

**The ‘Benevolent Hand’ of the Turkish State: The Turkish Mass Housing Administration,
State Restructuring, and Capital Accumulation in Turkey**

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ABSTRACT

This thesis argues that the contemporary phase of capitalism is marked by a perceived need ‘to get the institutional setting right’ for the sake of the market. In the Turkish context, the institutional turn initiated just after the economic crisis of 2001 deepened and institutionalized market relations in a variety of fields. This state restructuring process triggered new contradictions among different fractions of capital, between classes, and altered the capitalist state’s relationship to each of these. The Turkish Mass Housing Administration (Toplu Konut Idaresi [TOKI]) is taken as the laboratory to capture the tension between getting the institutional setting right to ‘enable’ the housing market and the authoritarian tendencies of state restructuring in relation to different fractions of capital. The “TOKI model”, as the World Bank designates the Turkish state’s institutionalization in the housing sector, is celebrated in terms of its ‘scaling-up’ of the housing market and for its expansion of commodity relations in housing across Turkey. But TOKI also emerges as a scapegoat and as a center of clientelism due to the non-transparent relationships between the state and particular fractions of capital that it fosters. In order to analyze this contradiction, this dissertation attempts to answer the following question: *Why does this content – enabling the housing market – take this particular form – TOKI –, especially after 2003 in Turkey?* While answering this question, the dissertation connects TOKI, as a component of the contemporary neoliberal authoritarian state form, to the formation of a capitalist housing sector as a long-term aim of the Turkish state, of different fractions of capital, and of international financial institutions (IFIs) – the World Bank and IMF.

DEDICATION

This dissertation is dedicated to the memory of construction workers

“who are numberless

.....

who destroy

and create”

ACKNOWLEDGEMENTS

Finalizing my dissertation which often seemed a never ending process and thanking to those who never gave up on me, left me with a peculiar feeling of incompleteness. Dedicated to make a sense of the ubiquitous ‘madness’ and ‘insanity’ prevalent especially in the last 10 years of Turkey, this dissertation has been written both to relate to this life itself and to keep it at a distance. York University, in that regard, provided me a unique perspective required for my exploration, a perspective that I had dreamed about throughout my undergraduate years. I am especially grateful for being part of York University Political Science Department, which enabled me to avoid the mainstream and conventional political circles.

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TEŞEKKÜRLER

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LIST OF ACRONYMS

AKP	Adalet ve Kalkinma Partisi (Justice and Development Party)
ANAP	Anavatan Partisi (The Motherland Party)
ASKON	Anadolu Aslanlari Isadamlari Dernegi (Association of Anatolian Businessmen)
CHP	Cumhuriyet Halk Partisi (Republican People's Party)
CMB	Capital Market Boards of Turkey
DFL	Decrees Force of Law
DP	Demokrat Parti (Democrat Party)
DSP	Demokratik Sol Parti (Democratic Left Party)
GEDAS	Gayrimenkul Degerleme A.S. (The Real Estate Valuation Corporation)
GYODER	Gayrimenkul ve Gayrimenkul Yatirim Ortakligi Dernegi (the Associations of Real Estate Investment Trusts)
IFIs	International Financial Institutions
IMF	International Monetary Fund
IMKON	Insaat Muteahhitleri Konfederasyonu (Confederation of Constructors)
INDER	Istanbul Insaatcilar Dernegi (Istanbul Constructors' Association)
ISI	Import Substitution Industrialization
KIPTAS	Istanbul Konut Imar ve Plan Sanayi ve Ticaret A.S. (Istanbul Residence Development Plan Industry and Trade Inc.)
KIPTAS	Istanbul Konut Imar ve Plan Sanayi ve Ticaret A.S (Istanbul Residence Development Plan Industry and Trade Inc.)
KONUTDER	Konut Gelisticileri ve Yatirimcileri Dernegi (Association of Housing Developers and Investors)
LIDEBIR	Lisansli Degerleme Sirketleri Birligi (Association of Licenced Appraisal Companies)

MHP	Milliyetçi Hareket Partisi (the Nationalist Action Party)
MUSIAD	Mustakil Sanayici ve İşadamları Derneği (Association of Independent Industrialists and Businessmen)
REIF	Real Estate Investment Funds
REIT	Real Estate Investment Trust
SMEs	Small and Medium Scale Enterprises
SOE	State Owned Enterprise
SPO	State Planning Organization (Devlet Planlama Teskilatı)
TBMM	Türkiye Büyük Millet Meclisi (Turkish Grand National Assembly)
TMB	Türkiye Mühendisler Birliği (Turkish Constructor's Association)
TOBB	Türkiye Odalar ve Borsalar Birliği (Turkish Union of Chambers and Commodity)
TOKİ	Toplu Konut İdaresi (Turkish Mass Housing Administration)
TUSIAD	Türkiye Sanayiciler ve İşadamları Derneği (Turkish Industrialist and Business Association)
UN-Habitat	United Nations Human Settlements Programme
YEM	Yapı Endüstri Merkezi (The Building Information Center)
YOİKK)	Yatırım Ortamını İyileştirme Koordinasyon Kurulu (Coordination Council for the Improvement of the Investment Environment)

CHAPTER 1

Introduction

The institutional turn in social theory and development studies since the late 1990s has fostered one of the most important policy shifts in both international and national policy circles. Even though late-comer states have always, to various degrees, been expected to participate in the foundation of capitalist relations of production within their geographical space and to be active in different phases of capital accumulation, the contemporary phase of neoliberal capital accumulation is particularly marked by a perceived need ‘to get the institutional setting right’ for the sake of the market.¹ In the Turkish context, on the one hand, the institutional turn initiated just after the economic crisis of 2001 deepened and institutionalized market relations in a variety of fields. On the other hand, this state restructuring process triggered new contradictions among different fractions of capital, between classes, and altered the capitalist state’s relationship to each of these.

While the contradictory process of Turkish state restructuring in the early 2000s was characterized by some as a success story among the emerging market economies (Atiyas 2012; Keyman and Sazak 2013; Onis 2010; Onis and Bayram 2008), it has also become symbolic of

¹ The term ‘late-comer’ is used to emphasize the uneven and combined character of capitalist development at the global level. In contrast to terms like underdevelopment (Frank 1967), dependent development (Evans 1979), peripheral capitalism (Alawi 1982), emerging markets (the neoliberal title for such countries since the 1990s), or developing countries (a neoliberal and institutionalist signifier of these nations), ‘late-comer’ is used to show the contradiction between the universalizing tendencies of capitalist relations of production and the diversification of relations in different historical contexts as a specific form of the uneven development of capitalism (Hamzaoglu 1985: 48). That is, each integration of a particular social formation into the world capitalist system needs to be transformed in accordance with general processes of capitalist development, but, at the same time, the capitalist transformation takes specific forms in each social formation. The late-comer concept is one that covers both the universalizing tendencies of capitalism at the abstract level as well as the structural inequalities among different nation-states at the concrete level. Although the term ‘developing country’ is also employed throughout the dissertation, this is done with the reservations explained here.

authoritarianism and failure over the last several years for others (Acemoglu and Ucer 2015; Rodrik 2015a and 2015b; Rodrik and Meyerson 2014). The Turkish Mass Housing Administration (Toplu Konut Idaresi [TOKI]) can be seen as one of the first laboratories of the authoritarian tendencies of state restructuring in the contemporary phase. Its unique bureaucratic structure, existing as it does outside of the traditional organizational hierarchy of the state, provides it with strong central administrative capacity. The “TOKI model,” as the World Bank designates the Turkish state’s institutionalization in the housing sector in a recent report, is celebrated in terms of its ‘scaling-up’ of the housing market and for its expansion of commodity relations to the whole of Turkey (World Bank 2015). But TOKI also emerges as a scapegoat and as a center of clientelism due to the non-transparent relationships between the state and particular fractions of capital that it fosters (Rodrik and Mayerson 2014; Atiyas 2012; Acemoglu and Ucer 2015).

The aim of this thesis is to go beyond this dichotomy between the effective state and the rentier state. In contrast to these approaches, what follows is a detailed analysis of the Turkish state’s contradictory role in institutionalizing the invisible hand in the housing sector – the commodification of housing – by means of situating the discussion within the general restructuring of the Turkish state and capital accumulation. The state’s relationship with the different fractions of capital is understood as a contradictory and complementary structural relationship between capital and state, instead of approaching the state and the capitalist classes as isolated entities.² The aim is not to study mass housing construction and urbanization as a self-contained system disconnected from the network of relations, but to approach the topic through a study of the restructuring processes of the state, capital accumulation, and class relations in the neoliberal phase of capitalism.

² The term ‘capitalist classes’ is used in this thesis to emphasize the different fractions and their contradictory relations with each other, whereas the ‘capitalist class’ refers to the personification of capital in general.

The dissertation seeks to understand the formation of a capitalist housing sector as a long-term aim of the Turkish state, of different fractions of capital, and of international financial institutions (IFIs) – the World Bank and IMF. Although the contemporary process of building a housing market is marked by clientelism and rentier relations, it is a long-term project which does not fit any ready-made descriptions. It is, instead, determined by the institutional, historical, and class contexts of a particular society. As the TOKI case shows, institutional structure is neither determined by IMF conditionality nor by the state's five-year development plans. The state internalizes the contradictions of class relations, commodity production, and the internationalization of capital and expanded production in its own way. Thus, the context, in this case the real estate market, takes different commodity and institutional forms. But how?

From this general observation, I make four claims about the evolution of housing policy in Turkey. First, the rapid transition to industrial capitalism in Turkey in the postwar period led to important pressures on the production of housing in urban areas that were first met by informal housing produced for immediate use to meet the needs of social reproduction of an emerging working class, and paralleled to some extent a similar emphasis on use-value in the production of housing in all sectors. Second, in the period of neoliberalism, following the shifting thinking of the 'Washington Consensus' and the structural adjustment policies being applied to Turkey, housing policy moved toward commodification of housing and the emphasis on exchange-value over use in producing housing. The social reproduction of the working class was becoming increasingly market-dependent, and integrated into the competitive imperatives of the circulation of capital. Third, the Turkish state did not exist apart from these developments, but was integral to the building of the housing market and the capitalist class fractions in these sectors and in supporting the development of the housing market across the capital circuits of production,

finance, and distribution-realization. This state policy was associated with the Turkish Mass Housing Administration — TOKI, an agency of the Turkish state whose organizational structure, policy mandate, and operational norms also reflected the tendencies toward authoritarian neoliberalism in Turkey. Finally, if the changes in Turkish housing policy have been closely linked to the periodization of Turkish capitalism, then it is likely that the current phase of neoliberalism is marked by the internationalization of capital in the housing sector. A further contention will be put forward in the conclusion: the urban struggles over housing in Turkey are a critical terrain of working class politics and class formation. In this phase of an increasingly authoritarian neoliberal regime in Ankara, with Turkey in the middle of a low-grade civil war, housing struggles are also integral to any project in defence of democracy and democratization of the Turkish state.

1. Theoretical Problematic of the Study

Although the IFIs and their associated analysts argue that there is a fundamental break between the market fundamentalism of the Washington Consensus of the 1980s and the institutional turn of the post-Washington Consensus of the late 1990s, these two different periods of neoliberal capital accumulation demonstrate continuities as well as discontinuities.

The first phase of neoliberal capital accumulation was dominated by the Washington Consensus's optimism for growth via a reliance on self-correcting market mechanisms. This model lost credibility once the world economy began to experience some of its slowest growth periods and most fragile situations ever (Onis and Senses 2005; Fine 2003; Gore 2000; Grugel and Rigrozzi 2012; Naim 1999).

In the case of the developing countries, the 1980s became known as the 'adjustment decade'. Since the debt crises at the end of 1970s, late-comers were prompted to sustain economic policies based on terms defined by international lending institutions. Countries from a variety of

development backgrounds and possessing distinct institutional and political structures were expected to initiate similar reforms and adopt the macro-economic rules of the game (Naim 1999: 7). It was expected that the late-comers would restructure their 'home' in accord with a universal market and institutional convergence in order to achieve economic growth and reap the benefits of a new external environment marked by intensifying global capital flows (Naim 1999: 8; Gore 2000: 793). Privatization of parastatal enterprises was the most visible manifestation of state restructuring of that first phase of neoliberal capital accumulation demanded of developing countries. Almost 70 percent of all structural adjustment loans, for instance, were dedicated to privatization projects (Bayliss and Cramer 2003: 53). The dominant 'shock therapy' approach to policy reforms was based on the idea that reforms must be implemented as quickly as possible (Naim 1999: 3). The primary indicators used to measure the success of privatization programmes were simply their speed and the number of institutions they privatized (Bayliss and Cramer 2003: 53). Little attention was paid to any other criteria.

The first phase of neoliberal capital accumulation expanded the law of value by eliminating institutions thought necessary during the years of inward-oriented accumulation strategies in favor of new productive circuits of capital. In this phase, economic liberalization for the sake of universal convergence was about 'getting the prices right' (Van Waeyenberge 2006: 26). After the outbreak of financial crises in the late 1990s, in many late-comer countries it became obvious that getting the prices right depended upon deepening the law of value through institution-building. Thus, new policies were concentrated on 'getting the institutional setting right' in order to get the prices right.

On the one hand, neoliberal orthodoxy was now to be advocated as the 'human face of capitalism' based on the formulation of "broader goals" to be achieved through "more instruments," paralleling Joseph Stiglitz's famous 1998 annual lecture to the World Institute for

Development Economics Research (WIDER), *More Instruments and Broader Goals: Moving Toward the Post-Washington Consensus*. In this second phase, asking whether or not the state should be involved in the market was no longer an analytically valid question. The World Bank's milestone report, *The State in a Changing World* (1997), stated that "development – economic, social, and sustainable – without an effective state is impossible. It is increasingly recognized that an effective state – not a minimal one – is central to economic and social development, but more as a partner and facilitator than as director. The state should work to complement markets, not replace them" (World Bank 1997: 18). According to the updated orthodoxy, states and markets cannot be seen as substitutes for one another. Rather, states are vital to maintain liberal trade, capital markets, and investment regimes. In other words, "countries need markets to grow, but they need capable state institutions to grow markets" (38). The main question as Stiglitz noted, regarding the appropriate development paradigm became: "What can we do to improve the efficiency of both markets and the government? What is the right balance between the market and government and how should that balance change over time, as markets improve and the competencies of governments change?" (Stiglitz 2008: 50).

At the same time, it was widely stated that there was nothing inherently wrong with the core ideas of the Washington Consensus, such as liberalization, privatization, and macroeconomic adjustment, but it was accepted that they had caused destructive market failures (Fukuyama 2004: 20; Bayliss and Cramer 2003: 55; Fine 2003: 14). Competition and proper regulatory systems of market exchange were seen as more important than privatization in the new development paradigm (Bayliss and Cramer 2003: 58). The second phase of neoliberal capital accumulation, then, is characterized by the institutionalization of capitalist relations in the spaces that were opened by the earlier aggressive shock therapies of the Washington Consensus. The exact role of the state

now depends upon the stage of development reached by a particular country in terms of its markets and public institutions (Stiglitz 2008: 58). In each successful development case, the state played a critical complementary role with markets, a situation clearly associated with the notion of the developmental state (2008: 54). In other words, countries should have enough room to implement the development policies which might work best for them. The World Bank's 1997 report states that "in the realm of liberalization and privatization, regulation, and industrial policy, indeed in the full range of state actions probed in this report, there is no one-size-fits-all formula" (75). This was the time for the late-comers to institutionalize the 'free market' in the decolonized spheres of their societies, but without any expectation of institutional convergence. What previously was propagated as a universal rulebook by the Washington Consensus can now be understood as a more flexible menu of options since different contexts require customized solutions to deal with the common problems facing all developing countries (Gore 2000: 800; Rodrik 2006: 6). As argued by Rodrik, "if there is a new Washington Consensus, it is that the rulebook must be written at home, not in Washington" (2008: 2).

This dissertation is about the 'rulebook' as it is written within Turkey. In the Turkish case, it has turned out to be a dystopian book: an updated authoritarian form of Hobbes's *Leviathan* which expands capitalist relationships and commodification to every inch of society using the reach of its enormous tentacles. Turkish state restructuring in the second phase of neoliberal capital accumulation is marked by the formation of new institutions to increase state capacity, but also by new authoritarian relations. The Turkish state expects these institutions to increase its capacity to take more activist measures to coordinate private economic activity by implementing policies of effective regulation, industrial policy, and privatization (World Bank 1997: 61). The development of strong central administrative capacity was accepted as the means necessary to oversee a

supposedly ineffective public sector. This was demonstrated when a strong executive was required to enact ‘15 laws in 15 days’ in order to accomplish IMF conditionality on a financial package for economic recovery following the 2001 crisis. While the Justice and Development Party (Adalet ve Kalkinma Partisi [AKP]) was initially celebrated for its dedication to the new institutional rules of the game in accordance with Turkey’s priorities throughout the 2000s, it has become the symbol of *autocracy* in recent years.

Under the AKP government, TOKI emerged as one of the most ‘over-capacitated’ institutions through which the new Turkish form of autocracy became visible. It has become a laboratory for understanding the formation of the authoritarianism that has been the price of achieving an effective market-friendly state. Thus, the following questions need to be answered. Does the institutional building of an effective state and achieving an increase in state capacity necessitate a rise of the executive as the form of the contemporary authoritarian state? What does an ‘increase in state capacity’ mean in terms of reorganizing the state’s relationship to the capitalist classes? Why does the Turkish state insist on being the most powerful actor in the housing sector, even though it is no longer a marginal or unprofitable field for the private sector?

2. Housing Question, State Restructuring, and the Turkish Case

In both the Global North and South, the solution of the housing question in the current phase of capital accumulation has taken a variety of forms most often harmful for workers and peasants. Housing as a commodity is never static; it is constantly subject to pressures for change. The mystery of housing, as a social relationship dominated by capitalist relations of production, comes from the historical, institutional, and structural conditions through which it is produced. Housing production is dependent on the general laws of capital accumulation of production on the basis of profitability at the most abstract level, but it is historically mediated within particular

social formations and dependent on the context of specific historical conjunctures and state policies (Boddy 1982: 271). Understanding the mechanisms of mediation of the house-building sector, through different phases of capital accumulation and under different forms of the state, is paramount for capturing the ‘real concrete’: production of housing as a commodity, the formation of the house-building industry, and its transformation into the real estate sector.

The problem of housing as a commodity is that it internalizes a profound contradiction. Like other commodities, it is a social relationship produced by capitalist relations of production. However, it is also a major component in the social reproduction of labour power. The first characteristic is related to capital accumulation and exchange value while the latter is connected to use value. The nation-state’s role in the housing question internalizes this contradiction between its accumulation and legitimization functions. Another important contradiction that the housing question internalizes is between fixity and motion of capital. While housing production has a national character and fixes the capital investment within national borders, housing finance has increasingly been integrated into international financial circuits.

2.1. Background Information on TOKI

The Turkish state’s institutional intervention into the housing market began just after the military coup of 12 September 1980. One of the first acts of the military government was to legislate, in 1981, Turkey’s first Mass Housing Development Law. As discussed in Chapter 6, this law was stillborn. It excluded the demands of the constructors in the private sector and the law did not define the financial sources for the public housing fund. The second Mass Housing Law was implemented by the first elected government after the military regime in 1984. The second try was more successful than the first. It took a more holistic approach to the housing sector in relation

with the private sector companies and it institutionalized a new budget system to provide a Mass Housing Fund.

Both the military government of 1980 and the elected government of 1983 tried to institutionalize a housing fund in order to develop a national housing market based on large-scale production, inclusion of commercial banks, well-defined tenure rights for home-owners and encouragement of private sector home-builders. In other words, TOKI was structured as the creditor institution with the expectation that it would be transformed into a specified bank providing housing funds.

The timing of the foundation of TOKI as a state-owned economic enterprise (SOE) is interesting since it occurred in the period during which the campaign against state economic intervention began. Although the foundation of a new SOE in the housing field appears to go against the zeitgeist of the first phase of neoliberal accumulation, the Turkish state was actually declaring its institutional commitment to the formation of a capitalist housing market in opposition to the previous hybrid and small-scale production that had characterized the country's housing sector.

In the years of inward accumulation between the late 1950s and the 1970s, housing was viewed simply as a shelter problem, and investment to the sector was not heavily supported by the Turkish state. Quite parallel to the IFIs' approach to the housing question, the Turkish state promoted self-help while centering its investments on infrastructure. That is, throughout the inward-oriented accumulation years, squatter housing construction was the primary means of provision, a phenomenon supported by the state through its various amnesty laws.

After the 1980s, however, a policy of zero tolerance towards squatters was gradually institutionalized through 'scaling-up' mass housing construction. The foundation of TOKI as an

extra-budgetary SOE outside of the traditional state organizational hierarchy was a remarkable break from previous housing policies. TOKI is one of the first examples of the rise of executive power and authoritarianism in Turkey in this period. First of all, industrialization of housing production via increasing constant capital in the form of large-scale projects outside of the city centers became a priority. Secondly, organization of the mass demands of housing cooperatives, coupled with the Turkish state's tax exemptions for housing cooperative production, resulted in a remarkable increase in the number of cooperatives. Although the establishment of a mortgage market was an institutional priority since its foundational years, with feasibility studies even conducted jointly with Fannie Mae, TOKI had yet to develop the mortgage sector.³

After 2003, TOKI was further empowered by a series of laws that allowed it to: regulate the zoning and sale of all state-owned urban land, which accounted for approximately 54 percent of the currently available land stock in Turkey as of 2012 (TOKI 2012: 149); form its own companies or establish partnerships with existing private companies in and outside of the nation-state; initiate 'revenue sharing' or profit-oriented projects in partnership with private companies on state-owned lands; and make plans for urban regeneration projects in *gecekondu*⁴ settlements. Additionally, all the powers and land stock previously reserved to the national Urban Land Office were transferred to TOKI (Altinok 2011; Balaban 2008; Kahraman 2013; Perouse, 2013). As a result of these enabling laws, TOKI turned Turkey into a huge construction site.

³ The Federal National Mortgage Association (Fannie Mae) of the United States is a government sponsored enterprise which was founded to provide liquidity to the housing market. It pioneered the creation of a standardized mortgage instrument to be used in all U.S. states and integrated mortgage markets into a single market (Aalbers 2016: 47-48). According to its mission statement, Fannie Mae sees itself as "a leading source of financing for mortgage lenders, providing access to *affordable* mortgage financing in all markets at all times" (<http://www.fanniemae.com/portal/about-us/company-overview/about-fm.html>). The notion of 'affordable' housing is equated with the creation of a mortgage market that expands in tune with the expected future incomes of the working classes. From its foundation, TOKI was expected to adhere to this same institutional expectation.

⁴ Illegal squatters, directly translated from Turkish as 'landed overnight'.

What is remarkably different from the previous period is that TOKI transformed itself from a primarily creditor into primarily a housing producer. As discussed in Chapters 7 and 8, TOKI's institutional continuity depends on its 'affordable housing' production for 'the targeted masses'. Since it is one of the biggest employers in the national housing market — with 10% of market share —, TOKI is deeply embedded in the private sector. Moreover, various reports and articles point out that TOKI tenders its mass housing projects to constructors which have close relationships with AKP government — 68% of the housing projects were shared by the construction companies that have personal relationships with the government (Sonmez 2011; IMO 2011). TOKI is, in this sense, also an important political agency and mediator between state and economic power (a theme of Chapter 8). According to the World Bank's 2015 report, TOKI's housing activities are concentrated in a few construction companies, especially in the Anatolian cities. That is, TOKI has become a political project of the AKP government, to a certain extent for the regional base of its power.⁵ Although TOKI's clientalist activities are visible in the relative concentration of the tendering activities in the hands of AKP-supported construction companies, as shown in Chapter 8. TOKI is the employer of 702 different scale companies. If this is partly a

⁵ In terms of mass housing projects, the tendering activities are concentrated in the following groups: İHE Construction and Trade Inc., Makek Termomekanik Industry Inc., Hakan Eksi Limited Company, Birlik Construction Company, Kare İHE Construction, Industry and Trade Inc., Intim Limited Company, Kuzu Mass Housing Construction Limited Company, Seha Construction, Engineering and Mining Company, İlci Construction and Trade Inc., Bulgu Construction and Trade Company, Kalyon Construction and Trade Company, Oz-Kar Construction and Trade company, Albayrak Construction and Trade company, Turkerler Constuction, Tourism and Mining Company, İhlas Holding Inc., Sec Yapi Construction, Tourism and Mining Company, Aksa Construction, Trade and Transportation Company, Aslantas Construction and Trade Limited Company, Akdeniz Construction and Educational Services Company, Siyah Kalem Construction Company (IMO 2011: 24). When it comes to the profit-oriented projects, Kuzu Group, Agaoglu Group, Ascioğlu Group, Varyap and Metal Yapi emerge as the main firms that work with TOKI's luxury residential and office building projects (Sonmez 2011).

political project of the AKP government, it must also be seen as class project of expanding capitalist relations of housing production across Turkey. As it is discussed in Chapter 8, the form that TOKI takes as a housing producer still raises discontent even among the government supported business groups. This dissertation does not argue that there is a straightforward relationship between business groups and TOKI. In contrast, the relationship between state and capitalist classes is highly mediated through the administrative form that TOKI takes. Its institutional structure, the particular phases of capital accumulation it is situated in and the class relations generated, all have shaped the social struggles over TOKI and housing policies in Turkey.

Additionally, TOKI has seven different affiliates, each of them tasked with different roles in the various fields of the housing sector, such as project management, real estate marketing, contracting, management services, real estate valuation, appraisal services, funding for restoration, trading, and consultancy. Two of them have importance in terms of deepening the integration of the housing market in the circuits of money capital. GEDAS Property Valuation Incorporated, as the pioneering state institution in the property valuation market, is an important step for the abstraction of housing from its concreteness as a use value to its reduction to an exchange value as a housing commodity. The importance of the property valuation corporations becomes highly visible in urban regeneration projects. Another important and highly debated affiliate of TOKI is the Emlak Konut Real Estate Investment Trust (REIT), which has the monopoly position in its sector. Emlak Konut REIT's main function is to convert immovable assets into liquid instruments in order to finance major scale construction projects.

2.2. Why TOKI Helps us to Understand the Contemporary Form of the Turkish State?

My intellectual voyage into researching TOKI did not begin from an intellectual curiosity with the Turkish state's housing policy in itself. As a scholar from Turkey, the main drive behind my academic studies was to understand the authoritarian structure of capitalist societies in general and of the Turkish state in particular. There can be no denying that Turkey has become increasingly authoritarian in the last two decades. This is especially clear in the antidemocratic and top-down state interventions in development planning in urban areas. Indeed, it is important to mention in this content one of the most remarkable social movements that emerged against the AKP government. The 2013 Gezi Park movement was established to defend the only green public space in Taksim Square in Istanbul. While the Gezi Park protests were not directly against TOKI, they were fundamentally against the Turkish state's authoritarian intervention into secular public spaces, which have been systematically destroyed and reconstructed by the AKP government, with TOKI being the governmental agency undertaking the re-development projects.

TOKI has become the main powerful state apparatus in urban politics in Turkey owing to the 30 different laws implemented in the last 13 years. As discussed throughout this dissertation, TOKI's unique legal power transformed the institution into the main authority in the land and housing market. The Turkish state's general tendency towards being authoritarian and personal reflects itself in TOKI; it has become one of main symbols of a corrupted, irrational, crony, autocratic and arbitrary Turkish state under AKP rule. Although the form that TOKI took can be — and often is — defined by these adjectives, there is a need to go beyond them to demonstrate the structural mechanisms that underline these appearances.

The major puzzle to be sorted out through my research has been to show the 'rationality' of the development of the housing sector, even though it often takes the form of arbitrary

authoritarianism, as a contextual combination of economics and politics in the Turkish case. This, I argue, is the case even though both the Turkish state in general and TOKI in particular emerged as irrational, personalized and arbitrary materialized most markedly in the rule of President Tayyip Erdogan and the concentration of executive power in the presidential office. This is more than an intellectual curiosity since understanding the inner mechanisms that lie behind these appearances are vital to critical scholars attempting to strategize the road maps to fight for any democratic secular public spaces for human emancipation in Turkey. The reconstruction of this intellectual voyage into a set of specific methodological research steps is presented in Appendix A.

3. Conceptual Framework

The formation of the housing market as a relatively autonomous capitalist sector has been one of the key policy topics for late-comer states. The World Bank and its theorists represent a market-oriented institutionalist paradigm, which takes the form of ‘enabling strategies’ for ‘emerging markets’ (World Bank 1993; Malpezzi 1994; Cohen 1983). It is expected that the state will initiate specific policy reforms for adjusting supply and demand conditions and to engage in the institutional development of the housing market (Keivani and Werna 2001: 192). That is, the private market is seen as the primary housing delivery mechanism. De Soto is the most well-known proponent of neoliberal reforms, and he has become the mastermind of discussions around how to give life to “dead capitals” especially real estate as “the most tangible and detectable of assets” in the ‘Third World’ (2001: 27). He argues that dead capital in real estate represents important assets which “not only far exceed the holdings of government, the local stock exchanges and foreign direct investment” but are also “many times greater than all the aid from advanced nations and all the loans extended by the World Bank” (32). The duty of governments, according to De Soto, is to initiate a transformation of their poor and shantytowns into “live capital” (35). This discourse

is supported by international organizations (Spence, Annez, and Buckley 2009), the Turkish state (as with TOKI), and many experts in the fields of urban sociology, urban planning, and political science (Baharoglu 1997; Baharoglu and Leitman 1998; Turel 2011).

Especially in the late 1990s, it was generally accepted by the IFIs that although there is nothing wrong with the fundamental logic of the neoliberal enabling paradigm, there remained a need for an integrated approach which takes account of the specific conditions of countries which may need public sector involvement in their land and housing markets (Keiani and Werma 2001; Jones and Ward 1994; Pugh 1997; Baken and Van der Linden, 1993; World Bank 2010). Additionally, it was argued that there existed a need to deepen De Soto's argument for 'unlocking' land values in the late-comer states through a broader institutionalization of the regulatory environment for land and services, given that the delivery of legal titles to the poor alone was not sufficient for the institutionalization of a real estate market (Hamman 2012).

The liberal paradigm, as with the World Bank, reduces the housing problem in developing countries to a technical question that can be solved with efficient market-oriented state policies. The problem of housing is seen as an income distribution problem, and enabling market mechanisms work emerges as the primary solution. Further institution-building is often — if not always — required to achieve a perfectly-functioning housing market. The housing question is isolated from its social character, and individualized solutions are prepared to transform the working classes into reliable customers.

In critical studies of the real estate market, Marxian scholars have made important contributions in theorizing the ways in which housing issues are interrelated with capital accumulation. Lefebvre's groundbreaking contribution, in particular, goes beyond fetishistic and technical approaches to housing. "Capitalism," he wrote, "has survived in the twentieth century by

one and only one means — by occupying space, by producing space” (Lefebvre 1991: 46). Contemporary academic discussions approach the production of the built environment in relation to capital accumulation crises (Castree 2009; Brenner 1998; Harvey 1989, 2007; Smith 1991). The forms that the housing question in particular, and urban issues in general, take under the neoliberal phase of capital accumulation are further illuminated in the ‘capital switching’ approach of David Harvey, which is based on the idea that the tendency toward over-accumulation within the primary circuit of annual production is temporally solved by switching capital flows into the secondary circuit of longer-term investments in both workers and the firm-built environment (1989: 65). This argument has had a remarkable intellectual impact on many Marxian scholars who approach the secondary circuit as a ‘safety valve’ for the primary circuit (Beauregard, 1994). Terms like ‘creative destruction’ (Harvey 2006), ‘spatial fix’ (Glassman 2007), ‘scalar fix’ (Brenner 1998), and ‘uneven development’ (Smith 1991) are all related with the inner relationship between capital accumulation and urban space.

As long as the housing sector of late-comer states is approached in relation to over-accumulation crises (especially those of the Global North), the housing question emerges as simply an epiphenomenal result of the capital accumulation rhythms of the developed countries. Distinct from the capital switching approach, this dissertation does not search for a cyclical relationship between primary accumulation and housing investments, even though it accepts the structural relationship between the housing question and capital accumulation in general. Instead, adopting Nicos Poulantzas’ theory of the *primacy of internal factors*, I approach the formation of the national housing market and the state’s different institutional forms in their relation to different phases of capital accumulation. That is, although the emerging housing market is a relatively

autonomous sphere of capital accumulation, it needs to be concretized in the different forms that TOKI has taken in different periods of Turkey's development.

Another important reservation to be noted here is that even though *accumulation by dispossession* (tenure transfer), *privatization* (transformation of public lands to the private ownerships), and *finance capital* (the increasing importance of the speculative and derivative market in the housing sector) are the concepts that are commonly used to explain the housing problem in the Global North and South, I argue that these concepts have become empty signifiers (Harvey 2005; Kuyucu and Unsal 2009; Elicin 2014). First, although the concept of accumulation by dispossession is an important empirical reality that defines the housing policies in the neoliberal phase of capital accumulation, it is mainly concerned with distribution relations and does not provide sufficient analytical tools to elaborate on the production of housing as a commodity, with its three circuits, and its contradictory relationships with other sectors in the economy. More importantly, it does not give any account on the importance of the state in enabling the housing market. Second, the concept of privatization needs to be concretized since enabling the housing market means more than the commodification of public lands. Additionally, the dominance of public-private partnerships as the state's primary form of intervention in the housing market cannot be explained only with reference to privatization. Finally, although the rise of finance capital for its own sake is a significant reality of contemporary capitalism, it is not a superstructure of productive circuits. Instead, it is a necessary form of capital which becomes dominant in the housing sector because of housing's specific characteristics as a commodity.

In order to ask why the housing question in contemporary Turkey takes the particular form that it does under TOKI, there is a need to situate housing production as part of a whole – as part of the formation of capitalist relations of production and accumulation. In order to connect the

particular (TOKI) to the whole (the formation of capitalism in Turkey), there is a need to approach housing production as a commodity composed of three distinct circuits of capital – productive, commodity and money – having a complex relationship with different phases of capital accumulation. The Turkish state’s housing policies have drastically changed from one period of capital accumulation to the next, in accordance with each of the state restructuring periods that have followed after an accumulation crisis. This dissertation makes an important analytical contribution to mapping this history of housing policy and phase of accumulation.

The aim of the dissertation is to elaborate the change of capitalist state forms in relation to different phases of capital accumulation by means of an analysis of a particular institution, TOKI. I argue that state institutions are vital to understanding capitalism in concrete contexts. In order to build a historical materialist approach based on the philosophy of internal relations (Ollman) and the primacy of internal factors (Poulantzas), my dissertation draws on two distinct literatures – Marxist state theory and the circuits of capital approach.

In order to rescue analysis of the capitalist state from a technical and descriptive language of old and new orthodoxy, I approach the capitalist state and its apparatuses as the materialization of class relations (Poulantzas 1979). As Panitch and Gindin (2015) argued, although the capitalist state is a social relationship, its power is not same as class power since it has developed specialized institutional forms and capacities to secure capital accumulation on the one hand and social cohesion on the other. Because the theorization of the institutional turn in the contemporary phase of capital accumulation necessitates intermediary abstraction, I develop *concepts of strategy* to make Poulantzas’ theory of the capitalist state more concrete and to analyze a particular state apparatus. In this dissertation, two theorists — who Poulantzas also drew upon— hold particular importance in the task of building a bridge between the capitalist state in general and the

concreteness of institutions in specific historical contexts. James O'Connor's (1979) theory of *fiscal crisis of the state* provides important tools for understanding the restructuring of budget politics in relation to capital accumulation. This concept is especially relevant for understanding the process of fiscal crisis management through which TOKI has become a private company-modeled SOE. To deepen the analysis of the nerves of the state apparatus, I utilize Claus Offe's (1975; 1984) conceptualizations of the *state's managing capacity*, the *internal rationalization of the state*, *class-specific selectiveness*, and *administrative decommodification*. These serve as important intermediary concepts useful for capturing the institutional unity of the state and the limitations of state capacity in accordance with capital accumulation crises.

The circuits of capital approach is employed to contextualize the uneven and combined development of capitalism and to specify the importance of 'state capacity' for enabling and establishing capitalist relations of production (Palloix 1977; Bryan 1987; Bina and Yaghmanian 1988). I classify phases of capital accumulation according to the relative dominance of different circuits in relation to their level of internationalization. Furthermore, housing as a commodity is analyzed in relation to the different forms it takes on the market. Additionally, different fractions of capital are analyzed with reference to these circuits. Lastly, since housing as a commodity is closely related to the reproduction of labour power, the changing forms of social reproduction regarding forms of subsumption are understood to have a crucial impact on the housing question. The deepening of the financial inclusion of the working classes in the housing market is, analytically and politically, a recent phenomenon in the Turkish case and requires particular attention.

4. Outline of the Dissertation

Chapter Two is devoted to conceptualizing the institutional turn of neoliberal ideology within the IFIs and among their associated writers. The main problematic of the chapter is to understand the mystery of the institutional turn in the second phase of capital accumulation. The market-oriented institutionalist approach is critically analyzed to ascertain why the new prescription of ‘getting the institutional setting right’ for the sake of market was prepared for developing countries. The various definitions of what constitutes an effective state, as well as conceptualizations of state capacity and state failure, are critically analyzed with the goals of refuting institutional fetishism and formulating an alternative question: *Why does this content (enabling the housing market) take this particular form (TOKI)?*

In Chapter Three, Marxian state theories are revisited to conceptualize the different forms the capitalist state takes at different phases of capital accumulation. Capitalist state theory at the abstract level is developed with reference to Poulantzas, based on his major contributions to the field, namely social classes, class fractions, forms of the capitalist state, and authoritarian statism. In order to analyze a concrete state apparatus, such as a ‘welfare state institution’, I problematize the accumulation and legitimization functions of the state through reference to O’Conner and Offe. Lastly, the concept of late-comer states is analyzed with reference to the circuits of capital approach. The housing question and the changing forms of social reproduction are situated within different phases of capitalism in relation to different forms of the capitalist state.

Chapter Four concretizes the housing question by classifying the changing approaches of IFIs in different periods. The main aim of the chapter is to answer the following question: How do the approaches to the housing problem shift from housing as shelter to housing as an investment

opportunity? After conducting a close reading of the changing paradigms of IFIs, I develop my own theoretical approach to the housing question based on the commodity form of housing.

The remaining chapters of the dissertation are devoted to the particularities of the Turkish case. Chapter Five provides a general framework on the different phases of capital accumulation and the corresponding forms of the Turkish state. The housing question and changing state policies are structured within these historical processes. In Chapters Six and Seven, a detailed analysis of TOKI is presented based on field research conducted in Turkey from August 2014 to January 2016. A thorough review of Turkish newspapers, business magazines, reports on the construction industry, publications of UN-Habitat and the World Bank, government reports on housing, and five-year development reports constitute the primacy sources utilized. These are combined with data collected from 23 interviews I conducted with TOKI bureaucrats, business groups, experts on the Turkish housing sector, activists, representative of construction workers' union. TOKI's institutional history is divided into two periods, in accord with the two distinct phases of neoliberal capital accumulation. Periodization of TOKI's history into two categories, the first stretching from 1984 to 2002 and the second covering the period after 2003, is done with reference to two distinct phases institutional restructuring: transformation from being a credit institution to a producer of housing, and re-modelling as a private company through 'scaling-up' housing production to the whole of Turkey.

Chapter Six analyzes the changing nature of the Turkish state's institutional intervention in the housing market; it looks at the relation between state restructuring and the formation of a housing market. The rise of TOKI's administrative power, the industrialization of the housing sector against hybrid forms of provision, and the organization of mass demands amidst fiscal crisis are the main topics discussed. Chapter Seven deals with the second phase of the institutional

restructuring, which is marked by a deepening of the housing market. The chapter elaborates on the consolidation of authoritarian statism materialized in TOKI and the way in which administration is institutionalized in each circuit of housing production.

Chapter Eight focuses on TOKI's contradictory relationship with different fractions of capital. The main aim of the chapter is to analyze TOKI's increasing state capacity in the housing sector as a 'player' instead of merely a 'market maker', a transition which prompted widespread discontent among some fractions of capital in the sector.

Chapter Nine serves as the conclusion. It draws together themes with respect to the theoretical analysis of the capitalist state and changing forms of housing. Additionally, it summarizes the manner in which the housing policies implemented by TOKI illustrate the process by which the Turkish state structured the housing market. The chapter also develops an understanding of how TOKI fits within the increasingly authoritarian form of the Turkish state under AKP rule – as an example of the effort to 'get the institutional setting right' for the sake of the market has often led not to 'less state' but a more authoritarian state. Finally, linkages of the social struggles over 'rights to the city' are raised as indicators of the contradictions of neoliberal capitalism.

CHAPTER 2

The Institutional Turn in Neoliberal Capitalism

1. Contextualizing the Institutional Turn

At the end of the 1990s, the IFIs called on states to re-regulate the rules of the market after the unfulfilled promise of the so-called Washington Consensus. The 1994 Mexican economic crisis stands out as one of the first examples of how dependence on foreign funds increased developing countries' vulnerability to the volatility of short-term international capital flows. While we the 'failure' of the Washington Consensus in many African and Latin American countries could be witnessed, a number of other countries that did not follow the prescriptions of the Washington Consensus achieved rapid economic growth. China and India, for instance, with their high levels of trade protection and extensive industrial policies (Kanbur 2009: 43; Rodrik 2006: 977), emerged as reference points for questions concerning the validity of the Washington Consensus as a development paradigm.

What does it mean, however, to re-discover states at this moment of debate over the legitimacy of the Washington Consensus? While the IFIs and their allied scholars resurrected the state as an "enabling" institution for public-private partnerships (World Bank 1997) as well as a source for creating "synergy" (Evans 1997), Marxist scholars have drawn attention to the changing nature of relations between states and societies and have explored this 're-discovering the state' process as a second phase (Fine 2012), or a deepening (Cammack 2004), of neoliberalism. However, there have thus far been few explorations of the concrete characteristics of such 're-discovered states' to accompany these theoretical discussions. This chapter intends to discuss and develop a critical understanding of the specific characteristics of 'rediscovered' states, in a

developing country context, as seen through the revised neoliberal orthodoxy of the IFIs and their allied writers.

The importance of the restructuring of the state and the new institutional policy turn of the late 1990s goes beyond academic debates. These are real and concrete processes that nation-states have traversed over the past three decades. There is a need to re-study the state in order to better understand the circumstances under which the *Leviathan*, once thought vanquished, is recalled and the particular form it takes within the contemporary phase of capitalism. As Albo (2013: 14-15) states, even though neoliberalism as an ideological framework has been discredited, it is misleading to assume we are witnesses a close to the neoliberal phase of capitalism. More importantly, since the neoliberal state remains the central terrain of struggle over capitalism's future direction, an additional perspective is required to conceptualize the capitalist state and economic policy in the contemporary period. A close reading of the state-society relations proposed under the so-called 'post-Washington Consensus' is required.

In this chapter, I provide a critical overview of the institutionalist paradigm dominant in mainstream academic and policy circles and its approach to studying developing countries. This discussion focuses on the state-centered institutionalists that emerged in the late 1980s and the market-centered institutionalists prominent in the late 1990s. It is important to note that both the state-led and market-led institutionalists rely on the presumption of a certain level of "state capacity", or the ability of the state to achieve its stated policy goals.⁶ There has been little questioning of the origin of policy goals, however, with developing states having always been

⁶ State capacity/capability is defined in the World Bank's 1997 *Development Report* as "the ability of the state to undertake collective actions at least cost to society" which can be improved by "institutional arrangements that foster partnerships with, and provide competitive pressures from, actors both outside and within the state" (77-78).

considered bodies with responsibility for initiating, enabling, and correcting capital accumulation within their borders.

However, from a Marxian perspective, such goals are aimed at speeding up the socialization of capitalist relations through the irreplaceable necessity of state intervention: the state has always emerged as a ‘fixer’ when economic failures arise, but without explaining the structural vulnerability of economic relations themselves. That is, the institutionalist tradition undergoes a metamorphosis in its transition to the role of ‘fixing’ neoliberalism’s shortcomings. It is a revised form of the neoliberal approach requiring the developing countries to employ institutional ‘fixes’ in order to ensure market survival. As the market-oriented institutional perspective emphasizes structural adjustments as a priority for developing countries without questioning the fundamentals of neoliberalism, the institution-building agenda can result in the emergence of authoritarian capitalist state forms in the late-comer context.

Turning to the example of TOKI, which failed in its assigned task of establishing an efficient and transparent national housing market in Turkey, it becomes clear that market-institutionalism is sufficient from neither an analytical nor a policy perspective. I argue that market-institutionalism is simply a revised orthodoxy unable to go beyond descriptive and technical explanations of the ruling paradigm, such as rentier state or crony capitalist state. Developing an argument against this particular approach requires going beyond just questioning institutionalist methodology, however. It implies making claims against a particular political project.

2. Re-discovering the State: Assimilating the Institutional Approach

2.1.State-Centered Institutionalism

The promises of the state as the primary actor of development were theorized in the political science field with the publication of *Bringing the State Back In*, prepared by the SSRC Research Planning Committee on States and Social Structures in 1985 (Cammack 1990: 156). Cammack describes the two main dimensions of institutionalism represented in this publication as being, first, a synthesis incorporating elements of the Weberian and Marxist traditions, and secondly, a rejection of any single ‘grand theory’. It is also possible to add another point to these two basic characterizations: rejection of the neo-classical view of a state-market separation. It is well known that the neo-classical (and pluralist) perspective views markets as ideal self-regulating mechanisms. The state, by contrast, is accused of interfering with the smooth operations of the market; that is, neo-classical thought regards the state as an exogenous variable which impacts the market’s natural equilibrium (Hall 1986: 34-35).

As a leading figure of state-centered institutionalism, Skocpol takes Weber’s definition of the state as a compulsory association claiming control over territories and the people within them. According to her, even though there is a universal definition of the state as a machine rooted in the notion that “administrative, legal, extractive, and coercive organizations” make up its core, really-existing states are structured in a variety of ways in different countries (1985: 7). Skocpol views states “as social actors and as society-shaping structures” and suggests two concepts necessary for conceptualizing their specific situations: state autonomy and state capacity. She claims that neo-Marxist theories of state autonomy “have not offered concepts or explanatory hypotheses rich enough to encompass the arguments and findings from various comparative-historical studies” (8). The state as an autonomous actor does not simply reflect the demands of powerful groups. On the

contrary, it has the ability of formulating goals independent of social groups and classes. State capacity, on the other hand, is dependent on its “ability to achieve perceived goals” (9). State capacity is not fixed; it is highly dependent on historically-specific economic and political circumstances. The extent of state autonomy and capacity can be determined, Skocpol says, “only in truly historical studies that are sensitive to structural variations and conjectural changes within given polities” (14).

State capacity, in this theorization, depends on sovereign integrity, loyal and skilled officials, and plentiful financial resources (16). According to Skocpol, state autonomy is also neither a fixed trait nor a standard characteristic of a governmental system; it can come and go (14). One factor explaining this ebb and flow could be crises which have a direct impact on the formulation of official strategies and prompt state officials to embark on new initiatives. Another might be historical changes in the structural potential of state autonomy over time. Skocpol mentions two distinct but complementary ways of thinking about the sociopolitical impact of the state (28). The first focuses on official collectives who may possess different goals and have the capacity to implement it. The second approach takes into account states’ organizational configurations and patterns of activity which “affect political culture, encourage some group formation and collective political actions (but not others), and make possible the raising of certain political issues (but not others)” (21). State autonomy and state capacity, in this perspective, can only be analyzed comprehensively through a historically-grounded relation to social structures. Through this method, it would be possible to explain “why countries now have, or do not have, policy instruments for dealing with particular problems or crises” (18). It is evident, then, that the institutionalist tradition conceptualizes the state as a problem-solver.

State-centric institutionalists employ analytical induction in their approach to studying states. According to this methodology, research questions, concepts, and hypotheses are derived from a variety of existing historical debates ranging from the Weberian understanding of the state to neo-Marxist theories on the topic. Next, they investigate these ideas through comparative historical research (Evans, Rueschemeyer and Skocpol 1985: 348). This analysis is composed of cross-country and cross-time comparisons. Moreover, both Thelen and Skocpol argue that studying ‘critical junctures’ or ‘watershed periods’, such as “episodes of deliberate reform and reorganization of state structures, examinations of the reorganization of state apparatuses that accompany major wars and their settlements, and studies of the formation of new national states in the twentieth century” provide fertile ground for promising research (Evans, Rueschemeyer and Skocpol, 361). In terms of methodology, Skocpol argues that state-centric institutionalists are not building a new grand theory of ‘The State’. Rather, they are trying to develop “solidly-grounded and analytically sharp understandings of the causal regularities that underlie the histories of states, social structures, and transnational relations in the modern world” (28).

2.1.1. The Developmental State and State Capacity

Discussions of state autonomy and capacity emerged as vital concepts for late-comer countries since they were expected to initiate industrial development under very unfavorable economic and social conditions compared to those of the developed capitalist countries. The ideas of institutionalist scholars gained new life when attention turned toward a search for the reasons behind the successes and failures of the developmental state experiences of late-comer countries.

Development economics was at its peak as an academic discipline in the 1950s and 1960s (Wade 1990: 8). It was argued that underdeveloped countries could not achieve industrial development in the context of an open economy and that, in contrast to classical economics, the

state should play an active role in capital formation (9). In the aftermath of World War II, many underdeveloped countries embarked on capitalist development efforts through a reliance on extensive government intervention. This trust in the state was shattered, however, during the late 1960s and early 1970s as a result of severe economic crises in the late-comer states.

According to Wade, the neo-classical critiques of state-led capitalist development share three fundamental points (10). First, they hold that the states promotion of import-substitution industrialization (ISI) during the 1960s fostered inefficient industries requiring permanent subsidization. Second, rent-seeking by corporations and politicians is seen as the dominant feature emerging from extensive government intervention. Last, they highlight Taiwan, South Korea, Hong Kong, and Singapore as late-developing countries that achieved success through reliance on an outward-oriented model of industrialization centered on market incentives and a strong private sector. That is to say, with reference to these critiques made by the neo-classical view, after the second half of 1970s, the need for a special economics of development was denied (10). It was argued that the government should limit its activities to supplying certain public goods, such as maintaining economic stability, supplying physical infrastructure and education, and guaranteeing national security (11). According to this school of thought, the key to development was the construction of an export oriented trade regime functioning along the lines of Ricardian comparative advantage theory, which holds that a state will develop if it concentrates on the production of goods in which it holds a relative competitive cost advantage. That is, they call for free trade without impediments to imports and selective incentives for particular production activities.

In the late 1980s, a counter-critique of the neoliberal thesis was presented by 'institutionalists' who argued that the phenomenon of 'late development' was premised upon the

state's strategic role in terms of taming domestic and international market forces and channeling them to national ends (Onis 1991: 110). Johnson, Amsden, Wade, Evans, and Chang are the most important representatives of this approach. Overall, their argument is that, contrary to the precepts of those obsessed with comparative advantage, rapid industrialization can be achieved by a strong and autonomous state that is able to give directional thrust to the operation of the market and build competitive advantage. They employed some of the same East Asian late industrialization success stories that the neo-classical arguments had showcased as examples illustrating the need for a significant degree of state intervention. Further, they were highly critical of the universalistic logic of neo-classical development theory and elaborated on the importance of multiple logics in the interaction of governments and markets in the development process (Onis 1991: 125). In general, their institutional perspective rejects the pairing of market-oriented and state-led development conceptualizations as opposites or policy choices. Johnson (1999: 48), the pioneer of the 'developmental state' concept, clearly states that the contrast between industrial policy and market forces is misleading since the former is not an alternative to the latter. Instead, he argues, the state implements industrial policy and "intentionally alters incentives within markets in order to influence the behavior of civilian producers, consumers, and investors" (48). With reference to fifty years of postwar Japanese development, Johnson pinpointed "the existence of a small, inexpensive, but elite state bureaucracy staffed by the best managerial talent available in the system" as the most important element of the developmental state model (38).

In his book *Governing the Market* (1990), Wade proposed the 'governed market' theory as opposed to neo-classical free market theory. He argued that there is a need to analyze the nature of government intervention rather than dismissing it as a scapegoat for market failures. Governed market theory explains East Asian success as due to a combination of high levels of productive

investment, investment in key sectors, and exposure of these industries to international competition (p. 26).

Parallel to Wade's point, Amsden argues, in *The Rise of 'the Rest': Challenges to the West from Late Industrializing Countries* (2001), that contrary to the free market theories' obsession with comparative advantage, the price of land, labour, and capital cannot be assumed to determine competitiveness in late industrialized states since late-comers' lower wages are not competitive enough against rich countries' higher productivity. According to Amsden, late-comer governments have two choices: "They may either do nothing at all, relying instead on a market-driven realignment of their exchange rate, which is tantamount to a cut in their real wages, or they may intervene and try to raise productivity by means that are not necessarily entirely clear" (6). A developmental state, using Chang's (2006: 116) terminology, decides on "priority sectors" which are privileged in the allocation of "rationed credits and foreign exchange, state investment funds, preferential tax treatments, and other supportive measures".

Evans (1989: 567) adds the notion of 'embedded autonomy' to this institutionalist literature on the developmental state. For him, the phenomenon of successful late development should be analyzed as a process in which "states have played a strategic role in taming domestic and international market forces and harnessing them to a national economic interest". The developmental state supports market forces by increasing incentives in transformative investments and lowering the risks of these investments. That is to say, according to this logic, state actions promote rather than impede capitalist market transformation. With reference to the Japanese case, Evans argues that the 'embedded autonomy' of Ministry of International Trade and Industry, meaning the combination of bureaucratic internal organization and dense public-private ties, is crucial to the developmental state's effectiveness. In other words, the state should not be isolated

from the market but should instead engage in structured interactions with market actors in order to discipline firms. Autonomy comes from the bureaucracy's ability to plan long-term national investments in contrast to the short-term profit-maximizing tendencies of national firms.

For the institutionalist literature on the developmental state overall, state capacity is seen as the constitutive element of successful late development and the facilitator of economic catch-up. This state-centered institutionalism, however, under-theorizes both the state and exploitative/contradictory class relations (Selwyn 2009: 162). For them, it is obvious that successful economic development requires some degree of state-building, but they do not question what is implied by the notion of 'economic development' itself. Oguz (2013), by contrast, argues the developmental state should be seen as a particular type of capitalist state in a specific historical conjuncture. The market-oriented institutionalists of course do not accept this premise and only continue the fetishistic conceptualization of the state that characterizes state-centric theories.

2.2. Market-Oriented Institutionalism

Market-oriented institutionalism emerged after the failure of the Washington Consensus development paradigm became increasingly evident with the outbreak of a series of financial crises in Mexico in 1994, East Asia in 1997-98, Russia in 1998, Brazil in 1999, and Argentina in 2001 (Van Waeyenberge 2006: 32; Stiglitz 2008: 48-49). The decade of the 1990s was described variously as a time of international financial contagion, crony capitalism, mafia capitalism, and capital flight, was and critiqued for a lack of transparency and government failure by many politicians, policy-makers, and academics (Naim 1999: 5). It was widely accepted that there was a need to formulate a new development paradigm. Stiglitz, as the Nobel Prize-winning former Chief Economist of the World Bank (at the time of Asian crises) became the leading theorist of the new paradigm, which I characterize as market-oriented institutionalism based on its acceptance

of the importance of government intervention in successful development cases and its refutation of the minimal state obsession associated with the Washington Consensus. Market-oriented institutionalism can only be differentiated from the latter to a certain extent, however, as it remains committed to many of the same perfect market theses.

