House were formed by Turkish shareholders in 1991, 1995, and 1996, respectively. The interest-free banks functioned in the capital supply process by attracting the savings from the conventional banking system owing to various factors, such as value-based sensitivities, lack of trust owing to political and financial instability, or the presence of some structural/bureaucratic barriers in getting credits from public or private commercial banks. The significance and impact are so huge that when interest-free banks were introduced, an estimated \$50 billion of savings was kept out of the system (Hoşgör 2011).

In addition, as another capital source, the remittances saved by Turkish migrant workers in Europe have been a matter of debate since 1960s on how to save this accumulation within Turkish financial circles. In this framework, deregulation and export-oriented policies have led these deposits to be functionalized in the creation of new investment opportunities in the homeland. As some statistics show, in the 1990s, capital inflows to Turkey from over three million migrant workers amounted to about \$5 billion (Yeşilada 2002: 78).

4 Positioning the Two Main Business Groups MUSIAD and TUSIAD Within the Junction of Transformation

A comprehensive insight into the depth of the breaking points requires an evaluation of the two differentiated positions represented by the two major industrial and businessmen's associations MUSIAD and TUSIAD. The composition and development processes of the two groups may explain some of the mentality codes, future projections, and socio-economic foundations as well. That is to say, the majority of the members of MUSIAD joined after the 1980s, while the history of most of TUSIAD's members is based on the earlier period of the development story of Turkish capitalism. When looking at the dates of incorporation, we can observe that the 1980–1989 period saw a surge in MUSIAD memberships, with the creation of 744 newly established companies in comparison with only 98 TUSIAD members in the same period. Again, while the records indicate that there were no newly established members of TUSIAD after 1990, the same period shows that there were 589 newly established companies enrolled in MUSIAD membership (MÜSİAD 1995; TÜSİAD 1989).

Likewise, in a perspective based on geographical distribution along with size in terms of number of employees, while TUSIAD members come from large firms, geographically concentrated in Istanbul and adjacent industrial districts of the Marmara region, MUSIAD is mainly comprised of various Anatolian SMEs employing fewer than 50 workers (Öniş and Türem 2001). According to records from the late 1980s and early 1990s, out of 473 TUSIAD member companies, 323 of them were located in İstanbul and the rest were mostly in İzmir and Ankara. MUSIAD has a comparatively different story: even if some Anatolian districts like Konya, Kayseri, Kahramanmaraş, Malatya, and Adana have a considerable proportion of the whole picture, the largest number, with 488 members out of 1717, also belongs to İstanbul, followed by Ankara, Konya, İzmir, Kayseri, Bursa, Kocaeli, and others scattered in various cities (MÜSİAD 1995; TÜSİAD 1989).

Contrary to general perceptions, this picture tells us that no representative group can be totally squeezed into a tight geographical and unidimensional cultural framework, as demonstrated by MUSIAD's diverse membership. This reality of diversity and multiculturalism also gives them the opportunity to operate their business according to a global vision. Another important conclusion to be drawn from the picture is the issue concerning the date of incorporation of the enterprises represented by MUSIAD and TUSIAD. The difference between these organizations is that one group has historically been granted many privileges by the state and the other has not. Despite the disadvantageous position that has lasted almost 30 years until the transition to a multi-party system, these companies and MUSIAD, as the association represents them, have enjoyed the benefits of liberal turn by 1980s, which equates the conditions for all parties in economic activity. This historical period has brought significant changes in domestic and global patterns, also creating positive impacts for MUSIAD's socio-economic base. Yet, the promotion of SMEs in a liberal scope has implied the removal of the state's destructive partisan policies on the path to industrialization and business operations.

The AK Party era, in this sense, institutionalized and deepened the existing process, which has largely focused on the expansion of investment opportunities via improvement of the economy's capacity to grow. And when the economy continues on a high-growth path, SMEs also share in the benefits of the growing economy. In this regard, MUSIAD's support for the AK Party's political position is clear since the political-economic perspective and stance of the AK Party towards SMEs coincide with the political-economic interests represented by MUSIAD. Hence, protection and enhancement of the rights and interests of shareholders of these SMEs was declared to be one of the most important tasks of the party's Urgent Action Plan, prepared before the 2002 elections (AK Party 2002).