Although it would be unfair to conflate state-centered institutionalism to the market-oriented version which emerged as an intellectual and political response to the legitimization crises of the ‘shock therapy’ period of the neoliberalism, it is possible to recognize the common grounds of thought that they share (Oguz 2008: 20-26). Indeed, there is overlap in intellectual labour: the leading writers of state-centered institutionalism, such as Amsden, Chang, Evans, began to work with the pioneers of the new post-crisis orthodoxy.

The common ground that they share can be summarized in the following way. For both schools of thought, the state, as a specific set of institutions and governance structures, has its own autonomy and goals. While state-centered institutionalism advocates for a ‘strong state’ embedded in the economy as a guide, market-oriented institutionalism is very suspicious of the state’s leading role, which explains its warnings about the disastrous results of the ‘too strong’ state. Secondly, for both approaches, state capacities are not destiny, as they can be altered by institutional, legal, and bureaucratic changes. State capacity is conceptualized in a technical way without reference to the internal contradictions of capital accumulation. Thirdly, both state-centered and market-oriented institutionalism acknowledge different paths to economic development with reference to each country’s historical and institutional peculiarities. Lastly, East Asian states are highlighted by both as the ideal cases for their theory.

This second approach is labelled market-oriented institutionalism in order to accent its differences from the state-oriented variety, particularly the motivation to defend a revised version

of neo-classical economic theory. As stated by Albo, Gindin and Panitch, the door is left open for a reconstruction of neoliberalism based on a so-called “progressive agenda” to revitalize capitalism (2010: 20). Firstly, market-oriented institutionalism emerged as part of the institutional turn of the IFIs, especially the World Bank. The leading organic intellectuals of this literature are economists who came out of the Ivy League American universities and worked as advisers on World Bank reports and working papers. Secondly, distinct from state-centered institutionalism, this new orthodoxy’s main aim is to find recipes for making imperfect markets work and for getting the institutions of capitalism right for maintaining market equilibrium. This is why the market is taken as the starting point for analysis and the existence of non-market institutions are explained only in terms of market failure (Pitelis 1990: 98). Lastly, as mentioned, market-oriented institutionalism embraces much of neo-classical theory. Its adherents are committed to making neoclassical economic theory more realistic, more social, and more historical. This is why their approach has been labelled as “the rebel within” neoliberalism, as Chang (2001) titled his edited book on Stiglitz.

The shift in the IFIs’ policy paradigm towards support for a building-up a certain level of state capacity necessary to inaugurate and secure the market economy was celebrated in the Turkish context in both policy circles as well as within certain academic traditions (Onis and Bayram 2008; Atiyas 2012; Onis and Senses 2007; Onis 2010; Keyman and Sazak 2013). The Turkish state restructuring after the 2001 financial crisis was viewed as a success in terms of regulating the economy in line with international norms and achieving a more robust system capable of resisting any future possible financial crises (Onis and Bayram 2008: 14). The post-2001 process can be defined as the ‘regulatory phase of neoliberalism’. It was initiated by Kemal Dervis, previously a high-ranking expert in the World Bank for almost 25 years, under the Democratic Left Party (Demokratik Sol Parti [DSP]) government and continued by the AKP

government. The *Program for a Transition to Strong Economy* was implemented in 2001 and became the main yardstick of institutional restructuring. At its core is the notion, taken from market-oriented institutional theory, that strong and novel regulatory institutions are the key mechanisms responsible for the success of ‘emerging countries’ (Onis and Senses 2007: 276; Onis 2010: 48). According to this logic, the establishment and institutionalization of independent regulatory agencies in key economic fields – such as banking, public procurement, energy, telecommunication, public finance, and agriculture – under the supervision of the IMF and World Bank is the fundamental factor behind the economic success of Turkey as an ‘emerging tiger’ (Onis and Bayram 2008). Market-oriented institutionalism, sponsored by IFIs, is the main theoretical and political reference point for the neoliberal orthodoxy that came to prominence in Turkey.

In conceptualizing the fundamentals of market-oriented institutionalism, the works of Acemoglu, Rodrik, and Stiglitz – the most influential figures in the preparation of the road-map of policy proposals informing the economic prescriptions given to late-comer states – are key. Rodrik and Acemoglu possess a particular importance in the elaboration of the form that market-oriented institutionalism took in the Turkish case. They were the first to applaud the AKP government for its devotion to the IMF-led structural adjustment program in the early 2000s. Yet, after 2007, they were also highly critical of the Turkish state over results of its reforms aimed at institutionalizing market relations. Reference to these three leading figures makes it possible to illuminate the principles upon which market-oriented institutionalism rests (and some of the influences on Turkish policies).

2.2.1. Towards a Methodology of Realism

The market-oriented institutionalist turn towards realism claims that its argument for institution-building is premised on late-comer states' actual individual historical contexts rather than the supposedly universalist ahistorical assumptions of neo-classical economics. It is based on a revision of a number of such assumptions, but its commitment to neo-classical economic theory remains especially obvious in the works of the three economists listed above. While they stick to the basics of neo classical economics, their attempt is to go beyond it with an institutional analysis (Ankarloo 2002: 12).

Methodologically, all of the writers define institutions with reference to Douglas North, the Nobel award winner American economist, as the formal and informal mechanisms that make the 'rules of the game' in society (Rodrik 2007: 51). Similar to Rodrik, Acemoglu and Robinson (2008: 2) construct their theory on North's definition of institutions as possessing three important features: they are humanly devised; they set the rules of the game and place constraints on human behaviour; and they affect the latter through incentives. Thus, the rules of the game can vary among societies in accordance with their different histories. This is why economic convergence does not necessarily imply a convergence of institutional forms. Rodrik quotes from North to explain such institutional divergence: "Economies that adopt the formal rules of another economy will have very different performance characteristics than the first economy because of different informal norms and enforcement. The implication is that transferring the formal political and economic rules of successful western market economies to the Third World and eastern European economies is not a sufficient condition for good economic performance" (North 1994: 366 quoted in Rodrik 2007: 52).

Stiglitz (2002: 11; 2001: 51) makes important methodological contributions to market-oriented institutionalism through his theoretical analysis of the asymmetries of the economics of information, work that is remarkably different to the conventional neo-classical assumptions on perfect competition and perfect information. Economic policy, in this perspective, should be extracted from a realistic model instead of deductive models of perfect information, unbounded rationality, and truthful behaviour (Stiglitz and Snowdon 2001: 45). According to Stiglitz (2002: 94), the Washington Consensus policies – based on the assumptions of perfect information, perfect competition, and perfect risk markets – proved that whenever information is imperfect and markets are incomplete, the latter will perform imperfectly, as seen in many developing countries. Under these circumstances, government intervention becomes vital for restructuring to prevent market failures.

2.2.2. The Historical Turn to Institutions

It is accepted by the market-oriented institutionalists that the question is no longer whether institutions matter or not, but rather “which institutions matter and how does one acquire them” (Rodrik 2007: 155). According to Rodrik, the well-functioning market is a mix of state and market, so the two should be seen as complementary instead of contradictory. The traditional dichotomies between laissez-faire and intervention become meaningless (161-2). Between the models of the Washington Consensus and socialist state planning, there exists a wide spectrum of development paths that countries can take (Stiglitz and Snowdon 2001: 71). The ‘second generation reforms’ of the IFIs demonstrate an awareness of the fact that developing countries should go beyond the inefficiency of previous reforms based on liberalization, stabilization, and privatization. Without strongly grounding these reforms in institutional transformation, they end up with inefficient and crises-ridden outcomes (Rodrik 2007: 184-5).

The historical turn by the market-centered institutionalist scholars is a shift in emphasis toward an acceptance that developing countries need different sets of regulations and institutions in order to make their markets work efficiently. According to Stiglitz (1997: 52), the ‘invisible hand’ of the market does not exist in developing countries, and the institutions of a market system cannot be established overnight. The market economy has evolved over a period of several hundred years, even though IFIs take it for granted. Acemoglu and Robinson (2008: 1), in a working paper written for the World Bank’s Commission on Growth and Development, indicate that institutions are the main “cause of economic development and development differences across countries”. Stiglitz supports this point in acknowledging that the state emerged as an enormously important actor capable of accelerating the evolution of market structures in developing countries. According to Stiglitz (2006: 27-8), the assumptions of the theory of the market economy depart far from reality, and, as such, have little relevance to developing countries. Development issues for the latter are more complicated than those in already-developed countries since markets are often absent, and even when present, often work imperfectly (34). In the developing country context, the sequencing of reforms becomes an important issue. The results of the Washington Consensus policies of the 1990s in the areas of trade, market liberalization and privatization showed that ignoring sequencing can be disastrous.

The East Asian experience became one of the strongest examples to legitimize the institutional turn against pure neoliberal political economy. Stiglitz utilizes East Asian states as ideal examples to refute the proposition that government is harmful to development and argues their rapid economic growth demonstrates how government intervention makes an enormous effect on development (1997: 44). The remarkable performance differences between East Asian countries and other developing countries show that governments taking an active role can produce

stability in contrast to the instability born out of a free flow of short-term-capital – one of the musts of the Washington Consensus’ market fundamentalist approach (2006: 29). Even the World Bank’s 1993 report, *The East Asian Miracle* (1997: 49), accepts that East Asian governments are more than minimal states. Acemoglu (2005: 1201) states that the main barrier to economic development is not a strong state, as seen from the East Asian development miracles; on the contrary, the problem is one of a weak state which lacks ‘state capacity’ to collect taxes and regulate the economy as a developmental actor.

Effective and market-friendly interventions were the keys to promoting high levels of domestic savings, investment, low inflation, responsible fiscal policies, and buoyant exports in the East Asian case (Stiglitz and Snowdon 2001: 61-2). Rodrik (2007: 99) insists that there is a need for public action to encourage restructuring, diversification, and technological dynamism since the market is incapable of generating these on its own. In other words, the East Asian markets are the products of balanced government policies, rather than of leaving development up to market decisions. The vital question that emerges at this point is the following: *How should states achieve the optimal balance between state intervention and market processes?*

2.2.3. Getting the Institutional Setting Right for the Market

According to market-oriented institutionalists, although markets are at the center of the economy, governments have an important role to play, so there is a need to move beyond the ‘either-or’ situation between markets and government (Stiglitz and Snowdon 2001: 72; 2002: 7). To put it differently, while private entrepreneurship should be in the driver’s seat, the state should perform ‘strategic’ and ‘coordinating roles’ which go beyond ensuring property rights, contract enforcement, and macroeconomic stability (100). Rodrik (2007: 102) argues that there is a need to

get the institutional setting right, meaning there should be a balance between autonomy and the embeddedness of the state.

The main issue is to find ways to balance between government and market to achieve sustainable development (Stiglitz 2006:7). The 1997 World Bank development report, which was overseen by Stiglitz, was a milestone in terms of reformulating the developmental role of the state. According to Stiglitz, the report defines two important strategies for governments. First, policymakers need to identify state capacities and formulate the role of government in accordance with them. Secondly, since the government's current capacities are not their destiny, policymakers need to develop strategies to expand the state's capacity. What should be expected from the state is the formulation of capacity-enhancing reforms through the introduction of better incentive structures. In other words, market-centered institutionalists attempt to model effective institutional architectures.

First of all, political leadership is crucial for developing institutional architecture since getting the institutional setting right depends on high-level political support (Rodrik 2007: 113). This point is deliberately articulated by Acemoglu and Robinson (2008: 10-11), who argues that direct reform of economic institutions cannot be effective without reforming the forces that produce and sustain bad institutions. In order to create effective institutions, policymakers should focus on the political institutions and the political power within society. Reforming an institution without altering the balance of power in society causes a simple replacement of one institution by another similar one. In other words, changing the underlying political equilibrium is the vital step to avoid a pitfall in institutional reform. Reforms of the Washington Consensus were unsuccessful in developing countries for precisely this reason. Even though reforms took place, there was little change in the way politics actually worked (14).

Secondly, in order to balance the relationship between the state and market, there is a need to build intermediate institutions which provide a setting for public-private communications (Rodrik 2007: 113). Different from the ‘embeddedness’ of twentieth century industrial transformation – of dense ties between the state and industrial elites – there is a need to build a “bottom up” set of state-society relations, or a new form of ‘embeddedness’ for the current century (Evans, 2011: 3). This is a need to conceptualize ‘development’ as capacity expansion instead of accumulation (Sen, 1999; Evans, 2011). A twenty-first century effective state should have embeddedness in terms of building “the dense sets of interactive ties that connect the apparatus of the state, administrative and political, to civil society” rather than simply focusing on industrial business associations (Evans, 2011: 9-10).

Economic success, in this case, is also about getting the right balance between government and market in a particular society, and the specificities of that balance will be unique to the country in question, in line with the capacity of its government and the institutional development of its markets (Stiglitz and Snowdon 2001: 48). Acemoglu (2005: 1020) states that both strong states, through imposing high taxes, and weak states, through failure to invest in public goods, create distortions in the economy and act as impediments to economic development. The main solution proposed is that “the structure of power has to be ‘balanced’ – at an intermediate level between weak and strong states – to encourage all parties to undertake investments” (1223). There is a need for institutional balance regarding the distribution of power between state and society. This is the only way to encourage investments in the state apparatuses by both citizens and rulers (1223). Coordination and deliberative councils are advised by Rodrik (2007: 113) to create a channel for private sectors to submit their requests for assistance and to provide governments an outlet for setting new goals for the private sector.

Lastly, in order to get the institutional setting right, there is a need to establish mechanisms of transparency and accountability in order to go beyond rentier relationships and expand opportunities to all of society (Rodrik 2007: 113). Overall, one of the most striking aspects of the market-centered institutionalism is its ambivalent position concerning strong states. On the one hand, market-oriented institutionalists argue that the excessive power of the ruler is a part of market reality but, at the same time, it has a vital role to play in enforcing contracts and reducing transaction costs (Acemoglu 2005: 1202). On the other hand, they argue that the most critical institutional challenge is to restructure institutions so as to go beyond the transfer of rents between “unscrupulous businessmen” and “self-interested bureaucrats” (Rodrik 2007: 99). Following North (1981: 23), there is an assumption of utility maximization and rationality on the part of both individuals and the ruler (the state). In this framework, there is a permanent tension of interests between ruler and agents. Stiglitz (1997) warns readers about two important limitations which characterize the state: it is less responsive in providing possible supervision compared to the private sector and it possesses an inherent lack of credibility. If bureaucrats have too much autonomy, they fail to provide efficient subsidies. But at the same time, too much embeddedness would breed corruption (Rodrik 2007: 99). For the market-oriented institutionalist account, the state is a potentially corrupt institution which needs to be balanced with market intervention.

3. From Effective State to *Failed Autocracy*⁷

As stated above, market-oriented institutionalism shifted the emphasis from the reduction of state activity to a state-building agenda, which means the optimal reform path for developing countries is to be found by decreasing the scope of state activities while increasing the state’s institutional capacity (Fukuyama 2004: 5-15). The IFIs recognized that reducing the scope of the

⁷ This is the term used by Acemoglu (2014) to explain contemporary Turkey under the rule of President Erdogan.

state without increasing new types of the state capabilities for the institutionalization of the market caused disastrous economic and social problems in the developing world. As Fukuyama (5) declared, “the state-building agenda, which was at least as important as the state-reducing one, was not given nearly as much thought or emphasis”. Even though the ideal case is a combination of a limited scope of state functions with strong institutional effectiveness, most of the developing countries have found themselves in a worse place in terms of economic performance based on the ineffective state diffusion of an ambitious range of state activities (12).

The state-building agenda of developing countries initially benefited from the overaccumulation of money capital at the global scale, which provided access to cheap foreign capital via loan (Rodrik 2015a: 1). But the process of state restructuring was altered with the new phase of neoliberal capital accumulation inaugurated by the 2008 global financial crisis. It is now widely accepted in international circles that “emerging markets are in trouble” since their growth has stopped and money-capital is escaping from their borders (Rodrik 2015b: 1). This new process is defined as “back to the fundamentals in emerging markets” by Rodrik. Turkey became one of the obvious examples of failure of the “hopeful story on the ability of emerging economies with weak institutions to reform rapidly and enjoy the fruits” in the first half of the 2000s. It is now experiencing a reversal of radical state restructuring and reform (Acemoglu and Ucer 2015: 1-3).

Discipline over the budgetary process and the formation of autonomous regulatory agencies were the principle achievements, increasing transparency through the institutionalization of ruled-based policy making. Acemoglu and Ucer (12-3) go so far as to define these processes as “epochal” and posit a link between Turkey’s high growth and its major political/institutional changes. This ‘epochal’ process was led by a small group of politicians and bureaucrats under the leadership of Kemal Dervis, the Minister of State in charge of economic affairs. Nineteen

significant pieces of legislation were passed in less than a year regarding the independence of the Central Bank, public debt management, public procurement, and public banks. Nine independent regulatory agencies were established in key sectors like energy, banking, telecommunications, and sugar (Ozel 2015: 244-245). Neither the small executive group which was empowered with special authority to formulate Turkish state's institutional restructure nor the rapid implementation of the nineteen laws were criticized by the market-oriented institutionalist writers. Indeed, the speed of the process was appreciated, as was the AKP government's devotion to it.

Following the international financial crisis of 2008, the deterioration of AKP rule was becoming obvious by the inauguration of its third term in 2011. There was an apparent weakening of the much-vaunted institutional environment. Instead of being truly autonomous, the Central Bank, the autonomous regulatory agencies, the judiciary, and police forces are all obviously controlled by AKP government by this time (Acemoglu 2014: 3; Ozel 2015: 246; Rodrik and Meyersson 2014: 3; Acemoglu and Ucer 2015: 25). Thus, the rule of law was personalized under Tayyip Erdogan, the President of the Republic. While Acemoglu (2014) labels the form that Turkish democracy took as "autocracy," Rodrik (2014) defines the process as Erdogan's "coup".

TOKI was characterized as one giant entity existing outside of procurement law and budgetary rules by Acemoglu and Ucer (2015: 16), and became an example of the failure of institutional restructuring and the personification of flawed state apparatuses. According to them, TOKI's position at the very heart of Turkey's largest corruption scandal – a 2013 criminal investigation which involved key bureaucrats and politicians – is not a coincidence at all.⁸

⁸ TOKI was one of the centers of the December, 2013 corruption investigation. Erdogan Bayraktar as the past president of TOKI and the past minister of Ministry of Environment and Urban Planning, was the focus of corruption investigation, along with with his son and his advisor. President of Emlak Konut REIT was detained as well. Additionally, the owners of three major construction firms were detained in connection with this corruption case since they received big shares of TOKI construction contracts. The charges for the illegal opening of Turkish State's properties to construction, illegal opening of naturally and archeologically protected areas to construction and approving construction permits despite the risk of damaging the Marmaray subway project.

It is evident in the Turkish case in general, and the TOKI case in particular, that as the new neoliberal orthodoxy reaches its limits, the explanation of failure returns back to the basics of modernization theory of the 1960s, which defined developing countries as *mass societies* that lack intermediary organizations relatively independent of the central state and therefore, as expected, possess a highly-dictatorial potential (Lipset 1959; Almond 1960; Huntington 1968). The basic idea has been repeated many times by different scholars under various names, such as ‘neo-patrimonial’ state (Fatton 1992), ‘predatory’ state (Evans 1995), or ‘weak’ state (Fukuyama 2004). Whatever its name, these states are imprinted with low institutional capacity, in a Weberian sense, an enormous amount of rent-seeking activities on the part of politicians, authoritarianism, and individual-based governance.

The roots of the authoritarian structure of the Turkish state are found in the political dynamics of society and the AKP government, which go unregulated due to the weak system of checks-and-balances presented by civil society (Acemoglu and Ucer 2015: 25). Such an estimation is provided by the Turkish version of the market-oriented institutionalists: the AKP government seized control of the state and concentrated political power in itself, similar to the pattern of political development in many post-colonial societies (Acemoglu 2014: 3; Rodrik and Meyerson 2014: 3).

The limits of market-oriented institutionalism, becomes particularly visible in its approach to the increasing authoritarianism of developing countries. These scholars cannot go beyond blaming the person who is at the top of the state’s organizational hierarchy. But the, personification of the capitalist state form is a unique combination of economics and politics in a given conjuncture. The economic restructuring of the state to increase its capacity to integrate into the world market and especially the current internationalization and internalization of finance, is a key

source of this authoritarian tendency. The foundation of autonomous regulatory agencies in key sectors of the economy, based on the IFIs' structural adjustment programs, is the institutional basis in which authoritarianism prospers. This is especially so in the Turkish case where a small group of technocrats were granted exceptional powers in 2001, as part of integrating into the world market, without any discussion of the antidemocratic aspect of the process. Since capitalist society is composed of inherent class conflicts, the autonomy of institutions always materializes the conflicts and power struggles of societies. Additionally, since state capacity is itself determined by the state's embedded relations with different fractions of capital, each corruption scandal can be judged with reference to the state's contradictory relationship with different fractions of capital.

4. The Limits of Market-Oriented Institutionalism

If the market-oriented approach is considered in conjunction with the IFIs conceptualization of the state, the latter emerges within this view as an "institution of capitalism" instead of as an explanation of the "institutions of capitalism" (Ankarloo 2006: 1). This is why neoliberal orthodoxy is unrealistic, ahistorical, and impoverished in terms of explaining institutions.

First of all, market-oriented institutionalist claims about realism are based on North's conceptualization of institutions. Understanding institutions in relation to the act of setting the rules of the 'game', as North states, does not provide a clue about the 'game' itself. Thus, market-oriented institutionalism refutes the Washington Consensus's claim of institutional convergence, but it is unable to explain either the reasons for or the necessity of institutional diversity in different national contexts. Answering this question requires recourse to an historical methodology, which sees institutions as site of social struggle and gives insights to the uneven and combined development of capitalism in the late-comer countries. Economic convergence means the

expanded reproduction of capital, as an inherent tendency of the capitalist mode of production, which reveals a distinct contradiction. On the one hand, the ‘law of value’ and the circulation of capital in all its forms are international phenomena from the very beginning, but on the other hand, they require national regulation of the conditions of accumulation, materialized in nation states, in order to reproduce capitalist property relations and maintain the conditions of reproduction, and thus also divergence (Bryan 1995: 422).

Secondly, the neoliberal approach appropriates historical examples and the institutional tradition in order to re-work neoliberal theory and practices. The belief in the ‘invisible hand’ survives intact, but a level of institutional restructuring to maintain it. The conceptualization of the invisible hand is, in itself, ahistorical. The relationship between the history of the market formation in developed countries and the relative ‘absence’ of it in the late-comers is under-theorized by these scholars. Selected countries, especially East Asian ones, are used to prove that autonomous state institutions are necessary to achieve a good working market economy. They establish normative ideal-types through appropriating the history of East Asian countries to be applied as policy models, even though they insist there is not one way to achieve capitalist development.

Lastly, market-oriented institutionalism’s policy advice for the capacity-enhancing reforms necessary to achieve effective institutions, when implemented, has problematic outcomes for developing countries. Building effective state institutions to get the setting right for the market may still lead to authoritarian state formations. In the market-oriented institutionalist literature, an ‘effective state’ is one that is effective at the expense of social forces and against ‘rent-seeking’ interruption by state officials and capitalist groups. This implies, in accordance with the IFIs’ policies, the growth of centralized executive power. For some market-oriented institutionalists, authoritarian regimes may be preferable for reaching economic stability: “While the presence of

an authoritarian regime is not a precondition for success, weak or unconsolidated democracies find it particularly hard to generate economic stability on a sustained basis, which, in turn, undermines their long-term potential growth” (Onis and Bayram 2008: 4).

From the point of view of market-oriented institutionalism, TOKI, without any doubt, is a necessary institution to enable the housing market. Increasing centralization and authoritarian tendencies in administration would be seen as an attempt to increase the Turkish state’s capacity in the housing sector, but in ways consistent with the neoliberal focus on expanding the private housing market. TOKI’s capacity was increased by a series of laws, mostly promulgated as decrees with the force of law without any parliamentary discussion. The new profit-sharing/ public-private partnership model which is developed by TOKI after the 2000s in order to finance low-income housing can be seen as another attempt to enhance institutional capacity. Without taking any share from the state budget, TOKI gained its autonomy. TOKI became an embedded institution through its provision of 9% percent of total national housing production. Although TOKI is criticized for its lack of transparency in terms of its financial structure and public procurement processes, it is seen as the leading actor in Turkey’s remarkable urbanization success story by the World Bank’s country director for Turkey (Raiser 2015). The OECD acknowledges that TOKI’s special status provides massive impetus to the speed and scale of housing development (2010: 105). The World Bank’s 2010 *Affordable Housing for All* booklet showcases TOKI as the ideal example of a scale-up model for affordable housing production (12).

In this view authoritarian tendencies are often seen as technical errors that can be offset by the institutionalization of de-politicized agencies capable of balancing political power. In the Turkish case, Kemal Dervis and others stated in his co-authored article that “the reforms also aimed at creating a leaner and more efficient state while strengthening the regulatory capacity of state

institutions and the quality of the social safety net” (Dervis et al. 2004: 22). But regulating institutions do not stand above society; thus take different forms in different developing countries and between different sectors within the same country.

Vital questions emerge at this point: Is it really possible to increase state capacity through decreasing scope of the state’s activity in the economy? If increasing capacity means the institutionalization of the state-market relationship, are corrupted relationships between the state and the different fractions of capital unexpected? Does the increase in the state’s capacity to manoeuvre in the market reflect itself in the support of certain fractions of capital at the expense of others? Is a rise of authoritarianism in the developing world context merely a coincidence and the result of uncontrollable politicians?

I argue that market-oriented institutional orthodoxy cannot give analytical answers to this questions that go beyond descriptive and market-normative explanations. Since the state and society are seen as externally related, they cannot ask conceptually clear questions regarding state restructuring and the institutionalization of market relations. We need to explain how and why TOKI failed to build a transparent and efficient national housing market. Market-oriented institutionalism never probes the inner structure of the market, and are unable to go beyond theorizing institutional absence. Since the task of science is “to reduce the visible and merely apparent movement to the actual inner movement”, there is a need to ask a different question (Marx 1991: 428).

5. Conclusion: Formulating an Alternative Question

The question that must be posed, for Turkish housing policy, is *why does this content (enabling the housing market) to take this particular form (TOKI)?* The rise of TOKI as a public institution with very limited democratic control is the very outcome required of state restructuring

in the current phase of capital accumulation. The focus on state capacity, especially in the developing world context, is the outcome of the economic failures of the 1990s' shock therapies. The agenda of market-oriented institutionalism is the establishment of 'effective' institutions that exist above politics. The conceptualization of an effective state beyond political struggles tasked with ensuring the efficient working of the imperfect market, based on a separation of state from the market and politics, causes many theoretical problems, however. As argued by Albo, Gindin, and Panitch, while markets are seen as potentially self-sufficient, the state is conceptualized as a neutral actor that can compensate for market failures (2010: 10). It becomes impossible to formulate an analysis of the state that goes beyond descriptive categories such as effective, rentier, or corrupted states and bureaucrats. Beyond their impact on the impoverishment of theories of the state though, the points that the institutionalist tradition makes are vital to understanding the state restructuring process in the contemporary phase of capital accumulation (Panitch 1999). *In other words, there is a need for an analysis of institutions that draws the institutionalist traditions while also going beyond them.*

Turkey represents an interesting example for delineating the process of state restructuring as a deepening of the expansion of capitalist relations through an increasing of state capacity which results in a particular type of authoritarian state. Increasing state capacity is widely supported by the market-institutionalist writers, which is to be expected given their view of the chronic economic crises of the 1990s as the result of macroeconomic and political instability, in contrast to the political stability of the post-2001 era (Onis and Bayram 2008: 4). That is, in contrast to the lack of the executive authority's strength and coherence in 1990s, the political stability of AKP government is seen as having transformed Turkey into an 'emerging tiger' at the expense of parliamentary intervention into the economy. As is seen in Turkish case, the state's intervention

has been very constructive in terms of the foundation, continuation, and formation of class fractions in the housing sector – all internal rather than external to market relations. That is, the analytical focus should shift from the state in itself to the *capitalist* state as the institutional materialization of social classes in a particular conjuncture.

The next chapter focuses on Marxian state theories. Since the old and new forms of liberal and institutionalist state theories were both formulated in relation to the specific contexts of the late-comer states, they provide concrete descriptions of state-society relationships, but they lack an abstract theory. These pragmatic concrete descriptions of state autonomy, state capacity, the market, institutions, and corruption need to be problematized at an abstract level. First, the very nature of the capitalist state as the condensation of class relationships will be discussed with reference to Poulantzas' concepts of social classes, fractions, power block, forms of the capitalist state, its economic functions, and authoritarian statism. The increasing authoritarian structure will be theorized as the combination of economics and politics in a particular phase of capitalism in relation to social classes instead of as an organizational error in the structure of the state. Since the Turkish state is analyzed through TOKI, which legitimizes itself as a 'welfare state' institution, I will develop 'concepts of strategy' via re-visiting O'Connor's conceptualization of the fiscal crisis of state and Offe's theory on the internal restructuring of the capitalist state and its limits. These two analytical reference points gain particular importance in the analysis of the contradictions of state restructuring as discussed in detail in later empirical chapters.

In order to re-conceptualize the Marxian theories of state that originated from the 'developed capitalist world' context, I develop an alternative periodization framework for the late-comer countries with reference to the circuits of capital approach. The 'expected' state capacity is closely related to the particular phase of capital accumulation that a late-comer country has been

traversing. The last part of the next chapter is devoted to constructing an analytical framework for understanding the ways in which the housing policies of the Turkish state are determined by different phases of capital accumulation and the different forms that the capitalist state takes.

CHAPTER 3

Re-visiting Marxian Theories of the State

This chapter acknowledges the importance of institutions in constituting the capitalist relations of production and reproduction. But, in order to develop an analytical roadmap to explore the ‘re-discovered state’, it is premised on the necessity of going beyond institutionalist approaches, or what I call institutionalist fetishism.⁹ Institutional restructuring of the state in the second phase of neoliberal accumulation took authoritarian forms to increase so-called ‘state capacity’. Especially when it comes to TOKI, the state has a very active role as a ‘market-maker’ in the real estate sector. In this chapter, the authoritarian form of the Turkish state is discussed with reference to a particular phase of capital accumulation and the state’s internal restructuring to solve its fiscal crisis and increase its managing capacity to enable the market. I will re-visit the Marxist state theories in order to answer the question posed in the previous chapter: *Why does this content (that is, enabling the Turkish housing market) take this particular form (TOKI)?*

With reference to Poulantzas’ theorization of the state, I argue that capitalist state apparatuses are the materialization of class relations – the outcome of the contradictions of capital accumulation in particular phases of capitalism. Although Poulantzas’ contributions to state theory provide the primary background for my theoretical framework, I argue that the state is more than a ‘field’ of class representation and that its power is not same as class power (Panitch and Gindin 2015: 10). The capitalist state is not only relatively autonomous from the capitalist classes, but,

⁹ I use the term fetishism to emphasize the methodological shortcomings of the institutional approach. This approach creates a fetishistic understanding regarding the explanation of state restructuring since it posits an ontological difference between state and society. Since the state is seen above class society as a *suigeneris* entity, the institutional fetishists cannot explain the failures of the ‘expected’ autonomy of state or what should be the ‘right’ balance between state and market.

also, it has developed specialized institutional forms and capacities to secure capital accumulation and social cohesion (10). After revisiting Poulantzas' main conceptual tools, I develop *concepts of strategy* in order to approach the contemporary institutional form that the Turkish housing question took. Since TOKI is legitimized as a welfare institution of the Turkish state, it straddles the line between the legitimization and accumulation functions of the state.

In this regard, I use O'Connor's work on *Fiscal Crises of the State* as a stepping stone to concretize TOKI as a social policy institution which is restructured as a revenue-earning state apparatus in the era of austerity to solve the fiscal crisis of the state.¹⁰ By building such an analysis, I argue that the state budget is more than an economic and technical issue: it is the outcome of the main contradictions between the workings of the state and the economy. Further, O'Connor helps underline the distinct forms that this contradiction of the state takes in different conjunctures as states search for new sources of financing.

I then continue the discussion from the previous chapter on institutional restructuring by examining the issue of the state's managing capacity – its internal structure and the structural limits to its rationality – with reference to Offe. Since TOKI's housing policies emerge as public policy, Offe's connection between public policy and commodification provides important insights. His concept of the specific selectiveness of the state and administrative decommodification provides insights to explore how the capitalist state defines the housing question and what solutions it proposes to solve in different periods.

In the last part of the chapter, I argue that there is a need to specify the ways in which the capitalist state has always been the leading institution in terms of initiating capitalist relations of

¹⁰ Although I am not using O'Connor's general approach regarding the periodization of capitalism and fractional analysis, his theory provides great insights to the structural contradictions of state restructuring in relation to institutional structures and the dynamics of capital accumulation.

production in the late-comer context. Explaining the specificity of capital accumulation in the Turkish context requires a different and more dynamic periodization framework than that provided by the Poulantzian perspective. It must be based on Turkey's own institutional history of capitalist formation with reference to the internationalization of capital. The primacy of internal factors in the developing world context needs to be explored to understand the form of the capitalist state. I approach TOKI as a particular state agency within the form of the capitalist state; it is a condensation of class relations in a particular phase of capital accumulation. The primacy of inner factors, in terms of the transformation of the housing question to the real estate sector, gains particular importance: The Turkish state becomes the 'market-maker' through institutional intervention in the three circuits of the capitalist production of housing, but this is not a smooth process and is prone to many contradictions, as will be discussed in the empirical chapters to follow.

1. State Theory and the Forms of the Capitalist State

It is obvious that the capitalist state as a unique state form can only be analyzed in conjunction with the rise of capitalism. Unlike ancient slave and feudal forms of pre-capitalist states, which require direct coercion in the form of legal, political, or military domination for surplus appropriation, capitalism, as a mode of production, is constructed upon the deep separation between its economic and political institutions (Ashman 2009: 34). According to Marx, the most distinguishing characteristic of the modern capitalist state is its institutional separation from the economy (Jessop 2007: 137). The capitalist mode of exploitation relies on market exchange instead of politics, although the political is the constitutive part of both the formation and continuation of market relations. As Marx explained, the capitalist is the boss of workers rather than their lord so his relationship of mastership is not directly political but rather economic (Draper 1977: 322). In

contrast to pre-capitalist societies in which property was politically constituted, in capitalism property exists separately from political power. That is, the political power of the state is the vital means to protect the system of private property and situates itself ‘formally’ apart from property relations (Wood: 2006, 16). What distinguishes capitalism from other exploitative systems is that the two moments of exploitation, i.e. the appropriation of surplus value and the coercive power to maintain it, are uniquely separated from each other (16). As Wood reminds us, the separation of the political and the economic in capitalism does not only signify an autonomous sphere of economy, but also a very distinctive kind of political sphere that has never existed before.¹¹ On the one hand, capitalism depends on an organized and legally-sustained regularity and predictability via state institutions in rules, contracts, laws, etc. On the other hand, capital’s existence and self-reproduction are prone to its own anarchic laws of motion in the market. Under these contradictory tendencies, capitalism needs an agency of coercion, which must exist apart from its own powers of appropriation. Thus, capitalism remains dependent on extra-economic conditions, or political and legal supports (Wood: 2002, 179).

With reference to Wood, the discourse of the effective state shows us how the survival of capitalism depends on the extra-economic conditions or ‘accumulation functions’ of the state. Ironically, the institutionalist focus on state capacity is the very result of the inseparability of the economy from the capitalist state. There is a permanent expectation that developing states are autonomous in order to speed up the socialization of the economy. TOKI, as an ‘over-capacitated’ institution, is the result of the unique combination of economics and politics in contemporary

¹¹ Polanyi’s *The Great Transformation* (2001) is an important source for understanding this vital separation because, according to him, in a ‘market society’ social relations are embedded in the economic system, instead of the economy being embedded in social relations.

Turkey. In other words, it is not an outcome of technical failures of administration incapacity; it is the form of the capitalist state in the Turkish case.

1.1. Social Classes, Fractions, and Power Bloc

Poulantzas argues that the different forms of state can only be understood by showing its class character in relation to the phases of capital accumulation. In contrast to the Weberian approach to the state, *social classes* are not an empirical group of individuals according to income and status external to class as determined in economic relations (Poulantzas 1979: 17). In contrast, social classes are determined by the production process and the relations of production, and these are distinct from the social origin of the agents. But class does not “refer simply to the economic structure (relations of production) but always to the ensemble of the structures of a mode of production and social formation” (Poulantzas, 1978: 63). That is, there is a need to analyze classes in “a concrete society as a given of time” (Poulantzas 2008: 192). One of the important merits of historical materialism is its approach to classes as dynamic relationships whose capacities are changed, in terms of expressing their identity and interests, over time, and thus continuously affecting their internal relationships (Panitch and Gindin 2015: 7).

Another important feature of social classes is that they are not unitary entities which are exempt from contradictions. In contrast, the Marxist theory of social classes distinguishes *fractions of a class* “according to the various classes, on the basis of differentiations in the economic sphere, and of the role, a quite particular one in these cases, of political and ideological relations” (1979: 23). These fractions are determined in accordance with political and ideological levels in concrete conjunctures within different social formations. The bourgeoisie is unable to represent itself at the political level or realize its political unity on the basis of a common interest because of fractional struggles (1978: 284).

According to Poulantzas, the articulation of social classes determined in different conjunctures requires *concepts of strategy* like *power bloc* – “the particular contradictory unity of the politically dominant classes or fractions of classes as related to a particular form of the capitalist state” (1978: 234). The formation of the power blocs is related to both the periodization of the capitalist formation in different phases of accumulation and the political level and its practices. That is, the power bloc functions under the leadership of one of the dominant fractions (industrial bourgeoisie, the commercial sector, or banking) that can vary in different phases of capital accumulation (1979: 93). This phenomenon does not connote a totality of equivalent elements or a fusion of them, but rather it is “a complex contradictory unity in dominance” (1978: 237). In order to analyze the social classes, there is a need to approach them in relation to state and economic apparatuses which “are not simply ‘added on’ to the class struggle as appendices, but play a constitutive role” (1979: 25).

Although Poulantzas shows the contradictory unity of the capitalist classes, his theory is methodologically flawed in analyzing fractions since it is characterized by a certain static economism based on almost “watertight compartments: industrial and financial, monopoly and competitive” (Panitch and Gindin 2015: 7). The fractional differences in the housing sector in Turkey, for example, are closely related to the ‘increasing state capacity’ of TOKI in the tendering processes for the various scales of the housing projects in different cities. That is, fractional differences among the capitalist classes emerging from specific moments in the labour process are still contextually dependent and determined by the particular social formations at the level of the circuit of capital as a whole.

These concepts provide powerful analytical tools to ask the following questions with respect to building an effective state in the housing market: What are the main fractions in the

housing sector? What are the contradictory and constitutive relationships between the state and different fractions in the sector?

1.2. Forms and Economic Functions of the Capitalist State, and Authoritarian Statism

Poulantzas provides methodological and conceptual tools to de-fetishise the so-called ‘autonomy’ and desired balance between state and market. According to the liberal approach, the state does not have its own unity since political power is diffused among the state’s decision centers in which the plural interests of the ‘power groupings’ or ‘pressure groups’ represent their interests (Poulantzas 1978: 266). The problem of unity of power does not emerge as an issue even though these liberal scholars insist on the ‘autonomy’ of the state; the problem of the state’s autonomy from different ‘pressure groups’ is reduced to a ‘technical’ function of organization.

According to Poulantzas (1976: 82), the state is a relation, like ‘capital’, instead of being a subject or a thing. Although the capitalist state is a condensation of the balance of forces between the classes, it represents a unity of power in accordance with the interests of the hegemonic class and class fraction. In contrast to institutionalism, institutions do not determine social groups since the state apparatuses are the materialization of class relations (1979: 25). The main task of the capitalist state is to preserve the cohesion of the social formation, which is fragmented into classes, and to contain the contradictions of the whole social formation through legitimization of the interests of the dominant fraction (1979: 78). Capitalist states represent themselves as the unity of the people-nation, a homogeneous entity, through establishing people as ‘equal’ individual-citizens (1978: 291). The capitalist state’s intrinsic unity and its possession of relative autonomy “is not because it is the tool of an already politically unified class, but precisely it is the unifying factor of power bloc” (1978: 300). That is, levels of the unity of the state and of the dominant classes are politically constituted (and, thus the circuit of capital also requires political mediation).

According to Poulantzas, the possibility of social policy formulation on the part of the state arises from the fact that the latter enjoys relative autonomy from capital. The ability to develop social policy implies the ability to reduce economic power of the dominant classes without threatening their political power (Poulantzas 1978: 193). The variations of relative autonomy of the state depend on the concrete relations between the political classes, especially of the political struggles of the dominated classes (1978: 289)

In contrast to the liberal or institutionalist ideal of a multi-centered separation of powers (parliamentary power from the executive power), the capitalist state is never neutral and is always organized as a result of the dominance of one of these institutional powers over others (Poulantzas 1978: 303). Moreover, the separation of powers goes beyond what appears as the simple multi-centered power structure of the capitalist state. It is the result of relations of political forces and differences in the functioning of state institutions. Understanding the relation between legislative and executive functions is vital to make a concrete analysis of “*forms of the state* and the degrees of unity and relative autonomy characterizing each form” (Poulantzas 1978: 308).

According to Poulantzas, even though the form of the state in the contemporary phase is a parliamentary-democratic one, it is qualitatively different from previous phases because of its new economic functions (2014: 166). The institutional structure of the state is reorganized in relation to its economic role. In order to understand the specificity of the *economic functions of state* and its impact on the institutional restructuring, Poulantzas rejects the idea that the state has to fulfil the functions relating to the ‘production in general’ (2014: 173). The economic functions of the state have always been determined by the phase of capital accumulation and the class struggle in particular conjunctures; the economic interventions of the state materialized in the economic apparatuses have an intensely political character, instead of being technical issues (Albo 2013: 23).

State economic policy is closely connected with the management of the valorization-devalorization of capital in its money, productive, and commodity forms over the economic cycle (Albo 2013: 22-23). Economic policy is always defined with reference to the particular institutional autonomy, policy capacities, and ‘national’ characteristics of states (24).

The history of state interventionism is the history of uneven development in a particular society, so it is neither a homogeneous development that covers all the social formations nor progressive or linear. It is often argued that the state invests in the fields which are not profitable for capital, but the unprofitability of these fields is the outcome of certain social formations in certain historical periods (Poulantzas 2014: 181). As a result of changes in the relations of production, extraction of surplus value, and the division of labour, previously ‘marginal’ or unprofitable fields like training of labour power, town planning, transport, health, the environment etc. become important spaces for the valorization, reproduction, and revalorization of capital (2014: 167). Under these circumstances, the totality of socio-economic fields is subordinated to the capital accumulation process.

When it comes to the relationship between the power bloc and the state apparatuses, it is seen that the power bloc’s political involvement in the state became more visible. The current economic activity of the state (devalorization of sections of capital, restructuring of industry in order to increase relative surplus value, an increased role in furthering the concentration of capital, selective aid to individual capitals, the decisive weight of the national state in the internationalization of capital) comes to favor the interests of the certain fractions of capital (Poulantzas 2014: 212). This situation creates cracks in the power bloc, which turn into political crises that question the legitimacy of the state as the representative of the general interest of the bourgeoisie.

Authoritarian statism for Poulantzas represents the new democratic form of the capitalist state as an outcome of modifications in the relations of production in the current phase of capitalism (2014: 208-209; Oguz 2015). It is a phase characterized by the reduction of the power of political parties and the decline of the institutions of representative democracy, such as parliament in favor of the executive, bureaucracy, and the state administration (2014: 172). This institutional restructuring is intimately related to the growing economic role of the state (218). The legitimacy of parliament based on political universality is gradually transferred to the executive which, in turn, is characterized by acts of regulation corresponding to clearly-defined situations and specific interests. That is, the generality and universality of law is giving way to particularistic regulation (219). What is striking about authoritarian statism is that “the initiative in proposing laws has almost entirely shifted from parliament to the Executive, new bills being directly elaborated by the civil service” such as, it will be argued, in the case of TOKI (219). The state bureaucracy and the executive become the principle sites of class struggle and the principle actors in the elaboration of state policy (224).

Additionally, the changes in the institutional structure of the state reveal the tendency towards a personalized presidential system that is governed by a person who is at the top of the executive (2014: 228). This personalized president becomes the focal point of various administrative power centers and networks so it does not possess a truly despotic and insulated power. The centralization of power in the state apparatuses results in the curtailment of democratic liberties. That is, authoritarian statism is marked by important changes in democracy: “greater exclusion of the masses from the centers of political decision-making; widening of the distance between citizens and the state apparatus, just when the State is invading the life of society as a whole; an unprecedented degree of state centralism; increased attempts to regiment the masses

through ‘participation’ schemes; in essence, therefore, a sharpening of the authoritarian character of political mechanisms” (238).

Although Poulantzas provides valuable insights at the abstract level for understanding TOKI, his theses suffer from a concretization problem in terms of both understanding how the state remodelled as revenue-earning corporation under neoliberalism and how the social policies of the state reshaped the institution itself throughout the commodification of housing. This process needs to be thought through in relation to the internationalization of capital in the contemporary neoliberal phase of capitalism.

2. Between Accumulation and Legitimization

For the ‘housing question’ in capitalist societies, the relationship of social reproduction and capital accumulation to the state needs to be elaborated. The housing issue is, on the one hand, related to the changing forms and policies of social reproduction. On the other hand, especially in capitalist societies, housing is often a specific autonomous sector of accumulation based on specialized property development and financial tools. O’Connor and Offe understand these two often contradictory functions as an *accumulation function* (the provision of the conditions for profitable capital accumulation) and as a *legitimization function* (the conditions for social harmony) (O’Connor 2009: 6; Carnoy 1984: 131). Although O’Connor’s analysis of the welfare state is based on the American experience of the 1970s, and Offe develops an analysis of the state with reference to the continuous failure of welfare state-making policy for the same period in the European context, they are consistent with Poulantzian themes and provide important tools to analyze state restructuring in a concrete level.

2.1. The Fiscal Crisis of the State

O'Connor analyses the state budget since it reflects the interests of corporate capital, and also represents the general political need of the ruling class as a whole (O'Connor 1974: 119). O'Connor defines the fiscal crisis of the state as one form of the general contradiction between social production and private ownership that appears as the structural gap between state spending and state revenues (O'Connor, 2009: xxii; Carnoy 1984: 226). Rather than being a problem of disproportion between government expenditures and revenues, fiscal crises of the state are the outcome of fundamental conflicts between the workings of the state and the workings of the economy in advanced capitalism (Block 1981: 2).

For O'Connor, the budget itself reflects the state's contradictory role in the reproduction of social relations as a whole. From the side of the working classes, there is a need for 'permanent intervention' by the state to integrate all elements of the population, as the market will not do so (O'Connor 1974: 111). This is the only way to ensure the process of accumulation and social reproduction. From the side of capitalist classes, the state regulates the contradictory relationship between big capital and small capital, between capital based in different regions, and between capital in expanding sectors of the economy and capital in contracting sectors (112). Since monopoly capital requires the political support of local and regional capital, the state needs to subsidize the declining industries in under-developing regions.

According to O'Connor (134), there are three possible ways for the state to expand its share of resources: through generating profits, taxes, and borrowing. Each possibility entails some underlying changes in the production relations between labour and capital or relations within the capitalist class. The first option is the development of profit-making state enterprises. But, according to him, this economic possibility is politically impossible since state investments are

restricted to non-profit making spheres in capitalist societies. In other words, it is private capital that takes the profit-making opportunities and the state that should stay on its “natural territory” through providing goods and services that are burdens for the market (135). This point is highly debatable since, as it is shown in the TOKI case, the state does not have a pre-determined natural territory. In contrast, it is determined by the class struggle, the phase of capital accumulation, and the internal structure of the state. The second option for the state is increasing taxes; but it causes two severe problems: the possibility of inflation and of organized tax resistance (Block 1981: 12). Although financing the budget takes the form of a problem of tax increases, according to O’Connor, the tax issue has always been a class issue since the substitution of direct by indirect taxation itself is the result of advanced capitalism (O’Connor 1974: 136). The last option is government borrowing, which could possibly worsen the fiscal crisis of the state.

Even though the severity of the fiscal crisis of the state derived from the gap between expenditures and revenues and depends on the concrete conjunctures in different countries, this fiscal crisis is one of the forms of general contradiction between social production and private ownership and is not an abnormal situation which can be solved with effective state policies.

Although O’Connor made a remarkable contribution to analyzing budgetary politics as the political form of the deepening contradictions of capital accumulation, his theory has four major flaws. First, it does not give an account of the effects of the internationalization of capital. That is, his theory does not understand the uneven and combined development of the world capitalist market which is the source of the main analytical difficulties when approaching late-comer countries, and the relationship to the state. Second, O’Connor’s approach to social consumption makes it impossible to understand how services such as education, transportation, and housing became commodities and sources of private profit (Schawartz 1983: 48). Thirdly, although he

gives an account of the state's income policies, he argues that state investments are always simply restricted to non-profit-making spheres. Thus, his theory does not provide insights as to how the state's income policies changed during different phases of capital accumulation. Especially in the contemporary phase of capitalism, it is clear that the state also intervenes into profit-making sectors, some of which were quite marginal in the previous era. Urban and housing policies became the main examples of this drastic change. Lastly and more importantly, in O'Connor's schema of state expenditures, the housing question is classified under social investment expenditures to decrease the costs of labour production. Although this analysis is valuable within a conjuncture marked by welfare state expenditures in the developed capitalist countries, it does not provide analytical tools to understand a period in which housing investments are particularly important for accumulation, such as Turkish state's approach to the housing question in that era.

Even though O'Connor's analysis of the fiscal crisis of the state has serious deficiencies, he makes a significant contribution to theories of the state by showing the inner relationship between fiscal crisis of the state and the contradictions of capital accumulation. This captures the limits of an 'effective state' under the conditions capitalist relations of production. As the socialization of capital expands to all parts of society, the state faces severe financial crises. Additionally, his questions concerning possible solutions to the fiscal crisis of the state provide a roadmap for my dissertation to understand how TOKI turned into a profit-making corporation after the 2000s (O'Connor 1974: 134): "Is it possible for the state to continue to expand traditional sources of financing to meet its growing fiscal needs? Can the state find new sources of financing? Or does modern capitalism produce a permanent 'fiscal crisis of the state'?"

2.2. Limits of the State's Managing Capacity

To understand how the fiscal crisis of the state affects state restructuring, Offe offers such concepts as *state managing capacity*, *selectivity of the state apparatus*, and *administrative recommodification*. Against the monetarist critiques of the welfare state offered during the destructive economic recession of the 1970s, Offe analyzes how social policy had internal limits and related to commodification instead of being a solution to the social problems rooted in private accumulation. Offe (1984: 91) begins from the following question: “How does state policy arise from the specific problems of an economic and class structure based on the private utilization of capital and free wage-labour, and what functions does this policy perform with regard to this structure?”.

Offe analyzes public policies as the most concrete appearance of the capitalist state and then approaches the problem of policy formulation in societies dominated by the commodity form. “Social policy is the state's manner of effecting the lasting transformation of non-wage-labourers into wage-labourers” (1984: 92). In other words, in contrast to the conventional approaches, social policy is not a reaction to the ‘problem’ of the working class, but the main strategy of the state to constitute the working class (98).

Most of the scholarly works on public policy deal with content aspects like the analysis of process, different interests, and material outcomes (Offe 1975: 124). According to Offe, public policy cannot be fully understood by only asking content-oriented questions. There is a need to understand the institutionalized mode of operation of political institutions since they determine “what potential issues are, how they are defined, [and] what solutions are proposed” (124). He argues that the analysis should problematize the “balance and imbalance in the relationship between internal production rules and functions referring to the accumulation process” (135).

Since the state is in itself not a capitalist unit, its internal decision-making structure is much more complicated than a capitalist firm.

The liberal analytical approach to social policies sees these changes as the outcome of either the needs of citizens or the ways to cure the ills and deficiencies of capitalist society. In the first case, the origin of social policy is seen as the outcome of social interests but there is no explanation of the process of converting ‘demands’ into ‘policies’, as mediated through the internal structures of the state (Offe 1984: 101). In the second case, as demonstrated by most institutional analyses, social policies are seen as the outcomes of failure of the accumulation process. Failure to take into account externalities and social costs, to produce an optimum level of employment, and to produce a distribution of income that provides social justice are counted as the major sources of the deficiencies of accumulation. In this account, the state is conceptualized as “a neutral actor who lacks knowledge as to what to do and at what time” (Offe 1975: 141).

The institutionalist public policy approach suggests policies that would make the state more responsive, efficient, or rational through changing modes of operation. They often recommend a stronger centralization of administrative structure or stricter control of objects and output by using techniques of cost-benefit and budgeting or improvement of responsiveness, equity, and participation (143).¹² According to Offe, each of these policy suggestions has its own specific contradictions because the tension between required state activities and the internal structure of the state is irreconcilable.

For Offe, then, the critical approach states that the development of social policy is the result of the objective imperatives of capital accumulation, which are maintained by the state against the short-term and destructive interests of the capitalist classes (Offe 1984: 103). There is a need to go

¹² Today, these measures of the governing center would often correspond with the implementation of market measures in service delivery, as discussed in detail in the empirical chapters that follow.

beyond that approach through analysing how the state apparatuses react consistently to either the needs of labour or of capital to make them mutually compatible (104). That is to say, social policy can only be understood in terms of the *internal rationalization of the state* – whether technical, administrative-organizational, or fiscal – which is the result of conflicting demands and requirements of the different poles in different periods. This tension puts the state apparatus continuously in question in terms of the compatibility and practicability of the existing institutions of social policy. After the neoliberal turn in the 1980s, the state’s internal structure drastically changed when new public management focused on monetarization. Public-private partnership became the ‘rescuer’ in the Turkish housing question, for example.

According to Offe, the state apparatus oscillates between recognizing the demands of labour and ‘tolerance’ of the capitalist economy of ‘unproductive’ social policy expenditures (Offe 1984: 107). What is absent in Offe’s analysis is the transformation of the ‘unproductive’ fields for capital into productive fields for the valorization and revalorization of capital. As discussed in this dissertation, affordable housing production became an important sphere for accumulation, and thus the Turkish state acquired a bigger share of housing market.

Another important point is the imperative of the re-commodification of social life in the neoliberal phase of capital accumulation. De-commodified values produced by welfare strategies were seen as the main reason for the fiscal crisis of the state. Since these de-commodified values do not finance themselves, they reduce future state revenues to the extent that taxes do not increase. The sectors which cannot survive within the commodity form are pushed through the market and “urged to modernize, i.e., to transform themselves into 'marketable' goods” (Offe 1984: 124). Offe uses the term ‘administrative recommodification’ to explain this strategy of the capitalist state, one which is different from both laissez-faire and the welfare state-protection strategies (125). The

administrative commodification process gains different momentums and meanings in different phases of capital accumulation.

Offe also foresees the structural limits of the *state's managing capacity* as opposed to the institutional concern with the enabling capacity (Offe 1984: 33). These limitations come from the capitalist state's need to fulfill certain conditions to reproduce itself and "an adequate state theory is able to demonstrate that the class character of the state resides in the internal structure – or selectivity – of the state apparatus itself" (Offe 1974: 36).

The state's dependency upon accumulation is materialized in its internal structure as *class-specific selectiveness*, which means the capitalist state needs to develop an internal structure to filter the demands made upon it in accordance with its own political priorities (Clarke 1991: 7). The concept of selectivity connotes a configuration of institutionalized rules of exclusion. On the one hand, the state displays selectivity while integrating the conflicting, isolated, and incompletely formulated interests of capital into a class interest. On the other, it filters the anti-capitalist interests and conflicts for the sake of collective capital interests (Offe 1974: 37). Although Offe does not theorize class-specific selectiveness in relation to the capitalist classes, another important merit of the concept of *class-specific selectiveness* is that it enables us to think about what increasing state capacity means with regard to the relationship with different fractions of capital.

The affordable housing problem is subjected to an 'administrative recommodification' that has drastic differences from the previous era, as discussed in the next chapter. This remarkable change was achieved through the contemporary integration of the money circuit of capital into social policies, accomplished specifically by the financial inclusion of the working classes into the credit market.

As discussed in the TOKI case, increasing state capacity in the housing sector is closely related to the Turkish state's selectiveness in the procurement processes of housing construction. In other words, certain fractions of capital are supported at the expense of others in the sector. Through expanding Offe's concept of *class-specific selectiveness*, it is vital to ask the following question: Does an increase in state capacity mean more political control over different fractions of capital?

3. State Capacity in the Late-Comer Context

The classical Marxist theory of the state is embedded within the advanced capitalist context; there is a need for an adequate account which specifies the ways in which the capitalist state emerged as the leading actor in the formation of capitalist relations under internationalized world market conditions. In the aftermath of the Second World War, many underdeveloped countries' capitalist development efforts came via extensive government intervention. This phase is particularly important in terms of the relationship between the internationalization of productive capital at the world scale and the formation of industrial capital at the national scale. The Bretton Woods institutions constructed a global framework for programs of state construction for post-colonial and Third World countries (Radice 2008: 1164). States were to be engaged in the active promotion of economic development.

In its attempts to catch up with the technological success of the developed states, seen as being in the national interests of capitalist economic development, the state is relatively autonomous from particular fractions of capital. The institutionalist concern with 'state capacity' and the 'effective state' comes from that particular reality.

It is accepted by the contemporary neoliberal school (market-oriented institutionalism) that institutional divergence is an expected outcome in the era of economic convergence. As Albo (2005: 81) argues, the fundamental shortcoming of institutionalist methodology is its inability to explain “structural power in the world market” because of its national scale policy-oriented focus. Marxian political economy interrogates both “the capitalist mode of production as an abstract-formal object” as a “pure theory” and “the diverse historical forms that capitalism has taken across time and place” by specifying historical periods of capitalist development (Albo 2012: 84). Thus, periodization of capitalism is crucial for this project in order to understand the contradictory unity between the internationality of the law of value at the abstract level and the nationality of capital accumulation at the more concrete level. Although the ‘internationalization of capital’ framework (Palloix 1977; Bryan 1987) will be used for the periodization, there are many parallel periodizations by different Marxian political economy schools.

Although the centralization and concentration tendencies of capital’s development have major impacts on the accumulation strategies and the state’s economic roles, historicizing capitalism into competitive and monopoly stages does not enlighten the concrete expansion of capitalist relations of production in the Turkish case. The formation of capitalism in the Turkish context is closely related to the internationalization of different circuits of capital on the global scale, and the interiorization and formation of capitalist relations in the national context (Ercan and Oguz 2006). To periodize capitalism in Turkey, and the uneven and combined character of the formation of capitalist relations on the national scale, Turkey needs a periodization of capitalism based on the late-comer experience. The following questions are important: What are the structural reasons behind the ‘policy failures’ and ‘lack of state capacities’? Is it analytically correct to approach ‘national’ and ‘global’ in a mutually exclusive way?

Although this project's departure point is to analyze a 'national' institution, the Turkish Mass Housing Administration, it will be argued that no state institution can be understood without situating it into the different phases of capital accumulation and state restructuring processes.

3.1. Periodization and the Circuits of Capital Approach

Marx developed the 'circuit of capital' to show capital's self-expanding characteristics. The circuit of capital describes the motion, the different forms that capital takes in its reproduction process, and the integrated structure of spheres of production and exchange (Fine and Saad-Filho 2010: 46). In *Capital Volume 2*, Marx defines the basic circuit of capital accumulation by dividing it into three stages: M-C (MP + LP) . . . P . . . C'-M'. In the first stage (M-C), the individual capitalist appears as the buyer of two kinds of commodities, which are the means of production (MP) as the constant capital and labour power (LP) as the variable capital. In the second stage, production (P) occurs and commodities of greater value are produced. In this stage, the surplus value is created by the expenditure of labour power and it is appropriated by the capitalist. In the last stage (C'-M'), the individual capitalist returns to the market as a seller (Marx 1992: 109). The circuit as a whole defines capital as a social relation in which labour is employed by the capitalist to produce a new commodity, C', that has greater value than the original commodity, C.

There are three basic forms or sub-circuits in the course of capital's total circuit – productive, commodity, and money – and each corresponds to different capitalist activities. Productive capital, commodity capital, and money capital are not independent varieties of capital whose functions constitute the content of branches of business that are independent and separate from one another (Harvey 2013: 50). Circuits can be associated with different fractions of capital

even though Marx does not examine the roles of different fractions of capital for the sake of his 'formal' theoretical foundations (51).

The productive circuit's significance comes from the fact that the production of surplus value occurred in this particular circuit and the real metamorphosis happens in this stage. The capitalists specialize in production of commodities to initiate creation of new commodities (C') through transforming C inputs (Hanieh 2011: 18). The circuit of commodity capital is about the realization of surplus value produced in the productive circuit in money form. Different from the productive circuit, we are dealing with a form of circulation in which some capitalists specialize in the sale of commodities. The money circuit, which becomes increasingly important in the contemporary phase of capitalism in general, and the housing market in particular, is about purchasing labour power and means of production (Fine and Saad-Filho 2010: 48). According to Marx, money capital specifically works for the appropriation of surplus value. As a form of money capital, interest-bearing capital plays a very special role in the circulation of capital as the key actor for rapid accumulation (Harvey 2006: 253). The logic of the overall circulation of capital initiates sophisticated credit systems and interest-bearing capital has become the basis of capital accumulation. Especially in terms of housing, the production and circulation of housing as a commodity would be impossible without access to credit (as discussed in the following chapters). This fundamental division of the three circuits of capital is central to conceptualizing capitalist formation in the Turkish case and formation of the national housing market.

One of the basic characteristics of capitalism is its expansionist nature, and the internationalization of the different circuits of capital is an important tool to theorize different phases of capitalism in the late-comer context. The internationalization of capital literature provides an approach to understand the formation of capitalist relations in terms of both uniformity

and differentiation (Palloix 1977: 3). As Bina and Yaghmanian (1988: 236) argue, the internal development of capitalism in developing countries and its relationship with the world economy have priority in this approach. Dominance in internationalization of different circuits (commodity, productive, and money) defines different material conditions for the developing countries and the role of the state varies in different phases of internationalization.

The internationalization of capital is not a unidirectional phenomenon. As a social relation, capital articulates the existing social relations of production in a historically and institutionally specific way; the inner relations between international circuits of capital and formation of circuits of capital in the national context have great impacts on the determination of phases of capitalism. Comprehensive state intervention in different phases of capital accumulation varies “depending upon what the internationalization of capital has implied for the management or sanction of the law of value by the state” (Palloix 1977: 12). For late-comers in general, and Turkey in particular, the internationalization of productive capital in the post-war era resulted in industrialization in an uneven way. The state played a leading role in this process.

Through insisting on the primacy of internal factors, Poulantzas (1978: 22) departs from mechanistic and topological conceptions of the relation between internal factors, conceptualized as the isolated factors in their own space, and external factors, which are acting purely from outside. As Albo (2002: 19) points out, the primacy of internal factors means the phases of capitalist development produce different configurations of value flows materialized in modes of extracting value, modes of capital accumulation, and state forms. If we maintain the primacy of internal factors, vital questions emerge as to the ways in which the internationalization of capital gets reproduced and internalized within the political structures of late-comers and how this affects the form of state.

As a late-comer country, Turkey has a dual character from the very beginning. Firstly, Turkish capitalism has always been developed and transformed in relation to its integration into the international circuits of capital. Secondly, the internal class structure, and the conflicts and alliances among classes have various impacts on the phases of capital accumulation and Turkish state restructuring. That is to say, the international circuits of capital, internal class structures, and (re)structuring of the Turkish state should be conceptualized in a relational way (Oguz 2008).

If housing production is approached as a ‘national’ phenomenon, then it is integrally related with the circuits of capital in general, its internationalization tendencies, and accumulation crises. Housing production is also related to the formation of the circuits of capital at the national level and the ways it is integrated into the world capitalist market. Housing, as a commodity, experiences remarkable metamorphosis related to different stages of internationalization and the form the Turkish state takes.

3.2. Social Reproduction and the Housing Question

Since capital is a social relationship, there is a need to draw attention to the social reproduction of capital to show how wide ranges of social relations are indispensable for capitalist accumulation, even though they are considered extra-economic interventions (Roberts 2013: 24). Social reproduction means the entire social relations that are necessary for the reproduction of stable capitalist societies (Rucket 2010: 819). The commodification of labour is based on two conditions: extraction of a surplus from labour power and dispossession of workers from their means of subsistence. Under these circumstances, the processes of social reproduction is subordinated to the capitalist forms of alienation and commodification (Bakker 2007: 553).

The housing question occupies a very interesting position in the social reproduction of capital. On the one hand, housing, as a commodity, is an output of capitalist production, which is

produced by labour and sold for a profit (Aalbers and Christophers 2014: 376). On the other hand, it is one of the fundamental musts of household social reproduction since, without it, labour power cannot reproduce itself.

According to Marx, financing public goods by the state is an expression of backwardness since, in the stage of highly-developed capitalism, reproduction conditions for the totality of capital would be produced profitably on a private capitalistic basis (Alvater 2004: 57). As the self-expansion of values materialized in three circuits breaks down in different forms of accumulation crises, novel tools are invented for the sake of capitalism. A highly-developed capitalism is one in which capitalist relations are capable of reproducing every inch of society through various inventions. The last phase of capital accumulation is marked by the emergence of the public sector as the new potential sphere of valorization of capital. According to Alvater, the unproductive sectors for individual capitals – public goods – are increasingly transformed into potential spheres of investment within this particular stage of capitalism, especially with the expansion of interest-bearing capital and the deregulation of the financial markets (57).

What is strikingly interesting about the housing issue is that its formation as a relatively autonomous sector with its three circuits occurs in an uneven and combined way. The housing question emerges as a labour-reproduction problem and is discussed mainly with reference to shelter need in the developing world in the capitalist stage of productive circuit formation throughout the 1950s to late 1970s. That is, the use value of housing was the main determinant of housing policies. The late-comer states, as the clients of the international donor institutions, tried to solve the housing issue through providing necessary inputs, especially land and infrastructure. I argue that in the period of the formal subsumption of labour, housing did not emerge as a sector with its own three circuits of capital.

To make my point clear, I refer to the important analytical distinction between total capital and individual capital that Marx makes in Chapter 25 of *Capital Volume I*. It holds a particular importance for conceptualizing the state's social policies in the fields that are not profitable for the individual capital but are fundamental prerequisites for the total capital. For the functioning of the reproduction process and to increase the productivity of total capital, the state needs to invest in fields that are unproductive for individual capitalists (Alvater 2004: 55). For the late-comer countries, the housing question was initially approached on the basis of use value since it was not profitable for the individual capitals throughout the years of inward-oriented accumulation.

The emergence of the housing sector as a relatively autonomous one which is governed by exchange value and profit imperatives is a contemporary phenomenon, especially for developing countries. Administrative re-commodification of housing is closely related with the increasing opportunity that the housing sector provides for the profitable sphere for the valorization of capital. In the developing country context, the increase in the international supply of money capital overlaps with the national interiorization of capitalist relations for FDI in the housing sector. That is, for internationalized capital searching for 'uncolonized' fields in the developing world, the housing sector, which is highly nationally bounded, provides profitable opportunities (Rucket 2010: 834). Meanwhile, for the working classes, housing commodification subjects them to harder material conditions to reproduce themselves.

Although re-privatization of social reproduction and its relationship with the mortgage market has become a key issue in North America and Europe, most developing countries do not have a developed mortgage market. The mainstream literature explains the absence of the mortgage market as a lack of economic stabilization, of savings, and of financial sector institutionalization (a missing market) (Jeffee and Renoud 1996; UNDP 2004; Buckley and

Kalarickal 2004; World Bank 2016). This is the central theme of the international donor institutions and the institutional focus on capacity. The nation state emerges as an important collaborator to enable the housing market; that is, to build missing markets.

The absence of the mortgage market in the developing world context is closely related with the historical and institutional development of capitalism in late-comers. The housing question, for Turkey, cannot be analyzed without conceptualizing the formation of capital as a whole in the late-comer context. This is why the periodization of capitalism in general, and the housing sector in particular, is important to understand the changing forms of social reproduction and the state's role in it.

4. Conclusion

This chapter focused on the concepts needed to analyze the changing state forms in the housing sector inspired by the Marxist state theories of Poulantzas, O'Connor, and Offe, and the political economy approach based on circuits of capital. The main aim is to understand the state as a social relationship without reducing the capitalist state to being merely a reflection of class power. The institutional unity and the contradictions that sustain the capitalist state are problematized in order to approach the internal institutional structure of the state in relation to capital accumulation. Additionally, Marxian theories of state are re-conceptualized in a late-comer context with reference to the circuits of capital approach. This approach provides more dynamic analysis through giving priority to the internal development of capitalism in the developing countries in relation to the world market. Since the housing question is the intersection between the accumulation and legitimization functions of the state, changing forms of housing production are structurally related with the changing forms of labour-reproduction.

In the next chapter, the housing question is concretized in order to explain how it becomes one of the unique fields of capital accumulation in the contemporary phase of neoliberalism. The relatively dominant forms housing as a commodity takes in different periods are problematized based on IFIs' policy suggestions for its client countries. The main aim of the next chapter is to show the different forms that the state can be expected to take in the housing sector and the paradigmatic shifts of housing approaches in relation to different phases of capital accumulation.

CHAPTER 4

Forms of the Capitalist State, the IFIs, and Changing Paradigms for the Housing

1. Why does the World Bank matter for the housing question?

From its foundation in 1944, the World Bank emerged as a key policy trendsetter for capitalist development in developing countries. The objective in the founding of the Bretton Woods institutions was to ‘assist’ the economic development and growth of the less developed countries in the post-war period against socialist planning and the East Bloc group of countries. The International Monetary Fund (IMF) and the World Bank complemented each other in a very systematic way from the beginning. While the former deals with the international currency stability of the global financing system, the latter provides long-term finance for economic growth and poverty reduction (Stiglitz 2000: 5). The development paradigms of IFIs in different periods have serious effects on the political economy of developing countries and their institutional structures since their uneven integration into the world market make them structurally dependent upon IFI funds.

The World Bank has emerged as the main IFI that deals with low-income housing. The policy approach to low income housing has been highly-synchronized with the changing development paradigms in different phases of capitalism. The Bank’s approach to low-income housing cannot be separated from its poverty reduction strategy. The Banks’ approach to low income housing, formed in sector papers, has a particular importance for the relationship between the Bank and the borrower countries – a relationship which is highly authoritative and unequal, though not simply one-sided, since borrower countries, as Offe points out, incorporate these policies as their own.

Until the end of 1970s, the Bank had a ‘trickle-down’ approach towards urbanization and poverty based on the idea that the benefits of economic growth are supposed to spread to the urban poor (Van Waeyenberge 2006: 22). Based on the ideas of Lewis (1954), Rostow (1956), and Almond and Coleman (1960), the basic assumption was that the evolution of developing countries to modern ones would be accomplished by passing through stages of development and poverty would, in good part, solve itself along the way. There was not then any explicit attention given to either poverty or the housing problem. By the late 1960s, confidence in the trickle-down view was lost as the deleterious side effects of development – ranging from civil wars to the establishment of authoritarian regimes – became apparent (Kanbur and Vines 2006: 90). Under the presidency of Robert McNamara, the World Bank developed an interest in low-income housing based on the sites-and-services model – a government-sponsored and World Bank-assisted approach to the housing problem based on the provision of shelter-related services to poor families who are responsible for building their own houses.¹³ It is an institutionalization of private property on the basis of the use value of shelter.

At the beginning of the 1980s, the inward-oriented accumulation strategies directed by active state intervention in the developing countries were criticized as a result of economic crisis. The phase lasting from the early 1980s to the late 1990s, labelled as the “Washington Consensus” (Williamson 1990), was dominated by an optimistic approach to the market, which was seen as requiring liberation from the state’s tutelage. This line of thought became dominant for the housing policies in the developing countries as well. Although countries’ housing market structures, modes of housing production, and tenure structures were all different from each other, they took similar

¹³ McNamara, as U.S. Secretary of Defence from 1961-68, played an important role in the Cuban Missile Crisis and the expansion of U.S. involvement in the Vietnam War. After serving in the Kennedy and Johnson cabinets, he went on to serve as head of the World Bank from 1968-81 and introduced poverty reduction policies into the Bank’s agenda.

paths under the impact of the World Bank's housing policy advice. Firstly, legalization of the squatters in the 1970s was dominant through using the sites-and-services / slum upgrading projects with World Bank assistance. Not coincidentally, throughout the 1970s, the national development programs of India (Siwam and Koruppanan 2002), Egypt (Soliman 2012), and Thailand (Sheng 2002) advocated for self-help housing as the main strategy to solve their low income housing issues. Secondly, in the late 1980s and 1990s, within the framework of the Washington Consensus, or the neoliberal turn, developing countries restructured their state apparatuses to enable the creation of housing markets in the most efficient way. This is why national housing administrations were founded or restructured in different developing countries, such as India, Egypt, Thailand, and Turkey in order to deregulate the land market, reduce taxes, and shorten the procedures of housing production and consumption (Baken and der Linden 1993: 4). The state restructuring process in the housing sector was made distinct by national context, historical conjunctures, and the prevailing class relations, (as shown for the Turkish case).

The contemporary phase of neoliberal capitalism – the so-called 'post-Washington Consensus' – advertised as the 'new' political economy of development, is characterized by both continuities and breaks from the previous era. That is, with reference to the 1997 World Bank report, *The State in a Changing World*, it was argued that there is a need for a new conceptualization of the 'effective state' and the building of 'economic institutions of capitalism' become the prerequisite of economic development (Stiglitz 1998; Naim 1999). It was expected that states will prepare the institutional infrastructure of national housing markets to integrate into the circuits of finance capital on the global scale. It is important to note that, according to World Bank scholars, the post-Washington Consensus does not mean simply returning to the 'disastrous state interventions' of the 1960s and 1970s (Kanbur and Vines 2000: 102). IFIs' housing policies

shifted in parallel to the new conceptualization of state-society relations. According to the World Bank's recent policy paper, *Systems of Cities: Harnessing the Potential of Urbanization for Growth and Poverty Alleviation* (2010), although the general principles of enabling the market are still valid, the enabling markets approach in itself is 'far too sanguine' in terms of solving the housing problem for the poor (26).

The new orthodoxy is advertised as the benevolent and human face of the globalized market economy which gives importance to poverty reduction, environmental sustainability, and distributional policies. In fact, the new consensus is the reformulation of the old one in terms of subordinating countries to the imperatives of capital accumulation. On the one hand, the so-called new paradigm is based on the same ahistorical and individualist methodology of aggressive neo-classical economics. On the other hand, it signals a deeper socialization of capitalist relations. The law of value occupies those livelihoods which were not previously integrated into the market mechanisms. This socialization can be seen especially in poverty reduction (micro-finance and cash transfer programmes) and housing policies (mortgage credits), which became issues to be addressed by the market, rather than re-distribution policies, through their integration into financial flows.

The second phase of neoliberal reforms needed a more complex institutional structure to infiltrate and restructure social and economic relationships in developing countries. 'Country ownership' and 'one-size-does-not-fit-all' approaches to capitalist development provide the flexibility to adjust to the varied conditions of each country, but the terms of adjustment conditions are the same as those of the previous consensus. In these circumstances, the state emerges as an important point of discussion.

For the sake of this chapter, I will restrict myself to classifying the fundamental developmental paradigms of the World Bank and its housing policies. The World Bank's approach to development and the housing problem in developing countries is analyzed for two reasons. Firstly, although it is not a uni-directional power, as discussed in the Turkish case, the World Bank has undeniable powers to influence the institutional re-structuring of borrower states, a fact which is highly observable in different phases of capital accumulation. In the last three decades, there has been an intense debate about urban investment in general, and housing in particular, which has revolved around the following question: Can housing strategies be used as a serious economic tool to contribute to macro-economic development of developing countries? Secondly, reviewing the approach of the World Bank and its allied writers to the housing issue provides a fertile ground for understanding the neoliberal approach to housing and its paradigmatic shifts in different phases of capital accumulation. There is a continuation of the liberal approach from the 1970s, the very first years of the Bank's intervention into the housing issue, to the contemporary period in terms of individualizing the housing problem, obsessing with tenure as the first step towards a solution, and reducing the housing issue to a technical problem which can be solved with proper state policies.

2. The World Bank, Housing, and Institutional Restructuring in National Contexts

2.1. 'Trickle Down' Housing and the Productive Circuit of Capital

In the 1950s, the World Bank's primary focus was on supporting the economic infrastructure of developing countries, with energy and transport projects constituting 90 percent of total lending (Zanetta 2001: 515). Since development economics argued that lack of capital was the reason for economic underdevelopment, they advocated capital-promoting investments (Lewis 1954; Rustow 1960; Almond and Verba 1963). Thus, it was accepted that housing, as an unproductive investment, and labelled as a "resource-absorber", a 'consumer good' and 'social

overhead””, was not seen as beneficial for economic development when compared to industrial investments which provide productive capacity for development for countries with limited resources. In terms of the national level, according to a United Nations’ study in 1969, the housing question had no priority for developing countries and it was not mentioned in the National Development Plans (Arku 2006: 379-380).

The World Bank and the United Nations approached housing as a by-product of industrialization to be solved step-by-step with developmental progress (Arku 2006: 379). In other words, economic growth would trickle-down and housing and other social policy issues would be solved with economic growth.

In late-comer countries, these were the years of inward-oriented accumulation strategies, in which the formation of the circuits of productive capital was the main priority of state policies. The increase in the urban population was the very result of industrialization drawing workers into the cities. The social reproduction of labour power was supported by states through providing land and basic infrastructure to ‘squatters’. It is possible to argue that the policy approach to the housing question was in relation to providing houses as a use-value, even if indirectly.

2.1.1. The World Bank’s Interest in Housing in the 1970s: The Sites-and-Services Approach

The World Bank’s emerging interest in housing did not arise from a recognition of the housing sector’s economic importance, but rather from the Bank’s policy response to poverty in the developing world (Arku and Harris 2005; Zanetta 2001). At the same time, the United Nations Conference on Settlements – the Habitat-I Conference – in 1976 approached ‘shelter’ as a basic human need which goes hand-in-hand with the problem of poverty in the developing world. In the early 1970s, the belief that market-based economic growth would spread equally to the masses was refuted by a substantial body of conceptual and empirical studies (Kapur et al. 1997: 225).

The ‘mass society’ became the nightmare of modernization theorists since developing countries in Africa, Latin America, and Asia were seen as being unable to secure political order. Huntington (1968) and Lipset (1959) contended that rapid economic growth and modernization destabilized societies without strong and adaptable political institutions. It is not an exaggeration to argue that World Bank president McNamara’s war on poverty and his initiation of the sites-and-services approach to solve the low-income housing problem were highly influenced by the revision of the ‘modernization’ approach, which had held that urban poverty and the housing problem would be solved naturally as a result of industrialization and modernization.

From the 1970s onwards, the World Bank became a powerful actor in the theory and practice of low-income housing in the developing countries. The Bank published three key sector papers on urbanization problems that would frame their loan programmes for low-income housing: *Urbanization Sectoral Study: Urbanization* (1972), *Sites and Services Projects: A World Bank Paper* (1974), and *Housing* (1975) (Pugh 1991: 272; Zanetta 2001: 519). The *Urbanization Sectoral Study: Urbanization* is a major milestone for international housing policies. In it, the urbanization problems of the Third World were described and the Bank adopted supportive housing and land policies: “[T]he bulldozer has been replaced by the deed or long-term lease as the leading instrument for land policy” (Jonas and Ward 1994: 35). John Turner, who worked on the squatter settlements in Peru and other Latin American countries, became the most influential scholar of the housing strategies that were adopted by international institutions during the 1970s and early 1980s. Turner’s radical housing strategy was based on ‘aided self-help’ housing for low-income groups. Their needs were to be supported by the state through regularization of tenure, provision of land with affordable utility, and infrastructure services (Pugh 2001: 402).

Based on Turner's ideas, the Bank pushed self-help housing based on the principles of affordability, cost recovery, and replicability, instead of through, as they saw it, highly bureaucratic and expensive public housing policies (404). The state in developing countries should approach squatters as a solution to low income housing that need to be supported instead of threatened. The state, as a large size organization, cannot adequately solve the housing problem since it tends to standardize procedures which potentially make for a state failure to respond to the housing needs and priorities of the poor (Nientied and Linden 1985: 312). States should provide basic infrastructural needs and let the people build their own houses according to their own preferences. That is to say, both the World Bank and Turner argued that state should ease the housing solution through lowering supply costs via land and service access instead of demolishing squats. Thus, in order to maximize the impact of scarce public resources, government policies should concentrate on infrastructural investments, title to land, and slum upgrading rather than constructing new houses. The explicit aim of both the sites-and-services and slum upgrading projects was to provide public assistance for private housing construction (Van Waeyenberge 2014: 7).

Governments of the developing countries adopted the World Bank's housing policy proposals because of many practical reasons. The fundamental assumption of self-help projects was that occupants would use their own labour to construct their houses, which reduces the cost of construction. The responsibility of governments was the provision of land possessing basic infrastructure – electricity, water, and sewerage – for low-income groups. Self-help housing policies did not create a burden on government budgets, and at the same time had the added benefit of functioning as an ideological tool to integrate the poor into the system through making them owner-occupiers (Soliman 2012: 228). The main actors in these projects were international

agencies, central and local governments, local planning organizations, and the households themselves (Keivani and Werna 2001: 86). These small-scale projects were mainly situated on the urban peripheries (Bredenoord and Lindert 2010). In the 1970s and 1980s, the World Bank financed 115 projects across many countries; sites-and-services projects flourished in many of the largest cities in Africa, Asia, and Latin America (Bredenoord and Lindert 2010:279; Pugh 2001: 404). These projects supported the formation of private property and commodification through favouring individual forms of provision (Van Waeyenberge 2014: 3).

Although there were no World Bank-funded sites-and-services projects in Turkey, the Turkish state approached the squatter problem in parallel to the trickle-down approach. As will be discussed in Chapter Six, the state had a positive attitude to the squatters and provided infrastructure and tenure rights to the dwellers. The commercial banks were banned from giving credits to housing investments.

By the mid 1980s, both the World Bank and United Nations began to criticize the limited impact of the sites-and-services approach in comparison to the housing shortage that existed. One of the main criticisms of these donor programmes was that they were not successful in terms of providing sustainable policy reform and the overall institutional development for low-income housing since they divided Third World cities into different projects without improving the institutional framework of land and housing markets as a whole (Cohen and Leitman 1994: 119). Additionally, since these projects were implemented in isolated ways, their continuation in a systematic way on a larger scale, and their possible effects on macro policy changes, was impossible. According to the critics, these projects were not performed in relation to either the whole housing sector development or national development plans (Arku and Harris 2005; Pugh 1995; Bredenoord and Lindert 2010; Keiwani and Werna 2001). Moreover, neither governments

nor donors paid enough attention to the effects of macroeconomic policies on urban economic activities and the vital importance of productivity within the urban economy (Cohen and Leitman 1994).

There was a gradual paradigm shift in policy circles from a ‘reductionist housing approach’ to a more comprehensive one in the late 1980s. Both the World Bank and the UN-Habitat, which advocated of the ‘whole sector’ development paradigm over the sites-and-services approach, ceased their support for self-help policies due to their ineffectiveness in terms of the development of the land and housing markets (Soliman 2012: 229).¹⁴ Although there is a shift in policy strategies of housing, it is possible to claim that the liberal approach remained, as evidenced by a continued reliance on individualism, free markets, and ‘user-pay’ principles (Pugh 1991: 277). The new approach to housing was based on the expansion of the role of the private market through developing the housing sector as a whole instead of project-based approaches (Keivani and Werna 2001: 65). The World Bank and other writers argued there was a need to create an institutional basis for scaling-up housing production since the sites-and-services approach had a completely fragmentary relationship to general land policies and the development of housing finance systems (Keivani and Werna 2001: 65, 95; Pugh 2001: 400). In parallel, as seen from the Habitat II conference in 1996, the UN began to advocate policies which enabled the housing sector as a whole in order to reach the goal of adequate and sustainable shelter for all (UN-Habitat 1996). The IFIs agreed that there is a need for housing sector development within a framework of economic and institutional modernization (Pugh 2001: 401). This approach signaled the beginning of a new

¹⁴ UN-Habitat is the agency within the United Nations set up to deal with human settlement and sustainable urban development. It was established in 1978 after the Habitat-I Conference.

era dominated by sector issues rather than a search for shelter for the poor at particular project sites.

2.2. Turning Crisis into Opportunity: Housing is not Merely Shelter

In the 1980s, there were many studies that supported housing strategies for economic development by showing the effects of housing on savings, labour productivity, employment of unskilled labour, growth, and domestic financial mobilization (Arku 2006; Phang 2001; Arku and Harris 2005). Housing started to be seen as an ‘economic investment’ rather than simply a shelter. The ability of the construction industry to stabilize the economy and stimulate economic growth was discussed by many neoliberal scholars with reference to the backward and forward linkages of the sector (Giang and Pheng 2011). Expansion of domestic construction could create a significant capacity of value-added if nationally-produced inputs were used.

Both the World Bank and UN began to approach the housing question in a more systematic way to underline significance of the housing sector for macroeconomic performance and in the development of economic incentives for individuals. From the late 1980s, the World Bank and the UN insisted on governments using housing to promote economic development (Arku and Harris 2005: 910). According to the Bank, the developing world should change their welfare perceptions of housing and approach it as a tool for economic growth: “The housing sector must thus be seen and managed as a key part of the overall economy. Unfortunately, in the great majority of developing countries, this perception has yet to take hold. Governments too often perceive housing solely as a welfare issue, requiring the transfer of physical or financial resources to households unable to house themselves adequately” (1993: 11). Similar to the development sectors of the post-World War II era (industry and agriculture), the housing sector became an important part of development strategies which could be used as a policy tool (Harris and Arku 2005: 895).

The UN-Habitat's 'The Urban Management Program (1986-1997)' is a manifestation of the importance of the urban economy's impacts on macroeconomic performance. Structural adjustment policies at the macro level tend to create an enabling policy environment for more productive urban economies (120).

The Bank's *Urban and Local Government Strategy* stated that during the 1980s, World Bank-funded urban development projects should be reoriented towards the reform of housing finance policies and the restructuring or dismantling of housing banks and public housing agencies (World Bank 2000: 123). This is the process by which TOKI was founded as a public housing agency in Turkey.

By the 1990s, parallel to the World Bank policy shift, UN-Habitat began to advocate for a more comprehensive reformulation of housing policy with reference to a "new political economy of enablement" (Pugh 2001: 407). The Habitat-II conference, which was held in 1996 in Istanbul, devoted its attention to devising enabling strategies for low-income housing in the developing world. As stated in the conference report, the UN argued that the housing sector should be seen as part of an integrated national market and the focus should be on enabling markets to work instead of enabling the poor to gain access to housing and land markets (Keivani and Werna 2001: 103). That is, housing began to be seen as an opportunity to add productivity to the broader economy. This enabling paradigm was elaborated in UN-Habitat's later reports as well. In 2003, UN-Habitat stated that cities should be an important focus of growth for developing countries instead of "a dumping ground for a surplus population" in order to be integrated into the flow of the global economic system (46). The organization also identified private markets as the core means for housing production and the delivery mechanism to achieve the goal of 'shelter for all'.

2.2.1. Enabling Housing Markets in Developing Countries: The First Phase of Neoliberal Policies

Although the Washington Consensus pushed governments to curtail the scope of the state through structural adjustment and fiscal austerity programmes, national states were still seen as playing a pivotal ‘enabling’ role to provide the conditions for structural adjustment and to re-organize state institutions in accordance with fiscal austerity programs (Rolnik 2013: 1061). This new role for the state was clearly visible in the restructuring of the housing market. Even though housing policies were formulated mutually, ‘international aid agencies’ had powerful effects on promoting their preferred theories and practices of housing policies (Pugh 2001: 400). In other words, housing policy shifts at the international level had fundamental impacts on national housing policies; they could not be separated from overall economic development strategies being recommended to developing countries. Under the increasing impact of structural adjustment programs in the developing world, the design and implementation of urban policies became internationalized in accordance with the leading role of World Bank, UN-Habitat, and the UN Development Programme (UNDP) (Zanetta 2001, Pugh 1994; 2001).

By the 1980s, international organizations advocated for private sector participation in housing production instead of state provision of housing on the basis that the latter was limited, expensive, and non-replicable (Agunbiade et, al. 2013; Pugh 1994; World Bank 1988; World Bank 1993; UN-Habitat 2010). In this new neoliberal setting, major discussions were held on withdrawal of state, enablement of private sector for the production of public goods and services, the commodification of urban land, and a shift from bureaucratic administration to enabling governance (Soliman 2012: 244). However, in the housing sector, private production had always been dominant in the developing world, given the fact that 90 percent of housing has been

produced by the formal and informal private sector (Keivani and Werna 2001: 93). Hence, what was introduced was not a search for ways to spur more private sector involvement, but rather public support for the institutional development of formal private markets, especially housing finance and land registration systems (Keivani and Werna 2001: 66).

The shift in policy recommendations for housing became visible at the beginning of the 1980s. *Learning by Doing* (1983) was a landmark sector paper written by the World Bank that shifted attention to the weak institutional capacity of urban institutions; these needed to be strengthened to achieve a more systematic solution to the housing problem in the developing world (Zanetta 2001: 522). Moreover, the review report written by Ljung and Farvacque in 1988, *Addressing the Urban Challenge*, advocated for a ‘whole housing sector’ development approach. They argued that, different from the previous phase of housing policies, housing should emerge as a pivotal sector in national economies. The report stated that the development of housing capital markets depends on governments’ abilities to liberalize regulations which impede the effectiveness of both formal and informal housing markets. Thus, governments can create the framework for urban economies to contribute to the macroeconomic performance of developing countries (Cohen and Leitmann 1994; Jones and Ward 1994; Pugh 2001; Zanetta 2001).

The World Bank’s key policy document, *Housing: Enabling Markets to Work* (1993), can be viewed, in many ways, as a manifesto of the neoliberal approach to the housing sector in developing countries. It is based on a withdrawal of the state as a provider of housing and develops an institutional design for market-based housing finance models (Rolnik 2013: 1058). According to its ‘enablement’ discourse, developing states were not able to deal with rapid urbanization, population pressures, informal settlements, and increasing demands for better housing. Thus, the enablement paradigm, or the ‘hands-off’ approach, became an important policy debate in the Third

World countries.¹⁵ *Housing* was composed of arguments about the economic importance of the housing sector for developing countries and policy guidelines for national states to enable the sector. The World Bank (1993: 4) formulated seven enabling strategy recommendations for its national state borrowers which would affect both the supply and demand sides of housing production in order to prompt whole sector housing development: security of tenure through the development of cadastral and registration systems; development of housing finance systems (mortgages); appropriate and rationalised subsidies; infrastructural investments for land development; regulating land and housing development to provide flexibility for private sector; organizing building industry; and development of an institutional framework to monitor the sector's performance and coordinate housing-related public agencies (Agunbiade et. al. 2013: 365; Ogu and Ogbuozede 2001: 476; Kiewani and Ward 2001: 101; Pugh 2001: 407). The World Bank's neoliberal approach initiated the idea of the whole sector housing development through reliance on private sector production, home ownership for the lower income households, 'unlocking land values' through freeing land markets from constraints by formalizing their operations, and the creation of mortgage markets for housing finance (Soliman 2012; Rolnik 2013; Jonas and Ward 1994). The conjuncture in which the enabling of the housing market emerged was determined by a set of financial sector reforms in late-comer states, including financial sector deregulation, privatization of financial institutions, the removal of obstacles to foreign bank entry, and capital account liberalization (Van Waeyenberge 2014: 14). In other words, in practice, the housing sector was a crucial area for operationalizing the Washington Consensus in countries like Turkey.

¹⁵ Some scholars use the phrase 'hands-off approach' to describe this 'enablement' paradigm (Sheng 2002).

The enabling strategy (or neoliberal approach) to housing argues that there is an urgent need for the elimination of external constraints to an efficient land and housing market in developing countries through both deregulation and institutionalization of market supports (Keivani and Ward 2001: 65). The fundamental assumption is that the free market system is efficient and self-correcting in the organization of production and allocation of resources. However, in developing countries, housing and land markets need special attention, even from the liberal perspective, since their particular characteristics cause inefficiencies in the operation of the market (Keivani and Werna 2001: 96-97). First, imperfect information creates a major obstacle to correct functioning of the housing market in developing countries. The lack of information in the land market, tenure structures, zoning laws, and regulations of the formal housing market cause severe problems for both buyers and sellers (Baken and Van der Linden 1993). Secondly, the housing sector is the most 'externally-influenced' sector since, subject to rents apart from direct cost of production, the price of housing is affected by factors such as location, access, neighbourhood, etc. (Keivani and Werna 2001: 97).

Under these circumstances (and as seen by World Bank policies after the early 1990s), developing country governments should intervene to make the housing more efficient through providing the proper incentives and disincentives (Keivani and Werna 2001; Baken and Van der Linden 1993). But housing sector intervention should be limited to providing the financial and institutional frameworks whereby the private sector can be effective. Inappropriate government policies and regulations are the main reasons for market imperfections and inefficiencies in the housing market (World Bank, 1993: 35). Governments should strengthen their institutions and services for the development of housing markets in the developing countries instead of channelling their scarce resources into large scale building programmes. After the 1990s, both the World Bank

and United Nations insisted on the importance of co-operation between the public and private sectors. The public sector should enable the housing markets to work more efficiently through an appropriate institutional restructuring (Keivani and Werna 2001: 100).

In the re-design, the World Bank gave specific importance to land tenure, land registration, and institutionalization of flexible mortgage instruments. A lack of security of tenure is seen as the major obstacle to be overcome in order to ensure good functioning of land and housing markets (Jonas and Ward 1994: 40). According to the Bank, the formalization of property relations is a major step towards a ‘modern’ house building industry. This is why the Bank has devoted its considerable budget to the improvement of cadastral systems in developing countries.

In Turkey, TOKI was founded for the express purpose of creating an enabling environment to promote the entry of large-scale housing supply by the private sector (World Bank 2015: 23). According to the Bank, this is accomplished through TOKI’s *brokering role* that “cut red tape, streamlined administrative procedures into an effective ‘one-stop-shop’, facilitated the assembly of public land at a scale sufficient for large scale housing development, and mobilization of housing finance” (23). As will be discussed in Chapter Six, the very foundation of TOKI as the ‘one-stop-shop’ outside of the traditional organizational hierarchy of the Turkish state for the sake of enabling the housing market helped create an authoritarian state apparatus.

2.2.2. An Effective State for the Housing Sector in the Second Phase of Neoliberal Policies

During the late 1990s, the neoliberal enablement paradigm was integrated into the institutional one by the IFIs through accepting the need for intervention beyond ‘getting the prices right’ (World Bank 2010). The political economy of the ‘new enablement’ policies does not depend on a reduction of the role of the state, “but rather the reconfiguration of state roles in policy-making, institutional reform, and for instrumental social and economic purposes in housing

finance” (Pugh 2001: 417). According to Pugh, in analyzing the political economy of World Bank policies during this time, neoliberal and institutional economics should be seen as complementary instead of competing fields (1995: 389).

Although economic globalization and financial deregulation from the 1980s on affected the institutional structures of national economies in general, and the housing markets in particular, the housing market remained constituted within the national state framework. The previous housing paradigm overlooked the fact that housing markets are fundamentally local and enabling market policies of the developing countries cannot fit in a universal set of ‘dos and don’ts’ (Hammam 2012: 26). As it is stated in the *World Bank Development Report 1997*, there is no one size fits all workable solution in housing markets. The governments of developing countries should understand local market dynamics (both formal and informal) and the stock and flow of housing in order to formulate adequate policies (26).

The major impediment to the efficiency of housing and land markets is their internal constraints which stem from an underdevelopment of institutional capacities (Keivani and Werna 2001: 67). In addition, housing provision is complicated in developing countries since informal modes of housing were prevalent from the 1950s to the 1980s. According to the new approach, informal housing production often led to the development of patron-client relationships between settlement groups and political parties regarding regularization, service provision, and legalization of housing ownership (71).

The World Bank’s enablement paradigm of the 1990s was inadequate to explain housing and land markets in developing countries; the policies that the Bank recommended were inappropriate and unworkable (Jonas and Ward 1994). The reliance on formal markets to solve the housing question under neoliberal policies threatens the enabling housing strategy itself, since the

private sector, with this opportunity, tends to invest in the most profitable and speculative ways which obviate low-cost housing (Keivani and Werna 2001: 105). A long period of time is needed to develop the institutional and infrastructural frameworks in developing countries which would enable the private market to provide low income housing. There is a need to take account of the entire structure of housing provision, the different interests of the agents in various housing sub-markets, and formal and informal forms of housing provision in order to frame policy recommendations (Keivani and Werna 2001: 110).

Although the new housing paradigm does not define ready-made prescriptions to follow for effective housing markets, all countries are expected to set the general principles of the market. Parallel to the enablement paradigm, it is argued that the public sector should enable rather than control or displace the private sector in order to improve the affordability of housing (Buckley and Kalarickal 2005: 240). The World Bank's new strategy is based on reforming the institutional 'rules of the game' (World Bank 2000: 11). What the Bank means by institutionalization is that "housing reform operations should be related in broader financial sector development and should expand into real estate market and land market development issues" (67). Enabling the housing market means deepening it through accomplishing a number of tasks.

(i) Land: Beyond the Mystery of Capital

One of the most important World Bank policy recommendations since the 1980s is the modernization of the cadastral system to develop private property rights in order to tap into capital that is 'hidden' from the market (Jonas and Ward 1994: 44). It is argued that with the structured tenure system, developing countries would have a chance to use their national resources in a more efficient way instead of relying on international borrowing. Different from the sites-and-services paradigm of the 1970s, formalizing property rights for slum dwellers would go beyond security

for individuals. The impact of Hernando De Soto's book, *The Mystery of Capital* (2000), was to make legal title a tool to convert informal housing and the land of the poor into usable wealth. Legal titling provides the integration of the poor into the urban economy, he argued, through 'unlocking' their 'dead capital'. The transfer of the informal assets to the formal market sphere, moreover, would stimulate growth, tax revenue, and the development of 'modern' land and housing markets (Desai and Loftus 2013: 793).

After the 'institutional turn' of the World Bank, it became widely accepted by scholars and urban planners that legal titles are necessary but insufficient conditions for the development of land and housing markets (Hammam 2012: 5). Formalization policies need to be connected with a broader context of reform of the regulatory environment for land and services. There is need also for institutional structures associated with real estate markets and housing transactions since the number of titles issued alone does not guarantee the formation of a real-estate sector.

As will be discussed, the valuation of land and property became one of the most important institutional preconditions for a well-developed housing market. In order to integrate the national real estate market into international financial circuits, there is a need to improve the quality of valuation techniques and to promote unification towards financial standards (World Bank 2015: 62). It is expected from the Turkish state, for example, that it will regulate and enable the valuation systems, and one of TOKI's affiliates, the Real Estate Appraisal Company (GEDAS), is the leading institution in the sector. Additionally, the model of *transfer of development right* is a process of institutionalizing the property market to unlock the land values in protected sites through enabling shareholders to exchange their rights with transfer certificates. This is one of the major steps for further inclusion of the land market into financial markets.

(ii) Beyond Privatization: Public-Private Partnerships (P3s)

As widely discussed with reference to the post-Washington Consensus, a strategy of a minimal state focused on privatization and free markets can lead to terrible results if not accompanied by the appropriate state capacity. One of the remarkable breaks from the previous development paradigm is accepting the limits of structural adjustments dominated by shock therapies. The post-Washington Consensus stage suggested more complex reforms with the involvement of a number of private and state agencies (Naim 1999: 11). In this phase, the state needed to fulfill the information and coordination demands of the private sector through use of partnerships. Housing policies became one of the important fields for the implementation of P3 policies, an important tool to enable the housing market, decentralize decision making, involve various actors in housing production and delivery processes, and increase housing affordability and accessibility (UN-Habitat 2006).

Since the enablement paradigm advocates for the private production of low-income housing, it is expected that the public sector will provide an enabling environment through establishing the regulatory framework (Ibem 2011:205). Although the success of P3s varies from country to country, Turkey, India, Kenya, and Zimbabwe are counted as successful examples (206). The main mechanism of P3s for low-income housing is the following: government provides the land at subsidized prices, tax incentives, and the private sector partners construct the housing units (Ibem 2011b: 149; Keivani and Werna 2001: 92).

Although the housing issue is discussed with reference to privatization and commodification of public lands, it is important to distinguish between forms of privatization (Alvater 2004: 47). The most important institutional change of TOKI, as an example, after 2003 is the increase in scale of P3s and development of different forms of P3s for particular aims

(production for low-income households and revenue-sharing projects). This is much more than a wealth transfer from the state to the capitalists; it is also formation of the housing market and the deepening of the capital relations as a whole via housing market formation. That is, P3s work for the institutionalization of the housing market. Additionally, P3s produce complicated relationships between different fractions of capital and the state, require basic amendments to public procurement law in favour of national scale capitalist classes in the housing sector, and are falsely advertised as a solution for the fiscal crises of the state.

(iii) Market-based Housing Finance: The Genie Should be Out of the Bottle

Although individual titling has led to neoliberal approaches to housing since the 1990s, aggressive promotion of mortgage finance mechanisms for developing countries is quite new. Since the 2000s, the liberalization of financial systems drastically accelerated the availability of mortgage finance in developing countries, as in the case of China, India, the Republic of Korea, Malaysia, Mexico, and Poland (Hammam 2012; Buckley and Kalarickal 2006). According to the new paradigm, if financial liberalization develops prudently, it can benefit both housing for the poor and the broader financial system (Buckley and Kalarickal 2006: 3). The share of housing finance in the financial sector drastically increased (Buckley and Kalarickal 2006: 41). Governments of developing countries were to encourage the securitization of mortgages and establish secondary mortgage markets to accelerate the development of housing finance (44). Housing microcredit institutions, as the most promising financial innovations in recent years, should be supported by offering the possibility of finance for poor people to improve their housing conditions (Buckley and Kalarickal 2005: 247).

A theme of the housing policies of the second phase of neoliberal accumulation is the development of *bankable housing projects* for the poor. This is defined by UN-Habitat as:

“attractive to retail banks, property developers, housing finance institutions, service providers, micro-finance institutions, and utility companies” (UN-Habitat 2016). It is stated by the World Bank’s Housing Finance team that the key challenge for developing countries is to overcome the obstacles of creating a functioning housing finance market (World Bank 2015b). For example, the World Bank suggested that the Turkish state needs to create a pro-poor financing strategy since it is still in its infancy (World Bank 2015a: 66). The Bank points out two major caveats of the present housing finance situation in Turkey: a limited volume of longer-term housing loans, and an increasing supply of loans to medium- and high-income groups (66). But, the Turkish state implemented the first mortgage law in 2007, there is still no state-sponsored housing bank that provides the housing credits to the working classes of the society apart from those of TOKI for the ‘targeted masses’.

3. Going Beyond the New Orthodoxy of Housing Policy for Late-Comers

The IFIs’ changing approaches to housing policy are vital to analyzing the issue. However, housing policies in the donor/client countries are highly mediated within particular social formations. The World Bank’s approach is important because of two interrelated reasons. First, housing policies evolved in relation to the different development paradigms of the Bank, particularly for the developing countries under structural adjustment regimes; secondly, the Bank provides a synthesis of neoliberal and institutionalist approaches to housing.

Tenure occupies the central position in the liberal and institutional approaches to housing, but the research and policy of these analyses concentrate on the sphere of distribution (Berry 1981: 5). Tenure should be situated in a wider structural analysis which goes beyond the sphere of distribution or market relations through an integration of the economic, political, and ideological elements of housing. Further, the state is assumed to be a neutral arbiter that has the power to solve

problems of clientelism in the housing sector of developing countries. In fact, this approach also leaves unanswered the questions of why the definition of the housing problem changed over time, and why shelter became an issue of investment. The housing question is approached by treating consumption and allocation theoretically as separate from wider social relations (Ball 1986: 147).

3.1.Contextualizing the Housing Question

The commodification of housing in the late-comer context has gone through major steps with the active involvement of the state. Although hybrid forms of housing production based on small-scale production emerged as the major solution to the housing problem in the first phase of capital accumulation during 1950s and 1960s, late-comer states restructured their housing policies to transform the illegal housing market – based on squat forms – into a ‘legal’ and ‘transparent’ one. That is, the late-comer states have to build up the support and institutions to enable the housing market.

There is a need, then, to go beyond the application of abstractly-derived policy tool kits to locate the formation of housing policies in relation to the deeper structural transformation of society with reference to urbanisation and capitalism (Nientied and Linden 1985: 317). On the one hand, there is a strong linkage between particular housing policies and the formation of the capitalist economy in a particular developing country (Ball 1982; Harloe and Martens 1984). On the other hand, housing policies are, in general, formed in “a temporary consensus between economic and political forces, including sectional capitalist and working class interests” (Harloe and Martens 1984: 269-70).

Freidrich Engels’ critical response to the German Social Democratic Party’s proposals concerning the housing problem of the highly-industrialized city of Manchester, *The Housing Question*, was written in 1856 as a first essential Marxist contribution to housing debates. He

approached the issue in relation to the wider processes of urbanization and industrialization. According to Engels, the transition in manufacturing to large scale industry is the main reason for the housing shortage he observed. The housing shortage and bad housing conditions were peculiar to the capitalist mode of production from “the sudden rush of population to the big cities; a colossal increase in rents, still greater congestion in the separate houses, and, for some, the impossibility of finding a place to live in at all” (1970: 16-7). Engels argued that the housing question could not be solved by redistribution and planning since it is closely connected with deeper social structures which are dominated by profit, speculation, the exploitation of labour, and private property (Angotti 1977: 49).

At a general level, Engels’ approach remains valid in relating the chronic housing problem to capitalist relations of production. This allowed him to explain how the housing problem historically emerged and is mediated within different social formations and problems of industrialization. But there is a need to go beyond Engel’s broad abstraction to understand the particularities of different geographical and historical contexts within Marxist theories of circuits of capital that form with accumulation (Nientied and Linden 1983: 263).

3.2.Housing as a Commodity

At a general level, housing is produced as a commodity via labour power within capitalist labour processes. Since both production and the realization of housing are extremely costly, different fractions of capitalist classes are active in the housing production process. Secondly, housing is closely related to the extended reproduction of labour, as a precondition of the reproduction of capitalist relations of production (Berry 1981). The first level of the housing question is related to housing as exchange value, whereas the second dimension is related to it as a use value.

Marx's conceptualization of value is a qualitative social relation with a quantitative dimension. In order to grasp the specificity of 'value' in a capitalist society, Marx (1990: 126) makes a distinction between *use value* and *exchange value* when analyzing the commodity: "The usefulness of a thing makes it a use value... Use values are only realized in use or in consumption... Exchange value appears first of all as the quantitative relation". Exchange value, as the necessary mode of expression of value, makes it possible to compare commodities directly and quantitatively. Exchange is the process of equation and reduction of goods to exchanged equivalences (Elson 1979: 152-153). Exchange value is expressed in terms of the money price of a commodity, which is a universal exchange equivalent. While in terms of use values commodities differ in quality, as exchange values they can only differ in quantity. That is, as exchange values they do not contain any atom of use value in the marketplace (Marx 1990: 128). This fundamental tension between use value and exchange value takes different forms in the housing question in different phases of capital accumulation.

The very first commodification of housing happened through the 'self-help' policies of the IFIs and nation states. Since these were the years of inward-oriented accumulation, cheapening the reproduction of labour power through self-help policies was a beneficial option for both the state and industrial capital. Housing takes the commodity form through legalization of squatters which opens the way to the penetration of industrial and financial capital into the house building process. That is, the housing question was solved on a use value basis, but through commodification. In fact, the self-built house is not a commodity since it is produced by the owner for its use value. At this point, asking the following question is vital to understanding the relationship between the housing question and capitalism: What are the reasons behind the transformation of the self-built house into a potential commodity (Conway 1982: 41)?

Re-commodification of housing in the 1980s and its institutionalization in the 2000s are closely related with the forms that housing as a commodity takes in different periods of capital accumulation. As will be shown, while mass housing in Turkey took the squatter form based on small-scale production from the 1950s to the 1970s, it mutated into *transferrable forms* in the 2000s and is typified by TOKI-built high-rise buildings attached to long-term housing loans.

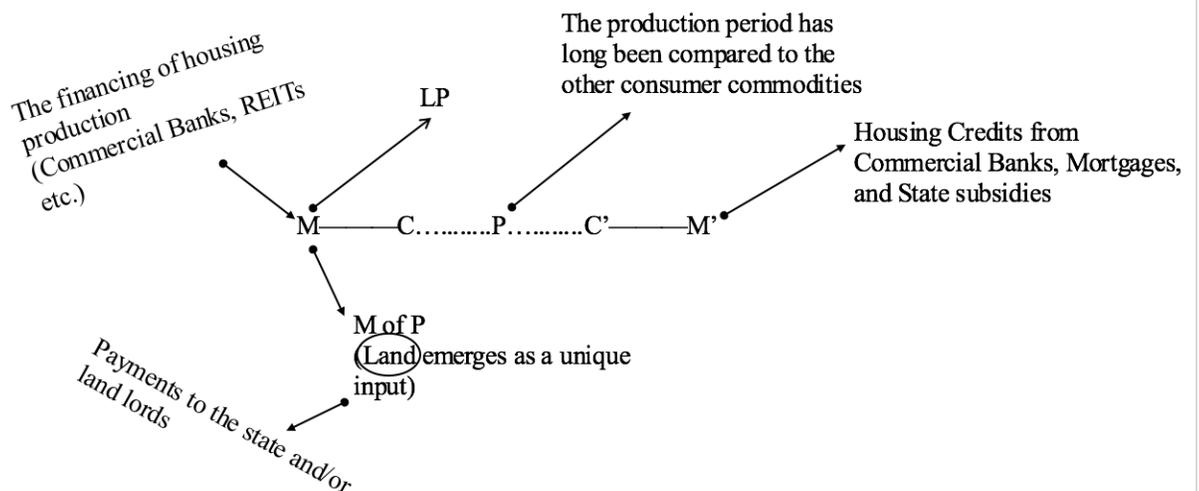
3.3. Institutionalization of the Housing Sector

Institutionalization of the housing market means that housing production steadily becomes rooted in the interconnections of circuits of different forms of specialized capital (industrial, commercial, and money capital). Since housing production takes a longer time compared to other consumer goods, and housing units are expensive in relation to the incomes of the households, housing production needs the intervention of specialized form of capital, or *circulation capital*, to sustain the circuits of capital (Bassett and Short 1980: 174-175). This is the main point which makes the housing question more complicated since it becomes a profitable sphere for the circulation of capital in terms of specialized forms of finance such as mortgages to households, loans to landlords, and loans to developers (Kalman-Lamb 2015: 12). This is why Aalbers and Christophers (2014: 4) argue that housing “as a product of labour [and component of the value of labour power] is only one small dimension of its significance to capital circulation”. The important reservation to be noted here is that although value is created in the production process through exploitation of labour power, the contemporary phase of capitalism as the internationalization of money capital in the global scale is marked by financialization, which means profit-making for individual parts of total social capital occurs increasingly through financial channels rather than trade and commodity production (Aalbers 2008: 148). As Bryan and Rafferty (2014) stated, the

concept of capital in circulation is an important tool to understand the recent innovations in capital's involvement in housing (406).