A dynamic economic environment, therefore, attracted different economic actors under a stable political circle, figured by the AK Party since its victory in 2002 elections. That has allowed the AK Party to set itself on a broad base of support. The very success of the AK Party in its earlier periods particularly was based on the ability to forge a broad social base composed of different segments of society. The main strategy was designed not only on the articulation of economic demands of the newly arisen

SMEs in Anatolia, but also by persuading large companies to adopt a selective strategy including strategic collaborations with others to foster an effective dynamism on the basis of economic commonalities. This project bore fruits in the form of various compromises and even cooperation, including strategies for labor relations, socioeconomic policies, economic prosperity, social inclusiveness, democratic consolidation, and international relations (Hoşgör 2011).

The contradiction between the two associations' perspectives over (1) cultural references (secular, pro-Western perspective versus religious, value-based perspective), (2) preferred modes of development (Western capitalism versus East Asian development model), (3) policy orientations (more EU-focused versus more Eastern oriented), (4) societal and economic grounds (individualism-based model versus communitarian model), and (5) stress on strategic priorities (rights and freedom of the individual versus social justice, social rights, and income distribution) gives a parallel framework to the historical evolution of the Turkish political-economic structure. Thus, it would be important to answer the question of whether this framework would bring major changes toward a convergence of the poles, in a process whereby the *center* would have play a more important role in the democratization of Turkish politics and rising economic interdependence. The consolidation of positions in societal status and obtaining greater share from public and private sources imply a new form of thinking regarding democratic politics by learning from the past. While the SMEs' role and that of their biggest representative association, MUSIAD, by its dynamic, rapid, and energetic character, in this regard, are manifesting as a catalyst for transformation, TUSIAD, with its protectionist, cumbersome, and anemic structure, has mainly been directed to preserve and improve the social and economic status of a largely state-created bourgeoisie. That is, this is a situation that can be explained by both historical conditions and the structural characteristics of both institutions.

Yet in the 1980s, the global and domestic environment brought one of the most serious challenges for TUSIAD, forcing it to review its engagements including various issues such as the unequal structure of the relationship between the state and the economy, the deep gap between the statist center and societal center, the problematic historical legacy

regarding the issue of democracy, and the subordination of individual and social values to statist ones throughout the history of the republic. But consequently it is clear that it has been difficult for TUSIAD's perspective to stand against the secular statist forces, as explicitly seen in the historic ruptures like in February 1997 and recently the Taksim Gezi Park incidents. Yet, despite its own studies, such as *Perspectives on Democratization* report published in 1997, which was widely and harshly criticized even internally immediately after publication, a strong and decisive stance could not be exposed, partially and surely due to its intellectual legacy.

Even if there are some obstacles from internal and external dynamics, Turkey desperately needs to follow the path it embarked upon after 2001, which opened a virtuous cycle whereby political and economic democratization reforms moved in tandem. The principal actors of the economic sphere supporting economic reforms also fully support political reforms such as the EU admission process and expansion of the scope of civil, individual, political, and cultural freedoms. In such a framework, the market has become an important tool of leverage for the political reform process, where politics in turn helps to generate an appropriate climate conducive to both domestic and foreign investments. Hence, such a mutually reinforcing cycle will ultimately bring the structural transformation in favor of institutionalization, unattached to any personal, informal, arbitrary, or subjective concerns.

Notes

1. As a political sociological conception, "center-periphery" refers to a distinct context in the Turkish experience alongside its conventional meaning, as explained in the first and second sections.
2. The overthrow of Erbakan's government through illegitimate ways using different parameters. Since the most prominent breakthroughs in the process have been made by the military on February 28, 1997 at the National Security Council, the whole process is called the 28th of February process.
3. In his influential book *The Great Transformation* (2001), Polanyi argues that the most striking feature of the new economic mindset and practice

has been penetration to all the social, political, and cultural matters by shaping the mentality codes and life practices as a function of economics. He uses the term “embeddedness” in referring to this sort of qualitative relationship.

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