Illustrated below (Figure 4.1), the production of the commodity housing (C) (and land) is tied up at varying periods of time in the process of production (P) and exchange, so it cannot be returned back immediately in its enhanced form, M' (Gothnam 2009: 356).¹⁶ Therefore, there is a need to increase the velocity of the circulation of capital through reducing the turnover time (Harvey 220: 258). This is the stage at which the housing sector becomes integrated into the financial sector. This is what is implied by the IFIs' calls for the institutionalization of the housing market, and this is the way in which the housing sector is formed.

Figure 4.1: Housing Production and Circulation



M: money capital, C: commodity capital, P: production, LP: labor power, M of P: means of production

The process of 'securitization' means converting fixed assets into liquid and 'transparent' securities and is the most creative financial innovation to connect local real estate markets to

¹⁶This chart adapts the basic diagram of Marx's circuits of capital to the production of housing as a commodity. It is developed in further detail in Chapter Eight to demonstrate the Turkish state's intervention into the housing sector.

international capital markets (Gothnam 2009: 357). Securitization emerged as one of the solutions to deal with the tension between fixity and motion in the circulation of capital (Harvey 2006: 423; Brenner 1998: 472).¹⁷ For this level of analysis, David Harvey (1978) and Henri Lefebvre (2003) opened an extensive discussion on the cyclical relationship between the logic of capital accumulation crises in the primary circuit and production of the built environment in the secondary circuit. While the primary circuit involves industrial production, the secondary circuit refers to capitalist investment in land, real estate, housing, and the built environment (Gothnam 2009: 358). In this framework, the development of real estate financing tools, like adjustable rate mortgages (ARMs), mortgage-backed securities (MBS), and real estate investment trusts (REITs), emerged as a solution to provide liquidity between the primary and secondary circuits.

Harvey's capital switching approach failed to capture adequately in the mid-2000s that the real estate sector had become a separate and analytically distinct circuit of capital investment determined by finance markets and instruments instead of being determined by the primary circuit (Gothnam 2009; Aalbers 2009; Aalbers and Christophers 2014; Bryan et al. 2009). It is stated by Aalbers (2008: 149) that the financial markets boomed not for the facilitation of other markets but for the trade in money, credit, and securities in themselves. For Dick Bryan and his colleagues (2009: 466), financialization is totally different from the credit system, which "focused on the capacity of capitalism to expand: the provision of large-scale money capital advanced at the start

¹⁷ In this literature, problems of accumulation crises are temporally solved by 'creative destruction' (Harvey, 2006 [1982]), 'spatial fix' (Glassman, 2007; Harvey, 2001), 'scalar fix' (Brenner, 1998), or 'accumulation by dispossession' (Harvey, 2005 [2003]). Harvey's 'capital switching' approach means that when there is an overaccumulation crisis and profit levels decline in the primary circuit, capital switches into the property sector to be valorized. Balaban (2008) tested this hypothesis by doing a macro-analysis on the construction sector in the Turkish case and argued that there is not a counter-cyclical relationship between the primary and secondary circuits and that the state is the dominant determinant in the production of the built environment. There is a need to theorize why the Turkish state's intervention into the production of the built environment varies in different phases of capital accumulation in order to capture the relationship among the state, capital accumulation, and urbanization as both a general tendency and particular historical tendency.

of a circuit of capital in return for a share of surplus value (payment of interest) at the ‘end’ of the circuit”. Securitization and financial derivatives are not about expansion of the supply of money advanced, but rather about the valuation of capital throughout the circuit (467).

For Albo, Gindin, and Panitch (2010: 32-34), an increase in financialization is not a symptom of decline of the ‘real’ productive economy or a lack of investment opportunities in the productive sector. This false dichotomy between financial and ‘productive’ sectors equates the contemporary form of very dynamic capitalism with a speculative/fictitious economy. It is the financial process by which capitalist social relations penetrate into new spheres and push a massive organizational restructuring of the workplace, companies, and sectors. The financial system and innovations are necessary to capitalism’s functioning, and various forms of capital in liquid forms (money capital, bank capital, credit, and speculative capital) are all necessary moments in the circuits of capitalist production and exchange.

If we accept the relative growth of the financial sector in the contemporary period of capitalism as a signifier of the increasing integration more sectors into the circuits of capital, it becomes possible to theorize the centrality of the real estate sector to the development of the financial sector and vice versa. As in the developed countries, the state in developing countries plays an important role in enabling local real estate markets to connect with international capital (Rolnik 2013: 1061). In the Turkish case, the state’s position is ambivalent. On the one hand, the Turkish state took serious steps to make real estate liquid via various financial forms. On the other hand, TOKI refrained from taking the form of a mortgage bank, which would be expected by the IFIs, as well as international and national fractions of capital. Further, TOKI attempted to reach the lowest segment of the working classes in the society, which are next to impossible clients for private commercial banks. TOKI does not accept to securitize its loan portfolio.

4. Conclusion

This chapter mapped out the forms that housing as a commodity took in different phases of capital accumulation. The main reference points in tracing the housing story are selected IFI policy reports and their allied writers' studies on housing since their approach shows the expected form that housing as a commodity should take in different periods of capitalism. From shelter to mortgage debts, housing narrates important social changes that society has been going through in the last sixty years. The emergence of the housing sector as an important field for the valorization of capital in the 1980s represents the real break towards a qualitative change in housing production. It is expected that nation states will enable their national housing markets through institution-building. Not surprisingly, the foundation of TOKI as an enabling institution coincides with the international prescriptions that were written for developing countries. Enabling the housing market through institutional restructuring has its own limitations in the Turkish case, determined as it is by the contextual and historical specificities of the country. After the severe fiscal crisis of the late 1990s, TOKI went through new institutional restructuring processes and became the most powerful builder in the national housing market. The formation of the effective state in the housing sector created a powerful and authoritative — and through time more authoritarian— institution that became a source of public discontent over the last decade.

In the next chapter, I develop an alternative periodization structure to approach the housing problem in relation to different phases of capital accumulation in Turkey. In order to refute the technical discourse of neoliberal approaches, I follow up on the different forms that the housing problem has taken in different periods of capitalism. That is, I set a framework with reference to Marxist theories of the state and the circuits of capital approach to answer the main question of the

dissertation – *Why does this content (enabling the housing market) take this particular form (TOKI)?* – in a multidimensional way.

CHAPTER 5

Changing Forms of the Capitalist State and Housing Market in Turkey

This chapter builds links between the theoretical discussions on the state and capital accumulation and the Turkish state's housing policies for the analysis of the institutional structure of TOKI that follows. The formation of the private housing sector and its commodification has always been realized by the active intervention of the Turkish state. In this regard, the housing problem is first of all related to the social reproduction and the legitimization function of the state. But, as a field of profitable investment, the Turkish state has intervened into the housing sector as a 'market-maker' since the 1980s.

The Turkish state's intervention with respect to housing can be defined in part with reference to populism, clientelism, and patronage relations. I build a framework that goes beyond these descriptions, however, and prioritizes tenure relations and distribution. In order to understand the formation of a capitalist housing sector as a long term goal of the Turkish state, there is a need to periodize the general tendencies of housing production and consumption. As discussed in the following chapters, there have never been ready-made institutional prescriptions for the formation of a housing market that the Turkish state has followed. The political conjuncture of each period mediated capitalist housing production in different ways. Even though the housing commodity took different forms in the different periods of capital accumulation, based on the 'populist' interventions of the governments, it is important to identify the general structural process leading to the foundation of the private housing market.

Following a methodology that emphasizes the 'primacy of internal factors', I periodize the Turkish housing problem and policies in relation to capital accumulation and different forms that the capitalist state takes in each period. This periodization enables me to analyze the formation of

the housing market in an uneven and combined relationship with the formation of capital in general. Four main phases are defined regarding the forms that housing as a commodity took in different periods of capitalism in the Turkish case.

The first phase, from the 1920s to the 1950s, covers the years before the housing question became prominent. This was a time marked by the centrality of infrastructural investments on the part of the state. In the second phase from late 1950s to late 1970s, as a result of the mass migration of labour power from rural areas to the city centers in the period of productive capital formation, the housing problem emerged as an issue of shelter. In the third phase, between 1980 and the late 1990s, the state, IFIs, and different fractions of capital went through a paradigmatic shift, and housing became an important field for investment. In the last phase, which covers the period following the 2001 economic crisis and the coming to power of the Justice and Development Party (Adalet ve Kalkinma Partisi, AKP), the housing sector began to turn into a more fully developed real estate sector through attempts to integrate the house-building sector with financial markets. TOKI reached an enormous scale in terms of providing ‘affordable’ houses to the working classes, while its powerful affiliates in the fields of property valuation and real estate investment trusts assisted the process of deepening the housing sector.

This chapter is devoted to mapping the connection between different phases of housing policy problem to Turkish state restructuring and in particular phases of capital accumulation. Before providing my own periodization framework of housing production, I briefly revisit the main approaches to conceptualizing state-society relations and housing studies in the Turkish context in order to demonstrate their main flaws. This will demonstrate the necessity of building an alternative framework.

1. Approaches to the Phases of Capitalism and Housing Production

1.1. Debating Capital Accumulation and the State in Turkey

I propose a broad classification based on three different approaches to capital accumulation and the state in the Turkish context. The first stream is the liberal approach known as the *state-centered framework*, which conceptualizes state and society relations as if they are *sui generis* entities that have their own capacities. Although the scholars who can be classified under this methodology do not have a common conceptual framework, it is possible to claim that they share fundamental points that are generally Weberian in their approach to state-society relations in various historical periods.¹⁸ First of all, ‘the strong state tradition’ accepts the state’s autonomy as an actor existing apart from and above society and was dominant in the literature during the 1970s and 80s.¹⁹ It underpins a view that sees a continuation between the Ottoman bureaucracy and the modern Turkish state. Heper (1985) used the term ‘strong state’ to describe the perspective; Mardin (1973) engaged in center-periphery analysis; Keyder (1987) focused on bureaucracy as a class; and Bugra (1994) charted the external relationships between the state and business. Secondly, it asserts that the Turkish state does not allow the formation of a civil society which can be active and become the main determinant of policymaking. Thus, the patrimonial tendencies, lack of democracy, and populist discourses of Turkish governments are all understood in terms of the state’s domination over civil society. Thirdly, the perspective equates the Republican People’s Party (Cumhuriyet Halk Partisi, CHP) – the oldest political party founded by Mustafa Kemal Atatürk and the founding party of the Turkish Republic – with the state bureaucracy. Parallel to

¹⁸ See Dogangun (2005), Yalman (2002), and Dinler (2003) for critical evaluations of the state-centered framework.

¹⁹ The ‘strong state tradition’ debate in the Turkish context is different from the East Asian strong state discussions, which insist on the importance of the state as a developmental actor with reference to Japan, Taiwan, South Korea, and Singapore, especially in the late 1980s (Migdal 1988; Johnson 1982; Evans 1995).

that, it celebrates the victory of the Democrat Party (Demokrat Parti, DP) – the right-wing political party which was the first opposition party that unseated CHP in the 1950 national elections and ended Turkey’s one-party parliamentary system – as a turning point for democracy against the strong state tradition. The periodization of the state-centered approach is based on changes in the political regime in power and is conceptualized as a rebellion of civil society against the Turkish state bureaucracy and military.

The second approach, which can be labelled as neo-institutionalism, emerged in the 1990s in conjunction with North American neo-institutionalism (World Bank 1997; Evans 1997; Stiglitz 1998; Weiss 1997). Although similar to the ‘strong state tradition’, neo-institutionalism approaches the state and the economy in a more exclusionary way. The analyses in this category are especially derived from the East Asian developmental state experiences (Onis, 1991; Onis-Senses, 2009). Neo-institutionalist scholars became prominent in the process of applying for European Union membership and the ‘post-Washington Consensus’ discussions. They analyzed the restructuring of the Turkish state with reference to the failure of the implementation of European Union democratization policies and IMF adjustment processes. These failures are related to what is perceived to be a weak democratic structure, a lack of bureaucratic transparency, and the populist policies of governments (Atiyas 2012). The first approach insisted on the continuation of the ‘strong state’ tradition against democracy and civil society inherited from the Ottoman past. The second, by contrast, emphasizes the need for institutional restructuring in the contemporary era of capitalism in order to accomplish integration into the international market in a more democratic and transparent way. Like the state-centered framework, its periodization is based on changes in governments, but relies on different conceptual tools, as discussed in Chapter Two.

A third approach to the periodization of capitalism can be classified as *left-Keynesian*.²⁰ Although this approach does not have any explicit framework, it is possible to draw out key features. First, the units of analysis are the national economy and the national state, which are seen as being under attack from ‘external forces’, i.e. IFIs and powerful imperial states. Parallel to institutionalist scholars, they argue that the state fails to pursue national developmental goals against the short-term/speculative interests of international finance capital (Bagimsiz Sosyal Bilimciler 2001; Yeldan 1995; Boratav, Türel and Yentürk 1996). Second, the left-Keynesian approach conceives the fostering of productive national industries as a key barrier against the ‘speculative’ flow of foreign capital and economic crises; as such, a unitary ‘national’ interest forms which is exempt from class contradictions. Thirdly, it follows, the periodization of capitalism is conceptualized with reference to the Turkish state’s protection of a national developmental agenda and its support of ‘productive’ national capital against ‘international’ imperialist interventions through structural adjustment programs, trade liberalization, and the convertibility of the Turkish Lira. This periodization, derived from Korkut Boratav’s (1982; 2003) framework, consists of the following: liberal period (1920s), etatist period (1930s), inward-oriented development period (1960s to 1970s), the revenge of capital (1980s), and a period under the sovereignty of international capital (1990s to 2000s).

The ‘strong state’ school and the neo-institutionalist approach perceive the state as an actor standing above society, with each ‘failure’ of state restructuring examined with reference to a lack of state capacity and wrong policies. The left-Keynesian approach, in contrast, accuses international financial institutions and speculative flows of foreign capital for accumulation crises and the Turkish state’s inability to balance these crises. This latter approach, however, does not

²⁰ See Gultekin-Karakas (2008) and Ercan and Oguz (2007) for a critical evaluation of this approach.

provide analytical tools to approach the contradictory unity of ‘national’ and ‘international’, materialized both in the nation state and capital accumulation.

1.2. Approaches to the Housing Question

Institutionalist approaches periodize the housing question with reference to the changing policies of the Turkish state under different governments and national development plans, and follow the framework of Ilhan Tekeli (2010: 229-30), the pioneer of urbanization and housing studies in Turkey. A first period, between 1930 and 1950 is defined as the single party regime of the CHP and is marked by a low level of urbanization and modernist policies on the part of the state. The second period is characterized by the multi-party regime in which *gecekondu* (or squatters) emerged as the main housing provision as a result of the populist government policies. Tekeli takes the 1966 Condominium Law as the demarcation line for the next period, lasting until 1980, which was defined by the build-and-sell model as the dominant means of formal housing production. He defines the last period by the institutionalization of housing production with the foundation of TOKI and housing cooperatives. Yildiz Sey (2008) and Tansi Senyapili (2004) follow similar framing and periodize housing in relation to the changing political powers in different periods.

This state-centered paradigm on housing defines the housing problem based on the housing policy shifts of the Turkish state. The state is assumed to be a neutral arbiter that has a power to solve the problems of clientelism in the housing sector of developing countries. That is, the housing question is externally attached to state policies so the state is seen as existing above the housing problem. The changing forms of housing production are discussed with reference to tenure structures. The state is expected to formulate efficient and effective distribution mechanisms instead of using the housing problem as a populist electoral tool. This approach lacks a theoretical

framework which can examine systematically the ways in which housing policy in Turkey is related to broader social structures.

In contrast to the state-centered paradigms, the Marxian scholars inspired by critical geography analyze the housing question in relation to capital accumulation and build their periodization framework with reference to the left-Keynesian view. Eraydin (1988) classifies three main urbanization phases in Turkey with reference to the functions of the urban centers within capital accumulation processes. She follows the approach of Boratav (1982; 2003) in dealing with the Turkish economic structure. The first period, lasting from 1923 to 1955, was one in which the role of urban space was determined by the agricultural export-oriented accumulation strategies and the etatist accumulation strategies in between the two world wars. In the second period, 1955 to 1980, urban space became the focus of capital accumulation. These were the years of inward-oriented accumulation strategies, industrialization, and the formation of labour power within the city centers. According to Eraydin (1988: 19), the state's permission for *gecekondu* building was a rational public policy choice since it tried to direct investments towards productive services. The post-1980s is defined as the third period in which urban space gained different roles in relation to the internationalization of capital accumulation. It is argued that the Turkish state's support for investment into the built environment was a result of searching for ways of escaping the capital accumulation crisis of the late 1970s. That is, the Turkish state preferred to support commercial rather than industrial capital in accordance with export-oriented strategies.

Balaban (2008) similarly classifies different periods of urbanization, utilizing the Turkish state's development models and its administrative laws regarding urban space as markers. The spatial structure of Turkey is framed with reference to the inward-oriented accumulation strategies between the 1950s and 1970s and the export-oriented accumulation strategies after the 1980s. The

first period is labelled as the ‘the urban process under ISI’. The period after the 1980s is labelled as the ‘deregulation and liberalization of legislation on the production of built environment’, with reference to demographic changes, rural-to-urban migration, state’s intervention, amnesty laws, and crises of accumulation strategies. The boom and decline of housing construction in both periods are related to the state policies under different economic regimes. Sengul (2001) uses Massey’s ‘geological metaphor’ as a tool for periodizing urbanization, but his analyses of the periods does not depart from the others in a distinct way. He mainly argues that there are three phases of urbanization: urbanization of the nation state (1923-50), urbanization of labour (1950-80), and urbanization of capital (1980-2000s).

This critical approach to housing and urbanization has major flaws. One of them is to approach the house-building sector/real estate sector as an unproductive one which became dominant after the ‘neoliberal turn’ of the 1980s. According to these scholars, the construction sector became dominant at the expense of the ‘productive sectors’ as a result of the attack of international financial institutions and international capitalist classes in accordance with Turkey’s uncontrolled financial integration into the world market. Additionally, the state is accused of supporting this crisis-prone and unproductive sector at the expense of the ‘national’ interest. There is, in general, a lack of explanation of the structural reasons behind the relationship between the state and different fractions of capital and the clientelistic relationship with particular capitalist groups, as if these are limited to particular governments.

Although there are methodological differences between policy-oriented and more critical approaches, they are both unable to show the strong relationship between particular housing policies and the formation of the capitalist economy in general (Ball and Connelly, 1987; Harloe and Martens, 1984). Even though housing is strongly influenced by the interests of different

sections of capital, housing provision is not a functional consequence of the ‘needs of capital’. Instead, it is connected with finance institutions, the house-building industry and its sub-sectors, land ownership, household structures, the role of the state, and many other factors. Additionally, variations in housing production depended upon the integration into the world market and state restructuring in each distinct phase of capital accumulation.

2. An Alternative Approach to the Housing Question

An alternative approach within the Marxian milieu can be developed based on three main pillars: circuits of capital, fractions of capital, and theories of the state. This combination allows for framing the different phases of capital accumulation in relation to housing production. Each phase is discussed below with reference to the articulation of capital circuits in general, and housing production in particular. Additionally, each phase is situated within the different forms of state and power blocs.

First, capitalism in Turkey has always been developed and transformed in relation to its integration into the international circuits of capital. As Oguz (2013: 193) states, the Keynesian and/or institutionalist overtones which prioritize the national economy as the main unit of analysis are quite influential in Turkish studies. These approaches have dominated urbanization and housing studies. This methodological nationalism becomes more visible in housing studies since the real estate sector emerges as a national phenomenon due to the fixity of housing investments within the territorial borders. I argue that formation of the real estate sector cannot be analyzed without taking into account the phase in the development of capitalism in terms of the simultaneous tendencies of the formation and internationalization of the circuits of productive, commercial, and money capital (Oguz 2013: 196). Second, the internationalization of capital cannot fully explain the determinations of late-comer states’ social formations (Ramazanoglu 1985: 30). That is, a

periodization framework should take into account the relationship between the general process of capital accumulation at the global scale and its actual historical forms (4).

The periodization framework that I develop here for analyzing the housing problem is inspired by ‘internationalization of capital’ approach to the different phases of capital accumulation in Turkey (Ercan 2006; Oguz 2008; Ercan, Karakas and Tanyilmaz 2008). Based on the internationalization of capital literature, Ercan and his colleagues prioritize the formation of the circuits of capital at the national scale in relation to the internationalization of capital. The first steps of productive capital formation were undertaken during Turkey’s foundation years (1920s-1950s); the formation of productive capital was furthered in collaboration with international capital during the postwar decades (1950s to late 1970s); accumulation through export promotion and the inflow of international money capital characterized the next phase (1980s-2000s); and finally the ‘take off’ stage was defined by the internationalization of productive capital (post 2000s). I periodize housing production in itself in order to capture how a capitalist sector evolved in relation to different phases of capital accumulation and state restructuring. The periodization framework provides two important analytical tools to place the housing question within the framework of ‘public policy’ and within different phases of capital accumulation: (i) The formation of a housing sector is analyzed in relation to capital accumulation instead of through a concentration on the short-term corrupted relationships between the state and the different fractions of capital; and (ii) The Turkish state’s changing forms of intervention into the housing problem are explained in relation to its own general restructuring.

2.1. Infrastructural ‘Construction’ Before the Housing Question: 1930s to the 1950s

In its foundation years, the Turkish state, as the state of a late developing country, played a crucial role in terms of making infrastructural investments in order to initiate the transformation

of an agricultural society to an industrial one. The national development project from 1930-39 is defined as 'etatism' in the Turkish literature – a period I referred to above as the first steps of productive capital formation – and it was an outcome of the 1929 Great Depression and the crisis of merchant capital within its national borders (Keyder 1987: 101). This phase of initial productive capital formation was reliant on two main factors: Turkish state's infrastructural investments that were essential for the development of private capital; and the state's direct investment into the economic fields that were not profitable for private capital (Ramazanoglu 1985: 55). This phase, characterized by the corporatist model of society and the ideology of national solidarity, was based on the increasingly homogeneous coalition between bureaucrats and the manufacturing bourgeoisie achieved through a repression of the working classes and the agricultural sector (Keyder 1985: 107; Boratav 2003: 79). The main aim of the internal process of industrialization was to substitute the import of basic goods with domestic production (Oguz 2013: 196). In order to reach this aim, the Turkish state went through a series of institutional restructurings. In 1933, Sumer Bank, which was 51 percent state-owned, was founded to provide credit to light and heavy industry. Eti Bank was founded in 1935 to develop domestic natural resources for productive use (Ramazanoglu 1985: 63). Flour, sugar, textile, and food production were the main fields that the Turkish state invested in (Boratav 2003: 71).

By the end of the 1940s, reliance on this early model of Turkish capitalist development waned for two reasons. Firstly, American capital's grants for postwar economic restructuring, the *Recovery Program for Europe*, was extended to Turkey in 1947 (Keyder 1987: 119). The new model it promoted was based on specialization in the export of agriculture and agriculture-based industry, instead of protectionism for inefficient factories (119). Second, the DP won the elections as a coalition of merchant and agricultural capital (Ramazanoglu 1985: 70). Turkey's integration

into the world market was based on the export of primary goods (agricultural products and raw materials) and the import of manufactured goods. The power bloc in that period was dominated by agrarian and merchant capital, but these fractions did not form any business association to represent their interest at the national state level.

Until the end of the 1950s, social relations in the countryside remained intact (Gulalp 1985: 334). There were not remarkable demographic changes in these formative years, so housing did not emerge as a problem. As Keyder states (1985: 118), 80 percent of Turkey's 20 million people lived in the countryside in 1950 and the great majority were small producers. Even in the manufacturing sector, 37 percent of workers were self or family-employed, while almost 400,000 wage-earners worked for employers. In other words, most of the population in that phase of capital accumulation was living outside capitalist relations of production.

These were the years of building a 'modern' nation and making infrastructural investments for capital accumulation. The Real Estate Credit Bank (Türkiye Emlak Kredi Bankası) was founded to finance public and private construction projects in 1946. There were two dominant forms of formal housing production: individual housing and public housing for state officials. Individual housing production was chronologically the first type of housing production, and was typically done when the urbanization level was low and urban land cost was not speculatively high (Tekeli 2009: 178). All parts of the production process were done by the housing producers such as finance, provision of land, permissions from the local governments, and development of construction plans. A second channel of housing production was undertaken by the Turkish state was through the building of public housing for state officials, especially in Ankara. Gecekondu were not a widespread phenomenon in these years, and it was mainly limited to Ankara, which was the new center of the Turkish Republic. The Turkish state's approach towards these illegal

settlements was seeing them as a part of the housing problem, and a by-product of industrialization and modernization. The first amnesty law was implemented for Ankara in 1948 which proposed that state should give land and credit to the occupiers in order to build their own houses under the supervision of the municipalities. In general, it is possible to claim that these types of housing production were dominated by use value — the housing production was done for the inhabitants rather than for exchange in the market.

2.2. Hybrid Forms of Housing Production between the 1960s and 1970s

The model of agriculture-based industry of the postwar period reached its limits as it was insufficient to finance increasing demand for imported goods (Keyder 1987: 196). Economic crisis became visible with the stabilization program implemented by the DP government under the supervision of the IMF in 1958. Two related processes determined this phase of capital accumulation. The first one was the slowing of accumulation and its increasing internationalization tendencies at the global scale. Secondly, accumulation through merchant capital reached its limits at the national scale. Distinct from the initial stage of productive capital formation in 1930s discussed above, the inward-oriented accumulation strategy of this phase was implemented in collaboration with international money capital (Ercan et al. 2008: 18). The main characteristic of this phase was production of consumer goods (textiles, agriculture, etc.) for the national market under state protection through policies of high tariff barriers and quotas on imports. The speed of the transformation of money and commercial capital into productive capital in the Turkish case was relatively high when compared to the industrial production in other middle income countries. While the increase in industrial production was 7.6 % between 1960 and 1970 and 7.2 % between 1970 and 1976 in other late-comer countries, this rate reached 7.8% and 9.5% in the two respective periods for Turkey (Ercan 2002: 23).

At the national level, merchant capital began to turn into productive capital in collaboration with international capital (Gulalp 1985: 337). The dominant class structure changed and agricultural and merchant capital began to be subordinated to industrial capital which was materialized by the foundation of the Turkish Industrialist and Business Association (Turkiye Sanayiciler ve Isadamlari Dernegi, TUSIAD) in 1971. The founders of the association had separate interests from the Turkish Union of Chambers and Commodity (Turkiye Odalar ve Borsalar Birligi, TOBB), which was the most powerful association of the previous phase. One of the main reasons for the increasing power of industrial capital was the formation of conglomerates, or holding companies (Oguz 2013: 196). Especially the members of TUSIAD were the capitalists who gained control over commercial and money capital in the 1960s and 1970s. The commercial banks of the holding companies provided cheap credits for industrial investments with the support of the Turkish state (Ercan et al. 2008: 22)

When it comes to Turkish state restructuring, it changed its organization and policies in order to support the formation of productive capital and, after the 1960 military coup, the State Planning Organization (Devlet Planlama Teskilati, SPO) was founded to support an inward-oriented accumulation strategy. The SPO director functioned as a deputy prime minister to advise the industrial sector (Keyder 1987: 145). Although the formation of state-owned-enterprises (SOEs) began in the 1950s, they had particular importance in this phase in terms of the provision of backward linkages that required a large-scale of initial fixed capital and the production of low cost inputs (169).

In terms of urbanization, there were drastic demographic changes since inward-oriented industrialization necessitated migration from rural to urban areas to provide sufficient labour power in the industrialized centers. Between the 1950s and 1980s, Turkey's population doubled,

increasing from 20.9 million to 44.7 million in three decades (Oncu 1988: 40). The urban population increased from 30% of the total population to 45% in 1980 (Keyder 1987: 153). Turkey faced drastic infrastructural and housing deficiencies because the massive rural-to-urban migration caused illegal settlement areas in the periphery of all the main industrial cities (Choguill 2007; Karpat 1976; Keles 2006; Senyapili 2004). According to Keyder, by the end of the 1960s, one half of the dwellings in the industrial cities were officially classified as *gecekondu* neighbourhoods (1987: 162).

At this time, housing production was not organized in a fully capitalist way as it was both small-scale, not integrated into any financial markets and often individually undertaken. *Gecekondu* construction and build-and-sell models were the main housing production mechanisms (discussed in detail in the next chapter). It is important to note that, in this phase, these hybrid forms of housing production were articulated with the formation of the productive circuits of capital in Turkey. In contrast to the state's active promotion of industrial investments, housing investments were seen as a resource-absorber, as in the World Bank view, that should not be supported.

While small-scale construction firms were active in the house building industry as a response to the high-speed urbanization from the late 1950s, large-scale Turkish construction firms invested outside the national borders. Turkish construction capital was the first internationalized capital because of its history and capital structure. In the mid-1970s, capital accumulation faced a severe realization crisis within the national market as a result of inward-oriented accumulation policies. Additionally, the Turkish state faced a foreign currency crisis. The construction sector emerged as a remedy for these crises via internationalization, especially in Libya in the mid-1970s and the former Soviet States in the late 1980s. The construction firms which wanted to invest in

international markets needed a formal technical proficiency document issued by the Ministry of Public Works, and the number of these ‘official’ documents tripled by the end of the 1970s. Additionally, the firms that wanted to invest in international markets needed ‘letters of guarantee’ from banks, and these letters drastically increased in these years (Batmaz, Emiroglu and Unsal, 2006). Internationalization of the construction industry became the remedy for foreign exchange shortages in this phase. Unlike the national housing market structure, the construction firms which were active in large-scale infrastructural investments became powerful investors. In 1964, the Construction Industry Employer’s Association (Insaat Sanayicileri Isveren Sendikasi, INTES) was founded by the 22 representatives of large-scale construction firms with the help of the Turkish Constructor’s Association (Turkiye Muteahhitler Birligi, TMB). The association, as the representative of internationalized large-scale construction firms, organized a lobby for technical proficiency documents to exclude small-scale national firms in the international market and for the use of public procurement to block the entrance of international firms into the national market.

2.3. The ‘Enabling’ Housing Market between the 1980s and 2000s

The housing market emerged as an important sphere of realization and valorization of capital under unique economic circumstances. On the one hand, it emerged as an important sphere for production, realization, and reproduction of the investment-constrained fractions of capital which had been producing for the domestically-protected markets (Bryan 1995). On the other, the Turkish state had a constitutive role to integrate relatively large-scale housing producers in the housing market with the help of TOKI. Industrialization and scaling-up housing production had been a priority of TOKI throughout this phase. In order to analyze the relationship between the housing sector and capital accumulation in general, it is important to frame the background story of this new phase of Turkish capitalism.

The inward-oriented accumulation strategy reached its limits in the late 1970s and took the form of a severe foreign exchange crisis. The very first structural reason for the crisis was the increasing dependency on foreign exchange since the Turkish economy depended on the import of oil and means of production (intermediary and investment goods) to continue accumulation (Ozturk 2011: 110). Secondly, since the domestic market was limited in itself, both the production of motor vehicles and ‘white appliances’ were stopped due to a lack of domestic demand by 1977 (Ozturk 2010: 124).

As Ercan puts it, the 1980 military coup occurred based on a triple alliance between large-scale capital (in the form of the large holding companies), the state, and the IFIs (2002: 25). Large-scale capital’s hegemony became unsustainable without integrating with international money capital at a more active level. And this required a change in capital accumulation towards an increased export orientation. The increase in the formation of holding companies by the end of the 1970s shows the tendency of centralization and the formation of ‘finance capital’ through an integration of finance, industry, and merchant activities into holding companies (Ozturk 2011: 346). The large-scale companies which had money capital (such as commercial banks) became the owners of small-scale companies which were unable to pay their loans as a result of drastic interest rate increases. TUSIAD lobbied for giving public incentives to internationalized large-scale holding companies which had the power to compete in the international market. Second, the state faced a legitimacy crisis as a result of the increasing militancy of worker and student movements. Lastly, the IFIs declared a new development paradigm for the late-comer states to make them go through market-oriented restructuring processes in order to sustain their integration with the world capitalist market on different terms. That is, a transition to the new phase of capital accumulation

was the result of the intersecting interests of internal dynamics of capital accumulation in Turkey and external dynamics of internationalization of capital (Oguz 2013: 197).

Under the military regime between 1980 and 1983, the stand-by-agreement with the IMF covering the period 1980-83, and the structural agreement loans taken from the World Bank for the period between 1980 and 1984, were both implemented without any social opposition (Ercan 2002: 25).

Ercan (2006) conceptualizes two important phases in this period as accumulation through export promotion (from 1980-89), and accumulation through the inflow of money capital (1989 to the late 1990s). The first phase was marked by a production of labour-intensive goods for export and military intervention in the Turkish state. This was successful in establishing strict control over wage-setting and prohibiting trade union activities (Oguz 2013: 197). The Export Promotion and Implementation Department was established after the military coup to provide certificates and credits for exporters. The export credit share was increased from 6.88% in 1980 to 12.06% in 1992 (Ercan 2002: 27). The second phase was marked by the implementation of Decree No. 32 in 1989, which removed restrictions on international capital movements. The main characteristic of the period was international short-term flows into the economy as a result of high domestic interest rates (Ercan 2002: 30). The large banks organized as holding companies became the winners in this phase, since they were the central agents in the domestically-mediated external borrowing of the state (Oguz 2013: 198). In 1998, the ratio of interest payments to total investment spending in the public sphere reached an astonishing 1010.4% (Ercan 2002: 27).

As a result of the inward-oriented strategy's accumulation crisis, there followed an integration of Turkish capital into international market-oriented capitalism. The Turkish state was restructured in line with the 'first generation structural reforms'. The state structure underwent

drastic changes since the values and principles of the Turkish state of the ISI period were now obstacles to the new neoliberal order. The Motherland Party (Anavatan Partisi, ANAP), under the presidency of Turgut Ozal, won the elections in 1983. During the ANAP government, the bureaucracy was considerably modified and the executive branch of the state strengthened vis-à-vis the legislative branch (Oguz, 2008). Decrees having force of law (DFLs) emerged as important tools to implement neoliberal rules and to restructure state apparatuses. The decision-making centers were centralized as undersecretaries and special commissions were directly connected to the Presidency or Prime Minister. Ozal created a dual structure in the bureaucracy through forming new centralized and market-oriented agencies with new payment and personnel models, and curbing the powers of already-existing state departments without eliminating them (Sonmez 2011: 107). The term ‘Ozal’s Princes’ was used to define the technocrats who were appointed to chair top agencies, state-owned banks, and SOEs in order to speed up state restructuring though bypassing the traditional hierarchy of the bureaucracy (108).

TOKI can be considered as an outcome of this process. Although the formation of TOKI is analyzed in the next chapter, two points are important to emphasize here. First, parallel to the authoritarian restructuring of the state, TOKI was made directly accountable to the Prime Minister in order to carry out mass housing projects with at most speed. Additionally, its bureaucratic structure differed from the outset as the newly employed bureaucrats had close connections with the construction firms. TOKI was founded as a central regulatory public institution and tasked with providing the necessary conditions to enable the construction of mass housing projects (Balaban 2008: 100). TOKI had an extra-budgetary fund which was outside of parliamentary approval and the central budget. These extra-budgetary funds were an important institutional novelty of this phase of capital accumulation as they continued some distributive strategies without violating the

liberalization priorities of the structural adjustment programs with the IFIs (Sonmez 2011: 111). The state's role in mass housing construction was to provide cheap credits to the contractors, developers, and construction firms that invested in housing projects. TOKI regulated the housing market by providing loans to investors in the house building industry. The Turkish state, as the 'enabler' of the housing market, facilitated the formation of both its industrial and money capital circuits in the house building sector.

Second, as an intervention into the housing market is TOKI's main role was to 'enable' a housing market within national borders. Both the World Bank and UN-Habitat agendas pushed developing country governments to develop an 'enabling approach' for housing markets. This meant reorienting their activity from direct housing provision and regulation to supporting private housing markets in order to make the real estate market function more efficiently (World Bank 1993; Malpezzi 1994; Cohen 1983; Pinsky and Mundle 1999). The private market was to be the primary mechanism for housing delivery. The Turkish state enabled the housing sector in particular, and the construction sector in general, through making various urban laws. TOKI, as creditor, became the provider of money capital in order to 'enable', in the World Bank's terminology, or trigger private investment into the housing sector.

This is the context in which the construction industry became a vital sector for the realization and revalorization of capital, in good part because of its high level of backward linkages to almost 200 national sub-sectors.²¹ Under the new era of trade and financial liberalization, the legal and institutional framework of the production of the built urban environment, including mass housing construction, drastically changed. The first remarkable boom of the construction industry

²¹ According to OECD policy roundtables, the construction sector is defined as follows: "The construction sector is responsible for building new houses, apartments, factories, offices, and schools. It also builds roads, bridges, ports, railroads, sewers, and tunnels, among many other things. In addition, it maintains and repairs all of those structures and produces the basic materials such as concrete that are used to make them" (OECD 2008: 9).

occurred between 1982 and 1988, and the contribution of the sector to total GNP increased from 5.2% in 1982 to 7.3% in 1987 (Balaban, 2008: 117).

2.4. An 'Effective' State for the Formation of the Real Estate Sector in the 2000s

After the 1989 decision to eliminate all regulations on the capital account, Turkey was subjected to cycles of capital accumulation in the form of financial and exchange rate crises in 1994, 1998, 2000, and 2001 (Cizre and Yeldan 2005: 388). The most remarkable change from capital account liberalization was seen in public sector borrowing. Interest costs on domestic debt reached 80% of overall tax income for the state by 2000 (Oguz 2008: 114). According to Yeldan and Cizre (2005: 397), since 1995, new government borrowings amounted to almost half of the already-incurred stock of debt. The Turkish state was dealing with 'debt turnover' throughout the 1990s, as the fiscal crisis of the state was not easing.

In 1999, a new standby agreement was signed with the IMF under the coalition government made up of ANAP, the Nationalist Action Party (Milliyetçi Hareket Partisi, MHP), and Democratic Left Party (Demokratik Sol Parti, DSP) under Prime Minister Bulent Ecevit. With it, Turkey initiated 'second generational structural reforms'. Besides the privatization of the large SOEs like Turk Telecom, this round of structural reforms necessitated long-term institutional reforms as well, in terms of establishing independent regulators for the banking system (Onis 2009: 414). It was stated by Kemal Dervis at the time that the economy deserved priority over democracy in order to restructure the financial links with international capital and to attain a stronger economy (Cizre and Yeldan 2005: 392). The market-oriented institutionalist scholars argue that weak state capacity and the absence of the necessary regulatory framework were the main reasons behind macroeconomic instability (Onis 2009: 411; Bugra and Savaskan 2014: 52). Even though the IMF-backed stabilization program was implemented in 1999, it was not able to prevent the 2001

economic crisis stemming from two major waves of outflow of capital, an event which especially affected indebted small and medium scale enterprises (SMEs) (Bugra and Savaskan 2014: 52). The victory of the Justice and Development Party (Adalet ve Kalkinma Partisi, AKP) in the 2002 elections was the result of these political and economic processes and provided the potential opening to speed up the state restructuring process in the aftermath of the crisis (Sonmez 2011: 114).

The AKP's new hegemonic project became successful, steadily gaining acceptance from different fractions of capital. As widely discussed by scholars, the AKP depended on its ability to bring a reconciliation between Anatolian-based SMEs and large internationalized capital groups (Yalman and Bedirhanoglu 2012; Bugra and Savaskan 2014; Hosgor 2011). These Anatolian SMEs organized their own associations and used religion as a network resource (Bugra and Savaskan 2014: 110). In the 1990s, the Association of Independent Industrialists and Businessmen (Mustakil Sanayici ve Isadamlari Dernegi, MUSIAD) and the Association of Anatolian Businessmen (Anadolu Aslanlari Isadamlari Dernegi, ASKON) were founded in order to represent the emerging capitalist groups from different Anatolian cities. Government incentives were the main determinants of both formation and transformation of these SMEs into large-scale ones.

As Ercan and Guntekin-Karakas (2008) put it, the defining characteristic of this phase of Turkish development was Turkey's integration into the world market through the internationalization of productive capital. Different from the previous capital accumulation phases of the post-1980 era, which were characterized by integration into the world market through exchange (money and commercial capital), in the post-2001 phase, the internationalization of capital was moving through value-added production. This was one of the major reasons for the increasing importance of the Anatolian-based SMEs producing for the export market.

When it comes to state restructuring, the state was to be ‘effective’, meaning not directly intervening in markets but rather supporting the formation of markets and commodification. One key aspect related to TOKI’s institutional restructuring was the new fiscal policies of the state, due to the increasing fiscal debt of the state from the 1990s economic crises. In 2003, the *Fiscal Policy and Public Management* law was implemented to ensure the accountability, effectiveness, and efficiency of the distribution of public resources (Yilmaz 2015). In line with the law, it was promoted that the state institutions should finance themselves without getting a share of the public budget. TOKI’s new institutional structure traces directly to this paradigmatic shift of public finances. TOKI would no longer get any funding from the state budget and had to create its own financial sources. At that point, the state started to pursue public-private partnerships and ‘revenue-sharing’ models and actively encourage housing commodification.

Another important intervention into state restructuring was the strengthening the autonomy of the Turkish Central Bank and the Turkish Bank Regulatory and Supervisory Agency (Bankacilik Duzenleme ve Denetleme Kurumu). The autonomous regulatory agencies in the major areas of the economy such as energy, telecommunications, and tobacco strengthened after 2002 (Onis 2009: 421; Sonmez 2011: 116). TOKI, however, was directly accountable to the Prime Minister and not included in this process.

Omnibus bills and DFLs became the main legislation mechanisms under AKP rule. The legislature became a ‘rubber-stamp’ which could not intervene into the content of the laws (CHP 2015: 14-18). The authoritative increase in executive power reached its peak with the implementation of Empowering Law No. 6222 in 2011, just two months before the elections. Based on this law, there was an enormous concentration of executive power to implement DFLs for six months without any parliamentary discussion. Throughout this process, almost 500 laws

were changed based on 35 different DFLs. A legislative innovation of the AKP government for Turkey was omnibus bills which collected various subjects concerning different public fields under the same law. It is almost impossible to keep pace with the legislative changes, as some 2,994 articles were legislated in 64 different omnibus bills (*Hurriyet*, 16/09/2014).

The government's 'Emergency Action Plan' declared its major urban aims to be the 'regeneration' of squatter areas and the provision of social housing for low-income groups (Gough and Gundogdu, 2009: 19). Although the plan sounds like a welfare policy, the main aim of the government was the restructuring of the state as an active agent in the market, since the state needs to finance itself in the era of austerity. This is why the real break in the role of the state was experienced after 2000s.

As a result of this centralization, with TOKI playing a central role, Turkey turned into a huge construction site. TOKI became the main decision-maker in terms of the production of 'affordable houses' and 'luxury houses'. This central role of the state in the sector created tensions among different fractions and circuits of the construction industry. TOKI's intervention into the housing sector is now completely different from previous phases in terms of integrating the housing sector into the financial markets, particularly through its biggest subsidiary, Emlak Konut Real Estate Investment Trust (REIT).

In this phase of capital accumulation, house building companies began to form their independent business associations. The most remarkable ones were the Association of Real Estate and Real Estate Investment Companies (Gayrimenkul ve Gayrimenkul Yatirimcileri Dernegi, GYO-DER), established in 1999, and Housing Developers and Investors (Konut Gelistiricileri ve Yatirimcileri Dernegi, KONUTDER), founded in 2011. They are representatives of the large-scale real estate developers and have close connections with the government and TOKI. There are

fundamental cleavages between these two real estate associations and the Turkish Construction Industrial Employers (Inaat Sanayicileri Isveren Sendikasi, INTES) and the Turkish Constructors Association (Turkiye Muteahhitler Birliđi, TMB), the associations of construction companies which were internationalized after late 1970s.

3. Conclusion

The chapter provides a framework to trace the contradictory relationship among the state, capital, and IFIs in the formation of the housing market in Turkey. It refutes state-centered and left-Keynesian approaches to both state-society relations and the housing sector. Through critical analysis of the literature on state-society relationships and the housing problem, I build my own framework in relation to different phases of capital accumulation and state restructuring. In order to go beyond the descriptive approaches which explain the housing issue in relation with development paradigms and the clientelistic policies of different governments, the formation of a relatively autonomous housing sector is periodized based on the ‘primacy of internal factors’.

The four phases are defined in relation to the Turkish state’s intervention into the housing problem in different periods of capital accumulation. The first phase, stretching from the 1930s to the 1950s, was marked by infrastructure construction in the newly-founded Republic. Since the class structure of the society remained mostly based on the rural peasantry, the housing question did not emerge as a social issue in this period. The second phase, encompassing the 1960s and 1970s, was characterized by the formation of a productive circuit with inward-oriented accumulation strategies. Two pre-capitalist/hybrid forms of housing production dominated the society – *gecekondu* and the build-and-sell model. Use value was prioritized for the purpose of reproduction of the migrated labour power.

In the period lasting from the 1980s into the 2000s, the housing sector became an important sphere for capital accumulation as a result of changing accumulation strategies. In that phase, TOKI was founded for the sake of enabling a capitalist form of housing production against the previous hybrid ones. The industrialization of the sector and the institutionalization of housing credits were the main features of the period. In the last phase, after the 2000s, the institutional restructuring of TOKI created an enormously powerful state institution in the sector. On the one hand, it became an ‘active player’ in the sector through mass housing production. On the other hand, it is ‘market-maker’ regarding the institutionalization of the different circuits of housing production. The details of this contradictory position of the TOKI in the sector is analyzed in Chapters Seven and Eight.

In order to approach the formation of housing sector in relation to different sectors within the economy, the Turkish state’s changing roles are analyzed in the next three empirical chapters based on the framework developed here.

CHAPTER 6

State Intervention and the Turkish Mass Housing Administration as Creditor

1. Introduction

The Turkish state's role in addressing the housing question has previously been discussed mainly with reference to economic backwardness and populism (Tekeli 1996: 5; Oncu and Keyder 1993: 20; Keyder 2005). This discourse is dominant in both academic and policy circles (such as the SPO reports). In this chapter, I argue that the Turkish state's housing policies are based on these two determinants pointed out in the dominant discourse, but I restructure them based on state theories and an analysis of capital accumulation. Both populism and economic backwardness are the appearances that describe the history of the housing question instead of theorizing it. I approach 'economic backwardness' as capital accumulation and the formation of the circuits in the housing sector in a late-comer country context, and I analyze 'populism' from the vantage of the legitimization function of the capitalist state.

Similar to other developing countries, the Turkish state intervened into the housing market by forming a mass housing fund. Analogous efforts internationally included the foundation of Instituto del Fondo Nacional de la Vivienda para los Trabajadores (Infonavit) as the worker's housing credit bank in 1972 in Mexico, Banco Nacional de Habitación (BNH) in Brazil as a national bank for large public housing development in 1964, and the National Housing Bank (NHB) in 1988 as a housing finance at the local and regional levels in India. One of the first executive policies of the military government in 1981 was to form TOKI as a special budgeted state economic enterprise (SEO). It formed during the crisis caused by inward-oriented accumulation strategies, a crisis which especially materialized in SOEs, and a turn against SOEs is quite interesting. Why did the Turkish state build a SOE in the housing sector for the people who cannot afford to buy a house

under market circumstances? Why did this kind of social policy emerge as it is appeared to against the turn in policy regimes?

As elsewhere, the housing sector was being urged to modernize in order to transform homes into marketable commodities. That is, previously hybrid forms of housing production – like squatters or the build-and-sell model – were, in this phase of productive capital formation, being subjected to *administrative recommodification*. They were small-scale hybrid forms of housing production since neither squatter building nor the build-and-sell model are based on differentiated forms of capital; all the steps of construction were completed by the owner or constructor without involving the credit market. The labour power used in production composed of family members or new migrants to the urban area. The recommodification of the housing market meant an exclusion of hybrid forms of housing production and the formation of different circuits of housing production. Although hybrid forms of housing production are materialized in small and medium scale entrepreneurial activities, elimination of these hybrid forms was one of the main underlying rationalities of intervention into the sector.

As will be discussed, the institutional structuring of TOKI in the period between 1984 and 2002 cannot be understood without understanding the general restructuring of the Turkish state and the peculiarities of capital accumulation in this phase. The normative assumptions of multi-centered powers and a declaration of separation of powers as the central characteristic of capitalist states is often more myth than reality, as shown by the TOKI case. In fact, the strengthening of the executive is not just a result of the 12 September 1980 military coup and the governments' political and authoritarian choices. Such a concentration of power is not just a unique state organization; the dominance of the executive above and often against the legislative and judiciary branches of state has been a key feature of the particular phase of capital accumulation. Additionally, the

housing market emerged as an important opportunity to overcome the legitimization and accumulation crises through both supporting the capitalist groups to solve their valorization problems in the national market and the working classes through integrating them into the housing market as homeowners.

This chapter is composed of three parts based on the different forms that the housing question has taken in different phases of capital accumulation: (i) in the phase of productive capital formation from the 1950s to the late 1970s; (ii) the foundation of TOKI in the first phase of the internationalization of productive capital between the 1980s and late 1990s; and (iii) the institutional crisis of TOKI at the end of the 1990s and into the 2000s with intensification of Turkey's economic crisis. The underlying question is: Why does the housing question take different forms in relation to the capitalist state in different phases of capitalist accumulation? Answering it requires an examination of TOKI's housing policies and administrative form.

2. The Housing Question in the Phase of Productive Capital Formation (1950s-1970s)

Throughout the foundation years of the Turkish Republic, the main level of state administration that dealt with housing issue was municipalities. In 1930, with the implementation of the Municipality Law No. 1580, municipalities were tasked with the provision of land for affordable housing, and they had a choice to produce houses on their own or in collaboration with the private sector. This task became a compulsory duty with the passing of Law No. 5656 in 1950. Throughout this process, housing was seen as a shelter instead of as an investment. In fact, the Turkish state was quite harsh toward entrepreneurs who wanted to earn profit in the housing market.

The Real Estate and Orphans Bank (Emlak ve Eytam Bankasi) was founded in 1926 with Law No. 844 as part of the nation-building project of the Turkish Republic. The law tasked the Bank with preservation of money for orphans in a dispersed manner, and provisioned the required funds for houses to be constructed in the newly formed capital city of Ankara (Güven and Isik, 1999: 3). The Bank formed the Emlakbank Construction Company in 1937 in order to construct the new capital city. The major employer of the period was the Ministry of Construction and it was expected that this company would compete with other construction companies and make a profit (12). In accordance with this aim, during the first half of 1940, the Bank was the responsible institution for the application of the Prosperity Tax Credit program against the non-Muslim minorities who were not able to pay the tax six months in advance (14). As a part of the nation-building process, the Turkish state expropriated the properties of the non-Muslim minorities — Jews, Greeks, and especially Armenians— with the excuse of raising funds for the World War II threat. While the assets of the non-Muslim people were transferred to the Muslim bourgeoisie, the Emlak Bank was the main institution to deal with the asset transfer.²²

2.1. Emergence of the Housing Question

The 1950s were important years in terms of the increase in the urban population since the formation of productive capital required huge amounts of labour power to migrate to urban centers. These were the years in which squatters became settlements for newcomers. The very first squatter amnesty law, No. 5218, was passed in 1948 regarding those squatters within Ankara municipality. They were legalized on the condition that the price of land would be paid to the state within 10 years. The founding of the Ministry of Public Works and Settlement in 1958 is an important

²² Look at the following studies for detailed analysis of the tax: Aktar 2000; Aktar 1996.

milestone in the outcome of this process. The Foundation Law (No. 7116) points to housing as a social problem requiring solution in accordance with ‘balanced economic development’. In practice, it meant that the state would give priority to the industrial sector via various incentives and protection mechanisms at the expense of other sectors. Under the Ministry, the Settlement General Directorate was formed to deal with affordable housing problems and the financial aspects necessary to resolve them (Pulat 1992: 211).

The legal production of housing was far smaller in quantity compared to new squatter dwellings. The transformation of the Real Estate and the Orphans Bank into the Real Estate Credit Bank (Emlak Kredi Bankasi) in 1946 was of great importance since it was an aspect of the transformation of the Turkish economy in general. It signaled a recognition that the housing problem is closely related to the urban supply of labour as a result of migration and urbanization (Guvenc and Isik 1999: 145). Additionally, it was accepted that the Ankara-based Bank would not be enough to solve the housing problem, even with the formation of Istanbul Construction Limited Company (in which 55% of the capital belonged to the bank and the remaining to the Istanbul Municipality) (125). The Real Estate and Orphans Bank was not flexible enough to solve the housing question since its applications were restricted to construction on lands that belonged to it. Thus, the Real Estate Credit Bank was established to construct new buildings instead of raising loans based on already-constructed residential areas. The Bank was restructured to make the Turkish state an active player in mass housing construction instead of merely a mortgage bank for housing loans. It is important to note that this institutional restructuring of the bank as the housing supplier was the result of structural deficiencies in mortgage demand and liquidity, not just political decisions of state elites at that time.

2.2. Housing Investment as a Resource Absorber

Although the new Real Estate Credit Bank was founded on a different basis, Turkish state policies radically shifted in the 1960s towards inward-oriented accumulation strategies. As such, the investments in housing and urbanization were seen as a waste of resources (224). Balanced economic development was a latent motive of the state's housing policies until the late 1970s, and this meant encouraging the formation of the productive circuit in the late-comer country context. This discourse became an explicit strategy after the 1960 military coup with the foundation of the State Planning Organization (SPO). The SPO became the most important state apparatus in terms of deciding the necessary steps for productive capital formation. In this phase, housing was related to the social reproduction of labour in urban areas. But the SPO had at this time a negative attitude toward the capitalist classes that gained a profit from land price increases and labelled them as 'parasitic' groups that profit from the necessities of life (DPT 1962: 38). The SPO focus was on keeping labour costs low.

As part of the First Five-Year Development Plan (1963-1967), the SPO published a special report on the housing problem, with reference to its impact on other sectors. The report stated that housing investments should not exceed 20% of the national income and 90% of such investments should be made by the private sector. The public resources for the remaining 10% were to be directed toward social housing. The productive capacity of the sector should be increased in order to use the limited resources in the most efficient way (DPT 1962: 26).

While there were 240,000 squatters in Turkey in 1960, the number increased to 430,000 by 1965, a number which comprised 21.1% of all the urban population (Pulat 1992: 219). The main policies towards squatter areas in this period were aimed at legalization and upgrading. The priority given to increasing the housing supply was decided with reference to the main industrial

cities of extensive rural migration, such as Istanbul, Ankara, Izmir, Adana, Gaziantep, Bursa, Erzurum, Sivas, Izmit, Samsun, and Zonguldak (56). According to these policies, housing, as part of economic development and income distribution, could be improved by development. The plan stated that state institutions should approach housing as a social policy instead of a profit-oriented sector. But, the private sector was still defined as the main producer, and yet, it was expected not to invest in housing in a speculative way. The housing question was defined as a shelter and settlement problem. As a resource absorber, the Bank forbid to give loans for housing construction.

One of the main problems defined by the report was land speculation in the big cities. It was stated that land costs should decrease and account for no more than %5-10 of the total cost of housing production (DPT 1962: 17-18). The report thus opened disputes against the profit-oriented approach and expressed a clear preference for social housing production. The SPO report stated that a law should be implemented to tax rent increases and expensive lands should be excluded from any access to credit mechanisms (65).

The Squatter Law, No. 775, was implemented in 1966, and it attempted to solve the squatter problem through regeneration, demobilization, and prevention. The squatters, however, were not to be demobilized by allowing them to buy to land or get a housing loan from the state. Self-help policies were supported by the Ministry of Settlement and Public Works (DPT 1962: 8). In the same year, the Condominium Law, No. 634 (flat ownership law), was implemented to overcome high land prices and enable the middle classes to purchase legal houses.

During the Second Five-Year Development Plan (1968-1972), the housing investments share of national income decreased slightly to 17.1%. Both the promotion of self-help policies and the state's regulatory role continued to be the main focus in planning for housing. Like the previous plan, the Turkish state supported social housing production and discouraged the production of

luxury houses through taxes (DPT 1996: 2). The main difference from the previous plan was a more holistic approach relating the housing question to urbanization as one of the impacts of ISI and expansion of the productive circuit of capital.

The fight against land speculation became institutionalized with the foundation of the Land Office in 1969. It was empowered with a right of expropriation to reduce land prices for housing production. Although the Land Office was tasked with providing land for mass housing projects, the lands were allocated mostly to industrial investment projects (DPT 1996: 68). Between 1969 and 1992, 69.1% of the zoned and state-owned lands were sold for industrial investment; whereas only 24.6% were sold for housing projects (69). The housing cooperatives were seen as the major actors that needed to be supported for the housing policies. In 1969, the Housing Cooperatives Law, No. 1163, was implemented to define the legal framework for their housing activities.

In the Third Five-Year Development Plan, covering the period between 1973 and 1977, the same concerns over a balanced economy and land speculation continued (DPT 1971: 17). Although the plan suggested that squatters would fall from 70,000 to 7,000 in the period, the financial means to achieve this were not elaborated, and the housing policies continued along the same lines as the prior plan. In the Fourth Five-Year Development Plan, a decrease of housing investment to 14.6% of national income was attempted. Remarkably, in the fourth plan, housing was seen as a social and political threat to social integration (ITO 1978: 78). During these years, the Turkish state's legitimacy was being challenged by progressive movements mobilized in the major squatter areas in the big cities. In any case, as a result of the capital accumulation crisis and social discontent of the 1970s, the fourth development plan was abolished by the 1980 economic stabilization program.

The Fourth Five-Year Development Plan was stopped by the military coup of 12 September 1980. By the 1980s, the capitalist classes were angry with state housing construction policies. The sector was seen as unproductive and, with almost 30 laws governing it, extremely over-regulated. Their frustration was evident at the Seminar on the Construction Industry, organized by the Istanbul Chamber of Commerce in 1978. The President of the Turkish Construction Association stated the main problems of the sector were the following: the lands are under the authority of speculators; the construction inputs produced by the state are sold in the black market; the construction inputs produced by the private sector are low quality; a lack of urban planning indirectly supports squatter buildings; there are unbearable tax burdens on the construction sector; and the construction sector lacks access to credit from the commercial banks (ITO 1978: 318-22). The business associations in the seminar strongly advocated for the foundation of a government ministry that would be responsible for both construction and the housing sector.

2.3. The Turkish State's 'Inability' to Provide Affordable Housing

Although the Turkish state did not provide mass housing for immigrant laborers throughout the process of migration, the state had a significant role in shaping the informal housing sector (Bugra, 1998: 306). This 'informal' housing market expanded from "4.8% to 21.1% of total housing between 1955 and 1980" (Oncu, 1988: 47). The housing increase between 1950 and 1980 is labelled as a 'housing boom' and even a 'housing miracle' by scholars (Oncu 1988; Baharoglu 1996; Balaban 2008). *Gecekondu* (squatters) and the 'build-and-sell' model were the two main housing supply mechanisms as a response to the absence of a state policy on social or affordable housing (Ozdemir, 2011: 1101). *Gecekondu* housing was constructed on public lands, typically without the permission of local authorities and outside the purview of any development plans.

Gecekondu settlements were not, however, seen as illegal settlements to be destroyed by the state but accepted as legitimate housing, if not with clear legal status. Furthermore, by the 1960s, the Turkish state implemented many amnesty laws legalizing gecekondu by giving settlers legal rights, such as the right to have deed or the right to buy land (Balaban 2008; Bugra 1998). The state had a tolerance towards squatter settlements as part of a redistribution policy under the state-led ISI development paradigm by providing free land to rural immigrants (Balaban: 2008, 71). The build-and-sell model was a ‘legal’ form of housing production: “a form of entrepreneurship which is a coalition between small and medium scale building contractors in which landowners provide land to a builder for the construction of multi-story apartment buildings” (Ozdemir 2011: 1102). The Condominium Law in 1966 was a turning point for the build-and-sell model, as it made buying independent units of buildings legal and formal.

The mainstream literature argues that the major reason behind the construction of illegal settlements was the government’s inability to provide necessary resources for adequate housing for ‘low-income people’ (Bugra, 1998; Davis, 2007; Eke, 1989; De Soto, 2001). But this explanation does not give any account as to why the state was ‘unable’ to provide housing for workers in this particular phase. The predominance of pre-capitalist forms of house-building in the years of productive capital formation was not due to the state’s inability to provide affordable housing for migrant workers. Nor was it the expression of a preference to support industry at the expense of the house-building sector. The dominance of gecekondu production and build-and-sell was characteristic of this particular phase of capitalist development. As well, the housing-production sector dominated by small-scale firms as well as hybrid forms of housing production including land development, production, and finance were done by these small-scale firms. The

focus of the phase was on low costs and the rapid movement of workers into urban areas. Cheap housing was a part of the strategy.

3. Institutionalization of the ‘Invisible Hand’ (1980-2000)

The Turkish state’s housing policy drastically changed after the 1980s. On the one hand, housing was no longer defined with reference to balanced economic development, but as a sector of its own and a new field for investment. On the other hand, housing policy was used to restore the state’s legitimacy. Although there were drastic paradigmatic shifts in the Turkish state’s discourse and new forms of housing provision, its owner-based approach to housing has not changed from the foundation of Republic. In order to deepen the housing market and overcome the hybrid forms of housing production, however, the Turkish state institutionalized new housing policies to steadily commodify housing as a developed economic sector.

3.1. The First Housing Development Law and the Military Government

The first Housing Development Law, No. 2487, was implemented by the military government in 1981. It established the High Commission of Housing Development, headed by a State Minister, as the main body responsible for mass housing policies. It was composed of the Ministers of National Defence, Interior Relations, Treasury, Public Works and Settlement, Agriculture and Forestry, Energy and Natural Resources, Industry and Technology, Rural Affairs, and Social Security. The Ministry of Public Works and the Settlement was charged with being the secretariat of the Commission in terms of introducing the regulations. The execution of the law was to be carried out by the Ministry of Public Works and Settlement, the High Commission of Housing Development, mass housing commissions at the city level, and the national Land Bank.

The law bypassed municipalities through centralizing housing policies in the national government in Ankara.

As a result, the Turkish State was tasked with zoning the land and providing the infrastructure and financial resources for mass housing production. The state would be able to work with the private sector or other public sector bodies to initiate this process. The scale of any single housing project was now slated to begin from at least 200 houses or more. The public housing fund was created within the Turkish Central Bank and commercial banks were tasked with providing housing savings accounts under the surveillance of the Central Bank.

The law supported housing cooperatives as the main vehicles for mass housing production. According to the law, the only debtors are the housing cooperatives, the association of housing cooperatives, and the Social Security Institutions. That is, small and big scale constructors were excluded from accessing the public housing fund. This exclusion can be seen as a side-effect of the military coup d'état, as the military regime prioritised the state over other sectors as the means to 'sustaining peace and stability'.

The new housing law provoked heated debate among contractors in this period. In the Istanbul Chamber of Commerce's seminar on the 'Problems of the Construction Sector' in 1983, the construction industry and other business associations expressed widespread dissatisfaction with the law. The Minister of Public Works and Settlement, Ahmet Samsunlu, declared in his opening speech that the law was not implemented to solve the sector's problems. Instead, the aim of the Housing Development Law was to make homeowners out of people who were actually not eligible under free market conditions. According to the minister, the law contributed to the sector through providing credits to consumers and increasing demand among workers who otherwise could not join the market as a customer (ITO 1984: 12-13). Additionally, he pointed out, the High

Commission of Housing Development worked on ways to integrate the commercial banks into the housing credit system through providing incentives.

The spokesman for the Istanbul Chamber of Commerce severely criticized housing policy contending:

Surprisingly enough, even though the Turkish state cannot solve the housing problem even if it spent its entire budget to solve it. The state did not support our sector although we produce 95% of the housing market. We did not get any incentives from the state. We were stonewalled. Additionally, the Turkish state encouraged a public opinion against the housing sector through labelling it as a resource-absorber. An unqualified and ignorant bureaucracy destroyed our sector through laws and regulations (ITO 1984: 42).

The same point was supported by the President of the Federation of the Turkish Constructors. As the construction sector was thought of as a resource absorber, he argued, it was punished by various taxes in order to channel investments into other industrial sectors (47). Moreover, the constructors thought that enforcing the minimum limit of building 200 houses to attain state support for mass housing production had as its aim the monopolization of the housing sector (163-64). In short, small-scale constructors were very critical of the new housing development law.

Although the first Housing Development Law tried to enable a more legal and credit-based mass scale housing market based on housing cooperatives, it was all but a complicate failure. As articulated in the speech of Vahit Erdem, the founding president of TOKI, to the 8th Technical Congress of the Chamber of Civil Engineers in 1985, there were two main reasons for the failure of the law. First of all, it was opposed by almost all fractions of capital within the housing sector. Secondly, since the public housing fund came from the state budget, it could not provide enough credits to the housing cooperatives. The law did not solve the housing finance problem and this was still-born.

3.2. Another Try: The Second Housing Development Law

The second Housing Development Law, No. 2985, was enacted in 1984 by the first government elected after the military coup. This was not a mass housing law; as it was aimed at enabling the housing sector in general. There are fundamental differences between the first and the second housing development laws. Different from the previous one, the new housing fund was structured as 'off-budget funds' which were outside the control of parliament (Bugra 1994: 153). The Turkish state's budget restructuring and the foundation of off-budget funds were important signs of the rise of the executive and the increasingly authoritarian structure of the state. The Mass Housing Fund was composed of taxes imposed on locally-produced cigarettes and beverages, on fuel oil consumption, and obligatory payments collected from travelers visiting abroad. In addition to the fund, the Housing Development and Public Participation Administration was established with the Foundation of Housing Development and Public Participation Law No. 2983. Different from the High Commission of Housing Development formed by the previous housing law, the new Administration was a public body with its own president and bureaucratic cadre.

Another important difference from the previous housing law was the aim to expand the focus of credit provision for housing and housing production (TOKI 1999: 3). The fund provided public support not only to the housing cooperatives, but also to different sizes of housing constructors as well as individuals. This was an enormous shift in housing policy since, as it was stated by the representatives of the sector, the constructors had been asking for credit throughout the previous period and this is why they were so critical of the first housing law. Until the mid-1980s, commercial banks were not allowed to provide housing loans since industrial investments had a priority for lending. Between 1963 and 1980, the only institutions that could open housing credits were the Emlak Bank and the Social Insurance Institution, which constituted 15% of all

housing investments (DPT 1996: 80). As with the builders of housing, eligible lenders for finance were expanded greatly. It is important to note that in both housing laws, the position of the Turkish state was that the housing sector was unable to finance itself, and thus needed to be supported by the state budget. This approach to the housing market would totally change after the 2000s.

3.3. Institutionalized Intervention of the Turkish State in the Housing Market

The success of the second mass housing law is closely related with the paradigmatic shift of the Turkish state. In the Fifth Five-Year Development Plan (1985-1989), housing investments were seen as productive investments, rather than resource absorbers, for the first time in the Turkish Republic's history. The state's role was defined as, more precisely, the 'enabler' and 'land developer' (DPT 1996:3). Parallel to the IFIs' advice to developing countries, the Turkish state began to approach the housing issue as involving more than shelter. Thus, enabling the housing market meant creating a profit-oriented market wherein commodity production and accumulation govern the social relations regarding housing.

The enactment of the Urban Development Law, No. 3194, in 1985, posed another vital turning point for housing production as urban land now became an important investment opportunity for small-scale producers. The implementation of amnesty laws to legalize squatters by giving settlers legal rights to have a deed, buy land, and build four-storey apartments made these squatters small-scale entrepreneurs in the housing sector. That is, the commodification of land and housing became an important phenomenon across the 1980s. These amnesty laws also can be seen as important attempts to restore state legitimacy for the squatters who were previously supporting the progressive movements against the 1980 military coup d'état.

The Turkish state's institutional intervention into the housing sector in the 1980s is an important example of authoritative state restructuring and the changing forms of state's economic

intervention. The rise of a strong executive is one of the key characteristics of TOKI's institutional structure. Previous solutions to the housing question, materialized in pre-capitalist forms of production, became problems as the Turkish state tried to industrialize and integrate the housing market into the financial market. These aims were not fully fulfilled during the 1980s and 1990s and were only accomplished after the 2000s, in the second phase of the institution. Moreover, housing cooperatives were defined as the main demand group, and TOKI, as the main creditor, organized mass demand through housing cooperatives. Lastly, it is argued that TOKI's institutional structuring and restructuring is the result of its fiscal crisis. Its special structured budget, which depended upon the Turkish state's budget, was subjected to severe crises that turned the institution into an idle one at the end of the 1990s.

3.3.1. Rise of the Executive

The foundation of the Mass Housing Administration as a separate body resulted from governmental decree No. 412 in 1990. The re-structuring of a state apparatus with a governmental decree is an important sign of the rise of the executive and the authoritarian tendencies of state restructuring. TOKI became one of the agencies directly linked to the Prime Minister. According to a former Vice President of TOKI, this organizational structure was Turgut Ozal's tactical manoeuvre to override bureaucratic procedures (Interview 12).²³

In the mid-1990s, the Executive Committee of TOKI prepared a legislative proposal for establishing an Urban and Housing Ministry to address the housing market and urbanization in a more holistic way (Interview 12). It is suggested that Turgut Ozal, President of Turkey, told the President of TOKI: "I know urbanization is so important to you and I read your proposal. But if we found a ministry above the administration, the government would designate an undersecretary

²³ The interviews are listed in the bibliography.

and you would have to deal with the bureaucracy all the time. This is why I built administrations like TOKI. To get rid of the undersecretary and bureaucracy for you” (Interview 12). The formation of a separate housing ministry was, in fact, supported by the senior bureaucracy to overcome confusion over authority regarding housing policies and also the capitalist classes to represent their interests in a more direct way. The rise of TOKI’s autonomy compared to other state apparatuses was an attempt to increase the *state’s managing capacity* to regulate and discipline the market in the housing sector. Parallel to the World Bank’s approach to the ‘enabling housing market’, the Turkish state with respect to housing policy gained more autonomy and capacity with its new institutional structure. Additionally, TOKI presidents in this period – Ozal’s princes – were trained differently from the previous bureaucracy as they tended to have a business education from universities in the United States. TOKI had a special bureaucratic cadre who mainly came from the private sector.²⁴

TOKI was highly centralized and acted above and without the control of the municipalities in terms of implementing mass housing projects. It closely monitored municipality performance of housing projects to continue giving housing credits. According to an executive manager of TOKI, the administration worked with the municipalities from the first steps of the mass housing projects. The division of work between the municipalities and TOKI was the following: the municipality was the organizer of the process in terms of the approval of urban development plans, provision of infrastructure, and issuing construction and occupation permits, while TOKI provided technical consultancy and finance (Interview 11).

²⁴ The people whom I interviewed graduated from top-rank universities in Turkey and were previously experts in commercial banks.

TOKI also took on the specific tasks of issuing securities in the form of external or internal bonds, locating additional credit from internal or external bodies to enable the mass housing projects, supporting the commercial banks to make them active in the credit system, and developing the Turkish construction industry. These points were emphasized in the Sixth Five-Year Development Plan (1990-1994), which advised making the necessary arrangements to develop housing credits, a capital market, and housing savings funds (DPT 1989: 316). The housing savings fund system was planned to increase savings in an independent pool to provide relatively low interest rate housing loans to the consumers who make savings in this particular fund.

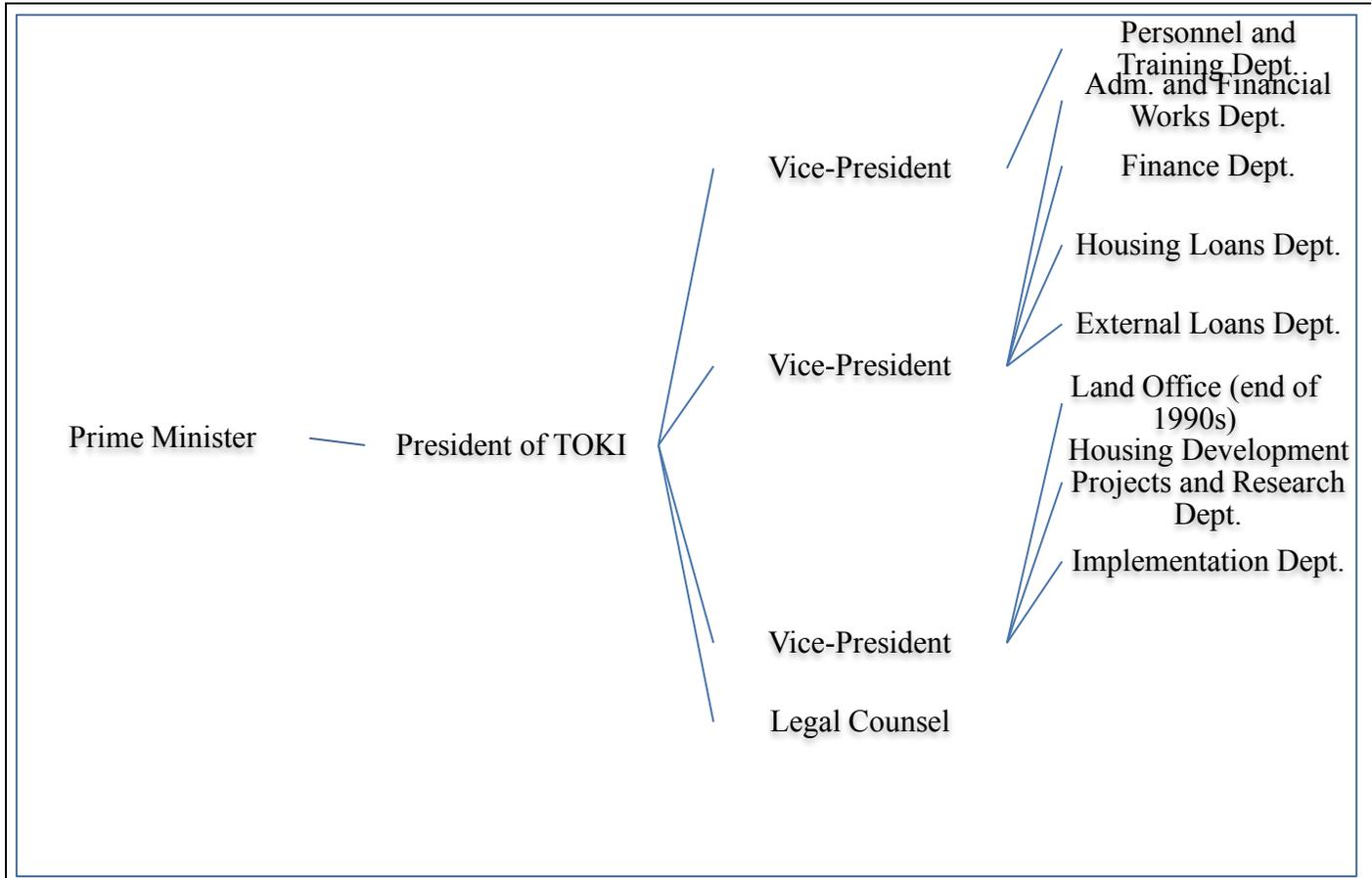
Another important institutional restructuring regarding housing finance was the change in Emlak Bank's primary mission. Carrying out "all kinds of banking transactions for the purchase and sale of movable properties" became the central task, while its mass housing duties took a backseat (Guvenc and Oguz 1999: 268). The Bank undertook a new task regarding housing finance in 1986 by opening the Housing Provision Aid (KEY) accounts on behalf of TOKI. This was a state-supported housing provision project to allow government employees, workers, and the retired to pay for homes in small installments deducted from their paychecks over an extended period. This project was put into practice between 1987 and 1995 without any success, since the amounts that were collected in those accounts as down payments were not enough.

Throughout the period, TOKI worked on alternative possible housing finance systems. According to an executive officer in the finance department, the Administration undertook collaborative work with Fannie Mae to build a mortgage system for the Turkish housing market (Interview 13). Because of financial instability, TOKI had to form a housing credit system in which people paid monthly installments indexed to the annual salary increase of civil servants instead of

a market-determined indexation of mortgage rates (Interview 13). TOKI aimed to contribute to the development of a mortgage system through purchasing mortgages from international markets to generate funds for national housing finance and to strengthen the relationship between housing and capital markets (UN-Habitat 2002: 35). This point was repeated by interviewees many times.

In this period, TOKI's fundamental duties were to provide credits to housing cooperatives, municipalities, and individual citizens. Housing production itself was not a priority for the administration; instead, the goal was to push these other actors to produce sustainable houses with modern technology on their own. In 1996, the Prime Minister of Turkey, Mesut Yilmaz, stated that TOKI was founded to provide credits for the construction of affordable houses instead of producing them itself (*Cumhuriyet* 05.05.1996). For the Turkish state, at this time, TOKI was foremost a housing credit institution. As seen in Chart 6.1, TOKI's organization depended upon provision of housing credits to the municipalities. This was especially obvious in the case of the External Relations Department, which was restructured in 1992 to organize the relationships with municipalities and control their mass housing projects (Interview 12). At the end of 1990s, the Land Office was formed within TOKI in order to solve the severe financial crisis of the administration through selling the public lands to the constructors for housing projects (DPT 2001: 38).

Chart 6.1: TOKI Organizational Scheme 1984 to 1996



Sources: Developed with reference to TOKI’s official documents, its foundation decree, and interviews.

3.3.2. Industrializing Housing Sector Production

One of the main missions of TOKI was to initiate industrialization of the housing sector against hybrid forms of housing production. Housing market structures changed after the 1980s with the share of small-scale production decreasing as land prices and the number of large scale investors in the sector multiplied (DPT 1996: 50). It is widely accepted by many scholars and planners in Turkey (Tekeli, 2010; Sengul, 2001; Balaban, 2008) that large capital groups got involved in the production of the built environment after the 1980s. Distinct from the previous phase of capital accumulation, the housing sector has become highly profitable for large scale construction companies, and these companies began to internationalize their accumulation in

the 1970s. The Turkish state played a vital role to transform urban areas into profitable investment opportunities.

Although the build-and-sell model, as the dominant form of housing production during the 1980s and 1990s, is a licensed form of production in Turkey, it is not a fully developed capitalist mode of housing production as it depends upon non-industrialized small-scale production processes. It occurs entirely without any financial interaction with the commercial banks. The relationship between landowners and the constructors is quite contradictory since the power relationship between them is skewed to the benefit of the landowners as a result of the inflation increase (DPT 1996: 55). In order to finance the building of a house, they need to sell the houses while they are still under construction (56). Constructors are both producer and merchant.

The build-and-sell model can be understood with reference to Marx's conceptualization of the 'putting-out system' at the threshold between the feudal mode of production and the capitalist mode of production (Isik 1995:43). In the golden years of the build-and-sell model of housing production, workers were unqualified migrants with a rural connection – the real subsumption of the labour power was not the case for the construction workers in the build-and-sell model. As a relatively underdeveloped sector, the constant capital needed to initiate housing production was very low and is a blockage to technological innovation.²⁵

²⁵ Although Isik's analysis of the build-and-sell model offers great insights in terms of showing the pre-capitalist forms of housing production, it is not able to answer the question of why housing production remained pre-capitalist while the capitalist mode of production became dominant in the 1960s and 1970s. He explained the emergence of the build-and-sell model as an outcome of the broad coalition among different interest groups and the Turkish state's support for the inward-oriented capital accumulation. In contrast to Isik, I argue that, even though the housing question emerged as a particular national phenomenon specific to the Turkish state's policy choices, different forms of housing production are closely related with the formation of the circuits of capital in general. That is the 'capitalist modernization' of the housing sector is closely related with Turkey's integration into the world capitalist market. Unevenness between the formation of the circuits of capital in general and housing sector development in particular is mediated by the Turkish state's intervention, which oscillates between its legitimization – in terms of reproduction of labour power – and accumulation functions.

A previous executive manager stated that mass housing production forms in the industrialized societies because it needs a particular kind of technology to reach an adequate scale of production (Interview 11). In contrast to the *gecekondu* and the build-and-sell model, which are based on small amounts of constant capital and a hybrid form of housing production, mass housing production from the very beginning needs a remarkable amount of constant capital and wage-labour. The Turkish state's intervention into the housing sector was an attempt to industrialize the housing sector through 'enabling' mass housing production. The tunnel formwork system, for example, was supported to decrease costs and facilitate mass production. Since the zoned lands within the city centers are so fragmented as a result of various amnesty laws, it is costly to locate land within the centers. Thus, the Turkish state made major infrastructural investments for mass housing projects constructed in the outskirts of city centers as in North American suburbs. Since these mass housing projects need large amounts of constant capital, the centralized and large-scale construction companies like MESA, Kutlutas, and Sutek became active in housing (Interview 13).

The Turkish state's attempts to modernize the housing sector were systematized in the Seventh Five Year Development Plan for 1996 to 2000. In the plan, even large-scale housing producers were criticized as the sector lacked commercial capital organized by real estate developers. Both small-scale and large-scale constructors not only build the houses but also sell them to consumers. Since real estate developers which specialize in the commercialization of houses did not develop in the Turkish housing market, the production and sale, including financing the purchase, are done by the same capitalist groups (DPT 1996: 53). This absence affects both the formation of an affordable housing system and industrialization of the sector (71). When housing production depends on the immediate sale of the houses, most of the consumers are excluded from the market. Meanwhile, the lack of liquidity in the housing sector prevents the usage of

industrialized techniques. The planning report argues that the direct relationship between producer and consumer should be broken down and an intermediary relationship should be initiated by the specialised merchant corporations. To achieve this goal, commercial capital should be supported in the housing sector. The development of commercial capital in the form of real estate developers and real estate investment trusts (REITs) was fulfilled after 2003 through institutionalization of the real estate sector in the second phase of TOKI.

The *Special Commission Report on the Housing Sector (1996)* of the Seventh Five-Year Development Report pointed out that the most important problem of the housing market is the lack of sector demand management based on credit mechanisms. The interest rates on the housing credits, provided until 1989, were kept under the inflation rate so the funds melted quickly against inflation (DPT 1996: 8). The Report advises that diversification of the housing credit sources were needed to “modernize” the Turkish housing market without calling on resources from the state budget (DPT 1996: 89). The first of the two housing finance systems, advised by the SPO, were planned to come under the authority of TOKI. As a first option, the long-term housing loan system, prepared in collaboration with the U.S. government housing agency, Fannie Mae, should be developed to allow middle income classes to benefit from housing finance. The SPO stated in the Report that there was a need to form a specialized housing finance institution to increase the resources for housing demand, balance resource usage, manage the portfolio, and disperse credit risk. This specialized institution would not be a competitor to the commercial banks; instead it would work in collaboration with them through institutionalizing secondary markets and deepening the relationship between capital markets and housing finance (DPT 1996: 86). The second system advised was the construction of a housing savings system under the control of TOKI. The down payments to allow housing credits would be collected in a savings account

division within TOKI, and these savings would then pay out interest and provide financial resources for TOKI's projects (DPT 1996: 87).

Another housing finance system gaining support in the SPO was REITS, which allowed for the financing of large-scale investments like satellite cities, housing estates, shopping malls, and hotels. For real estate developers, these trusts issue certificates in exchange for operating revenue from the real estate or shareholder's rights, and export these rights. Thus, large scale construction projects would be added to by the agglomeration of small savings (DPT 1996: 88).

Through these methods, the Turkish state attempted to transform the build-and-sell model into a fully industrial mode of housing production. This is what modernization of housing sector means. Circuits of capital emerged from these all three processes – production, commerce, and finance. TOKI and SPO articulated possible ways to form the money circuit of capital and make the housing sector stand on its own feet. Housing, as a unique commodity, depends on the money circuit since the realization of housing production takes longer when compared to the other sectors. In the housing sector, the Turkish state played an important mediating role for consumers, sellers, and producers.

3.3.3. State Legitimization and the Organization of the Mass Demand for Housing

Making people homeowners within the capitalist market is one of the most important tools of state legitimization and the integration of workers into capitalism. A previous vice-president of TOKI stated that “whenever a new government is formed, the Prime Minister asks us how many house keys we would deliver to the people” (Interview 12).

In the first period between 1980 and 2000, TOKI enabled the housing sector as the supplier of housing credits. As can be seen in Figure 6.1, 84% of the loans were given to the housing

cooperatives between 1984 and 1999. The credits allocated to civil servants made up a total of 8%, and the total taken by workers amounted only 31% (TOKI 1999: 4). Since the houses were 100 square meters at most and the credits were given to the citizens who do not have a house in the city center, the practice was defined as a social policy (Interview 11).

As a result of this policy, housing cooperatives became an important player in the housing market, and their share reached a peak level of %35.5 of all newly-constructed houses in 1998 – in comparison to %5-7 in the 1960s (TOKI 1999: 8). According to the survey that TOKI conducted with the housing cooperatives in 1996, 79% of them started up between 1984 and 1991 (Berkman and Osmay 1996: 3). In the first period of TOKI, 80% percent of its funds came from credit payments from housing cooperatives for long-term loans, but in the short run, the TOKI still depended on the state budget (Interview 12).

Figure 6. 1: Housing Development Fund Implementation (1984-1999)

Mode of Credit	Number of Houses Constructed	Number of Houses Under Construction by 1999	Total	Share in Total (%)
Cooperatives and Housing Constructors	859,408	88,118	947,526	84
Credit to Municipalities	9,771	29,083	38,854	3
Credit to Individuals	93,215	—	93,215	8
Non-Interest Housing Loans	7,373	—	7,373	1
Housing Production on TOKI Owned Land	342,572	8,604	43,131	4
Total	1,004,296	125,805	1,130,101	100

Source: TOKI, 1999: 4.

With the housing cooperatives becoming important players in the market, cooperative unions were established in the 1980s to advance their policy recommendations in a more powerful way. The biggest central association, Turkish Limited Liability Housing Cooperatives Central Association (Turkiye Yapi Kooperatifleri Merkez Birliđi, TURKKONUT), was established in 1985. It gave technical assistance to members in terms of preparation of documents for tendering construction, construction management, and auditing (UN-Habitat 2002: 11). The confederations of cooperative associations gained remarkable political support and enhanced their lobbying capacity. Thus, they became active in the formation of housing policies (65). In this period, most of lands that were controlled by TOKI in big cities were sold to the two largest cooperative central unions, TURKKONUT and Central Union of Turkish Urban Co-operatives (Turkiye Kent Konutlari Merkez Birliđi, TURKKENT) (5).

A former vice-president of TOKI who worked for the administration in the 1990s noted: “Housing cooperatives were very powerful lobbies in our period, but they were working as ‘profit-oriented contractors’ instead of ‘non-profit housing cooperatives’. Since the housing cooperatives were exempt from value added tax (VAT) in those years, most of the constructors began to form housing cooperatives” (Interview 12). In order to overcome this problem, TOKI began to support municipalities at the beginning of the 1990s and the external relations department was founded to work with them on mass housing projects. To this end, TOKI formulated a project in 1992 for “mass housing production and infrastructural investments in municipally-owned lands and providing credits to the municipalities for this aim” (DPT 2001: 18).

A TOKI supported survey in 1992 on unauthorized buildings for housing declared that almost 90% of participants and their close families in the squats were not members of the housing cooperatives (Senyapili 1996: 25). The exclusionary structure of the housing cooperatives suggests

that they were mainly occupation-based organizations (a teachers' housing cooperative; a civil servants' housing cooperative, an engineers' housing cooperative, etc.). Most of the participants surveyed said that it was impossible for them to pay the rent and the monthly installments at the same time. In contrast to housing cooperatives, the construction of squats takes only a couple of months and can be financed by people's own savings and borrowing from their family. According to TOKI's survey, the time period for construction carried out by housing cooperatives averages the following: 20 months from foundation of the cooperative to the land preparation stage, a further 17 months to get from land preparation to the initiation of actual house-building, and finally up to 48 months until completion. This is typical for the most successful cooperatives (Osmy and Berkman 1996: 18). That is, it takes seven years for a housing cooperative to construct houses for its members, without necessarily making any environmental improvements around the mass housing area.

Although there were severe criticisms of the housing cooperatives, they were supported by the former TOKI presidents from 1984 to 2002. Tuna Turgay, the last president in this period, said, "Thanks to the cooperative mechanisms and housing co-operatives in particular, mobilization of local savings, creation of local financial networks, reinvestment in local communities, and increasing the availability of credit and market information to low-income individuals for shelter development can become possible" (UN-Habitat 2002: 5).

3.3.4. The Fiscal Crisis of TOKI

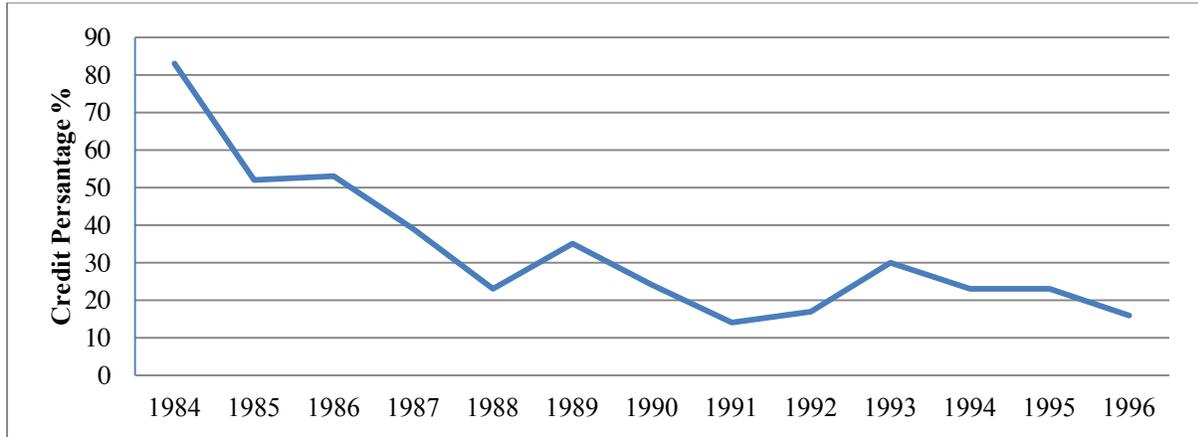
One of the most important structural differences with late-comer capitalist states is that housing finance depends mostly on state budget allocations financed from different sources. Additionally, housing funds are often the first budgetary allocations sacrificed in economic crises.

TOKI's history has been one of financial crises and institutional adjustments to try to cope with the fiscal crisis of the Turkish state.

From 1987, TOKI gave credits to the housing cooperatives through calculating interest rates in accordance with the consumer price index (CPI) and monthly installments in accordance with civil servant wage increases. Since these credits were cheaper than those of commercial banks, TOKI financed its housing fund by a share from the state budget. As a result of a general fiscal crisis due to the long period of structural adjustment policies set by agreements with IFIs, TOKI's autonomous budget structure was included into the state budget step-by-step. In 1988-9 30% of its budget in 1988-89, 50% in 1990-91 and, its entire budget for 1993, was integrated into the state budget. According to a former vice president of TOKI, the administration was subjected to severe criticism by the World Bank at the beginning of 1990s for absorbing national budget sources (Interview 12). In 1993, the Mass Housing Fund that was supported by specific taxes was abolished so TOKI needed to "stand on its own feet" (Interview 11).

Throughout the 1980s and 1990s, TOKI was the single important source of funds for residential mortgage finance, with its loans being heavily subsidized by the state (TOKI 1999: 13). Figure 6.2 shows how the housing credits provided by TOKI declined relative to total housing finance. The Mass Housing Fund was initially able to finance almost all of its costs, but it was quite insufficient by the 1990s when the Turkish state's public spending exceeded its revenues constantly.

Figure 6.2: TOKI-provided Credit's Share of Housing Production (1984-1996)



Source: *Cumhuriyet*, 19 February 1997.

As the main responsible body for housing policies in the 1980s and 1990s, TOKI tried to develop different financial models to build a housing finance market. In 1989, the Housing Certificates Application regulation was prepared to encourage saving. The housing certificate was to be a security and represented one square meter of a house in a mass housing project, with a 5-year maturity. The prices of the certificates were determined by TOKI (Pulat 1992: 236). This proposed housing finance model, however, was never put into practice due to a lack of housing finance mechanisms to support it. Another attempt was made between 1991 and 1992, when TOKI completed a feasibility study on a possible housing finance system in collaboration with Fannie Mae which aimed at formulating a mechanism that would work in Turkey's economic and social conditions (DPT 1996: 82). In 1994, TOKI President Yigit Guloksuz announced that implementation of a mortgage system would be postponed as a result of economic and fiscal crisis (*Cumhuriyet* 12.08.1994). In the mid 1990s, TOKI developed a finance model called the Housing Development Contractual Saving System, and the necessary regulations for it were published in the Official Gazette in 1995 (TOKI 1999: 13). The borrowers needed to save 40% of the construction cost in TOKI's account for five years and TOKI ensured the remaining amount to be

extended (Turel 1996: 32-33). Although the legal ground was prepared, the system did not become operative because of insufficient funds.

Besides the unsuccessful financial solutions developed by TOKI, the Emlak Konut experienced drastic changes in 1988, when the Real Estate Credit Bank and the Halk Bank were merged into the Real Estate Bank Corporation with a governmental decree. In the decree, the Real Estate Bank Corporation was defined as “a sector bank in the fields of foreign trade and housing” (Guvenc and Isik 1999: 285). The new Bank aimed to be part of the internationalization of money capital in Turkey via integrating foreign trade after the mid-1980s; this suggests that the Turkish state’s approach to the housing question was devoted to integrating housing and the finance market.²⁶

As a result of its unsuccessful attempts at institutionalizing housing finance, TOKI began to search for loans from the international market. In 1995, TOKI made a loan application to the European Settlement Fund amounting to \$252 million USD and also sought Saudi Funds amounting to \$62 million and World Bank loans totalling \$50 million (*Cumhuriyet* 15.01.1995). In 2000, TOKI applied to a Japan Bank to get a loan but for \$135 million, but it was blocked by the national Treasury (*Cumhuriyet* 4.12.2000).

By the end of the 1990s, TOKI faced severe financial crisis and was unable to offer credit to either the housing cooperatives or the constructors. As a result of these financial crisis, TOKI declared that it would develop a new revenue sharing project and construct luxury homes on its valuable land in Istanbul (Atakoy) in order to finance affordable housing (*Cumhuriyet* 14.02.1999).

²⁶ The Real Estate Bank Cooperation also became known for corruption scandals and construction of houses for the upper-level state officials. The fate of the money that had been collected from almost 8.5 million Turkish citizens in the KEY accounts remains a mystery since there is no detailed account about expenditures of the money (*Cumhuriyet*, 10.11.1999; *Haberturk* 12.10.2008; *Ekonomi Ekibi*, 03.02.2014)

But as a result of severe criticisms of its construction activities, Kamil Ugurlu, the President of TOKI, declared that TOKI would not continue to work as a constructor after completing these revenue sharing projects and TOKI would return to its main institutional duty of housing credit provision after solving the fiscal crisis (*Cumhuriyet* 03.11.1999). TOKI built 5,200 luxury housing units on its land stock in Halkali and Kadikoy in Istanbul to finance itself in the late 1990s (TOKI 1999: 14).

4. The Institutional Crisis of TOKI

Parallel to the fiscal and legitimacy crises of the Turkish state at the end of 1990s and the beginning of 2000s, TOKI faced a severe institutional crisis. This crisis was examined in the *Private Experts Commission Report on Housing* as a part of the Eighth Development Plan for 2001-5. The report was written under the supervision of TOKI with the institutional help of SPO. The housing cooperative unions were given status as the main representatives of the sector and participated as contributors to the report. Additionally, representatives of large-scale capitalists in the housing sector, The Turkish Employees Association of Construction Industries (Insaat Sanayicileri Isveren Sendikasi, INTES) and Turkish Constructor Associations (Turkiye Muteahhitler Birliđi, TMB), were also key contributors to the report, especially with respect to construction and building insurance, vital issues for the European Union accession process that Turkey was engaged in.

The main themes from the plan concerned finding ways to form a mortgage market for affordable housing. The Housing Development Contractual Saving System passed in 1995 was taken as an ideal way to gather the savings of the middle and lower classes and to direct them into the mortgage market. The plan suggested that this contractual saving system should be updated and extended (DPT 2001: 4). The commercial banks should be included in the mortgage system

through REITs and securitization. One of the main barriers against the mortgage system at this time was the lack of any regulation for construction and building insurance (Interview 7). Such an insurance system is a requirement of the European Union accession process (as well as an aspect of North American mortgage markets), and this point has the priority in the expert report. Additionally, a Center for Mortgage Based Securities was to be established as an incorporated company. In order to put such a center into operation, there was a need to make the following legal arrangements: initiating the rating system for housing loans, enforcement of the purchase of mortgage insurance (as in the U.S. case), providing tax advantages for mortgages, and have commercial banks start providing mortgage credits (DPT 2001: 65). The primary reason for the promotion of the mortgage system was to enable a housing market instead of governing it. For this, the housing sector should be privatized ‘indirectly’ which would be achieved only through the creation of new financial instruments initiated by TOKI (174).

This also meant land policies were another topic in the report. The Amnesty Law No. 2981, passed in 1984, was highly criticized since it opened the way for land speculation in squatter areas and enabled land mafias to become the dominant actors in these areas. The original Squatter Law No. 775, passed in the midst of the ISI period in 1966, gave amnesty to squatter owners on the condition that they do not have any other house or land. That is, the squatter law understands housing as shelter. In contrast to the original law, thanks to the new squatter law the squatters became speculators after 1984. Although land stock was legalized and legitimized by this law, it did not solve the housing problem in a rational way. According to the report, the amnesty laws between 1983 and 1988 ruined the mechanisms of the land market by triggering a speculative rise in land prices (34). In the Expert report, the Turkish state has zero tolerance for the squatters and squats would be subject to recommodification after 2000s.

The Eighth Five-Year Development Plan expected the public sector to be a land developer instead of a direct producer in solving the housing problem (DPT 2001: 35).²⁷ There were five main public institutions that have power to produce land for development: the Ministry of Public and Settlement Works (based on Zoning Law No. 3194, Article 9); the Land Office (with Law No. 1164 to control land prices); TOKI (a land department established in 1999); the General Directorate of National Estates (under the Ministry of Finance and mainly dealing with lands that are owned by the Treasury); and the municipalities (Law No. 1580, Article 15 tasks them with production of land and affordable houses for the poor) (44). One of the most serious problems impeding land production was the lack of the cadastral information vital for a land market and tax policies (47). The plan pointed to an institutional necessity for the foundation of a housing data bank which gathers all the data on land, apartments, and households in Turkey.

Additionally, the report proposed that the Land Office should give support to TOKI in order to let it sell the zoned lands to REITs, housing cooperatives and constructors, and individuals. Thus, TOKI would be able to provide lands to the borrowers instead of credits as a solution to its fiscal crisis (DPT 2001: 61). Moreover, the report stated that TOKI should be given expropriation powers to facilitate the provision of land for commercial housing schemes (164). This became one of the most important and powerful tools of TOKI after 2003.

The expert report prescribed new institutions for housing policy. The foundation of an Urbanization and Housing Ministry was proposed to centralize land policy and unite all the institutions tasked with land production and housing under a single ministry. In interviews, it was stated that TOKI had already drafted a regulation for the foundation of the ministry. The main duties of the ministry would be directing mass housing production, the foundation of a housing

²⁷ This is another interesting policy proposal that became pointless after 2003. As discussed in the next chapter, TOKI became the housing producer and land developer at the same time.

data bank, coordinating municipalities, and regulation of private banks to integrate them into a housing credit system in addition to facilitate land commodification for housing.

The institutional crises of TOKI became visible in its ambiguous institutional restructuring within the bureaucratic structure of the state. In 2001, the Undersecretariat of Housing was established by Law No. 4698 in order to produce land for housing construction in regard to the Development Plans. TOKI and the Land Office were restructured under this new Undersecretary.

In 2002, a new regulation No. 3888 on the Administration's Use of Resources was published in the Official Gazette, and it drastically changed TOKI's role in the housing sector. According to the regulation, TOKI would take over housing credits from the commercial banks and issue securities. TOKI would institutionalize housing finance via opening the road to long-term loan mechanisms in order to increase the sources of housing supply and demand. It was to be transformed into a state-owned mortgage bank. TOKI's institutional uncertainty continued as it is moved from the Undersecretariat of Housing's authority and became affiliated to the Ministry of Settlement and Public Affairs in 2003 by Presidential Decree No. 12142.

When President Erdogan Bayraktar, a founder of the new TOKI, came to power as an elected official of the AKP government in 2003, he asked officials to write individual reports on TOKI collected in a major single report entitled *The Structural Problems of TOKI and Solution Suggestions* (2003). The report contended that TOKI's ambiguous place in the state structure and unclear relation with other state agencies made it ineffective in the housing sector. Additionally, while TOKI had its own regulation for the tendering process, with reference to the European Union accession process, its activities were subject to Public Procurement Law No. 4734. According to the report, working under the Ministry and within the Public Procurement Law made TOKI slow and ineffective in the housing sector and left it lacking the institutional privileges vital for enabling

the housing sector (TOKI 2003: 24, 43). Another main theme in the report was the unorganized structure of the state's land production, and the lengthy bureaucratic processes to attain land from the Land Office, and the overlapping duties of the Land Office and TOKI in land development. It was argued that the Land Office should give land to TOKI without any charge, and TOKI should advance profit-oriented projects in city centers to solve its fiscal limits and to finance affordable houses for lower and middle income classes (TOKI 2003: 31, 41)

Another source of the institutional crisis was the validity of the housing cooperatives in terms of mass housing production. The TOKI reports stated that since housing cooperatives were supposed to be non-profit organizations, they pose a quality management problem. The new paradigm of TOKI's public housing policies was defined with reference to "quality management", which means "an approach to achieving and sustaining high quality output" (Flynn et al 1994: 339). This new direction of the state's organizational restructuring aimed to go beyond the housing cooperatives model. According to the report, since houses were not produced to sell in the market, they were produced according to the minimum standards. Since the demand was organized from the very beginning, consumers cannot control the construction quality. A further problem of the housing cooperatives was their property structure, since the land of the housing cooperative is the common property of the members (TOKI 2011: 15). In the second phase of neoliberal policies (discussed in Chapter Seven), common property ownership emerged as the main problem preventing the development of a fully capitalist housing market. The right-holders had the legal power to block the new housing projects on their land. Once this emerged as the most important barrier to urban regeneration projects, as discussed in the next chapter, the Turkish state attempted to invent novel tools to convert property rights into transferable liquid assets.

Housing production through cooperatives became a constraint as the construction sector developed. The speed of the housing cooperatives' production was simply not enough for the sector. Like the build-and-sell model of the previous period, housing cooperatives became a source of problems even though they had earlier emerged as a possible solution to the housing question. In other words, in the beginning of 2000s that there was a need to go beyond housing cooperatives to reach a full developed capitalist housing market, as this became the prism through which housing was to be provided.

5. Conclusion

The history of the housing question is intertwined with the history of capitalist accumulation in Turkey. In the years of productive capital circuit formation, the Turkish state followed a trickle-down approach and viewed housing investments as unnecessary and as resource absorbers. This paradigm was also supported by the IFIs' housing approach for the developing countries. Through the deep financial and legitimization crises of the 1980s, the housing market emerged as an opportunity for the valorization impasse of the capitalist classes enduring investment constraints. Since the Turkish state was not providing a protected national market for productive capital anymore, the capitalist classes directed their investments into the housing market.

Quite similar to the other developing countries and the World Bank's 'enabling approach', the Turkish state founded TOKI as the primary creditor of the housing market. Although the Turkish state undertook a strategy to roll-back SOEs that were the fulcrum of the previous phase of capital accumulation, TOKI itself was founded as one within this phase. The previously dominant SOEs in the fields of agriculture, textile, mining, and energy completed their missions in terms of the formation of productive capital and consolidation of capitalist relations of

production. Since the housing sector did not develop synchronicity with the other fields of capital accumulation, the state needed to intervene into the sector as an enabler. It is important to note that the foundation of TOKI is not the direct result of the Turkish state's policy choice; it was the outcome of both capitalist class interests and the state's legitimization function of housing provision.

As a late-comer country, Turkey always had difficulties in creating a national savings system that could finance the housing market. The Turkish state, from the very beginning, knew that TOKI's foundation as a credit-provider was condemned to failure if the necessary financial tools were not institutionalized. Both TOKI and SPO worked on possible mechanisms to develop housing finance systems and transform TOKI into an institution that did not rely on state subsidized credits.

In 2001, the Turkish state went through one of the fundamental accumulation crisis which appeared as an enormous rise of state debt. In the same process, TOKI suffered a serious financial crisis in its own and became an institution with an unclear mandate. The fiscal crises of the state institutions did not emerge as a result of false policy choices or the rent-seeking behaviours of policy-makers. As O'Connor (2009) shows in American case, the state fiscal crisis appeared in the structural gap between state spending and state revenues as an irresolvable conflict between social production and private ownership.

After 2003, the plan was drastically changed, and TOKI became a mass housing producer instead of a creditor. As discussed in Chapter Eight, this new institutional structure of the Administration was highly criticized by both international organizations and the capitalist classes. This point has a critical importance for the dissertation. It allows for a discussion of the contradictory relationship among the state's legitimization, its material unity, and the capitalist

fractions with reference to Poulantzas and Offe. The next chapter questions the reasons behind this institutional break at the expense of discontent among important capitalist sector actors.

Although there is a remarkable break in the institutional structure of TOKI regarding its role in the housing sector, its mission of enabling the housing sector continued and deepened after 2003. Along lines similar to those that characterized the general restructuring of the Turkish state after the 2001 economic crisis, a ‘new enablement’ approach developed regarding the housing sector. The World Bank promoted the approach of ‘no one size fits all’ in terms of institutional building – as long as the socialization of the capitalist mode of production and the expansion of exchange value spreads across society. The new state paradigm of an effective state was discussed in Chapter 3. Achieving the effective state implies, at the same time, raising the capacity of the state above society by strengthening executive power. TOKI’s second phase of operation can be seen as a part of deepening of the authoritarian form of capitalist state.

CHAPTER 7

Building an Effective State in the Housing Sector and Authoritarian Statism

1. Introduction

After the 2001 economic and political crisis, Turkey underwent major institutional and economic restructuring. One of the major manifestations of the crisis was the fiscal crisis of the Turkish state from the late 1990s onward. The fiscal impasse reached its peak in modern Turkish state history when state debt was almost 2/3 of total foreign debt, amounting to \$113.9 billion USD (Karagol 2010: 8). Fiscal discipline became the motto of this period and the Turkish state restructured accordingly. State institutions were expected to increase self-financing instead of getting a constant share of the national budget. For specific operational agencies of the state necessary for the building of markets, such as housing, this was an important mandate.

Kemal Dervis, Minister of Economic Affairs and architect of the state's response to the 2001 economic crisis, stated in 2002 that "we are aiming for a transparent, efficient, effective, and regulatory state. The state should not be the source of crisis; instead it should sustain regulation. Now it is the private sector's time to score the goals" (*Radikal* 05.05.2002). The state is expected to build a good business environment by establishing the mechanisms for public-private collaboration. At the same time, developing countries are to restructure their institutions to make them self-financing entities. TOKI began to be restructured along those lines, but it is possible to say that the institutional restructuring did not rely upon a pre-made recipe. The institutional restructuring of TOKI was mediated by a unique combination of politics and economics specific to Turkey.

Although there are continuities in the two phases of TOKI's development – the foundation between 1980 and 2002 and TOKI as an 'effective state apparatus' between 2003 and 2016 – in

terms of the socialization of capitalist relations of productions in the housing market, the second phase is marked by the institutionalization of money and commercial capital formed in the housing market with the support of the state.

This chapter examines the *internal rationalization of the Turkish state* for the sake of building an effective state to enable the housing market. As Polentas suggested some time ago, a new state form in the contemporary phase is the rise of *authoritarian statism* as the new democratic state form (2014: 204). The Turkish state is analyzed, with this in mind, with regard to the increasing power of the executive and central state institutions at the expense of democratic politics in all forms. The roots of authoritarian statism, with reference to the housing sector, are to be found in two important institutional changes within TOKI. The first one is concerned with increasing the *state's managing capacity* via institutionalization as both a land-developer and market-maker through becoming involved in different circuits of housing commodity production. A second source is the scaling-up of housing production for the 'targeted masses' who cannot participate in the formal housing market as owners under free market conditions. Increasing real subsumption of the working classes is accomplished through building credit mechanisms to include them in a new form of social reproduction based on debt relationships. For these two reasons, TOKI's authoritative capacity increased with regard to both the production and consumption of housing.

2. Institutional Restructuring of TOKI and Further Power Concentration

After being a relatively minor and non-innovative institution in the late 1990s, TOKI became one of the strongest and most effective state bodies after 2003 thanks to nearly 30 laws and governmental decrees regarding TOKI and the housing sector.²⁸ Overall, the laws removed various technical and financial bureaucratic impediments to housing construction, although the

²⁸The laws are listed in Appendix C.

spheres of influence varied. TOKI's autonomous structure allowed for quick adaptation (TOKI 2013: 10). As stated in a recent report on TOKI from the Chamber of Accounts, its simple bureaucracy, efficiency-based internal structure, and financial operations based on long-term receivables made TOKI different from other state institutions (Sayistay 2014: III). In the same report, TOKI is seen as a 'construction project manager' with a special institutional structure (V).

The form that TOKI took at the end of all these processes could not have been predicted at the state level since the SPO, as the state agency for longer-term planning, had different projections for TOKI's restructuring. TOKI was severely criticized by both Treasury and the SPO because its goal centered on producing houses instead of developing financial models for the housing market (Interview 13). This is why in the Eighth Five-Year Development Plan, even though TOKI began to be restructured as the housing producer, SPO did not list 'housing constructor' as one of TOKI's responsibilities (Interview 13).²⁹ Surprisingly, in the Ninth Five-Year Development Plan's special commission report on *Settlement-Urbanization (2007-2013)*, TOKI was not even listed as an important institution, and there is hardly any reference to TOKI as either the component authority or as a certification authority for urban planning (DPT 2007: 92).

When it comes to the current Tenth Five-Year Development Plan (2014-2018), although there is no special report on housing in the plan, the report prepared for it on *Engineering-Architecture, Technical Consultancy, and Contracting* gives important clues about the contemporary approach to housing policy. Four fundamental problems are highlighted: land deficiency, tax problems, a lack of housing finance institutions, and illegal constructors. Surprisingly, it is also stated in this report that TOKI will be restructured as the Institution of

²⁹ Distinct from TOKI's first phase as the creditor for housing cooperatives, it began to produce 'affordable' houses as the employer of various scales of construction firms. TOKI decides on a mass housing project, initiates a tendering process, and decides to employ one of the construction firms for this particular project. This point is discussed in detail in the next chapter regarding TOKI's relationship with different fractions of capital in the sector.

Housing Finance Fund (Kalkinma Bakanligi 2014: 40). It seems clear that TOKI's new form as a 'mass housing producer' (or 'constructor') is not foreseen or supported in the Five-Year Development Plans. But why did TOKI turn into its contemporary form at the expense of SPO? The relative autonomy of TOKI from the SPO, which was the most important state institution in the previous phase of capital accumulation, is a marker of the increasing dominance of the executive under AKP rule.³⁰

With the establishment of the new AKP government in 2002, the Turkish state initiated 'Housing Production Mobilization' in line with the government's mandate. The idea of this new political agenda on housing originated during Prime Minister Tayyip Erdogan's previous position as the mayor of Istanbul Metropolitan Municipality for 4.5 years between 1994 and 1998. When Erdogan was Mayor of Istanbul, he worked with Erdogan Bayraktar, the founding President of TOKI in the second phase, in order to implement housing policies in Istanbul. These two elected officials restructured Istanbul Residence Development Plan Industry and Trade (Istanbul Konut İmar ve Plan Sanayi ve Ticaret A.S., KIPTAS) – the municipally-owned construction company – in 1995. As a municipally-owned company, KIPTAS was restructured with enormous powers within the urban areas and outside of the traditional hierarchy of the Turkish state. It was promoted as the solution to squatter areas and also tasked with provision of 'affordable houses' on small monthly instalments from the working classes, who were the prior owners of these squats. At the same time, KIPTAS constructed luxury houses and gated communities for the upper classes on

³⁰As discussed in Chapter Five, the new neoliberal authoritarian form under AKP was signaled by a series of major institutional changes. The formation of independent regulatory agencies in the major economic fields and the formation of new ministries in 2011 with various DFLs. These included Ministries of Family and Social Policy; European Union; Urban Planning and Environment; Science, Industry and Technology, Economy; Youth and Sports; Food, Agriculture, and Livestock; Customs and Trade; and, lastly, Ministry of Development. These have been some of the most remarkable changes connected to the rise of the restructured executive. The transformation of the most powerful institution of the previous phases of capital accumulation, the SPO, into the Ministry of Development shows the scale of the institutional changes that have been carried out under the AKP governments.

municipally-owned lands as well. It is possible to argue that KIPTAS was the successful Istanbul-centered institutional laboratory for the housing policies which replaced by TOKI at the national scale in the 2000s.

TOKI's restructuring did not rely on a ready-made roadmap. Rather, it was determined by the process of Turkish state formation, capital accumulation, and the uncoordinated actions of different classes. Although TOKI implemented revenue-sharing projects in the late 1990s, these were subjected to severe criticism and TOKI's presidents insisted that their primary duty was to provide credit for the housing market. In order to solve the fiscal crisis and fulfill the task given by the government, TOKI attempted to get a share from the state budget of about 1 quadrillion TL in 2003 (*Cumhuriyet* 18.07.2003). But it was not able to get any share from the national budget and thus began to explore other solutions to solve its fiscal crisis. Unlike forming credit markets in the housing sector, developing a revenue-sharing model is fast and efficient if it is based on the selling of lands to the private sector. Even though this revenue-sharing model had been used by TOKI in the previous period, affordable house production was a totally new housing policy inherited from the KIPTAS experience in Istanbul. The real source of TOKI's financial power comes from its ability to 'indebt' the masses by 'selling' affordable houses. It is important to note here that TOKI credits are not mortgages in the North American sense in that the ownership remains with TOKI until the creditors pay off all their housing debts; at this point, ownership title passes from TOKI to the debtor, now home-owner. Thus, mortgage insurance and credit, as the basic mechanism of the North American model, does not exist in the TOKI model.

In order to understand this model, the legal steps that empowered TOKI to become the premier housing constructor in the Turkish market are important. One of the first actions of the government was to restructure TOKI's special position in the general administrative bureaucracy

in order to initiate ‘housing production mobilization’ as a part of the emergency action plan of the AKP government of January 1, 2003. As it became apparent that TOKI’s institutional crisis was linked to its ambiguous situation in the Turkish state’s organizational hierarchy, the first step to solve this confusion was to abolish the Under-Secretariat of Housing and transfer its main tasks directly to TOKI in 2003, with Law No. 4966. TOKI was tasked with establishing companies to extend credits to start housing projects, infrastructural construction, and profit-oriented projects. Additionally, the same law changed the Land Office and compelled it to transfer lands to TOKI without any charge if proposed by the Ministry of Finance and Ministry of Public Affairs and Settlements and approved by the Prime Minister (achieved by amending Law No. 1164). In the same year, Presidential Decree No. 802 tied TOKI to the Prime Minister’s office instead of the Ministry of Public Affairs and Settlements. In the words of current TOKI President Turan, “The Administration’s power comes directly from the Prime Minister and the President of Republic” (Speech of the President of MUSIAD’s meeting, 7 November 2014). As a result of these legislative changes, TOKI became a special institution bypassing the traditional organizational hierarchy of the state. This institutional restructuring was not unique to TOKI, since many other state institutions – such as the Ministry of Development, the Ministry of Environment and Urbanization, the Ministry of Forestry, and the Ministry of Foreign Affairs – were also restructured by governmental decrees with the purpose of pushing them to be effective and more entrepreneurial instead of being dominated by the traditional organization of the state (Ercan 2011: 21, 24). The rise of executive power is visible in the restructuring processes, the new lines of accountability, and the new institutional organization of these agencies.

Another major centralization happened with the amendments to TOKI’s legal foundation with Law No. 5162 in 2004. TOKI was authorized to plan and develop projects to control and limit

squatter areas. It was tasked with preparation and zoning plans, expropriation of vacant property for the sake of the common good, and development of financial arrangements for slum upgrading projects. Additionally, TOKI had the right to make real estate valuations of squatter areas and offer an agreement to dwellers. This law provoked considerable public debate and the major opposition party, the Republican People's Party (Cumhuriyet Halk Partisi, CHP), filed a claim to the Constitutional Court for cancelation of the law in 2004. It was argued that the law was against Article 127 of the Constitution on the autonomy of local governments to provide for local needs, and the European Charter of Local Self-Government (accepted by Turkey in 1988). The Constitutional Court rejected this claim, ruling that as a welfare state institution, TOKI should have the right to plan and zone squatter areas (Official Gazette No. 25978).

Two other steps of centralization were taken. The first was the transfer of the tasks and responsibilities of the Land Office to TOKI, including transferring 64.5 million square meters of squatter property to its land portfolio in 2004 with Law No. 5273. The law legitimated the use of land without bureaucratic impediments for housing policies. The other step, carried out with Law No. 5609 in 2007, was the transfer of the duties assigned to the Ministry of Public Works and Settlement regarding squatters, based on Squatter Law No. 775, to TOKI. The Department of Settlement under the Ministry was bound to TOKI as well. Additionally, the law reorganized the relationship between TOKI and the municipalities by making TOKI the certifying body for urban renewal projects for squatters. TOKI was thus placed above the municipalities.

These laws were implemented rapidly by the Turkish Grand National Assembly (Turkiye Buyuk Millet Meclisi, TBMM). Erdogan Bayraktar, founder of the new TOKI, expressed his gratitude as followings: "I wish to express my gratitude to the TBMM for comprehensive adjustments in several items such as zoning, expropriation, and urban transformation projects"

(TOKI 2012: 15). As a result, TOKI established a “non-profit business model which avoids many of the pitfalls of institutionalized bureaucracy” (TOKI 2011: 45). It is repeated many times in TOKI’s publications that the organizational structure of the administration is modelled as a “private sector company” through strengthening its executive and orientation (TOKI 2012a: 9). Modeling it on private sector companies was meant as a legitimizing reference to the need for ‘capacity enhancing reforms’. It is possible to argue that, in the contemporary phase of Turkey, enhancing state capacity and increasing authoritarian statism became two sides of the same coin.³¹

TOKI is considered a stable potential investment for the government. It receives strong global scale credit ratings from Moody’s International Sub-Sovereign and Fitch Ratings International Public Finance. TOKI received an “international award for entrepreneurship in real estate and housing development” at events organized by Expo Italia Real Estate of 2008 and 2010. It also became an internationally-accepted brand via applying to the Turkish Patent Institute and World Intellectual Property Organization (*Zaman*15.05.2009). These measures represent the commercialization of public administration by TOKI.

Additionally, TOKI developed an autonomous budget. Unlike other public institutions, it is not subject to Public Finance and Management Control Law No. 5018. The Chamber of Accounts cannot conduct judicial reviews of TOKI operations. In contrast to other state institutions, it does not have a standard internal controls unit within the institution to evaluate the performance and transparency of its administration. The Chamber of Accounts, in its 2014 report, argued that TOKI needed to form an internal control unit even if the law does not require it

³¹ The contemporary political agenda of regime change moving from a parliamentary to a presidential system supports this hypothesis. It has been stated by President Erdogan that there is a ‘desperate’ need for changing the parliamentary regime since “Turkey should be governed exactly the same as an incorporated company. If not, we were fettered and unable to walk” (*Milliyet*, 15.03.2015). That is, becoming an ‘incorporated company’ necessitates a stronger executive than a parliamentary system allows.

(Sayistay 2014: 6). In 2014, CHP initiated a legislative proposal to Parliament's Planning and Budget Commission to make TOKI subject to the Public Finance and Management Control Law but it was not accepted. The Chamber of Account's report noted that, even though TOKI's budget is supposed to be approved by the Turkish Higher Planning Council, it operates without this approval (18).

When it comes to the organizational structure of TOKI, it reflects more of a corporate organizational form in its details after 2003 (Chart 7.1). The administrative capacity of TOKI increased with Law No. 4864, which provided the authority to establish subsidiaries in its operational regions and to work with temporary employers from governorships and municipalities. This law expanded TOKI's power throughout Turkey since previously it did not have any branch apart from Ankara.

New major departments were formed – Urban Renewal Office; Land Office, Istanbul Land Office; Admissions, Zoning, and Planning Department; Tendering Department; and also regional implementation departments. This diversification and specialization were the result of TOKI's scaling-up policies. The Urban Renewal and Istanbul Land Office became the most strategic as a result of the changing urban policies of TOKI and the move of the organization's center from Ankara to Istanbul in 2014. Presidential Consent stated that “the following reasons made the Administration move its center to Istanbul: Mega projects will be built in Istanbul; Istanbul is on the seismic belt and the city needs to go through extensive urban regeneration; Istanbul is the finance and commerce center” (Sayistay 2014: 4-5). Chart 7.1 shows the major departments moved

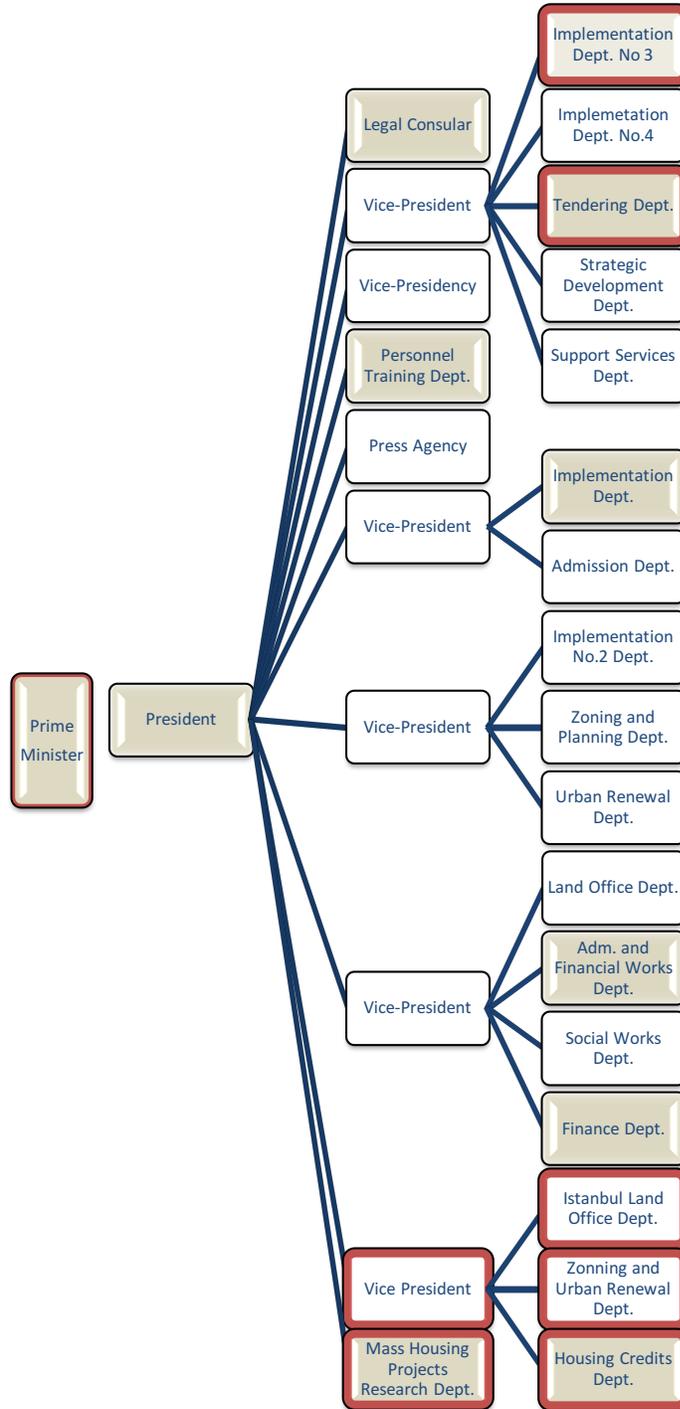
to Istanbul; two new departments – the Zoning and Urban Regeneration Department and the Support Services Department – were founded there (5).³²

TOKI had now expanded to the housing sector as a whole – across Turkey. The Turkish state’s managing capacity was increased through the foundation of new departments and regional implementation capacities. TOKI’s new market-maker capacities across the significantly increased. Its new institutional departments in Istanbul meant that TOKI could become an effective actor in Istanbul’s internationalized land and housing market. TOKI was now clearly no longer merely an Ankara-based state institution tasked with regulating the sector only in that city.

³² The President of TOKI asserted that the strongest department in the organization is the Urban Regeneration Department (Ergun Turan’s speech in MUSIAD meeting, 7 November 2014).

Chart 7.1: Organizational Structure of TOKI in 2016

New Depts.
 Depts. Carried Over Previous Period.
 Depts. Move to Istanbul



Source: TOKI 2016a.

The President of TOKI is directly appointed by the Prime Minister, so the occupational backgrounds of the Presidents of TOKI provide important clues about the government's approach to the Turkish state's role in the housing question. In the first period, the presidents mainly graduated from the business faculties of American universities. The main motivation of the Administration in the first period was to build housing finance mechanisms through institutionalizing a savings system. In the second period, however, the Presidents of TOKI are mainly civil engineers with technical knowledge about housing production and who worked with Tayyip Erdogan in KIPTAS in Istanbul.

TOKI's relationship with municipalities changed as well. With its new responsibilities, urban renewal projects were transferred from the municipalities to TOKI. In 2006, TOKI was empowered in relation to municipalities through Law No. 5492, which required municipalities to approve TOKI's applications for occupancy permits within 15 days. Beside this delegation of planning authority, the mass housing projects of the municipalities would no longer be accepted by TOKI (Sayistay 2014: 27). In 2006, the Ministry of Finance declared that even though municipalities are tasked with affordable housing construction, and they apply for provision of lands for this purpose with reference to the municipality law, affordable housing projects would be implemented by TOKI (*Zaman* 24.06.2006). The Minister said that if the municipalities construct affordable houses, they need to apply to TOKI since the Treasury will not provide lands to the municipalities any more (*Zaman* 23.06.2006)

The last institutional change in terms of the centralization of TOKI was the formation of seven subsidiaries. Two of them are real estate investment trusts, and the remaining five provide services such as project management, real estate marketing, contracting, management services, real estate valuation, appraisal services, funding for restoration, trading, and consultancy (TOKI

2013b). Each of these subsidiaries has the task of enabling and deepening the housing sector in terms of both the institutionalization of the circuits of capital in the sector and expanding exchange and credit relations to broader sections of society. The Emlak Konut Real Estate Investment Trust (Emlak REIT) is the most powerful subsidiary of TOKI and deserves special attention. It is the leading power establishing connections between capital markets and the housing sector, for example, in its revenue-sharing projects in collaboration with Emlak Konut REIT in the development of residential buildings, office complexes, and commercial centers.

2.1. Urban Regeneration: TOKI as Land-Developer in City Centers

In this period, TOKI gained enormous power as a land developer in city centers from its new responsibilities for urban regeneration projects (Interview 16). The AKP government's Emergency Action Plan in 2002 assigned both central state institutions and local administrations to reform squatter areas. TOKI became a leading state institution through regulatory amendments. Law No. 5104, implemented in 2004, established TOKI's new urban regeneration mission. The law authorized TOKI and the Greater Municipality of Ankara to work for an urban renewal project in the city. The Municipality established a company in which a 49.9% share was allocated to TOKI. In 2005, TOKI was tasked under Law No. 5366 to work with Municipalities and Provincial Special Administrations to protect sites of historic and cultural importance through providing funds for their renovation and protection, as seen with the urban regeneration projects in Istanbul at Sulukule, Tarlabasi, Suleymaniye, and Ferner-Balat-Ayvansaray. These projects generated great controversy as they also meant deporting the inhabitants from city centers to the outskirts of the city.

With the 2008 change in the Squatter Law, published in Official Gazette No. 27052, the zoning and subdivision plans regarding areas under the law do not need approval by municipalities.

All municipalities are only charged with announcing the implications of the TOKI plan to the squatters with at least a month's notice. As a result, TOKI's power over municipalities increased as they no longer have power over zoning and subdivision plans developed by TOKI. In 2010, TOKI took priority in attaining lands within urban renewal zones for its plans, bypassing municipal planning controls with Law No. 6009.

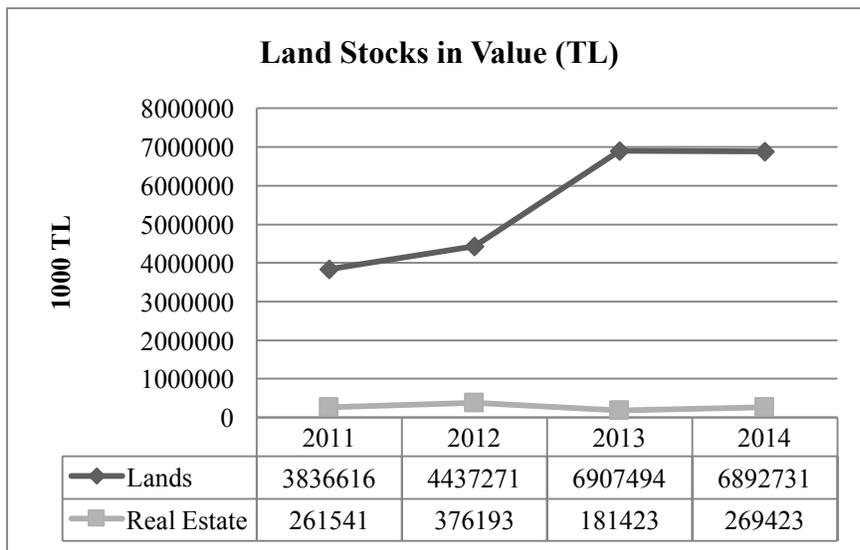
TOKI's authority became unquestionable in urban land development with two important laws passed in 2012. The Regeneration of Areas under Disaster Risk, Law No. 6306, gives TOKI and the Ministry of Environment and Urbanization enormous powers to improve, discharge, and renovate lands and buildings even if the buildings are apart from these zones. First, the law requires that homeowners complete a disaster risk assessment and cover the costs of this process. If they are unable to pay, the amount turns into a mortgage debt. Additionally, if a land is declared at risk, water and natural gas supplies will be cut off as well as public services. Second, if TOKI or the Ministry of Environment and Urban Planning decided to demolish risky buildings, the inhabitants could not appeal to the courts for a stay of the eviction. The only way to appeal to a court was to dispute the land value assessment. The law turned urban lands in city centers into valuable assets through curtailing the right to legal remedies. Lastly, the law overrode all obligations of other laws which might restrict its area of encompassment.³³

The second law from 2012 that increases TOKI's power is No. 6292, which allows the opening of 2B lands (formerly classified as forests) for development of urban regeneration projects. The remaining part of the lands could be sold to provide financial sources for other

³³ The main opposition party, CHP, appealed to the Constitutional Court for the annulment of the main articles in the law. In 2014, the Court partially accepted the annulment request and cancelled the major articles that I listed above based upon the violation of property rights. Another major case against TOKI was won in January 2015 when the Council of State decided to repeal the article regarding the Administration's duties of urban regeneration, which is stated in its regulation with respect to the Disaster Risk Law.

regeneration projects (*Zaman* 7.08.2013). The implementation of the law was supported by capital groups since these lands would provide important investment opportunities for the real estate sector in city centers (GYODER 2012: 34). The Real Estate and Real Estate Investment Trusts' Association (Gayrimenkul ve Gayrimenkul Yatirim Ortakligi Dernegi, GYODER) calculated the total parcel of the 2B lands in each city.

Figure 7.1: TOKI's Land Stock between 2011 and 2014



Source: Sayistay Reports 2011, 2012, 2013, and 2014.

It is impossible to attain the total value of TOKI's land stock from the early 2000s until now, as a drastic land stock increase occurred in 2012, as shown in Figure 7.1. The market, or exchange value of these holdings, rather than the use value of the houses that they produce, became a key measure of TOKI's activities in the period.

As a result of all these legal changes, the urban lands subjected to the urban renewal projects were those which have an earthquake risk, have high land value but poor quality houses, lack social facilities, or are incompatible with the city culture (TOKI 2008: 24). TOKI became the main authority for all of these projects above the municipalities. As the current President of TOKI

noted, it implemented projects in 53 different cities and 116 different districts. Of TOKI's housing projects, 40% are projected to be urban renewal projects in the coming years (which helps explain why the center of TOKI moved from Ankara to Istanbul) (TOKI Haber 2015: 24-25).

Two methods in particular were developed by TOKI for urban renewal after 2003. The first one is the *on site renewal method* based on the idea that the 'right-holders' – those squatters who have the legal ownership of squats – should move to houses which are constructed by TOKI in the same area. In the second, the *moving to different areas method*, right-holders are to move to houses constructed by TOKI in different parts of the city. In both models, the municipality applies to TOKI and a protocol is signed by the two parties. A commission is formed by officials from both to finalize the tenure evaluation process for the right-holders (TOKI 2006: 260). It is the municipality's duty to 'clean up the land' for urban renewal projects (TOKI 2008: 24). The right-holders who want to live in TOKI-constructed houses need to waive their present property rights and accept to pay any debt for the difference between the valuation of the original land and the newly-constructed house. The right-holders have to pay 15% of the value of the new houses in advance, followed by instalments over 18 months for the remainder. If the residents do not accept the agreement with the Administration, expropriation may begin in accordance with Law No. 5162.

According to TOKI, urban renewal projects should be done on lands which have *differential land rents*.³⁴ Otherwise, the very limited budget supported by the state should be used

³⁴ Differential land rent is defined with reference to the Harvey's differentiation of the land rents under capitalism, based on Marx's conceptualization of land rents in capitalist agricultural production (Harvey 2006: 356). Differential land rent derived from the quality differences between particular plots of urban land based on their proximity to private investments (residential buildings, commercial centers, offices etc.) and public investments (roads, public transit, public buildings) (Ball 1977; Lamarche 2007; Lojkine 2007). That is, differential urban rent is a social product which is determined by the value that is created by the labour power in a particular urban parcel (Harvey 2006: 357).

for it (TOKI 2011a: 19). TOKI states that inhabitants should not see urban regeneration projects as an opportunity to become rich (Interview 16). This is one of the most debated issues among state officials, especially over the 18th article of the Zoning Law No. 3194. According to the head of the Istanbul Real Estate Department of TOKI, the right-holders block the urban regeneration projects through opening legal suits to delay transformation plans based on the Zoning law. The law imposes obligations of preservation of shares of the right-holders of multi-share parcels in squatting and urban transformation areas. According to the head, there is a need to make a legal arrangement to shift the zoning rights of the shareholders to another place to increase the scope of urban renewal projects. Otherwise, expropriation would become inevitable since it is not possible to compromise with each shareholder (TOKI 2012a: 361).

Idris Gulluce, the Minister of Environment and Urbanization, presented the *transfer of development rights* as the remedy to the conflict over property rights and values in 2014: “There are major development constraints both in protected sites which have historic and cultural importance and the areas under disaster risk. Thanks to the system of transfer of development rights, citizens who have development rights in these restricted areas will have an opportunity to exchange their rights with transfer certificates. The citizens can use these certificates as investment tools in the stock market that will be structured by the Turkish state specifically for this aim. Moreover, these certificates can be legated” (*Milliyet* 1.11.2014). The model of transferable development rights was an important step for the further inclusion of the housing sector in financial markets.

The transfer of development rights was introduced to the Turkish housing market in 2004 with the amendment of the 17th Article of the Law on the Protection of Cultural and Natural Properties No. 2863. According to the amendment, the development rights in protected areas can

be transferred to unrestricted areas under the supervision of municipalities or of governorates (Yamak 2006: 70). Since the amendment makes the municipalities and the governorates the responsible bodies for the transfer, it does not develop the necessary tools to integrate the transferable rights into the free market. In 2012, it was stated in the Law on Regeneration of Areas under Disaster Risk No. 6306 that “the development right might be transferred to another area” under particular circumstances. The last legal modification occurred in 2014 with the “transfer of development right” included into Zoning Law No. 3194. The scope of the law was further extended to include all areas subjected to urban regeneration projects. This is supported by the capitalist groups since, according to them, urban regeneration projects can only contribute to the real estate sector through implementing the law. This includes development rights transfer, securitization, providing housing credits for the low income classes, and taking an inventory of buildings under disaster risk (Gurlesel 2012: 33-34). According to the experts in the sector, in order to turn urban regeneration ‘crises’ into opportunities, there is a need to merge the real estate and finance markets through institutionalization of a development rights transfer (Interview 8). As an example, since 6.5 million apartments needed to be reconstructed in a project requiring 400 billion USD, an amount almost equal to Turkey’s national income, this process should be accomplished as smoothly as possible (Interview 8).

2.2.The Deepening of the Housing Market and the Emlak Konut REIT

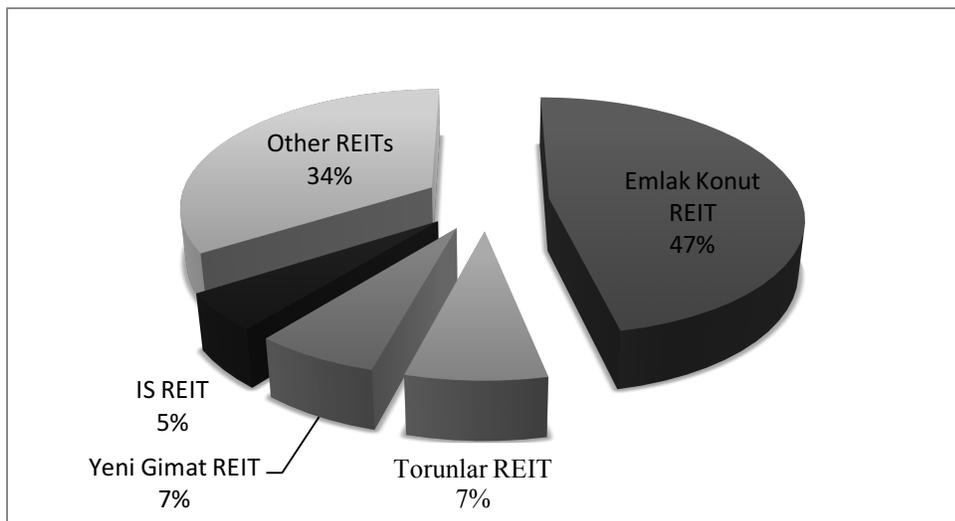
The Emlak Konut REIT became affiliated to TOKI with government Decree No. 2001/2202 in 2002. Emlak Konut REIT is a self-financing state-owned enterprise which mainly makes revenue-sharing projects with the private sector. It became the largest subsidiary of TOKI (Figure 7.2). Emlak Konut’s institutional restructuring had great importance for the Turkish state’s approach to the market-enabling features of housing policy.

Emlak Konut REIT's previous institutional form, as Emlak Bank – a state-owned real estate commercial bank – was transformed into a real estate investment trust (REIT) as one of the promised conditionalities of Turkey's letter of intent to the IMF in 1999. Emlak Bank transferred its functions and became a state-owned REIT with the Decree in the Force of Law No. 588. It continued with the same assets and officials of the Emlak Bank, but started as a REIT in its operational mandate. In 2001, Emlak Konut REIT went through another major institutional transformation and became a subsidiary of TOKI with Law No. 4684.

After 2002, under the AKP government, Emlak Konut REIT has become the most powerful actor in the real estate sector. Emlak Konut REIT's relatively dominant power originated from its unique position as being both a state institution and a part of the private sector. On the one hand, it is a state institution since, as a major subsidiary of TOKI, it is subjected to the terms of state-owned enterprises such as being liable to the Public Procurement Law and being under the supervision of the Prime Ministry Inspection Board (Emlak Konut 2011: 9). On the other, as a profit-oriented REIT, it produces projects for the upper classes of society. Emlak Konut REIT is labelled as the 'employer of employers', and as the biggest subsidiary of TOKI, it has many tax and land accessibility advantages (*Zaman, Insaat ve Emlak Eki* 15.12.2011). As a result of this unique position in the market, it became the biggest REIT in terms of marketing value, real estate portfolio, and land stock. Similar to TOKI, the Emlak Konut REIT accomplishes its housing projects through two different models. The first one is based on Public Procurement Law No. 4734, which mandates the construction of houses for the 'middle classes'. The project is done on the land that is turned over from TOKI without any procurement process, and Emlak Konut REIT selects the lowest tendering offer for the project. The share of the housing projects based on the Public Procurement Law is 17% among its total production (Emlak Konut 2011: 19). The second and

dominant model of real estate development is revenue sharing. In this model, the Emlak Konut REIT buys the land from TOKI without discharging formal requirements, unlike other REITs. Similar to the TOKI model, all responsibilities for construction and sale belong to the tenders. Emlak Konut REIT became a relatively dominant investor in the real estate sector as a result of these unique features (Figure 7.2).

Figure 7.2: Market Shares of REITs (2015)

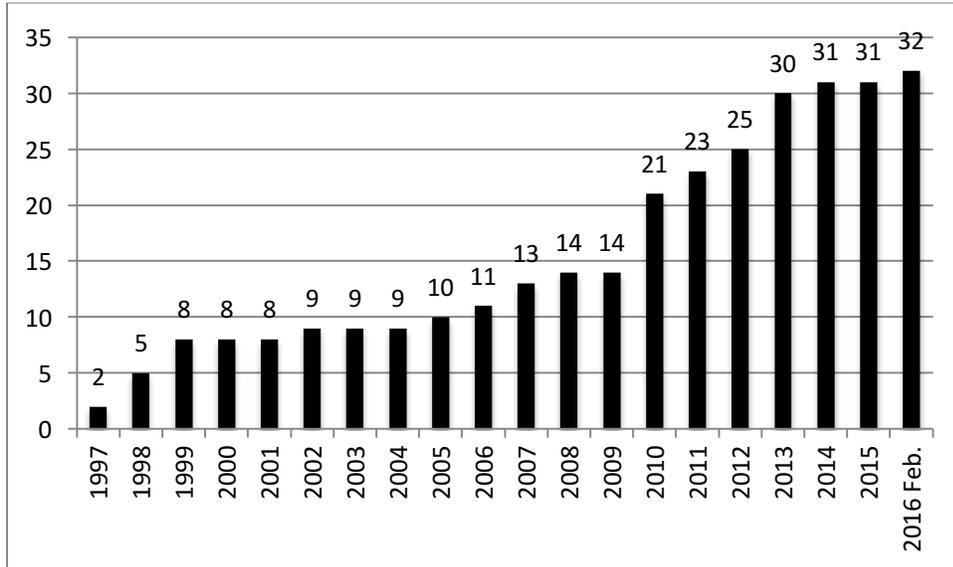


Source: Capital Boards of Turkey.

According to the Annual Reports of the Emlak Konut REIT, it does not carry extreme investment risks because of its land portfolio and its strategic relationship with TOKI. Moreover, it does not hold international loans due to its corporate debt policy (2011: 37). Although Emlak Konut REIT's unique position creates public discontent among both different fractions of capital and the broader public as a result of corruption scandals, it institutionalizes the real estate sector in relation to the circuit of money capital by linking finance to housing capital. This has been a central part of the commodification of housing construction in Turkey.

Emlak Konut's transformation into a REIT was advertised as a solution to the affordable housing market by TOKI's President in the early 2000s and as one of the means for the institutionalization of the housing finance system in Turkey (*Zaman* 18.03.2002). Just before Emlak Konut's first public offering in 2010, the legal structures of REITs regarding tax incentives were changed in order to make them more attractive for investors. Their profits originating from portfolio management activities were exempted from the generally applicable 20% corporate tax rate and the income tax rate was set to zero for their investors (Pekdemir 2013: 228). Additionally, their public offering of shares was eased by decreasing the minimum public offerings ratio from 49% to 25% and by abolishing the time constraints for public offering via decreasing the time limits to 3 months after the foundation of a REIT (Emlak Konut 2011: 6). The number of REITs mushroomed after 2003 and they became important actors in the stock exchange markets (Figure 7.3). REITs activities are limited to investing in real estate and real estate-backed securities, generating income from their rental portfolios, real estate sales, and purchase of land to develop projects (Pekdemir 2013: 229). They cannot be involved in real estate as a constructor or as operators of any hotels, hospitals, shopping centers, residential cites, etc. Additionally, a minimum of 50% of their portfolio values must be comprised of real estate activities (228). That is, their activities are restricted as the real estate developer or commercial capital of the sector.

Figure 7.3: Number of Real Estate Investment Trusts



Source: Capital Markets Board of Turkey.

The increase in the number of REIT's in Turkey represents an important qualitative change in the housing sector, particularly regarding internationalization of the Turkish housing sector by providing access to foreign funds and global investors. The main function of REITs is to convert the rights over immovable assets – land and buildings – into liquid instruments or securities. The capitalist groups forming REITs promote these trusts as a means of introducing international standards, quality assurance and control, and transparency (TOKI 2006: 194). They help to eliminate the informal real estate market. Additionally, REITs enable the financing of large-scale projects and limit liquidity problems through decreasing risk by increasing the variety of portfolios. They enable large profit-generating real estate projects by pooling individual savings and corporate investors (Hepsen et al. 2014: 663). The formation of REITs as an important player in the Turkish real estate sector was a materialization of the World Bank's approach to housing as they integrate finance and the housing sector and they are necessary to formalize the sector.

Additionally, REITs centralize capital in the housing sector via increasing the scale of construction projects at the expense of small- and medium-scale constructors.

The REITs were seen as an important institutional tool to enable the housing market before the AKP government. Both the seventh (1996-2000) and eighth (2001-2005) development plans were aimed at developing commercial capital in the real estate sector by institutionalizing REITs (discussed in Chapter Six). This aim is fulfilled under AKP rule with the institutional restructuring of the Emlak Konut REIT.

Emlak Konut REIT's first public offering of its shares of 25% occurred in 2010, the fifth largest ever in Turkey, and generated demand from both national and international investors. According to Murat Kurum, General Director of the Emlak Konut REIT, the company added depth to the Istanbul Stock Exchange since 75% of the public offering was purchased by international investors (TOKI 2012a: 302). As a result, the Emlak Konut REIT became the biggest investment trust in Turkey, sixth in Europe and the Middle East, and twenty-first in the world market. Kurum announced the aim to be in the top ten of international REITs, with Emlak Konut REIT becoming globally acknowledged as reliable and profitable for investors (*Star* 20.12.2011).

The second public offering of Emlak Konut REIT's shares was completed in 2013 and garnered more than 100 international investors from 20 different countries. 80% of the public offering was sold to international companies, 10% to domestic companies, and 10% to domestic individual investors. It is estimated that 49% of foreign investors were U.S.-based and 29% were U.K.-based companies. Almost 50% of all international investors enter the Turkish security market via buying shares in Emlak Konut REIT (*Hurriyet* 12.11.2013). This public offering was the biggest of the year among Middle East, Eastern Europe, and Africa region capital boards.

Moreover, Emlak Konut REIT was selected as the third most creditable corporation in Turkey by the American-based JP Morgan Bank (*Hurriyet* 30.01.2013).

Figure 7.4 shows the current partnership information of Emlak Konut REIT regarding the share amounts and percentage. It provides two different type of mutual fund for investors: the A-type mutual fund (carries more risk since at least 25% of the fund needs to be in the form of equity share and is exempted from deduction of withholding) and the B-type mutual fund (carries less risk and mostly has a fixed rate of return like government bonds). TOKI has two different funds in Emlak Konut REIT totalling 49.34% of shares, while the remaining amount is distributed among other investors (80% of whom are international).

Figure 7.4: Emlak Konut REIT Partnership Information (As of 31.03.2016)

Trade Title	Type of Mutual Fund	Types of Share	SHARE AMOUNT (TL)	NUMBER OF SHARES	PERCENTAGE
TOKI	A	Bearer Share	253,369,919,00	25,336, 991,900	6.67
TOKI	B	Registered Share	1,621,460,838,35	162,146,083,835	42.67
Open to Public	B	Registered Share	1,925,111,072,26	192,511,107,226	50.66
Others	B	Registered Share	58,107,39	5,817,039	<1
Total			3,800,000,000,00	380,000,000,000,00	100

Source: Adopted from Emlak Konut REIT 2016a.

Figure 7.4 also shows that even though type-A mutual funds make up a small percentage of shares, as the sole holder of them, TOKI is the only partner that is able to invest its Emlak Konut

REIT shares in the stock market. Registered shares, in contrast, cannot be bought and sold on the open market. It is obvious that Emlak Konut REIT, as the most powerful trust in the housing sector, is directed by TOKI. TOKI emerges as the leading institution in terms of deepening and internationalizing the financial market through Emlak Konut REIT. (The repercussions of this point are discussed in detailed in the Chapter Eight with reference to TOKI’s contradictory relationship with different fractions of capital.)

2.3. TOKI’s Real Estate Valuation Corporation

The financialization of the housing sector through urban regeneration projects and the transfer of development rights necessitated the formation of an additional new market in the housing sector – property valuation. Although the property valuation sector is still in the process of institutionalization, in terms of the housing sector it illustrates important qualitative changes. The first prerequisite of housing as an exchange value is pricing.

Similar to the leading role Emlak Konut played for the REITs, the Real Estate Valuation Corporation (Gayrimenkul Degerleme A.S., GEDAS) was the very first corporation approved and accepted by Capital Market Boards of Turkey (CMB) as a property valuation corporation in 1995 (TOKI Haber 2014: 36). Although it was formerly a subsidiary of the Emlak Bank, after the dissolution of the Bank, GEDAS was transferred to TOKI in 2001. In 2001, the Capital Market Law No. 2499 was changed and an important step was taken toward the institutionalization of real estate valuation market.

Especially after 2003, the number of the property consulting and valuation corporations drastically increased. According to the legislation, the property valuation market is said to provide “an objective and scientific valuation of a real estate in a particular time and location” (TOKI Haber Eylul 2014: 31). In 2007, these corporations formed the Association of Licenced Appraisal

Companies (Lisansli Degerleme Sirketleri Birliđi, LIDEBIR), which has close connections with GYODER. It is stated in LIDEBIR that the property valuation market provides the foundation for financial market via valuation of real estate properties based on internationally accepted standards (LIDERBIR 2016).

The property valuation has great importance in housing finance in terms of applications for housing credit and management. Additionally, as the board chairman of LIDEBIR stated, mortgage providers require property valuation companies in order to provide objective valuation reports for mortgage credits. Property valuation companies had to adjust themselves to modern finance and the speed of transactions of the commercial banks (Global Sanayici Dergisi 2013: 45).

This newly emerging sector gained significant new roles after the implementation of the Regeneration of Areas under the Disaster Risk Law in 2012. Urban regeneration project agreements depend on property values of real estate or a land undergoing redevelopment. The property valuation assesses not only the existing value of the property but also the future value of the property. There are almost 1000 property valuation reports produced in a year and the sector's financial turnover is 300 million dollars (TOKI Haber 2014).

3. The State, Legitimization, and Housing Debt

Over time, TOKI has also become a means for dealing with income distribution through the integration of the working classes into the formal housing market, as a part of the welfare state (TOKI 2011b). At every opportunity, TOKI representatives state that they prioritize the demands of the “targeted masses in need” (TOKI 2013a). With the promise of solving housing for the poor, TOKI created huge numbers of indebted workers and the poor – those who were not credit-worthy borrowers in the eyes of the private sector. Although the previous president of TOKI, Erdogan Bayraktar, announced in a very popular national TV show, *5N1K*, that the housing question is

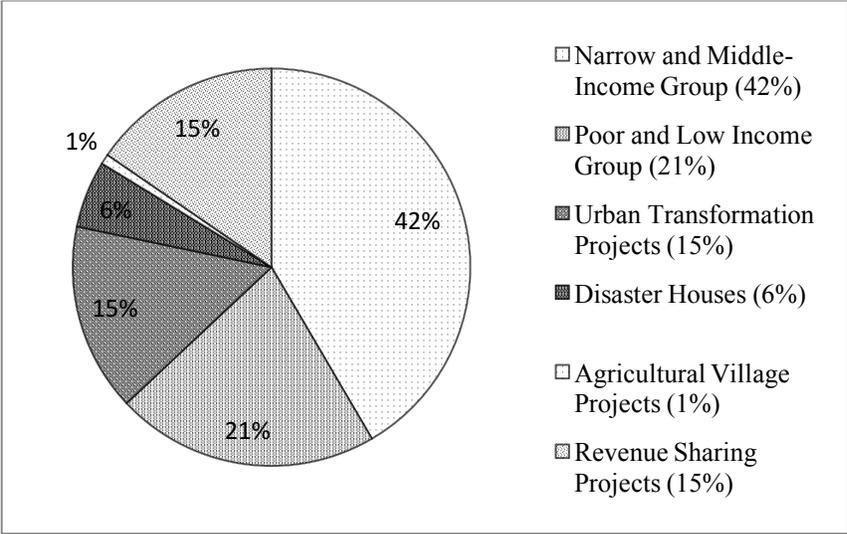
beyond politics, the distribution of TOKI-produced houses has always been integrated into electoral politics for the AKP government (*5NİK*, 20. 02. 2013).

TOKI's 'turnkeys' have become part of the political show of Tayyip Erdogan for the last 15 years. The grateful speeches of the 'targeted masses', with their tears of happiness, have been shown on Turkish television alongside Erdogan's speeches. TOKI produces houses for three different income levels of the 'targeted masses', as they are called. The first one is called the 'poor group', who are dependent on the Social Security Organization or have a green card (health card for uninsured people in Turkey), or are getting benefits from the fund for the encouragement of social cooperation and solidarity (Law No. 3294). The houses produced for these groups are sold without a down-payment and with monthly instalments starting at 150 TL for 20 years or more. The houses are between 45-65 square meters.³⁵ The houses are sold to these families on the condition that they reside in their contracted house until they pay off the debt.

The second group is the 'low-income group' who need to prove that their monthly income is not more than 3200 TL. They need to pay 12% of the house price as a down-payment with a mortgage maturity of 15 years and monthly instalments starting at 200 TL. Their houses are between 65-87 square meters (Sayistay 2014: 111). The last group is the 'narrow and middle-income group'. They can purchase houses with an area of 87-146 square meters and need to pay 10 to 25% of their housing price as a down-payment, with a maturity between 8-10 years, depending upon initial payments. The shares of the different groups are shown in Figure 7.5.

³⁵ These houses are small with nuclear families squeezed into one bedroom units in larger apartment buildings.

Figure 7.5: The Percentage of TOKI-Produced Houses by Income Group



Source: TOKI Uretim Raporu 2016a, February.

TOKI’s credit mechanism is different from the mortgage system that was legalized in 2007. Different from the mortgage system, TOKI does not pledge the houses; rather their tenure rights belong to TOKI until all the instalments are paid. Borrowers should make down-payments at the beginning of construction, which is less than mortgage credit requirements. They make monthly instalments based on a single-index repayment plan which means interest rates determined by the public sector wage increase set by the Ministry of Finance, whereas mortgage credits depend on variable-index repayment plans. The maturities of the loan payments vary between 10 and 20 years depending upon the financial capacities of the borrowers. TOKI completes the construction in 18 to 24 months.

TOKI’s ‘targeted masses’ are, in effect, ‘customers’ of TOKI and accepted as such (*TRT Haber*, 23. 03. 2014). In an interview with the top-ranked financial officer of TOKI, it was stated, “Many commercial banks came to TOKI to adopt the administration’s credit portfolio based on the credits it gave to the consumers. We need to rate out the credit pool through a secondary market

in order to enable a sustainable housing market” (Interview 17). She continued, saying, “Even though TOKI does not give mortgage credits to the citizens in legal terms, it is a kind of mortgage credit in reality since we are not giving the title deeds until they finish paying their monthly instalments” (Interview 17). That is, the market segment that TOKI reaches is beyond the capacity of commercial banks, and TOKI is the only institution that is able to extract savings out of the working classes. Another officer from the Strategic Development Department stated that TOKI’s power comes from this particular ability to force savings for housing out of the poor (Interview 15).

Although it is almost impossible to obtain TOKI’s ‘quasi-mortgage’ portfolio, the Chamber of Account’s reports estimate an amount by which to assess TOKI’s power in the housing credit market. Figure 7.6 shows the number of indebted households and debt balance in total using these reports for 2013 and 2014. The 2014 Report does not indicate the numbers of the indebted households for the ‘poor group’, and this is why I used the report published in 2013. Almost 346,000 households have a debt relationship with TOKI, and only 30,000 of them were defined in the ‘poor’ category, covering 9% of all indebted houses. TOKI’s official reports on the shares of the houses do not show the poor group as a separate category, and it is calculated with the Low Income Group (See Figure 7.5).

Figure 7.6: TOKI’s Debt Relationship with the “Targeted Masses”

Name of Banks	Number of Indebted Houses	Debt Balance (TL)
Ziraat Bank	117,056	6,939,080,340
Halk Bank	83,657	5,262,256,754
Vakif Bank	748	2,652,583
Standard ³⁶	4,805	589,276,410
Low Income Group	9,854	715,696,410
Poor Group	29,724	—

Source: Sayistay Raporu 2013: 20; Sayistay Raporu 2014: 22

³⁶ Repayment of loans will begin after the delivery of houses.

Although it is impossible to obtain data of the poor group’s debts, TOKI’s receivables portfolio, composed of the housing production for the targeted masses, is almost 15 billion TL.³⁷ This value of credit, originated from working classes that are not suitable for the commercial banks and also not securitized yet, carries the possibility of being transformed into financial instruments for capital markets. The ‘targeted masses’ do not, of course, control the destiny of their debt. TOKI authoritatively excludes ‘consumer choices’ over debt since the original terms of these credits do not include any possibility of being subjected to the general mortgage market.

In 2007, TOKI’s role in the mortgage market became noteworthy since Law No. 5582, which amended several laws concerning the mortgage system, introduced an additional article to the housing development law regarding housing finance. TOKI was empowered with the right to sell securities through showing its account receivables, based on its sales of lands and houses as

³⁷ When an approximate amount is added that comes from the poor group.

the guarantee. Thus, TOKI would sell its loan credits, developed from the affordable housing and lands, into the international money market. After the implementation of the law, TOKI's President at that time said: "This law will be a shot in the arm. If we issue the securities equal to 1 billion TL, 1/7 of our receivables, we would solve our finance problem" (*Cumhuriyet* 23.03.2007). The Capital Market Boards of Turkey declared that TOKI, with its receivables portfolio, would be the leading state institution for the institutionalization of the mortgage system (*Milli Gazete* 16.03.2007). The mortgage law gave enormous power to TOKI to securitize its portfolio of assets (loan credits) through transferring them to mortgage finance institutions (TOKI 2008: 44). In 2008, the Capital Market Boards announced that the housing debts would be securitized to convert the debt instruments into financial sources (which already had occurred with credit card debts) (*Zaman* 31.03.2008). In other words, TOKI helped build the derivative market in Turkey, as part of an internationalized financial market (as this is what securitization means).

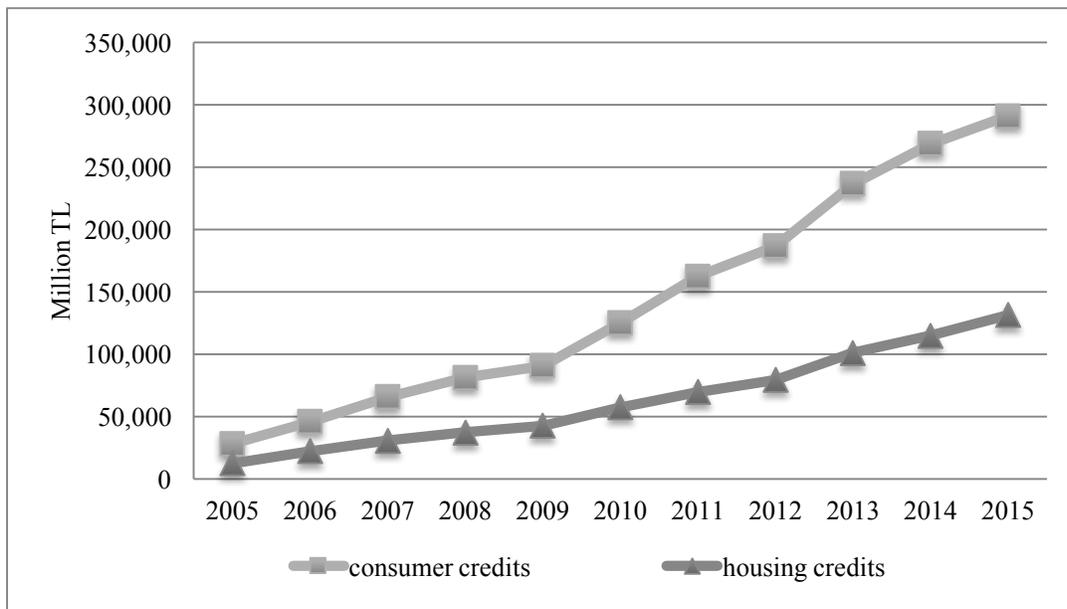
Mortgage markets in Turkey are quite new and have historically been underdeveloped. The Mortgage Law passed in 2007 to solve the lack of a housing credit market originated from the maturity mismatches in the portfolios of commercial banks. On the one hand, Turkish banks had issued medium-term housing loans for 7 to 10 years as consumer credit. On the other hand, they financed these credits through short-term borrowing – by deposits with maturities for a month. This was not a sustainable housing credit mechanism and a law was implemented to provide an adequate capital base for banks to finance long-term housing credits and allow further securitization of mortgages in international markets. The aim of the law is to increase liquidity for both banks and borrowers. The law provides a legal and institutional framework for a new housing system through making changes in the mortgage contracts, foreclosures, borrowers' protection,

and taxation, and also by defining secondary market instruments which are sellable all over the world.

Borrowers taking out mortgages need to put down 25% of the housing price as a down-payment and the remaining part can be taken as a mortgage credit. In order to encourage mortgage market formation, various tax advantages are provided to mortgage borrowers such as decreases in bank transaction taxes, title deed fees, and stamp taxes (TOKI 2008: 43). From 2015, the Turkish state promised to give 15% of the down-payments – up to 15,000 TL – to the borrowers on the condition that it will be their first house and that they save the necessary amount in a housing savings account for three years (25% of the housing price).

As seen in the Figure 7.7, housing credits increased across the 2000s, aided by supportive state policies and low interest rates. In 2015, the housing credits became almost half of the size of consumer credits – the appearance of which has been a recent trend for Turkey.

Figure 7.7.: Housing Credits Provided by Deposit Banks, Credits (TL)



Source: Central Bank of Turkey, 2015.

The Turkish state's support to housing savings is important because 61.9% of consumers were using their own savings to buy a new house instead of taking a loan from the banks (Gurlesel 2006: 8). It is asserted by MUSIAD, the Independent Industrialists and Businessmen Association, that the increase in savings through housing investment would allow Turkey to overcome its foreign currency weakness. At the same time, securitization of real estate investments would include the lower classes (*Sektor Emlak* 22. 02. 2015).³⁸

TOKI-based housing credits are not included in Figure 7.7. TOKI's housing credits are different as the 'targeted masses' pay directly to the TOKI account in the public banks with a different price index system. From a rough calculation based on the Chamber of Account's Reports, it is possible to see that TOKI's receivables portfolio is almost 1/10 of the housing credits portfolio of the private market.³⁹ Although it is impossible to calculate the exact size of TOKI's portfolio, TOKI has an important share of the mortgage market compared to the 24 banks providing housing credits on various repayment schedules.⁴⁰

Under the AKP governments, TOKI has also become a powerful ideological state apparatus over the last 15 years. TOKI does not build one bedroom apartments since according to the current president of TOKI, these apartments do not fit "our family and cultural structure" (*Yeni Akit* 23.11.2015). After severe criticisms of TOKI's 'architectural aesthetics' of mass housing production in the form of high-rise buildings in almost the same color all over Turkey, TOKI announced that the Ottoman, Seljuk, and vernacular architectural styles would be used for new houses, consistent with cities' traditions and culture (*Emlak Kulusi* 05.05.2009). A past President

³⁸ While the associations of large scale constructors and real estate developers celebrated government support for housing demand, the Anatolian-based constructors association (Inaat Miuteahhitleri Konfederasyonu, IMKON) warned the government that this housing acquisition incentive system might cause problems instead of solving them. Since this system needs at least three years to solve the housing demand problem, Anatolian constructors do not have that much time and need an immediate solution (Dunya, 20.02.2015).

³⁹ Private sector mortgage credit amount: 131.35 trillion TL, versus TOKI's roughly 14 trillion TL.

⁴⁰ <http://www.bankalar.org/krediler/konut-kredileri/konut-kredisi/>

of TOKI, Erdogan Bayraktar, stated, “We are not producing buildings and apartments only. But we are producing a cultural perception and tradition” (*Milliyet* 09.07.2015). That is, TOKI-made houses are to be more representative of the conservative and Islamic ideology of the contemporary Turkish state.⁴¹

Additionally, TOKI produces not only houses but also buildings for social facilities. It constructed 1,004 schools, 15 universities, 42 libraries, 627 commercial centers, 991 sport centers, 546 mosques, 266 hospitals, 95 community health centers, 182 dormitories, 18 stadiums, 171 public buildings, and 312 police stations (Sayistay 2014: 32 and TOKI 2016a). Additionally, the Administration constructs senior houses, cultural centers, public education centers, military buildings, and service buildings for various state institutions.

4. Conclusion

This chapter focused on the formation of an ‘effective state’ in the housing market through expanding the processes of capital accumulation in the housing sector and indebting the masses through new credit mechanisms also designed as a welfare policy. This increase in state capacity in the housing sector occurred with an increase of the authoritarian structure of the Turkish state. TOKI was empowered with some 30 laws to become the strongest executive body in urban policy generally and in the housing market particularly. The empowerment of TOKI in the contemporary phase of neoliberalism derives from the Turkish state’s active intervention into different circuits of capital associated with market-based housing production. As the most powerful land developer, TOKI unlocks lands in the city centers for the purpose of urban regeneration and provides the most

⁴¹ The Administration announced in the beginning of 2016 it will construct 48,000 houses without charge in the eastern part of Turkey, especially Sur, Cizre, and Nusaybin, to compensate for the destructive impact of the civil war (*Konuttimes* 30.01.2016).

valuable input to the construction industry. TOKI further institutionalizes housing markets by integrating them into the financial market via its subsidiaries.

TOKI's managing capacity is closely related to the development of a relatively autonomous housing sector which needs institutional 'rationalization' from the state. Additionally, TOKI had the unique power to leverage 'savings' from the working classes, unlike the private commercial banks. Although the mortgage law gave TOKI an opportunity to sell its future receivables, the institution has not used this unique power until now. This point needs particular attention. As discussed in the next chapter, the rejection of TOKI's bid to become a mortgage bank gives important clues about the institutional form that the Turkish state took to enable the housing market. As will be shown in the next chapter, the main source of TOKI's profits is to be found in its role as 'affordable housing' constructor based on the long-term receivables from the indebted working classes.

The next chapter focuses on the contradictory relationship that has formed between TOKI, as an empowered effective state institution, and different fractions of capital in the housing sector. It will address the question of whether TOKI has become important for the valorization of capital, and inquire as to why the Turkish state insists on being the extremely dominant power on housing issues even when it is obvious that the sector is profitable for capital.

CHAPTER 8

TOKI, Housing Policy, and Different Fractions of Capital

1. Introduction

Increasing state capacity in the housing sector initiates a new administrative form – a neoliberal authoritarian administrative form – that is materialized in TOKI. This new administrative form is closely related to the growing economic role of the state in the second phase of neoliberalism. On the one hand, the state’s managing capacity is extended to institutionalize the circuits of housing production. On the other, administrative recommodification of housing threatens TOKI’s organizational unity and legitimacy. As TOKI became an accumulator in the housing sector in the period of neoliberal austerity to solve its structural fiscal crisis, the boundaries between TOKI and the private sector became blurred. A tension emerged between TOKI’s operation for the general interests of capital and its own semi-privatized institutional interests.

In this chapter, the capitalist state is discussed as more than a ‘field’ of class representation since it has its own unity and organizational structure. The relative autonomy of capitalist states is determined by the historical and institutional contexts of the particular phases of capital accumulation. In the course of neoliberal accumulation, it is expected that late-comer states will institutionalize markets via active state intervention and increasing the capacities of their institutions. In the Turkish case, the increase in state capacity in an increasingly authoritarian form became the distinguishing feature of post-2002 housing policy and the neoliberal state.

Situating TOKI within the larger network of capitalist relations provides a different account of the new authoritarian form of the Turkish state. In losing its share of the national budget, TOKI remodelled itself like a ‘private company’ to increase its fiscal capacity and deepen profit-oriented projects to finance low-income housing. Drawing on TOKI’s reorganization, this chapter asks:

Can the contemporary capitalist state compensate for declining resources from traditional budget financing and build new mechanisms to meet fiscal needs?

TOKI's institutional structure changed to finance itself and new resources were mobilized based on its distinctive privileges in the housing market. It began to operate more like a private company bound by market mechanisms via long-term and short-term receivables, debts to private banks, and credit ratings from internationally accepted institutions. The increase in 'state capacity' also transformed TOKI into a 'quasi' private sector company with dominant power in the housing sector, beyond being the 'market-maker' as it was initially expected from state.

TOKI's market entry created widespread discontent among different fractions of capital in the housing sector, a development framed in the second part of the chapter. These capital fractions supported state intervention, in general, for their various sectoral needs for land development and increased 'transparency' in market transactions such as valuation. Yet, they remained uncomfortable with its dominant power in the sector as a state enterprise.

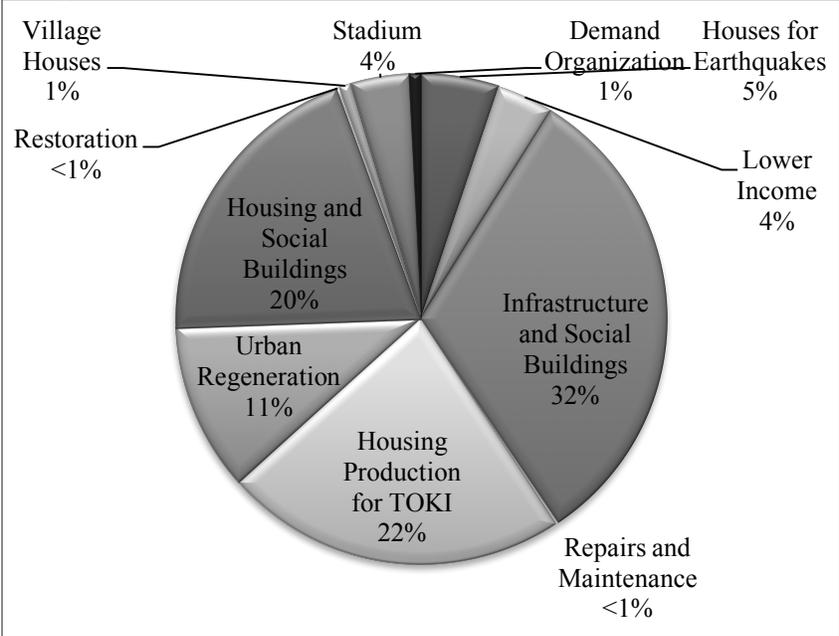
2. TOKI as a Quasi-Private Company

Although TOKI's activities had continuities with its prior operations with respect to land development, infrastructure for solving land deficiency, satellite city development to solve population density in city centers, disciplining constructors to improve skills and building qualifications, and the development of disaster housing projects, TOKI diversified its scope and scale as it expanded across Turkey. These projects – especially revenue-sharing ones – include financing short-term investments, urban regeneration projects, and constructing houses for lower and middle income groups with a maturity from 8 to 20 years depending on the financial situations of the target groups'. President Erdogan declared at the 2011 Housing Conference of TOKI, "Now,

you're seeing the map of Turkey. These are all construction sites. We almost have no province without a construction site" (TOKI 2012: 33).

TOKI needs to pay 48,007,272,708 TL to 702 different scale construction companies all over Turkey (TOKI 2016). As seen in Figure 8.1, TOKI's main construction activities are concentrated in housing production, infrastructure, and social buildings. 78% of all its payments are to constructors that win tenders for these projects. Low income house building – for people who could prove their poverty without any down-payment – is just 4% of the total amount that TOKI pays to constructors. With reference to this empirical reality, it is possible to argue that the legitimization in terms of producing for the 'poor group' is less important than support to the local capitalist classes.

Figure 8.1: Amount TOKI Paid to the Construction Firms as an Employer (as percentage of total)



Source: Proje Tipine Gore Uygulamalar (TOKI, March 2016).⁴²

⁴² TOKI's classification is used for Figure 8.1. The differences in social buildings are not defined by TOKI. But, the 20% is the social buildings associated with housing and the 32% is most likely the infrastructure associated with social buildings.

TOKI promotes itself as an umbrella organization which guides, supervises, and educates investors in the housing market instead of competing with them (TOKI 2013a). But after a variety of changes in regulation, TOKI became the main employer in the housing sector and ended up in the position of being a completely financially self-sustained state institution, requiring no funds from the national budget. In 2003, Law No. 4964 made important changes in the public procurement law in favor of TOKI. According to this law, mass housing projects were exempted from many rules and restrictions of the procurement law. Unlike the tendering processes of private firms, TOKI can initiate development projects for mass housing without providing project details, without having environmental impact assessments, without having the tenure, expropriation, or procurement of the land, and without preparation of development plans and zoning. Additionally, the revenue-sharing projects of TOKI are exempt from the Public Procurement Law since it is accepted that these projects do not require public expenditures.⁴³ In 2011, another important change was introduced regarding TOKI's procurement process by Law No. 6111. While TOKI was excluded from the public procurement process determined by Law No. 4964 regarding the mass housing projects, it is further exempted from the procurement law for all its projects.

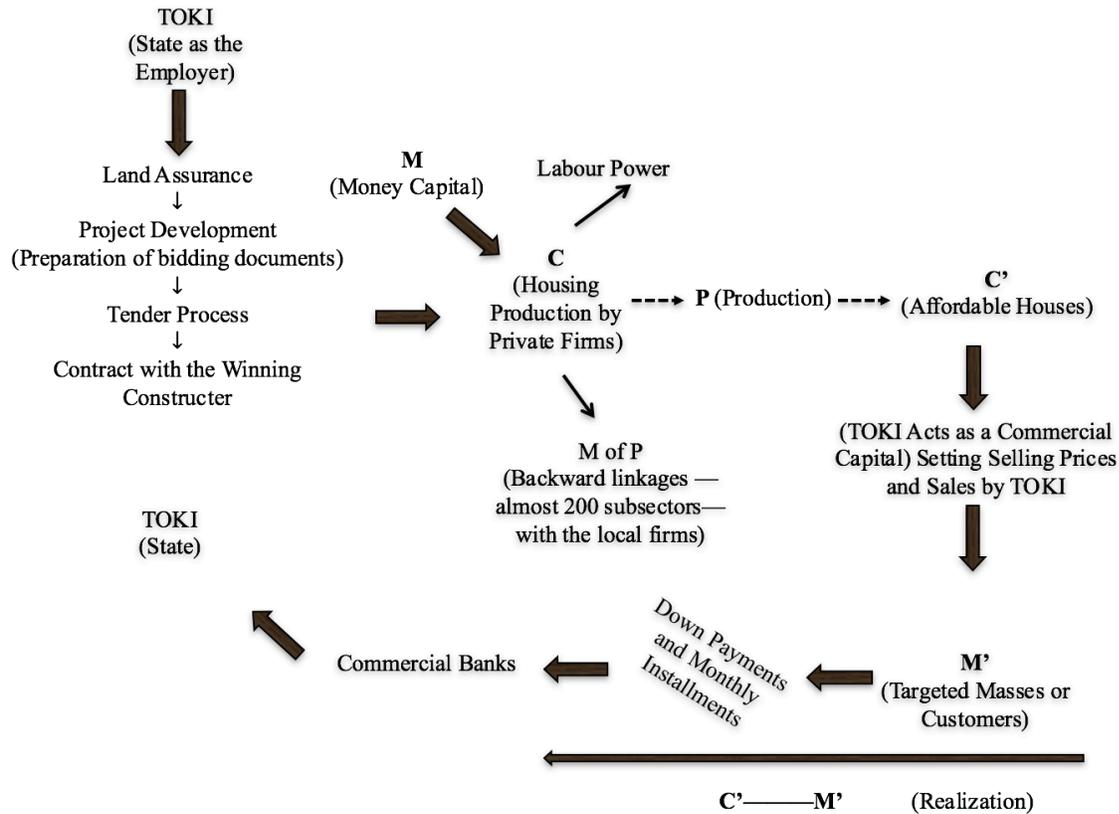
Besides the power as an investor TOKI has gained from the changes in the public procurement process, it is also empowered through various tax exemptions. In 2006, with Law No. 5492, TOKI was given the lowest construction fees and exempted from paying anything more than these fees. In 2008, TOKI was exempted from stamp tax liability with Law No. 5766. In the same

⁴³ According to the Chamber of Accounts, TOKI's exemptions in the procurement process, based on Public Procurement Law No. 4734, are the main reasons for lawsuits. The number of lawsuits against TOKI increased from 5,136 in 2010 to 44,177 in 2014 (Sayistay 2014: 6). Most of the cases concern late delivery of houses or the faulty, defective, or deficient structure of the buildings (7). TOKI is to use this power only for emergency projects like disaster houses and urban regeneration projects.

year, based on Law No. 5783, it was decided that TOKI does not have to fulfill legal formal requirements or notarization regarding its construction activities. In 2010, the legal regulation introduced by Law No. 5953 amended the real estate tax law, and TOKI's lands and plots were exempted from the real estate tax. Lastly, in 2014, TOKI was made eligible for discounted services from the Ministry of Environment and Urbanization regarding changes and approvals of development plans, map service, analyses of the projects, building licences etc. (Official Gazette No. 28945).

After the many legal changes, especially the Land Office Law, TOKI became the main land developer in the Turkish housing market with access to 54% of the currently available land stock owned by the Turkish state (TOKI 2012: 148). Additionally, with the legal changes in the public procurement process and various tax exemptions, TOKI became the biggest employer in the construction sector with almost 500 different scale construction companies working for TOKI (TOKI Haber, Subat 2010: 65).

Figure 8.2: TOKI as Employer in Social Housing Projects



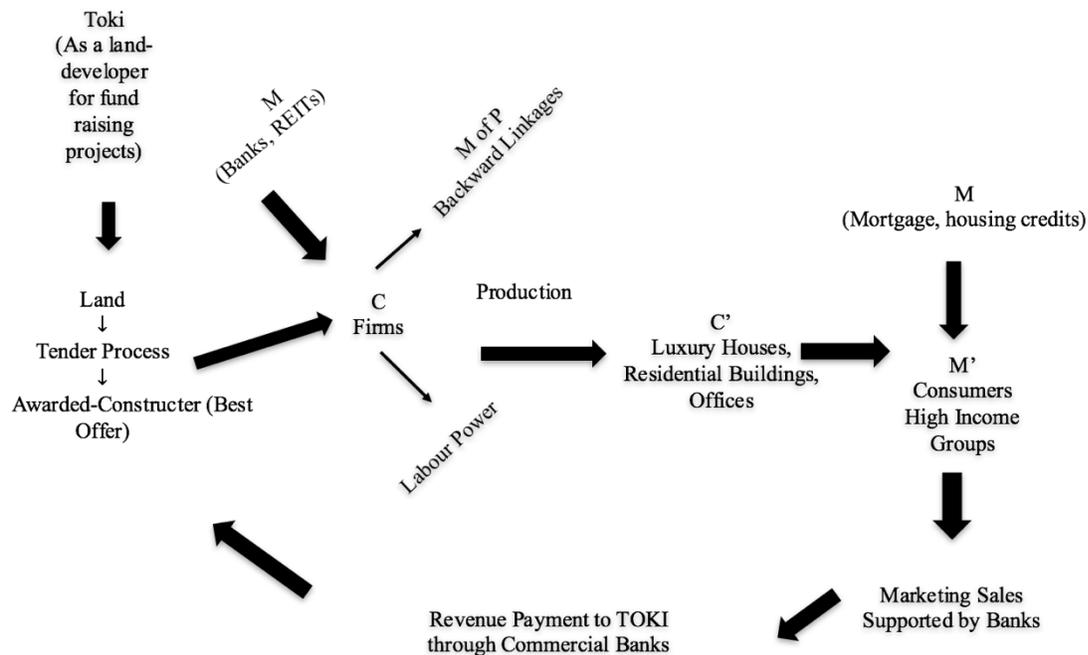
Source: Adapted from TOKI (2012: 29).

Figure 8.2 shows that TOKI, as the employer of the social housing projects, is active in different circuits of capital. Based on its increasing legal power, TOKI's land stock triggers the employment of private firms to initiate the productive capital circuit. Throughout the production process, TOKI acts as a commercial capital through setting the prices of houses and determining the monthly installments regarding the different 'targeted groups'. When it required homebuyers to open an account in one of the major commercial banks for down-payments and installments, TOKI accomplished the realization stage of the commodity circuit by ensuring that it will receive monthly installments direct from the 'clients'. TOKI's increasing management capacity is highly

visible in the chart since it acts more than a ‘market-maker’ and becomes an active player in each stage of housing production.

For social housing projects, Anatolian local firms exercise a price advantage in the tendering process and TOKI employs the one which underbids others (according to the Public Procurement Law, the administration needs to give the job to the lowest bid). Unlike the period before 2003, TOKI now plans the small-scale housing projects, composed of 200-250 houses each, thus allowing many contractors to compete for the tendering process (Interview 14). According to the latest report of the World Bank, construction companies employed by TOKI are remarkably concentrated in small cities compared to larger ones, and are dominated by a few construction firms (2015: 49)

Figure 8.3: TOKI as Land Developer in Revenue-Sharing Projects



Source: Adapted from TOKI (2012: 47).

The second model of housing production deployed is the ‘revenue-sharing model’, which is based on housing production on valuable lands in collaboration with the private sector, with TOKI sharing the sales income with its private partner. Different from the ‘affordable housing production’ model, TOKI contributes to the sector as a land developer (landlord) and it is not active in the stages of housing production since the private sector is the main player. Emlak Konut REIT, as the subsidiary of TOKI, gets the biggest slice from revenue-sharing projects based on its unique position in the housing sector, and this reality is one of the main reasons for discontent among different fractions of capital, as discussed below. Both the demand management and realisation functions are carried out by Emlak Konut, leaving TOKI without any share from the sales.

TOKI legitimizes these revenue-sharing projects by insisting that this model bridges the gap between short- and long-term receivables (TOKI 2013: 36). In these projects, large-scale national contractor firms offering the highest price for a TOKI-owned land are in an advantageous position. Revenue-sharing projects are not subject to the public procurement law since TOKI does not use any resources from the public budget (TOKI 2012: 152).

Although the revenue-sharing projects create widespread public discontent since quite valuable public lands are privatized by TOKI, its corporate power comes from the projects in which it acts as employer. As seen in Table 8.1, the total amount paid to tenders is shared among the seven regions of Turkey. Central Anatolia and Eastern-Southeastern Anatolia received (24.49%), the biggest shares. The expansion of capitalist production via housing is not only in the Marmara Region, but also other regions which were previously not attractive for the real estate sector. TOKI acted as a market-maker in these regions and ensured expanded reproduction of capitalism into the less developed regions of Turkey. Since the housing sector has strong backward linkages – almost

200 subsectors – TOKI’s economic impact in the regions is multiplied through triggering other sectors that are locally-based.

Table 8.1: TOKI Tendering to Constructors by Regions/Cities, 2016

Regions/ Cities	Tendering Amounts Paid by TOKI (TL)	Shares (%)
Aegean	3,694,075,680	7.84
<i>Izmir</i>	<i>935,902,139</i>	<i>25.3</i>
Black Sea	5,170,428,704	10.98
Central Anatolia	13,007,338,402	27.62
<i>Ankara</i>	<i>6,914,713,201</i>	<i>53.2</i>
<i>Konya</i>	<i>1,245,768,686</i>	<i>9.6</i>
Eastern Anatolia	7,802,923,486	16.57
<i>Van</i>	<i>2,391,361,088</i>	<i>30.6</i>
Marmara	10,619,481,649	22.55
<i>Istanbul</i>	<i>7,249,689,233</i>	<i>68.3</i>
<i>Bursa</i>	<i>1,183,621,042</i>	<i>11.1</i>
Mediterranean	3,064,476,428	6.51
<i>Adana</i>	<i>986,535,621</i>	<i>32.2</i>
Southeastern Anatolia	3,731,894,941	7.92
<i>Diyarbakir</i>	<i>781,689,684</i>	<i>20.9</i>
<i>Gaziantep</i>	<i>930,735,641</i>	<i>24.9</i>
Sum	47,090,619,290	100

Source: (TOKI 2016).

Additionally, what Table 8.1 shows is that major cities get the highest share in TOKI’s housing projects. These cities (except Izmir and Diyarbakir) are vigorous supporters of the AKP government. The diffusion of capitalist relations of production to those cities happened after the 2000s; the cities get an enormous amount of immigration from the rural areas and other small cities. It is clear from the various data that TOKI’s building projects also help form the local capitalist classes. This partly comes from how housing and development projects attain tax exemptions, mobilize land, and create their own urban regeneration projects. TOKI is also able to

supply credit facilities to local companies. As an official from the Finance Department of TOKI indicated, “TOKI faces many cases in which the tenders fail to pay the installments to the administration. In these cases, TOKI postpones the payment, with an interest rate applied that is based on Ziraat Bank’s deposit rate, which is cheaper than commercial credit interest rates” (Interview 13).

TOKI’s power comes, in good part, from its position as a privileged state institution with special access to lands for development and various laws that have allowed it to become an important developer of housing projects and an ‘enabler’ of markets. Its political power is thus rooted in its central economic role as house builder and in its control over the three circuits of housing production.

TOKI legitimizes its revenue-sharing projects through a discourse of the need for short-term revenues to finance the long-term receivables of housing construction for the ‘targeted masses’. But both its long- and short-term finance depend on the housing and office sales, as shown in Figures 8.4 and 8.5.

Figure 8.4: TOKI’s Short-term Receivables (2010-2014)

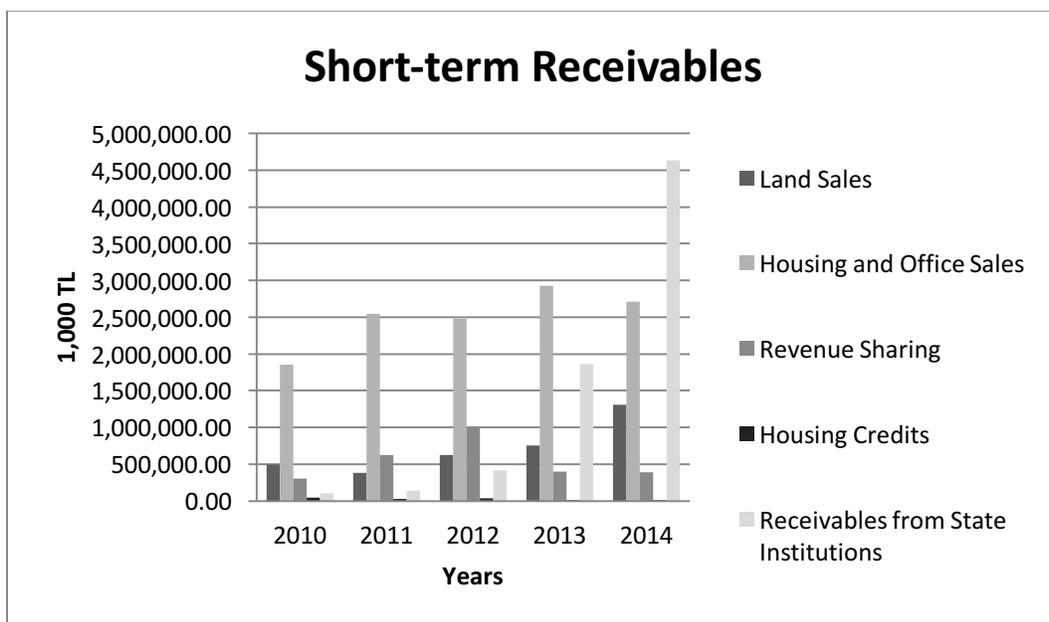
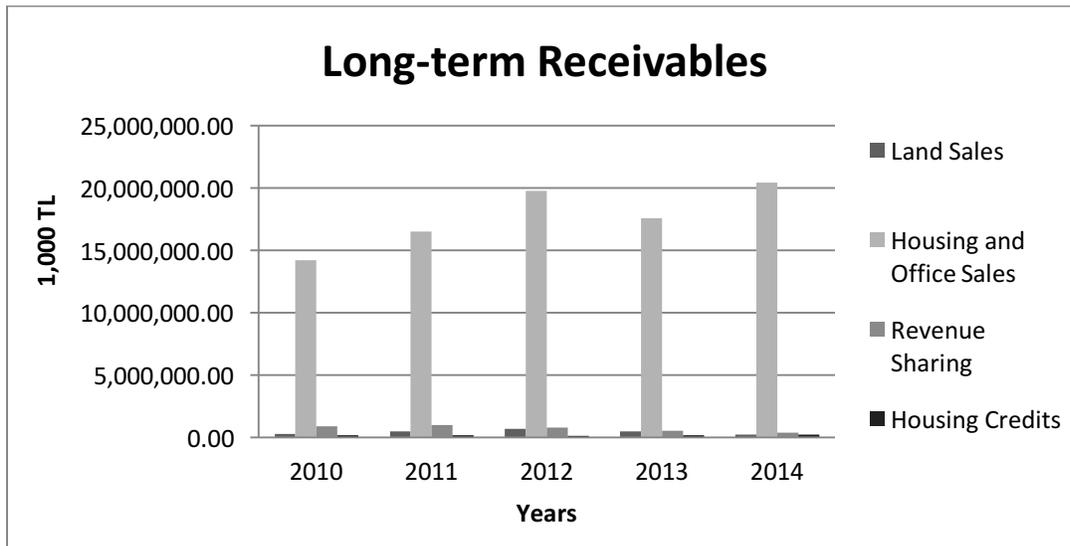


Figure 8.5: TOKI's Long-term receivables (2010-2014)



Source: Chamber of Account's Report between 2011 and 2014. Same source with Figure 8.4.⁴⁴

TOKI addressed its internal fiscal crisis through constructing houses instead of by profit-oriented revenue-sharing projects or selling lands. Even in terms of short-term receivables, the main source is housing and office sales and public buildings construction. Although land sales and revenue-sharing projects are the highest profile items discussed in the daily newspapers, TOKI's power has grown from becoming large-scale constructor of mass housing. The real fiscal source of TOKI is its housing sales to the 'targeted masses'. Additionally, TOKI's construction of public buildings, as a result of requests coming from the Ministries of National Education, Health, National Defence, Interior, Finance, and Justice, have also become a major share of its total short-term receivables, especially after 2008 (Figure 8.4).

Even though TOKI's power as a land developer and constructor provides enormous financial resources, it has faced financial crises over the last 15 years as it attempted to grow so

⁴⁴ Full data concerning TOKI's budget from 2003 to 2016 is not available. To provide an approximate picture of its fiscal structure, these two figures have been developed using information from the 2011-14 Chamber of Accounts' Reports.

quickly. Its previous president, Erdogan Bayraktar, noted that, “We cannot continue without obtaining credit. We construct the hospitals for the public and get back the money after five years. We sell affordable houses and get the money back in between 10 to 20 years. This is why our housing production system is based on credits. We mostly take loans from public banks” (TOKI Haber, Mart 2010: 48). Between 2007 and 2010, TOKI received bank loans to help with its fiscal position in the following amounts: 407 million TL in 2007, 1.5 billion TL in 2008, 292 million TL in 2009, and 629 million TL in 2010 (Sayistay 2011: 33). Until 2011, TOKI paid its debt back to the public banks.

TOKI’s new administrative form, as an accumulator with a privileged position in the housing sector, aroused discontent among the different fractions of capital in the sector.

3. Capital Fractions in the Housing Sector

Social classes are, in one aspect, determined by the relations of production, but are not simply economic structures. Classes are always unique products of each social formation and, as such, they need to be analyzed in “a concrete society in a given time” (Polentas: 2008: 192). Poulantzas argues that the capitalist classes are not unitary entities which are exempt from contradictions. They are divided among different fractions based on their differentiated interests in the economic sphere and their political and ideological stance (1979: 23). The capitalist classes, therefore, always form into individual associations to represent their interests in the market.

As discussed in the following pages, TOKI is a materialization of class relations and is a necessary institution for enabling the housing market and solving the accumulation crisis in the sector, while also being a source of ‘unfair competition’ in the sector. The fractions in the housing sector can be classified by their activities and scale. The main capitalist organizations are the following: the Associations of Real Estate Investment Trusts (Gayrimenkul ve Gayrimenkul

yatirim Ortakligi Dernegi, GYODER) and Association of Housing Developers and Investors (Konut Gelisticicileri ve Yatirimcileri Dernegi, KONUTDER) as the representatives of the real estate developers/commercial capital; Istanbul Constructors' Association (Istanbul Insaaticilar Dernegi, INDER) and Turkish Constructor Associations (Turkiye Muteahhitler Birliigi, TMB) as the representatives of the constructors/productive capital; and the Confederation of Constructors (Insaat Muteahhitleri Konfederasyonu, IMKON), which is the representative of Anatolian-based and medium-scale constructors/productive capital. Although there are contradictions among different fractions of capital, their interests also intersect with the monopoly power of TOKI as the point of conflict.

3.1. The Main Fractions and their Representative Associations

3.1.1. Productive Capital Representatives: TMB and INDER

The earliest representatives of capital in the Turkish housing sector are the associations of productive capital. The large scale house builders' associations – TMB and INDER – go back to the formation of productive capital in the 1950s and 1960s. Their members became important actors as a result of the Turkish state's constituent role in the construction sector. The founding of the Ministry of Public Works in 1928 was the expression of state's role in initiating the infrastructure development. It was not possible to initiate development in Turkey without activating the construction sector. The very first building contractors for the Turkish state were those that built railways, dams, ports, and highways under the Turkish Republic's first Public Procurement Law of 1934. The law protected the emerging small-size national capital groups against international ones working within Turkey's borders.

A turning point for the Turkish building constructors was the acceptance of Turkey as a member of NATO in 1952. The biggest construction firms – which are still powerful today in the

construction industry – were formed in these years through constructing infrastructure for NATO's military investments. Among these companies were TEKFEN, ENKA, GAMA, EKO, and NUROL. Additionally, with the foundation of the General Directorate of State Hydroelectric Works in 1954 and the General Directorate of Highways in 1950, the construction firms formalized their organizations as they bid for large-scale infrastructural investments from the Turkish state (Batmaz, Emiroglu, and Unsal 2006). The foundation of TMB and INDER were the result of this process.

The oldest interest group organization of constructors in the housing market is TMB, founded in 1952. Most of its members are Ankara-based and have close relations with the bureaucracy. Their members are also involved in international infrastructural investments. Although they mostly work on large-scale infrastructure, they are also supported by government through two major policies: highway construction and housing production. According to representatives of TMB, the AKP government creates pro-government contractors through providing some of the necessary equipment to small-scale and local companies that allow them to construct highways, as well as through dividing large projects into pieces (Interview 4). The restructuring of TOKI to initiate housing production also encouraged collaboration amongst various sized contractors. TMB is the capitalist organization most critical of the government. Its sector reports have taken a position against easy-profit increases in the real estate sector at the expense of the industrial sector (TMB 2014). They are very critical of the real estate developers being active in the sector. They are in favour of sectoral centralization achieved through increasing the size of capital invested in the companies that are part of TMB.

INDER is the representative of the large-scale construction companies that are specialized in housing production and was founded in 1967. The Secretary General proudly said, “Our

members are all constructors. There is no real estate developer among us” (Interview 6). As the representative of large-scale constructors, the purpose of the association is to increase productivity and value-added production in the building sector. INDER is also the main organization that fights for the work safety of construction workers, and it has been lobbying to make professional competency exams and education compulsory for construction activities. In collaboration with the Ministry of Education, the association initiated seminars on work safety for construction workers. As a result of their lobbying activities, it is accepted that after 26 May 2016, the constructors will only employ workers who have a professional competence certificate. But INDER did not work with the construction workers’ union on these lobbying efforts.⁴⁵ It is obvious that it initiated this process to limit small and informal firms from competing with them. One of the major conflicts between housing producers and real estate developers is work accidents and deaths, since developers do not want to take any responsibility for workplace accidents by saying that they are not constructors but just developers.

Besides INDER’s lobbying activities for professional competence certificates, it also pushes for the centralization of the housing sector. The president of INDER stated that the sector should take the automotive industry as an example regarding its efficiency, effectiveness, and responsibility (INDER 2016).

⁴⁵ Death on the job is a frequent occurrence in Turkey. According to one article, “about 22 work-related accidents occur in the construction industry every working day, 1.2 people being permanently incapacitated and 1 person dying as a result of these accidents” (Yilmaz and Tan 2015). In 2015, 1730 workers were killed and 426 of them were construction workers. INDER states that “work accidents and deaths” destroy the reputation of the construction sector and cause both hour loss and money loss. This is why INDER “rolls its sleeves up to educate the uneducated and ignorant construction workers” (Interview 6).

3.1.2. Medium- and Small-Scale Productive Capital Representative: IMKON

IMKON was founded in 2012 and brought together 52 different constructor associations from various parts of Turkey. It represents almost 90,000 small-scale constructors from the Anatolian and the Aegean regions of Turkey. It is a vigorous advocate of the AKP government. The AKP government supports the local construction sector through the “Housing Production Mobilization” program of 2002, which helped them expand and made many of these companies advocates for the government.

The associations of the large-scale real estate sector players, such as GYODER, KONUTDER, and TMB, were severely criticized by IMKON on the grounds that they do not represent the constructors in Anatolia. When its members were not invited to the government’s meeting with other representatives of the sector – TMB, KONUTDER, and GYODER – at the Istanbul Construction Summit at February, 2015, IMKON stated that they are the real representatives of the sector since their productive capacity in Anatolia is larger than these associations (*Fortune Turkey* 16.03.2015). It is obvious that IMKON, as the representative of Anatolian-based and medium-scale constructors, demands to be taken into consideration as a fraction. The president of IMKON contends that his members’ competitive conditions are not the same as those of the associations of large-scale constructors, which get many incentives and supports from the government. Further, the Anatolian constructors struggle in unfair competition conditions with the real estate sector (*TAKA* 29.01.2015).

IMKON’s main lobbying activity is making commercial banks decrease the interest rates for credits provided to the construction sector (*Yeni Safak* 26.03.2016). Since most of the medium-scale constructors provide the necessary money capital to initiate the commodity production from the banks, any fluctuation of exchange rates has disastrous effects on IMKON’s members.

3.1.3. Commercial Capital Representatives: GYODER and KONUTDER

Both GYODER and KONUTDER emerged with the formation of commercial capital and finance in the housing sector. They played a particular role in integrating the housing sector into financial markets. The Turkish state provided supportive policies for the commercial capital in the sector in general and real investment trusts in particular.

It was founded in 1999 to assemble all forms of companies in the real estate market under the same roof. But GYODER is especially the representative of the financialized large-scale real estate companies and is an important lobbying group directed toward the Turkish state's housing market policies. It has 31 members, with Emlak Konut being one of the most powerful. Its president, Aziz Torun, is a well-known constructor and is known to be close to the AKP government. GYODER's members especially have undertaken major revenue-sharing projects in collaboration with Emlak Konut and TOKI.

The establishment of the Ministry of Environment and Urbanization in 2011, according to a representative of the organization, overlaps perfectly with GYODER's demands on the Turkish state: "They [the ministry and TOKI] are the lawmakers and we are the representatives of the real estate sector. We had a very close relationship with Erdogan Bayraktar [past minister and also past President of TOKI]" (Interview 3).

GYODER, through its actions in support of REITs, has become an important lobbying group for the real estate market over the last couple of years. Their members, which are active in the IMKB, more than doubled in the last six years, reaching 31. As stated by the President of the Coordination Council for the Improvement of the Investment Environment (Yatirim Ortamini Iyilestirme Koordinasyon Kurulu, YOIKK), the country was selected as "the top improver" among 97 markets assessed by the Global Real Estate Transparency Index in 2012 regarding its

remarkable performance with owned real estate, public real estate securities, and unlisted real estate funds (GYODER 2014: 5). The increase in the number of REITs and such ratings achievements are promoted by the real estate developers for the transparency needed to attract international and institutionalized investors (6).

KONUTDER was founded in 2011 by 16 large-scale housing producers. The association defines its mission as the improvement of the competitive capacity of the sector. KONUTDER is the most active and institutionalized lobbying group, and focuses on laws that affect the housing market. The importance of the association for its members can partly be understood from the fact that KONUTDER gets the highest annual contribution from its members among all business associations in Turkey (*Ekonomist* 8.12.2013). GYODER and KONUTDER have common members and they work together for the lobbying activities.

3.2. Centralization of Capital

The capitalist classes in general have actively been lobbying for the implementation of a law which would protect investors against unfair competition with the informal players of the sector and also for a decrease in taxes. Since large-scale real estate companies are required to adhere to the relevant laws and regulations throughout the construction process, they pay more tax than the small-scale builders. The formulation and implementation of a law in the form of ‘Contraction Service Codes’ has been supported by all the associations that are listed above to control entry conditions to the housing market. This demand has even been supported by IMKON as it argues that the sector should be controlled by the state via tightening the regulations for being a constructor so as to manage the overproduction problem in the sector (*Emlak Haber* 2.04.2014).

According to KONUTDER’s Housing Sector Report, the Turkish real estate sector is still too dominated by the small-scale constructors and there is an unfair competition between large-

scale and small-scale firms (KONUTDER 2013). While the large-scale real estate developers pay approximately a 13% tax throughout the construction process, small-scale firms have an ability to escape these taxes since they do not have the same level of income and cost reporting standards as the REITs (KONUTDER 2013: 7). The construction sector presents considerable risks because of changing and unpredictable zoning laws, so international investment is restricted in the sector due to this uncertainty. The aim of the Turkish state to renew seven million houses can only be accomplished through institutionalized large-scale real estate developers and constructors. The Turkish state needs to decrease taxation rates, as high taxes end up encouraging informal activities (7).

As the representative of large-scale construction companies, TMB argues that there is a need to produce high value-added products. An important step is that engineering, procurement, and construction (EPC) firms be incorporated as steps within a single organizational structure (Interview 4). Turkey stuck with the ‘construction stage’ for endorsement so that Turkish construction firms are not forced to compete with European or North American ones. According to the association, Turkey has an enormous number of construction companies that need to be consolidated, and which will form the concentrated capacity to produce more value-added products as integrated EPC firms (Interview 4 and Interview 5). The same perspective is shared by INDER, which purged its own membership from 4000 to 180 in 2008 by “increasing the standards [required for] being a constructor and engineering firm” (Interview 6).

In September 2014, as a result of all these lobbying activities, the Ministry of Environment and Urbanization announced that they were working on a new contracting law to tighten the financial and technical regulations for the construction business as a response to the increasing number of construction workers being killed at work-sites. It is suggested that one-third of the

country's constructors may be out of business after the implementation of the law (*Today's Zaman* 18.09.2014).

In addition to the contracting law, the Turkish government introduced significant amendments to the Consumer Protection Law in 2014. This law also supports the centralization of capital tendencies of the housing sector. As a result of changes to the law, the constructors need to show either a bank letter of guarantee or work completion insurance to sell the houses built on their projects. If the constructors do not provide either of the two guarantees, they cannot sell their houses before the completion of the project. With this amendment, construction companies need to have the money before beginning work. The law excludes contracting companies which construct 30 houses or less, as the state does not want to eliminate these small companies due to the negative impacts this could have on both the economy and voting behaviours (Interview 8).

4. State as the Condensation of Class Relations

The emergence of the different fractions of capital and their associations in the housing sector is quite a new phenomenon. Although the internationalized productive capital in the sector established its associations (TMB and INDER) in the 1950s and 1960s, the emergence of the organizations of commercial capital (GYODER and KONUTDER) and small- and medium-scale productive capital (IMKON) in the 2000s is quite a novel phenomenon in Turkish politics. The capitalist classes in the housing sector, as a whole, have become an important power group with different interests from capitalists in the manufacturing sector. This contemporary tension between capitalist classes in the housing sector and the manufacturing sector is internalized within the Turkish state.

Before the national elections in 2015, the former deputy prime minister, Ali Babacan, as the representative of international capital and internationalized national capital, stated that the

construction sector became the source of easy money in favour of short-term projects which need to be controlled to enable the industry as the leading sector for the sustainable growth of the economy (*Today's Zaman* 14.10.2014). He declared that “a development plan code should be adopted to prevent easy earnings. The code needs to be regulated” (*Hurriyet Daily News* 3.10.2014). After Babacan’s statement, the government began to speculate on three possible measures that could be taken against the construction sector: termination of GYO’s 20% exemption from the corporation tax; an increase in real estate taxes and finance charges; and implementation of a tax on land rents (*Haberturk* 11.10.2014). Babacan’s opinions were supported by the Turkish Industrialists’ and Businessmen’s Association (Türkiye Sanayiciler ve Isadamlari Derneği) – the most powerful representative of internationalized capital in Turkey – with its declaration that the share of the industrial sector enormously decreased in the last 15 years as a result of the real estate economy’s attractive profits based on rent (*Zaman* 22.10.2014).

President Erdogan, as a vigorous supporter of the real estate sector, refuted Babacan’s position against the construction sector saying, “We do not say stop to the construction sector. We told them to continue. TOKI leads the way. If you say stop to the construction sector and support the industrial sector at the expense of the previous [construction sector], an economic crisis would occur” (*Hurriyet* 15.12.2014). Finally, he postponed measures that the government was considering which might have slowed down the construction sector. Real estate developers were highly critical of Babacan’s intervention and argued that the free market would punish the overproduction of real estate and thus required no special government measures (Interview 8).

Another serious governmental discussion in which the construction sector takes a stand is the one around interest rates. The tension between the government and the Turkish Central Bank with respect to interest rates revolves around their effects on the real estate sector. While the

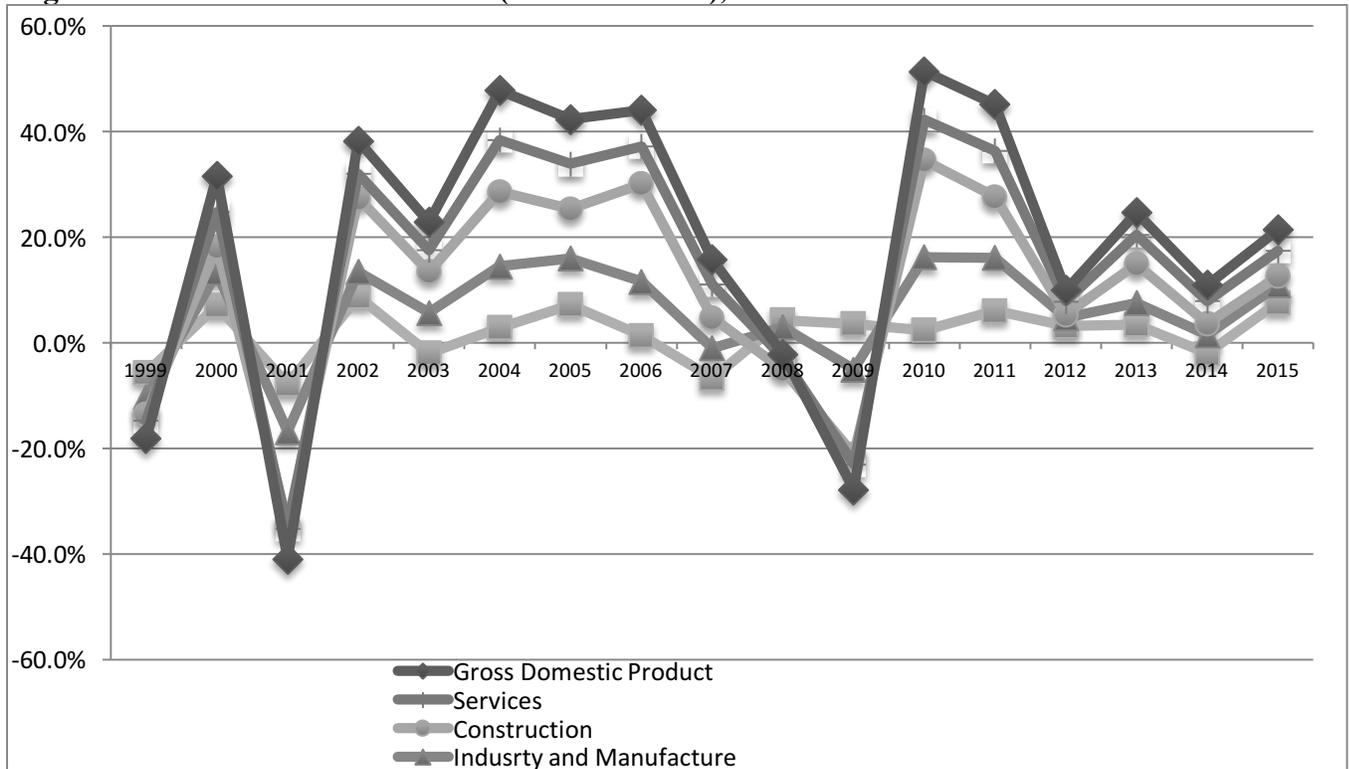
Turkish Central Bank was trying to increase interest rates to stabilize the foreign exchange markets and the value of the TL so as to attract foreign investment, the Turkish government – materialized in President Erdogan’s position – insisted on keeping lower interest rates for the Turkish currency.

Capitalist classes in the real estate sector – especially associations of commercial capital and medium- and small-scale productive capital – took the side of the government because of their very indebted financial structure, totalling some \$164 billion of foreign debt in 2014 (Sonmez 2014: 2). When the major real estate associations met with the Minister of the Economy to present their opinion on the interest rate discussions, their representatives stated: “The interest rates were a bigger disaster for the sector than earthquakes or natural disasters would have been. In the last two years, the sector lost 15 milliards [billion] Turkish lira. That means 250,000 houses were destroyed by the interest rate disaster” (*Hurriyet*, 14.02.2015). KONUTDER stated that Turkish Central Bank’s interest rate policies affected the economy in general, and real estate sector in particular. In order to revive the housing sector, the Bank needs to decrease interest rates immediately since 75% of the sector’s sales depends on bank loans (*Sabah* 26.08.2014). IMKON contested the notion that the commercial banks should follow the Turkish Central Bank through decreasing the interest rates to support the construction sector (*Yeni Safak*, 26.04.2016).

In the Turkish literature, the increasing importance being given to the construction sector is seen as a ‘construction-oriented accumulation strategy’ based on speculative investments at the expense of ‘value-added production’ (Sonmez 2014; Cavusoglu 2013; Akcay 2013a; Boratav 2015). In contrast to these discussions, I argue that it is not an adequate interpretation and the importance of the construction sector is overstated since its share in the Turkish economy is lower than other sectors, even though Turkish state is remarkably active in it (Senesen and Gunluk-Senesen 2015: 363). As shown in Figure 8.6, the health of the construction sector is highly

correlated to the state of the economy overall. The emphasis in the Turkish literature on a ‘construction-oriented accumulation strategy’ is therefore understandable as the construction sector’s growth rate is higher than industry or manufacturing when the overall economy has an upward trend.

Figure 8.6: Growth Rate of Sectors (net of inflation), 1999-2016



Source: Turkish Statistical Institute, 2016.

At the same time, the construction sector’s growth rate does not automatically lead to the conclusion that Turkey’s new accumulation strategy under the AKP government is a construction-oriented one. As shown in Figure 8.7, the construction sector’s share of GDP has remained relatively small compared to the industry, manufacturing, and sector services.

Figure 8.7: GDP Share of Selected Sectors, 1998-2016

Year	Agriculture, Forestry, Mining, etc.	Industry and Manufacturing	Construction	Services	Gross Domestic Product (TL)
1998	13%	34%	6%	54%	6,799,458,181,000
1999	11%	31%	6%	58%	10,223,979,086,000
2000	11%	30%	5%	59%	15,602,301,164,000
2001	9%	28%	5%	62%	22,609,364,008,000
2002	11%	28%	5%	61%	31,702,183,422,000
2003	11%	28%	5%	61%	40,483,560,954,000
2004	11%	28%	5%	61%	49,488,405,787,000
2005	11%	28%	5%	61%	57,171,446,980,000
2006	9%	28%	5%	62%	66,841,826,496,000
2007	9%	28%	5%	64%	75,438,454,178,000
2008	8%	27%	5%	64%	85,458,521,418,000
2009	9%	25%	4%	66%	86,444,968,586,000
2010	9%	26%	5%	64%	98,054,701,568,000
2011	9%	27%	5%	64%	115,045,313,868,000
2012	9%	27%	5%	64%	126,297,340,283,000
2013	8%	27%	5%	65%	138,810,479,669,000
2014	8%	27%	5%	65%	155,549,858,955,000
2015	9%	26%	5%	65%	172,638,402,569,000
2016Q1	4%	27%	5%	68%	44,092,481,833,000

Source: Turkish Statistical Institute, 2016.

In the current period, the relative importance of the real estate sector at the state level is the result of an intersection of a variety of interests taking place under the AKP government's relative dominance over all groups within the sector. Firstly, the AKP government created pro-government construction firms all over Turkey thanks to the increasing scale of TOKI and the increasing land stock of the state (Figures 8.2 and 8.3). That is, the government's legitimization is closely related to its support of the small- and medium-scale firms, as is apparent especially in the construction sector. Second, quite parallel to IFIs approach to the housing question, the 'dead capital' in the housing market is enabled by the Turkish state through supporting the institutionalization of the circuits of capital in the sector. That is, the fundamentals of the housing sector began to be institutionalized in parallel with the long-term goals of IFIs. The socialization of capitalist relations to all over Turkey was celebrated by the World Bank (2015). Third, the increase in the supply and demand of the Turkish housing sector is related to the increasing dollar liquidity that became available in the sector after 2003 (Sonmez 2014: 18).

Although the AKP government's support to the real estate sector is appreciated by the capitalist classes, the institutionalization of both different circuits and fractions of capital in the housing sector causes conflicting interests between the state and the capitalist classes. On the one hand, TOKI's power in the urban areas as a land developer is supported by all the fractions in the sector. On the other hand, once the fractions in the sector achieved a certain level of economic and political power, their interests conflicted with TOKI's privileged position in the housing sector.

4.1. TOKI's Contradictory Relationship with Different Fractions of Capital

Although TOKI represents itself as a public organization that has an umbrella structure with an 'enabling' mandate to develop and monitor the real estate sector against the informal

companies and also as a market-maker, different capitalist associations argue that TOKI creates unfair competition through its various development projects. The relative autonomy of the Turkish state is partly derived from its power to make certain dominant class fractions sacrifice their profit without threatening their political power so as to implement social policy (Poulantzas 1978: 193). But the Turkish state's relative autonomy is not just about implementing social policy at the expense of the dominant classes. For example, TOKI's relative autonomy as an institution of the state comes from the attempt by the center of the state to secure its institutional unity in the era of fiscal discipline. Since the traditional means of providing state finance have deteriorated, the state's *internal rationalization* of TOKI is that it is a quasi-private company engaged in a capitalist method of housing production and earning its own revenues. TOKI, as a state institution arranged like a private company, needs to move forward to be financially stable – a goal which often comes at the expense of short-term discontent among different fractions of capital. This point requires particular attention because a number of business associations have stated that the private sector is ready to start building affordable houses for lower income groups if TOKI will sell them land at a reasonable price and without any tax burden – the kind of conditions enjoyed by Emlak Konut REIT. The lobbying activities of the business classes were not successful, however, as TOKI insisted that if the private sector wants to produce affordable mass houses, then those companies should bid for work contracted by TOKI. Although TOKI, in its role as constructor, is the source of much discontent among the different fractions of capital, it plays the larger role of initiating the socialization of capitalist relations in the housing sector as a whole and mediates the long-term interests of different fractions of capital in the sector.

GYODER's report, *Affordable Housing in Turkey: Country Assessment and Recommendations* (2008), illustrates some of the discontent of both the international institutions

and national capitalist classes. The report was prepared by the U.S.-based Affordable Research Institute, which specializes in housing policy and finance for Global South countries. The main argument of the report is that TOKI's housing production and its 'supply side politics' are not good for the housing market for two reasons. First, it displaces market activity that would otherwise be carried out by the private sector. Second, TOKI is distracted from other missions, such as providing the financial support that cannot be filled by the private sector on its own (Smith 2008:11).

It is argued that the Turkish state needs to develop a vision of a future housing system with reference to Europe and United States. In the report, while Mexico is shown as a successful case of following these markets in developing housing finance, Egypt is presented as the 'cautionary tale'. Mexico founded a national housing finance bank (Sociedad Hipotecaria Federal, SHF) in 2001; similar to the U.S.'s Fannie Mae, SHF provides direct lending and creates a secondary market for home loans (23). The Egyptian case is similar to Turkey, however, as a single government ministry combines control of land and zoning; according to the report this leads to a slowdown in the development of affordable housing market because of lack of competitive pressure (31).

GYODER's report states that TOKI's role as direct developer, builder, and constructor is 'highly unusual' since in developed countries, the state usually has little or no role in new housing construction (34). Since Turkish builders and constructors are highly developed and continuously work with international partners, TOKI's capacity could be deployed in other fields of the housing sector. It is advised that TOKI develop demand side policies, such as direct lending for both the supply and demand sides, doing credit enhancement (increasing the credit worthiness of loans) in the form of either mortgage insurance or real estate investment trusts, and initiating financial product innovation (38). TOKI should shift its primary focus to fields that the private market

cannot do alone, so as not to compete with the private sector and instead become an essential partner (41-42).

It is argued by different fractions of capital that TOKI, and its major subsidiary, Emlak Konut, undermine the business climate. Both TOKI and Emlak Konut REIT are exempt from title deed fees and stamp tax, thus creating unfair competition with the private sector. The various business associations contend that to enable the housing market, the private sector should also be exempted from these taxes, or alternatively that these exemptions only be applied to the construction of affordable houses (*Haberturk*, 22.03.2013). Unlike housing purchases from TOKI and Emlak Konut GYO, value-added taxes have to be paid for the houses purchased from the private sector. Thus, the increase in the value-added tax in 2013 generated major opposition from the constructors who blamed TOKI for unfair competition. The President of IMKON argued that TOKI needs to produce affordable houses only and should immediately stop its unfair competition (*Emlak Kulusi* 0.01.2013).

Although the Turkish housing market is dominated by small- and medium-scale producers (85%), KONUTDER stated that the most acute dilemma has been between the private and public sectors since TOKI became dominant among the major-scale housing producers and developers. Almost 10.5% of the houses have been produced by either TOKI (9%) or Emlak Konut REIT (1.5%), whereas the members of KONUTDER have just 1.6% market share (*Ekonomist Mortgage*, 04.01.2013). This point is supported by the pro-government Independent Industrialists and Business Association (Mustakil Sanayici ve Isadamlari Dernegi, MUSIAD) in their report on the construction sector in 2009. The report contends that not only the bureaucratic process but also state-owned enterprises like TOKI and Emlak Konut REIT block the competitiveness and efficiency of the housing market (MUSIAD 2009: 28). One of the biggest REITs in Turkey, Sinpas,

affirmed that TOKI's intervention into the construction sector as a builder is not needed in an era of privatization (*Cumhuriyet*, 17.04.2007). The secretary general of INDER observed, "You say that you're for liberalism and capitalism but you're producing like a socialist model. TOKI is a state company. There is an unfair competition between us and TOKI. TOKI doesn't pay any tax for the housing production. The private sector produces units that are 38% more expensive those TOKI produces because of the taxes we need to pay. How can I compete with TOKI?" (Interview 6). He continued: "You shouldn't think of TOKI as a model for housing production. This is a horrible model which will be demolished after this government" (Interview 6). IMKON declared that TOKI needs to be demolished because if the private constructors benefited from the same tax exemptions and land portfolio, they could construct affordable houses at half the price (*Zaman* 27.01.2009).

Besides these lobbying activities, the construction associations also pursued legal remedies. For example, in 2005, the Bursa Chamber of Commerce and Industry (Bursa Ticaret ve Sanayi Odasi, BTO) applied to the Presidency of Competition Agency regarding TOKI's unfair competition in the sector in order to defend 'the fair competition rights' of its members. This application was rejected by the Presidency based on the argument that TOKI, as a welfare state institution, should have the unique operating conditions that it has (*Zaman* 1.12.2005). Another example is the Ankara Chamber of Commerce (Ankara Ticaret Odasi, ATO), which declared in the newspapers that it was getting ready to open a lawsuit against TOKI regarding unfair competition. TOKI, as the state-led constructor, causes many businesses collapses in the construction sector. Additionally, the chair of the ATO argued that if the constructors had the same opportunities, they would produce houses 10% cheaper than TOKI (*Cumhuriyet* 10.04.2008). ATO did not open a lawsuit against TOKI, however, even though it declared the intention to do so.

TOKI did not step back in the face of discontent among the various capital groups. The previous President of TOKI, Erdogan Bayraktar, said, “Even though some contractors complain about TOKI, we are providing the balance of the real estate sector. We are the ‘public bread’ [which is state-produced bread in Turkey] of the construction sector” (*Zaman* 27.05.2007). In another speech, Bayraktar claimed that TOKI prevents speculative increases in the prices of the real estate sector and that if TOKI did not balance the market, the construction mafia would dominate the realm (*Zaman* 07.11.2007). President Erdogan responded that “TOKI’s targeted masses are different from the private sector. If we do not have TOKI, we would be destroyed by mortgage crisis like other countries. The reason we are not being affected by the mortgage crisis is our insurance. Our insurance against crisis is TOKI” (*Zaman* 19.05.2008).

4.1.1. Squeezing out the Private Market?

A main argument of the capitalist classes is that the TOKI-led real estate market is squeezing out private investment and that there is a need to restructure the state’s housing policies to make the market profitable for the investors.⁴⁶ The real estate associations – KONUTDER, INDER, GYODER, TMB – represent large-scale businesses that produce for a particular segment of society that has enough financial power to get housing loans from private banks and purchase luxury homes. According to the Turkish Statistical Institute, only 10% of the national population is able to buy what are classified as luxury homes produced by these construction firms. They want to further penetrate the real estate market for the middle and lower classes where TOKI dominates (Interview 7). The large-scale developers and producers insist that TOKI should be transformed exclusively into a land developer and a housing bank rather than being a builder of housing.

⁴⁶ In effect, the business associations are deploying an old neo-classical (also neoliberal) argument that there exists a given pool of savings and public sector investment squeezes out private investment.

In 2014, KONUTDER applied to purchase low cost lands from TOKI, like the Emlak Konut REIT, in order to construct mass housing for the low income group. With the new urban renewal projects, KONUTDER foresaw that there would be overproduction for the upper classes but a huge unmet demand for low and middle income housing. Without buying the low cost lands from TOKI, it is impossible for the private sector to supply this housing. But TOKI rejected this request and referred the constructors to its tendering processes (*Hurriyet* 29.01.2014).

KONUTDER repeated this demand in 2015, stating that there is no separate real estate market for the upper income classes anymore, and that the private sector should also construct houses for the middle and lower income classes. Since it is impossible for the private sector to compete with TOKI's privileges, TOKI needs to 'enable' the private sector to operate in the low income housing market (*Hurriyet* 02.02.2015). Access to low cost lands and housing remains a major point of contention between the constructors and TOKI.

The development of new financial tools emerged as another housing policy proposal to overcome market barriers for the private builders producing only residential buildings. There is a need, therefore, to develop different tools to expand the real estate market. One of the fundamental solutions is to enable new financial tools formed in the real estate market through increasing equity investments via new security offerings and issuing real estate certificates (*Vatan* 09.12.2014). The Ministry of the Environment and Urbanization also declared that there was a need to expand the real estate market since the national housing market is approaching its limit in residential house building. Minister Gulluce announced that the state institutions and the private sector should draw a new road map to expand the real estate market, which in particular means the low income housing sector dominated by TOKI (*Vatan* 09.12.2014).

As part of this effort to increase private sector investment, the establishment of the first of the real estate investment funds (REIF) occurred in 2015, with the necessary legal arrangements being completed in 2014 by the Turkish Capital Market Boards (CMB).

The large-scale real estate companies began to establish REIF companies through applying the CMB; they would then securitize their real properties by spinning them off in new special investment vehicles, thereby raising new funds and overcoming any investment (liquidity) shortages they might have had (*Sabah* 28.05.2014). REIFs are supported by the large-scale real estate developers since it is stated by KONUTDER that corporations that are unable to respond to the demands of professional real estate investors will be excluded from the market (TOKI Haber, September 2015: 47). The Emlak Konut REIT supports REIFs as the next step for the deepening of the connections between the real estate market and financial markets, as well as a contributor to the development of the Turkish stock market (42-43). GYODER supports the funds since they do not have to be subjected to public offerings while providing tax advantages. Moreover, REIFs are more liquid than tradition real estate investments since it is possible to sell the shares easily (47).

Although TOKI's existence in the sector as a house builder is often seen as an obstacle to their own growth, the associations proposed expanding into overseas markets under the supervision of TOKI. The squeeze on investment funds to expand into the Middle East and Russia became one of the main concerns of these groups and they sought government collaboration in finding new international markets for firms (*Cumhuriyet* 24.01.2015). In 2014, MUSIAD's representative asked TOKI's president about entering into the North African and Middle Eastern market under its supervision, given TOKI's international ratings (MUSIAD: 2023'e Dogru TOKI ve Gelecegin Sehirleri, 7 November 2014).

The president of TOKI, Ergun Turan, announced in 2016 that TOKI would seek to expand overseas and pursue investments in 93 different countries. The President declared that TOKI is working on a new business model in which it will become an umbrella institution entering into the tendering processes in overseas markets and sharing the project with national real estate companies (*En Son Haber* 18.01.2016). IMKON, as the representative of the Anatolian contractors, welcomed TOKI's new overseas policy saying, "Since we need this crucial support in terms of getting a letter of bank guarantees to make international investments, TOKI's support as an umbrella institution would provide great opportunities for us" (*Bugun* 15.01.2016).

In other words, the so-called squeezing out of private sector investment in the housing sector has the large-scale housing associations, such as KONUTDER, GYODER, INDER, TMB, vigorously pursuing access to the national mass housing market by changing TOKI's housing mandate, while also wanting TOKI to enable the internationalization of Turkish real estate capital in new markets.

5. Conclusion

Building an 'effective state' in the housing sector in the contemporary phase of neoliberalism has meant deepening capitalist relations and housing commodification through institutionalizing the 'fundamentals' of the Washington Consensus and adopting them to the peculiarities of housing provision. Although, the state's role was reformulated in the 1990s, in the second phase of the Washington Consensus, the emphasis on private property, financialization, and private housing continued. Building the effective state in the housing sector means the following: formulating policies for building land and tenure market; deploying public private partnerships for building houses; and institutionalizing markets in housing finance.

All these measures were taken, or at least attempted, in Turkish housing policy and in the second phase of TOKI's organizational revolution, as mediated by its institutional history and class relations. As a result of these processes, the Turkish state created an agency insulated from democratic accountability – a key aspect of the increasingly authoritarian character of the Turkish state with its concentration of executive power.

Despite the building of a strong state, and particular opposition from the capitalist classes, Turkish housing policy and the operations of TOKI also enabled the expansion of capital accumulation and the circuits of productive, commercial, and finance capital, as well as helping to internationalize Turkish capital in the sector. TOKI may be a state agency with extensive autonomy inside the Turkish state, but it has been integral to development of the neoliberal policy regime and building Turkish capitalism.

CHAPTER 9

Conclusion

1. Understanding TOKI as a Contemporary Form of the Authoritarian State

TOKI has become a central symbol of the increasingly authoritarian form of the state in Turkey, as well as the increasing personification of the Turkish state around president Erdogan in the last decade. This is demonstrated by the clientelism between government and different fractions of capital, particularly in the housing sector. For example, one of the most well-known social science journals in Turkey, *Birikim*, published a special issue titled “Construction as the Message of God” (2011). Turkish academics therein defined the economy under AKP rule as “construction-led accumulation” (Sonmez 2015 and 2012a; Akcay 2013a; Yesilbag 2015; Cavusoglu 2013). According to the work of these academics, the relationship between TOKI and the capitalist class in this sector has prompted the latter to be designated the “construction barons of AKP regime” (Sonmez 2012b) and “AKP’s Constructors” (Gurek 2008).

As discussed in previous chapters, although these descriptions are valuable in terms of making visible the relationship — often corrupt — between the government and the capitalist classes, they overlook the transformation, expansion, and institutionalization of capitalist social relations in the housing sector. This process was neither imposed on the state nor took place apart from it. Rather they were part of the Turkish state’s effort to deepen capitalism in the country via the housing sector. The form that TOKI has taken in the contemporary phase is a unique combination of the politics and economics of the second phase of neoliberalism in Turkey. At the same time, the institutional intervention of the Turkish state in the housing sector has resulted in the expansion of capital accumulation and the institutionalization of the circuits of productive, commercial, and finance capital. On this point, it is appropriate to return to the main question of

the dissertation raised in the introductory chapter: Why does this content (enabling the housing market) take this particular form (TOKI)?

The first step in answering the question is to refute the approaches that depoliticize the provision of housing and reduce it to a technical problem (World Bank 1993, 2016; UN-Habitat 2013). This technical approach is explicit in the market-oriented institutionalist paradigm. Even within the more progressive – statist – work in the Turkish literature, there have been similar implicit presuppositions (Tekeli 1996; Bugra 1998; Keyder 2000; Keyder and Oncu 1993; Oncu 1988). In contrast to these approaches, this dissertation understands TOKI as neither an institutional error nor an example of the lack of state capacity. Rather, it is conceptualized as a particular combination of economics and politics, as one of the particular forms that the Turkish state has taken in different phases of capitalism (with reference to three main literatures: circuits of capital, fractions of capital, and theories of state). Additionally, through prioritizing the internal factors of the formation of the Turkish housing sector, this dissertation contributed to the literature with its novel periodization framework based on the interaction between the level of capitalist housing development and the Turkish state's role in it: infrastructural 'construction' before the advent of the housing question (1930s to the 1950s), hybrid forms of housing production (1960s to late 1970s), the 'enabling' housing market (1980s to 2000s), and the 'effective' state for the formation of the real estate sector (post 2000s). This original periodization framework allowed me highlight four primary characteristics that define the contemporary form of the 'benevolent' (rather than invisible) hand role that is exercised by the Turkish state in the housing market: (1) a state-led expansion of capitalist relations in the housing sector; (2) a neoliberal authoritarian style of state administration; (3) the organization of TOKI as a quasi-private company; and (4) the deepening of market mechanisms through indebting the 'targeted masses'.

1.1. State-led Expansion of Capitalist Relations in the Housing Sector

The first claim of this dissertation is that TOKI's measures in the housing sector is more than authoritative governmental intervention in a construction-led accumulation strategy. Rather, TOKI's intervention has been about laying the foundation of a specific housing sector, in relation with the other sectors in the economy, that allowed for both the private accumulation of capital in the sector and the building of political networks of power. That is, the extension of private property rights, private ownership of housing, and the financialization of housing served both economic and political purposes. This is why there is a fundamental continuation between TOKI's first phase (1984-2002), which was identified as enabling the housing market, and its second phase (post 2003), labelled as the building of an effective state in the real estate sector.

Without conceptualizing the underlying structure of the institutionalization of the 'invisible hand' in the housing market, surface-level descriptions about appearances reduce Turkish housing policies to corrupt government interventions into the sector. Through analyzing TOKI's intervention into different circuits of capital, this dissertation approaches the Turkish housing problem as the expansion of capitalist relations in the housing sector through active state policies – which gained momentum after 2003 with the AKP government.

As a continuation of the first claim, it is shown in this thesis that TOKI's contemporary institutional form of a quasi-private company structure under the AKP government allows it to be dominant in the different circuits of capital. Especially in terms of affordable housing production, where TOKI contracts with 702 different companies and intervenes in each metamorphosis (each stage) of commodity production (TOKI 2016). While TOKI initiates housing production through contracting productive capital in the sector, it functions as 'commercial capital' in the sale of the housing units and as 'money capital' with respect to supporting the monthly installments of

housing credits for different income groups and underwriting their relationship with commercial banks. In each step, it works in collaboration with the private sector with the promise of guiding the process along the 'ideal' path for housing production. As illustrated, TOKI deepened the process of expanding capitalist relations of production in the housing sector by spreading its construction sites across Turkey and building up private housing production and ownership. This was more than the privatization of state-owned lands, since TOKI operates as both a contractor for the capitalist classes and creditor for the working classes. This was how TOKI shifted its housing policies over the 2000s and became integrated into the executive branches of the state.

Additionally, TOKI's role in enabling the housing sector necessitated the integration of financial markets with the housing market through its subsidiaries. The Emlak Konut REIT requires particular attention here. As the biggest real estate investment trust, as this thesis showed, it plays a leading role in terms of converting rights over immovable assets into liquid instruments. As discussed in Chapter Seven, the institutionalization of REITs has been supported by the Turkish state since the late 1990s; it was one of the main initiatives of the Seventh Five-year Development Plan (1996-2000). This aim was accomplished under the AKP governments. Even though the internationalization of the Turkish real estate sector has only been accomplished to a limited extent, the Turkish REITs have had an important role in introducing international standards and transparency to attract international investments. Although, Emlak Konut REIT's unique legal position has created widespread discontent among different fractions of capital, it also aided the Turkish state's efforts to institutionalize commercial capital in the housing sector. Thus, over time, as housing was increasing commodified in Turkey, a tension grew between TOKI and capitalists in the housing sector over their desire for increased dominance over the housing market. They remained dependent, however, on TOKI and state support for the commodification of housing

markets and the internationalization of capital in this sector. The active role of the state in these processes and the contradictions that this has posed for Turkish development have been key themes for this thesis.

1.2. Administrative Operations of the Neoliberal Authoritarian State

The second major claim of the dissertation is that the particular neoliberal authoritarian form that the expansion of capitalist relations in the housing sector takes in the Turkish case is not limited to the top executive level, but extends to the operation of specific state agencies as well. TOKI's institutional restructuring after the 2000s exemplifies how the market-oriented institutionalist path of the 'effective state' has been closely related to the rise of the executive, in the form of the President's Office and Erdogan in Turkey, and to a process of centralization at the expense of liberal democratic oversight operations of the state. TOKI's institutional structure has been framed by the decrees with the force of law (DFLs) and omnibus laws since its foundation. Drawing on Poulantzas, Oguz (2008) proposes that the consolidation of neoliberal authoritarian statism occurred in Turkey under the AKP government after 2002. The increase in the number of DFLs and omnibus laws is a major signal of the transformation of the legislative branch into a technical approval body tasked with the legalization of the AKP government's draft laws.

In this thesis, it was shown in Chapter Six that although TOKI was founded outside of the traditional organizational hierarchy of the Turkish state and was directly linked to the Prime Minister's Office from the beginning, it was subjected to institutional uncertainties at the beginning of the 2000s. First, it was linked to the Undersecretariat of Housing in 2001, and then its role was drastically changed to that of a housing bank tasked with taking over housing credits from the commercial banks and issuing securities in 2002 (Regulation No. 3888). TOKI's institutional crisis continued in 2003 when it moved from the Undersecretariat of Housing's

authority and was attached to the Ministry of Settlement and Public Affairs. As shown in Chapter Seven, TOKI's crisis was solved by linking TOKI directly to the Prime Minister in 2003 under the AKP government. Almost 30 laws were implemented between 2003 and 2016 that gave increased autonomy to TOKI as a branch of the state and drew its lines of accountability almost exclusively to the executive, specifically to the President. This autonomy, this thesis has argued, allowed TOKI to expand Turkish capitalism and the networks of power between the government, the AKP, and the capitalist classes. It also, however, built support for the masses via social housing provided through the medium of private home ownership.

Although Poulantzian analysis of the capitalist state has the merit of understanding the general tendencies of state restructuring, it mainly analyzes the top executive level in relation to legislative and judicial bodies without concretizing how authoritarian statism operates in neoliberal state agencies (Akca and Alpozden 2014; Akcay 2013b; Haspolat 2016; Boukalas 2008; Kannankulam 2003). In an amendment to Oguz's conceptualization of the Turkish state, this dissertation argues that authoritarian neoliberal statism does not only happen at the top executive level, but also in the administrative operations of the state agencies as well. Poulantzian-inspired works need to capture the ways in which the bureaucratic and administrative forms of the state are modified in this particular phase of capitalism and how their specific operational modes change.

It is the point in which O'Connor and Offe provide, albeit in different terms, important tools to concretize what authoritarian statism means in particular state agencies. They allow for looking at the ways in which TOKI has been restructured as part of the continuous *fiscal crisis of the capitalist state* since the early 1980s (O'Connor [1973] 2009) and how its institutional structure has gone through various forms in different phases of capital accumulation. In the contemporary permanent austerity phase of neoliberalism since the 2000s, TOKI has increasingly resorted to a

self-financing web of institutions and thus restructured itself as a quasi-private corporation. This process led to a new fusion (and the development of a new characteristic of neoliberal authoritarian statism) which is the result of more active state agencies supporting private accumulation, on the one hand while developing their own dependence through accumulation, on the other. As was shown in Chapters Seven and Eight, TOKI is a form of this new neoliberal state within the Turkish housing sector. It remains undeniably capitalist; but at the same time, it occupies a space between state and market, between the public and private sectors.

Building the ‘effective state’ to enable the housing market meant the institutionalization of the circuits of housing production and the marginalization of hybrid forms of housing production. TOKI’s organizational structure after 2003, the thesis shows, is the result of an *internal rationalization* of the housing authority in accordance with its own *increasing managing capacity* (Offe 1975; 1984). Since TOKI scaled up its housing projects to all over Turkey, four different implementation departments were founded. Additionally, the urban renewal department and Istanbul land office department have become the most important parts of the organizational structure. Apart from these organizational changes within the institution, TOKI has seven different subsidiaries which are state-sponsored corporations. Each one has specialized in different components of the housing sector, such as real estate investment trusts, project management, real estate marketing, contracting, management services, real estate valuation, appraisal services, funding for restoration, trading, and consultancy. TOKI’s increasing activity in terms of both the institutionalization and expansion of the different circuits of capital in the housing sector has necessitated a different organizational structure.

This dissertation argues that increasing state capacity, which was strongly advised by the post-Washington Consensus paradigm for developing countries, has produced ‘over-capacitated’

state agencies which have distinctive public powers in the private market. This neoliberal mandate for using the state to build markets has not resulted in a reduction of state intervention, but rather a change in its form. Since the increase in the state's managing capacity is embedded in social relations in a particular society, it has paved the way for increasing state autonomy regarding the selective power of the state over the different fractions of capital. This thesis has shown that in Turkey, and specifically in the case of TOKI, 'over-capacitated' state agencies take the form of relatively autonomous structures whose power derives from their quasi-private organizational structure within the private sector. Attached to this relation is TOKI's unique power over the capitalist classes as a state-owned enterprise. This empirical reality points to increasing rather than declining state capacity in the relationship between the state and different fractions of capital in the building of markets, and thus also points to an increasing politicization of state intervention, in the housing sector in this case. This is the ground on which authoritarian statism grows.

1.3.TOKI as Quasi-Private Company

As discussed in this dissertation, the form that TOKI took was not foreseen by either the state planning organization or the IFIs. As the different fractions of capital became more involved in the housing sector, widespread discontent of the capitalist classes with TOKI became more visible, as Chapter Eight detailed. Although they expected TOKI to be restructured as a housing finance institution, it did not give up its unique position as a state-owned housing producer and developer. Although TOKI supports the financialization of the housing sector through providing housing credits for affordable houses, Emlak Konut REIT and its property valuation company (GEDAS) do not accept TOKI's restructuring as a mortgage bank.⁴⁷ Even though the mortgage

⁴⁷ It is important to remember that TOKI's housing credits are not mortgages since ownership of the houses belong to TOKI until the financial payoff of the credits and the mortgage insurance. This main mechanism of the North American mortgage system does not exist in TOKI's case.

law empowered it to use its receivables as securities in order to obtain loans from international financial institutions in 2007, it still has not initiated such a process. The reason behind this hesitation is the fact that it probably does not want to make its highly-protected budget structure transparent enough to meet the demands of the international securities market.

The existing critical literature on TOKI overwhelmingly places emphasis on the direct connection between TOKI and government-supported business groups. I argue, instead, that the state is not the mere instrument of the dominant classes, but rather that it has a specific autonomous economic role in building markets as well as a political role in ensuring a crucial need for the reproduction of labour power is met. Since Turkey's rural population is still high (26.6%) and its annual rate of urbanization is 1.97%, reproduction of the migrant labour power is an important part of the Turkish state's legitimization function (World Bank 2016). The ratio of the urban population growth reaches 4% in latecomer Anatolian cities; these housing markets have been remarkably shaped by TOKI's investments thanks to the latter's close relationship with government-supported small and medium scale business groups (World Bank 2015b; Interview 1 and Interview 2). The new rules of social reproduction, as discussed in Chapter Four, were demarcated by the IFIs based on the idea of developing bankable housing projects for the working classes.

The limits of the state's managing capacity (in this case TOKI) embedded in a particular phase of capital accumulation with specific relation to the fiscal crisis of the state and the Turkish state's linkages to different fractions of capital. This is why TOKI's housing policy has had many forms since its founding. To put it differently, TOKI's institutional structure is overdetermined by class relations in different phases of Turkish capitalism and the form and technical capacities of the Turkish state.

According to Poulantzas, the capitalist state's intervention into the economy supports and protects particular fractions of capital while eliminating others. The political and economic activities of the state are always in favor of the interests of certain fractions of capital (2014: 212). TOKI empowers the Turkish state's legitimization at two levels. First of all, it creates local entrepreneurs from its widespread subcontracting networks in the construction sector. Through upgrading the scale of the housing projects all over Turkey, it supports the formation of small and medium scale local entrepreneurs and clientelistic networks in all regions. Secondly, since the housing sector has strong development linkages with other sectors – almost 200 subsectors – it also supports other sectors at the local level.

As discussed in Chapter Eight, TOKI's entrepreneurial activities are often highly criticized by both large and medium scale investors. Since different fractions of capital are enabled by TOKI to reach a particular size, their interests begin to conflict with the state. The capitalist classes declare that they are ready to produce affordable houses for the 'targeted masses' if TOKI transfers the lands to private investors as TOKI's major subsidiary Emlak Konut REIT does for the provision for housing. At that point, a crucial question emerges, which this dissertation answers: Why does the Turkish state continue to play a dominant role in housing, even though it could be a profitable sector for capital?

The answer to this question hides behind the new authoritarian form that TOKI took after 2003. TOKI, as the mass housing institution, was restructured to fulfill two main functions: enable private accumulation in the housing sector and support reproduction of labour power in a bankable way. At the most abstract level, these are the two main functions expected to be fulfilled by any capitalist state. What was unforeseen in the Turkish case is the way these two main functions were mediated by historical, institutional, and class factors. As this dissertation argued, these basic

motivations – enabling the private market and supporting social reproduction – prompted a neoliberal and authoritarian institutional form which was remodeled as a state-owned private company. This is why TOKI faces an unresolvable contradiction and becomes more authoritarian each year. On the one hand, like a state-owned private company, it internalizes the contradictions of capital accumulation. That is, TOKI, constrained by capital accumulation's laws of motion, and realizes itself mainly through expanded production. Capitalist competition forces TOKI to keep constantly expanding its capital in order not only to accumulate but also to preserve its capital (Marx 1990: 742). On the other hand, as a state institution, TOKI is expected to not compete with the private sector and to channel its resources toward the fields that are not profitable for private accumulation, i.e. transform into a mortgage bank.

It becomes obvious that TOKI needs to guarantee the long-term interests of capital in general in the housing sector. This is why, this thesis argued, TOKI established REITs, property valuation companies, and housing finance systems to build up the housing market. But at the same time, TOKI's own organizational unity depends on the continuation of entrepreneurial activities that expand its organizational base and revenues. These revenues accumulate as a source of funds for the state and itself, particularly as some of its components become public-private partnerships between the state and private capital. This is why TOKI exists as an over-capacitated institution – why it functions as a private company but remains in the public sector at the expense of the different fractions of capital and refrains from restructuring as a state-supported mortgage bank as has been lobbied by the IFIs and business groups.

1.4. Deepening Market Mechanisms through Indebting 'Targeted Masses'

The fourth claim of this dissertation is that the neoliberal authoritarian state form that TOKI has taken also concretizes itself in its relationship with the working classes. One of the main

characteristics of neoliberal authoritarian statism in general is redefining citizens as clients, an action which changes the conditions for social reproduction. TOKI does this specifically with respect to housing.

As shown in this thesis, TOKI's short- and long-term receivables depend on housing and office sales rather than revenue-sharing projects. The 'targeted masses' of TOKI are, in fact, 'clients' since their monthly 'quasi-mortgage' payments form a relationship and an institutional continuity between the state and working classes. As stated in TOKI's 'affordable' housing sale contracts, if the 'clients' are not able to pay their monthly installments three times in a row, their houses are garnished and so a relationship of both support and dependence forms.

TOKI's authoritarian social reproduction policies become more obvious in urban regeneration projects. As discussed in Chapter Seven, TOKI became the most powerful institution for urban regeneration projects in Turkey thanks to the various regulatory amendments governing urban planning. After the implementation of the Regeneration of Areas under the Disaster Risk Law (No. 6306), all of the squatter-owners struggle with uncertainty about their livelihoods and housing. If TOKI declares a certain urban area is under disaster risk, it proposes one of two alternatives: a *moving to different areas method* with the right-holders needing to move to houses constructed by TOKI in different parts of the city; or an *on-site renewal method* whereby right-holders living in the squatter area move to houses constructed by TOKI in the same area. Regardless of the method, right-holders need to waive their present property rights and accept debt for the difference between the valuation of the land garnished and the newly-constructed house. TOKI has the right to expropriate the lands under the disaster risk assessment law.

TOKI's new form as a quasi-private sector organization is closely related with the new form of debt-based social reproduction for the working classes with respect to housing provision.

The Turkish state's authoritarian intervention into the urban politics surrounding housing has caused increasing social discontent in different cities. It is not a coincidence that urban social movements, including those around housing, were some of the most powerful protests against the authoritarian Turkish state in the last decade.

2. Struggles of Social Reproduction

TOKI has become, perhaps, the most potent symbol of the Turkish state's authoritarian intervention into urban areas. Although founded for mass housing projects in 1984, after 2003 TOKI's scope expanded to urban regeneration projects – “40% of housing projects are intended to be realized within the scope of urban transformation projects” (TOKI 2016c). These are profit-oriented projects – especially those built in cooperation with Emlak Konut REIT – such as stadiums, public building projects, schools and universities, mosques, parks, hospitals, etc. It is stated by the general secretariat of the Istanbul Chamber of Architects that: “In Istanbul, TOKI pokes its nose into all urban lands. Both private sector and municipalities run after TOKI since it has the power to cancel out long urban planning bureaucratic processes. It has enormous bureaucratic powers. If the project is blocked by social forces still, it has the power to expropriate” (Interview 10). It is not surprising that the urban social movements target TOKI (and the AKP government) in their protests.

Social discontent emerges from urban areas at this particular phase of capitalism as uncolonized public places are under constant pressure from the socialization of capitalist relations. As seen in the case of TOKI, the Turkish state has been a leader in this process amongst late-comer states. According to Poulantzas, the state's integration in once-marginal spheres often results in remarkable degrees of politicization of popular struggles related to these spheres (2014: 213). The state loses its legitimacy as people become aware that social policies are directly connected to and

limited by the interests of the capital. As a result, major contradictions may emerge within the state between its economic role and its role in maintaining order and organizing consent. The image of the state as the guarantor of general interest may potentially shatter (2014: 168-169).

There have been widespread social discontent and social movements directed against authoritarian urban policies in almost all of the major cities of Turkey such as Istanbul, Ankara, Izmir, etc. It is impossible to list all the local social movements against the Turkish state's urban politics in general, and TOKI's urban regeneration projects in particular, as these social tensions have been rising in urban areas. The urban social movements were based on the idea of defending public spaces, seeking inhabitants' 'right to the city', and being against 'accumulation by dispossession', as David Harvey calls these processes (2003). The very fragmented and short-term structure of the urban social movements comes from the ideas that they are built on. Although these aims have a great importance and enormous power over the effectiveness of social struggles, the struggles against urban regeneration projects mainly prioritize tenure rights. According to the president of Basibuyuk Neighbourhood Association, which was founded in 2007 to struggle against a TOKI-led urban regeneration project in the Basibuyuk neighbourhood of Istanbul, the main reason for the failure of the mass movement against TOKI was prioritizing tenure rights. As TOKI governed this process in a very successful way through individual bargaining, such a process would inevitably crowd tenure rights (Interview 19).

The only way to expand urban social movements in the long-term and create alternative conditions for social reproduction is to relate them to struggles over production. The struggles of social reproduction extend beyond distributional politics and should not be limited to either tenure questions or distribution problems. Since social reproduction contains the entire relations that are necessary to reproduce stable capitalist societies, they are subordinated to the capitalist forms of

alienation and commodification (Bakker 2007). Struggles over housing as a social need and not a commodity are a central example here, as argued in this thesis. The transformation of concrete livelihoods – the spaces of reproduction – into the abstract space of capitalist exchange relations as a malleable, quantifiable, divisible, and measurable entity is the main characteristic of capitalist modernization of the housing sector. According to Lefebvre, ‘the right to the city’ shouldn’t be a pseudo-right determined by the distribution mechanism. In contrast, it is a right emerging from the concreteness of our livelihoods set against the tyranny of indifference of the abstract space of value (2009: 229). It is possible to argue that the right to the city is the right to control the concreteness of our livelihoods and our labour, which cannot be resolved through the rights of bargaining within the bounds of capitalist relations. This is, indeed, a central limit to only bargaining over the provision of commodified housing, as opposed to being able to plan and develop social housing. Claiming the use value of housing means fighting against the reduction of our livelihoods to exchange value. That means, any political project of social housing based on the idea of use value should go beyond distribution politics and should link itself to the sphere of production in order to go beyond these fragmented, local, and tenure-oriented urban social movements.

3. Questions for Further Studies

If capitalist modernization means the transformation of housing into a profit-oriented sector governed by exchange relations, the Turkish state has taken considerable steps towards this with the housing policies of TOKI. Since this dissertation restricted itself to the historical analysis of Turkish state interventions in terms of shaping and enabling the relatively autonomous housing sector in different phases of capital accumulation, there are many questions that need to be answered in future research.

First, future research needs to examine the debt relationship between the ‘targeted masses’ and TOKI in order to analyze its impacts on social reproduction. Since it is difficult to attain either the amount of debt or the number of individuals who are indebted to TOKI, this research requires long-term and collaborative fieldwork. This is central to understanding the political relations that have formed from housing provisions.

Second, this dissertation does not look at the workers and the conditions of labour-power in the construction sector. Through taking the concept labour-power as the center of analysis, the formation of a relatively autonomous construction sector should be analyzed as the result of ‘accumulation by exploitation’ of workers (Das 2012: 182). The construction industry’s capacity for exploiting large numbers of unskilled labour – especially migrant labour – and its low composition of fixed capital make the sector labour intensive (interview 18). Thus, further research on the labour power in collaboration with Construction Workers’ Union is a vital topic that needs to be studied.

Appendix A

Discussion of Methodology

1. General Methodological Principles

The aim of this dissertation is to theorize the changing forms of the housing problem in the Turkish case through a study of the restructuring process of the state, of capital accumulation, and of class relations in the neoliberal era. It is important to note that this dissertation is not about the Turkish housing problem in itself. Rather, housing is used as a lens through which to understand the different forms that the Turkish state has taken in different phases of capital accumulation. In order to accomplish this, the first goal of the research is to rescue the housing problem from a mainstream technical discourse that limits the problem to the realm of distribution within markets, or between markets and the state, and leaves to the side the social relations of capitalism. This step in the research must involve more than a methodological discussion aimed at finding the ‘right’ way of doing science to study the housing question or rejecting beginning from the realm of exchange. One of the central illusions of mainstream social science is that capitalism is compatible with political democracy; economic democracy merits little attention (Saad Filho 2013: 16). From such an analytical perspective, legalization of tenure, democratization of the distribution and provision of ‘affordable’ housing, and the individualization of mortgage debt emerge as the best solutions for the housing problem. The assumption is that market allocations are always efficient and just.

In contrast to these ‘fetishistic’ approaches, which deal with appearances in the spheres of exchange and distribution, I follow Marx’s ‘power of abstraction’ and his method of successive

concretization and multiple determination based on the following three main themes: the primacy of inner relations, abstraction, and theory building (Lebowitz 2009: 195).

2. Philosophy of Internal Relations

The theoretical stance of this dissertation begins with the methodological assumption of that housing is a commodity that internalizes the contradictions of capitalist relations. The production and distribution of housing are seen as an interrelated commodity production process. Following Ollman, it is important to observe that Marx's philosophy of internal relations contrasts with non-dialectical research, which starts with some small part and establishes its connections to the other parts as a means of approaching the whole. Marx's method replaces "the commonsense notion of 'thing' (as something that has a history and external connections with other things) with notions of 'process' (which contains its history and possible futures) and relation (which contains as part of what it is in its ties with other relations)" (2003: 13). In other words, dialectical research does not start from a priori concepts and deductive proposition; it begins from the whole (Paolucci 2009: 79).

This forms the basis of Marx's critique of positivist approaches to social science which are based on non-dialectical approaches, a priori conceptualizations, methodological individualism, and trans-historical generalizations. Marx's methodology challenges the 'value-free' claims of the positivist sciences and sees all research as historical, contingent, contested, and subject to continual reexamination (Murray 1990: xiv; Paolucci 2003: 77). As discussed in Chapter Three, both the IFIs and market-oriented institutionalist approaches reduce the housing problem to a technical – i.e. value-free – discourse and seek to institutionalize the infrastructures of capitalist housing production in the developing countries. Especially after the late 1990s, it was accepted that the institutional divergence of states was necessary to reach economic convergence in market-led

development. Although this ‘technicity’ has the appearance of being value-free, it is enmeshed in neoclassical values of private property and individualism. As stated by Andrew Sayer (2010: 57), from just the observation part of research, on through to gathering data, research materials, and interviews, it is not a theory-neutral but rather a theory-laden process. The theory-laden character of observation is found in both bourgeois and critical social sciences. This dissertation is theory-laden, located in a historical materialist and critical realism, but not theory-determined. Following the practical Marxist edict of ‘ruthlessly criticizing all that exists,’ this dissertation is rooted in two major steps of ‘dialectical’ research.

First, the dissertation problematizes the separation between content/essence and form/appearance and it instead explores their dynamic relationship (Saad-Filho and Fine 2010: 3-4). The primary concern of science is to find and understand relations which are not open to direct observation but which underline the empirical world. This dissertation aims to show the inner relations between TOKI, as the empirical (and ‘irrational’) reality of housing policies, and the socialization of capitalist relations in the housing sector as the most ‘rational’ way to achieve the purpose of capital accumulation (Ollman 2003: 129). The primary question formulated to expose this inner relationship is: *Why does this content (enabling the housing market) take this particular form (TOKI) in Turkey, especially after 2003?*

3. From *Chaotic Conceptions* to Abstraction

The second step of Marx’s dialectical method is the process of abstraction, which means “the intellectual activity of breaking this whole down into the mental units with which we think about it” (Ollman 2003: 60). In Chapters Two and Four, the market oriented-institutionalist paradigm is shown to have a fetishistic approach to the housing question. The state’s institutional intervention into the housing sector is analyzed by these paradigms as a search for technical

solutions to a technical problem without reference to either social class relations or the general economic conditions of developing countries. In fact, the housing problem and the state's inability to resolve it is an empirical fact and reflects the essential inability of capitalist markets to address housing for all. Market-oriented institutionalism, however, has a 'fetishistic' approach to the issue in the sense that it mistakes the appearance of market-provided housing as the essence of what is needed and how it is to be provided (Ollman 2003: 80). This methodological bias is also an error of abstraction, emerging as it does from an individualist and rationalist methodology. Additionally, as mentioned at various times throughout the dissertation, even the more progressive studies on the housing problem rely on 'chaotic conceptions' (Sayer 2010: 93). Although corruption, clientelism, the rentier state, the AKP's construction barons, and a construction-led accumulation strategy are the empirical facts that define TOKI's housing policies, these are not just the problems of governance. They are not simply reflections of the chaos of market, but rather they arise from the inner structure of the Turkish state's role in the development of the housing market.

3.1. Observation of the Concrete: Data Collection

In order to understand the contemporary form that the Turkish state took I followed the steps of Marxist abstraction. In Marx's method, the observation of the real concrete is the first step (Lebowitz 2009: 199; Ollman 2003: 115; Paolucci 2007: 157). The documents regarding housing in Turkey in general, and TOKI in particular, were collected. This step is of crucial importance. As Sayer (2010: 97) puts it, "theories make their strongest claims at the abstract level about necessary or internal relations, and about causal powers, or in other words, about necessity in the world. Where relations between things are contingent, their form must always be an empirical question, that is, one which must be answered by observing actual cases". In order to illustrate the contingencies and richness of the Turkish case in comparative and historical context, World Bank,

UN-Habitat, and business association reports, as well as monthly publications by TMB, GYODER, KONUTDER, INDER, TIMFED, TUSIAD, MUSIAD, and the Istanbul Chamber of Commerce were reviewed. Additionally, reports written by TOKI and the State Planning Organization were surveyed, as were the texts of the Five-Year Development Plans. Numerous laws regarding urbanization in general and housing in particular were analyzed. Since observation, as the first step of the abstraction, is theory-laden, the review of these documents was conducted as an attempt to uncover the inner relations to be found beyond the realm of appearances. It is aimed at analyzing the main structures of housing commodity production as they transformed through time in Turkey. Practically, this entailed extensive research in Turkish libraries, research groups and online sources.

3.2. Abstract Thought: Revisiting the Conceptual Tools

The process of abstraction means transforming the “innumerable qualities present to our senses into distinct units” (Ollman 2003: 141). This dissertation links the Turkish state’s housing policy to the whole – Turkish capitalism and the socialization of capitalist relations. Understanding capitalism as an organic whole means that housing is situated in the structure of society in which all relations coexist simultaneously and affect one another (Lebowitz 2009: 200). In order to accomplish this, the ‘present’ is taken as a ‘vantage point’ and the history of housing production is studied backward (Ollman 2003: 105). This point needs particular attention since the formation of a capitalist housing market and the Turkish state’s intervention into it has taken different forms in different phases of capital accumulation. Thus, the contemporary form of the Turkish state in the housing sector is the product of the contradictory processes of different periods of capital accumulation. This methodological departure gives emphasis to historical processes of development over aggregate survey analysis at a particular point in time. Thus, this dissertation

situates the formation of Turkish housing policy within the historical development of Turkey as a ‘late-comer’ to capitalism.

Another aspect of my abstraction is its examination of production in relation to circulation – the two different sides of the extended capital relation (Ollman 2003: 100). Taking production as a vantage point provides particular advantages for understanding TOKI. The first advantage is that it categorizes the different fractions of capital – productive, financial, and commercial – in relation to the different circuits of commodity production. Following Marx, I treat representatives of business associations and bureaucrats as the representatives of structured social relationships. Especially regarding different fractions of capital, the capitalist associations are seen as “capital personified...endowed with consciousness and a will” determined by external coercive tendencies of capitalism (Paolucci 2007: 40).

I thus use a political economy approach for the study of housing in Turkey. This can be defined as an analysis of capitalism as a specific mode of production based on historical materialist principles: the study of capitalism means “both the interpretation of the capitalist mode of production as an abstract-formal object and investigation of the diverse historical forms that capitalism has taken across time and place” (Albo 2012: 84). That is to say, on the one hand, the capitalist mode of production creates a social system governed by its distinct ‘laws of motion’, tendencies, and fundamental contradictions at the most abstract level; on the other, capitalism is always differentiated in accordance with spatially- and historically-specific processes of capital accumulation (85). Each national social formation is unique in terms of having a different historical background and class formation within a world market composed of a hierarchically organized system of nation states. Building my approach on Marxist political economy, one of my research aims is to identify patterns of accumulation in the world market manifested as historically-specific

characteristics of Turkey in the neoliberal era. By capturing historically- and spatially-specific characteristics of neoliberalism in the Turkish case, the housing market and the state's particular role in it can be properly situated in, and as general features of, the Turkish state.

Lastly, Marxian state theories are used to identify, abstractly and then concretely, the necessity of extra-market institutions and political mediations for state policy in general, and for the housing sector in particular. In the case of Turkey, as a late-comer country, specific institutional interventions into the economy are needed not only to 'monitor' capitalist relations but also to 'enable' them. The institutions (in this case TOKI) are not direct products of the law of value; they are formed and mediated by the specific class relations in specific institutional and historical circumstances.

3.3. Concrete in Thought: Unity of Essence and Appearance

In this step of research, the main aim is to explain the appearance and multiplicity of forms which are the manifestations of the inner relations identified. The concrete is revisited to understand "not only the essence of capital but its forms, not only the inner tendencies but also the way in which those tendencies are manifested through the real actions of many capitals" and the specific agents involved in accumulation and policy struggle (Lebowitz 2009: 200).

As Sayer (2008: 13) points out, case study is a vital tool to overcome a mess of a 'whole' since it gives the researcher an opportunity to follow connections between the chosen organization and wider contexts, discourses, and cultures. In order to reconstitute the changing forms of the Turkish state's intervention into the housing market, I conducted fieldwork based on two techniques of empirical investigation: qualitative document analysis and interviews.

3.3.1. Qualitative Document Analysis

A large number of key documents published by different national and international institutions are subjected to a close reading. These documents are taken as ‘social facts’ that are produced and shared by different representatives of the housing market (Bowen 2009: 27). The discourse of the documents is seen as a form of ‘social practice’ that helps to frame the structural conditions in which the housing problem is discussed (Wodak and Mayer 2008: 24). In other words, the internal relation between material conditions and discursive knowledge is seen as an empirical question which can only be discovered through research (Paolucci 2003: 88).

The documents examined from World Bank, UN-Habitat, and UNDP range in date from 1972 to 2016 and were used to frame the paradigmatic shifts of the IFIs regarding the housing problem in late-comer countries. In particular, this step of critical document review was used to draw out some of the shifting contours of housing policy, as it moved from a focus on housing as a shelter to concerns with market incentives and profits in the housing sector. This shift was representative of a general policy framework moving towards neoliberalism. The changing expectations from the institutionalized intervention of the late-comer states into the housing market in different phases of capital accumulation appeared as another important point that needed specific attention in the analysis of Turkish housing policy.

Additionally, government documents produced by the State Planning Organization (SPO) and Chamber of Accounts within the Turkish state are analyzed in detail. The expert reports of the SPO are important resources because they not only represent the long-term strategy for housing policy but also provide background information with an historical insight (Bowen 2009: 29). One of the main tasks of the critical document review is to ascertain the extent to which the Turkish state’s long-term plans for housing policies were out of sync with the contemporary form that

TOKI took. This provided solid ground for the interview questions that were asked to both state officials and the staff for the business associations. The TOKI reports of the Chamber of Accounts, to the extent they are available, were the main sources for TOKI's budgets and financial information. The Chamber of Accounts has the power to check TOKI's institutional structure to a certain extent. These reports are key sources to understand the main economic mechanisms that TOKI utilizes. In contrast to general opinion, TOKI's institutional well-being depends on the debt of the 'targeted masses' instead of the 'revenue-sharing projects'.

Further, documents from the period 1993 to 2016, such as TOKI's Housing Conventions, Due Diligence Reports, its monthly magazines, and other reports, are explored in order to track changes within the institution. The continuities and discontinuities of different periods of the institution are traced based on critical readings of these documents. In this step of qualitative document analysis, the institution's fiscal crisis at the end of 1990s and beginning of 2000s can be analyzed. Before 2003, TOKI's institutional fate was uncertain and its place in the Turkish state's organizational hierarchy was subjected to major changes between 1999 and 2003. It was decided in 2002 that TOKI needed to be restructured as a state-owned mortgage bank tasked with taking over housing credits from the commercial banks and issuing securities. Surprisingly, TOKI became the 'affordable' housing producer after 2003 instead of being a mortgage bank. These documents allow for tracing such changes within TOKI as part of Turkish state administration.

Finally, as part of qualitative document analysis, the reports of the business associations and their analysis of the Turkish housing sector were examined. Through review, I identified the business associations in the housing market which are representative of different business interests with respect to housing. The differentiation of their demands on the Turkish state were revealed through these documents.

Apart from these documents, the laws and DFLs concerning housing were investigated to discover how TOKI was administratively transformed into an exceptional state apparatus with increasing executive powers (see the detailed list in Appendix B). Additionally, the content of 23 different national daily newspapers and news portals from 2003 to 2016 were surveyed. *Cumhuriyet*, *Zaman*, and *Milli Gazette* newspapers, however, were chosen to be scanned for a longer period to cover TOKI's history from its foundation to the present, stretching between 1980 and 2016. These newspapers were selected because they are the representatives of the two dominant ideologies in the country – *Cumhuriyet* belonging to the republican party, and *Zaman* and *Milli Gazette* belonging to the conservative groups.

3.3.2 Interviews

Interviews in this dissertation are used as supplementary information to support documentary evidence and, more importantly, to answer the further questions to fill gaps in my knowledge on TOKI's institutional restructuring and the tensions between the state and different fractions of capital. The interview questions formed were based on the document reviews and developed to inquire about the specific policies and objectives developed by agencies. Open-ended and semi-structured interviews were conducted with 23 different interviewees ranging from state officials and representatives of business associations to activists with the construction workers' union representatives and neighborhood associations.

A semi-structured interview technique was chosen because it provides a flexibility with regard to the position and timing of questions even though it is based on pre-determined lines of inquiry (Hay 2000: 196; Wengraf 2001: 5). Unlike structured interviews that follow a rigid format of set questions, semi-structured interviews have the power to cover the same questions in a conversational style. All the interviews were conducted face-to-face since this was the most

flexible form of data collection and allows for a researcher to follow-up with additional questions to probe and bridge silences on some issues (Leeuw 2008: 317). The open-ended questions to participants were accompanied by follow-up ‘how’ and ‘why’-type questions (Adams 2015: 493). These were in-depth interviews conducted over two hours.

It is possible to claim that interviews with both TOKI officials and representatives of business associations are ‘elite interviews’ which help fill in pieces of the policy puzzle in the national housing market (Aberbach and Rockman 2002: 673). The elite interviews were prone to particular difficulties. Since I was conducting the interviews with experts of the field who were graduates from the top schools in Turkey and had been working in the housing sector for a long time, I needed to demonstrate the competency of my knowledge about the sector. That is, I was tested many times throughout the interviews. A second difficulty was related to TOKI’s politicized position in the housing sector, especially after TOKI became the center of the biggest corruption scandal in Turkish history in 2013. Since neither bureaucrats nor the representatives of the business associations felt comfortable talking, they continuously tried to reverse course to understand my thoughts on TOKI. To compensate, I began interviews with the representatives of the business associations with the general problems of the housing sector and ended up asking about TOKI. Almost all of these participants refused to be taped and sought anonymity. On the one hand, state officials felt discomfort in discussing the internal workings of TOKI; on the other, the interviewees from the business associations were reluctant to criticize TOKI’s intervention into the housing market. Since TOKI — notably Emlak Konut REIT — is the biggest employer in the sector, they did not want to endanger their members. In this respect, I guaranteed the confidentiality of the interview process, and particular care is taken not to reveal participants’ identity in the dissertation or in journal publication. Great care was also taken to ensure that participants understood that

participation is voluntary, that they had a right to refuse to answer questions and that they had a chance stop the interview at any time.

The snowball technique, which is a method for finding the interviewees based on getting the contacts from the participant for the next person, was used (Atkinson and Flint 2001: 1). There is a degree of trust required to initiate contact due to the highly political structure of the Turkish housing sector. At the end of each interview, I asked each interlocutor if they could refer me to anyone else to help me understand the housing sector and if they could help me to arrange a meeting with the next participant (Romano 2006: 441).

Regarding state officials who work for TOKI, it was challenging to arrange appointments since both the 2013 TOKI-centered corruption scandal and the unexpected move of TOKI's administrative center from Ankara to Istanbul in 2014 caused discomfort among these bureaucrats. The first two interviews that I conducted were, therefore, with the past vice president and past vice general secretariat, both of whom were active in the first half of 1990s. I used personal connections at Middle East Technical University to find these two interviewees as they are friends of professors in the Urban Planning Department. My main aim was to conduct an interview with a public official from each department, who had worked in the institution long enough to narrate the organizational changes. From these limited connections, I was able to meet other officials in the Finance, Zoning and Planning, Mass Housing and Strategic Development Departments of TOKI in Ankara. While I was conducting my interview with the officials from the Finance Department, the interviewee's table was surrounded by packed books and documents needing to be sent from Ankara to Istanbul. The respondent was complaining about the uncertainty regarding the forthcoming steps of organizational restructuring. Thanks to these participants, I was able to make contact with an official in the Istanbul Urban Regeneration Department of TOKI.

When it comes to the business groups, after classifying the main fractions of the capital in the sector, I tried to get an appointment from each of the major business associations. Ankara-based ones — the representatives of large scale productive and internationalized capital in the construction sector — were easy to reach since they have more distant relationships with TOKI. Arranging meetings with Istanbul-based commercial capital representative associations and medium- and-small scale productive capital representatives was hard. They have close connections with the AKP government in general and TOKI in particular. An expert in the housing market, who is a part-time faculty in a university and writes the sector reports for KONUTDER helped to arrange Istanbul-based meetings.

Different from the elite interviews, the remaining participants were totally open to any question and agreed to being recorded and having their names published. They were mostly part of the urban social movements in Istanbul, and their anger towards TOKI and the construction companies was evident. These participants were selected via social movement activist connections in Istanbul. These are people who have been active in the struggles against TOKI in different fields such as neighborhoods subjected to TOKI-led urban regeneration, TOKI's construction sites, and academics and journalists who have been researching TOKI for a long time. These interviews were conducted to show the social side of struggles over housing policy in Turkey, and to show how the new state form affects local struggle and politics. Upon their invitation, I also attended some of their meetings as an observer.

The following is the classifications of the participants (see Appendix B for detailed list of interviews):

(1) TOKI officials: I conducted 8 in-depth interviews with TOKI bureaucrats; two of these were previously top-level officials who retired before 2003. Interviewing these two participants was

very important for me to see the paradigmatic shift within the institutional structure. Both of them graduated from Ivy League American universities and were invited to work in TOKI by Turgut Ozal, the President of the Republic at the time. The remaining 5 have been working with TOKI for over 15 years as top-level experts. I tried to conduct interviews with the managers of each department: finance, zoning and planning, strategic development, mass housing, and Istanbul urban regeneration. Since TOKI does not have any publicly-available archive, the information provided by them was crucial to historicize and understand the organizational changes within TOKI. Additionally, they gave important information about TOKI's changing relationship with the State Planning Institution, the Chamber of Accounts, and the President's Office.

(2) Business Group Representatives: 12 semi-structured interviews were done with the representatives of the different business groups. I approached them as agents of the capitalist classes instead of as individuals talking about their own ideas concerning TOKI and the housing sector (Paolucci 2003: 83). Their ideas are taken as the manifestation of the competing forces in the Turkish housing sector (82). The associations were selected based on the qualitative document analysis and classified as representatives of different fractions of capital in the housing sector. As discussed in Chapter Eight, TMB and INDER are analyzed as the representatives of productive capital, IMKON is analyzed as the representative of medium and small scale productive capital, and GYODER and KONUTDER are analyzed as the agents of commercial capital. Although some of the interview questions regarding the relationship with TOKI are the same, the open-ended questions varied for different actors based on the background knowledge of their business reports and newspaper research. The main aim of these interviews was to map out the relationship of TOKI with the different fractions of capital

and the contradictory relationship within different fractions of capital. Apart from these, I conducted interview with YEM and REIDEN, which are the expert institutions in the real estate sector. While the former is the main institution that organizes nationwide housing conferences in collaboration with TOKI and different business associations, the latter is the pioneer of the real estate valuation sector that writes reports for investors regarding possible investment opportunities in different Turkish cities.

(3) Activists and Journalists: The President of the Istanbul Chamber of Architects is one of the most important informants of my interview process since she has been fighting against authoritarian state intervention into urban politics more than 30 years and has worked for various NGOs. Since the Chamber is the main body that filed claims against TOKI-led urban regeneration projects in Istanbul, the interview questions were mainly about specific cases that the Chamber has been dealing with in its fight against TOKI. The other major interview that I conducted was with the well-known journalist and writer on TOKI and the Turkish housing sector, Mustafa Sonmez. He is one of the main experts of the housing sector. He has published a number of articles in the *New York Times*, two books in Turkish, and many articles on the Turkish real estate sector in a variety of outlets. Since he is the representative of some of the more progressive work that concentrates on the ‘corruption, the rentier state, and construction-led accumulation strategy’ which I criticize throughout the dissertation, I interviewed him to get information about the sector, to discuss his books and articles, and to help formulate my own views.

(4) The Basibuyuk Neighborhood Association and the Construction Workers’ Union: I conducted an interview with the President of the Basibuyuk Neighborhood Association, which is one of the most well-known grassroots organizations opposing the TOKI-led urban regeneration

project between 2004 and 2007 in the Basibuyuk district of Istanbul. In 2007, the inhabitants of Basibuyuk initiated a fight against TOKI which lasted one-and-a half years. Over the course of their demonstrations, 100 people were taken into custody, 50 were injured, and one was murdered by the police forces protecting TOKI's construction site. As a result of this interview, I understood that the whole process of TOKI was governed by the 'techniques of uncertainty', which meant that inhabitants did not know either what would happen to their houses or how much they would have to pay TOKI for the newly-contracted ones. The main reasons for this movement's failure was the 'individualization techniques' that TOKI used to persuade inhabitants to acquiesce through different tenure agreements. Another very important interview that I conducted was with the president of the Construction Workers' Union which became the main progressive union in the construction sector's fight against the capitalists in the construction sector. This struggle addressed the increasing number of worker deaths in cases of workplace injury due to employer negligence on construction sites, as well as the precariousness of their work. Mustafa Adnan Akyol spoke with me about how they occupied TOKI's construction sites many times to protect the rights of the construction workers and the history of the union.

4. Theory Building: Exposition

As the last methodological step, I periodized the housing sector in relation to different phases of capital accumulation and the different forms assumed by the Turkish state in each phase. In Andrew Sayer's (2010: 161) terms, against the 'pseudo-concrete research' which expects abstract theory to explain events directly, I re-developed new abstractions by revisiting the empirical data. This is to say, housing production is connected to the workings of the capitalist system in general and in the Turkish case in particular (Ollman 2003: 150). The concrete-in-

thought, as a combination of abstraction and revisiting empirical data, is reconciled with the concrete again as I returned from abstract thought to the subject – the real world (Lebowitz 2009: 201). Thus, I returned to the question at the very beginning: *Why does this content (enabling the housing market) take this particular form (TOKI), especially after 2003 in Turkey?*

Based on the ‘power of abstraction’ as discussed by Ollman, Sayer, Paolucci, and Lebowitz, I approached TOKI as part of contemporary authoritarian form of the Turkish state as a social institution – as a historical product – and theorized its origin and development. The appearances of authoritarianism (as a form of the capitalist state in the contemporary phase), or of corruption and the rentier state (as a form of relationship with different fractions of capital), are depicted as different moments of one process. This is the form of the Turkish state and of TOKI as its specific agency enabling the development of the Turkish housing sector, which is mediated by the institutional structures, class relationships, and particular contradictions of the contemporary phase of capital accumulation.

Appendix B: List of Interviews

Interview Number	Occupation of Interviewee	Location	Date
1	Small scale constructor/Member of IMKON	Urfa	27.04.2014
2	Small scale constructor/Member of IMKON	Ankara	03.05.2014
3	Representative of GYODER	Istanbul	07.11.2014
4	3 Representatives of TMB	Ankara	06.08.2014
5	2 Representatives of YEM	Istanbul	21.01.2015
6	General Secretariat of INDER	Istanbul	20.01.2015
7	2 Representatives of REIDIN	Istanbul	22.01.2015
8	Representative of KONUTDER	Istanbul	16.01.2015
9	Mustafa Sonmez (Journalist)	Istanbul	12.06.2014
10	Mucella Yapici (Activist/ President of Istanbul Chamber of Architects)	Istanbul	09.07.2015
11	Past Vice President of TOKI (active in the mid 1990s)	Ankara	13.06.2014
12	Past Vice General Secretariat of TOKI (active in mid 1990s)	Istanbul	17.06.2014
13	TOKI Official in Finance Department	Ankara	04.08.2014

14	TOKI Official in Zoning and Planning Department	Ankara	07.08.2014
15	TOKI Official in Strategic Development Department	Ankara	12.08.2014
16	TOKI Official in Istanbul Urban Regeneration Department	Istanbul	22.05.2015
17	TOKI Official in Mass Housing Department	Ankara	23.07.2015
18	President of the Construction Workers' Union	Istanbul	07.01.2015
19	Adem Kaya, President of Basibuyuk Neighborhood Association	Istanbul	31.05.2015

Appendix C: List of Laws, DFLs and Regulations Examined

Year	Laws	Responsible Institution	Purpose and Implication
Phase 1: Infrastructural ‘Construction’ Before the Housing Question: 1930s to the 1950s			
1926	Law No. 844	The Real Estate and Orphans Bank was founded	The law tasked the Bank with preservation of money for orphans, and provisioned the required funds for houses to be constructed in the newly-formed capital city of Ankara.
1930	Municipality Law No. 1580	Municipalities	Municipalities were tasked with the provision of land for affordable housing.
1948	Amnesty Law No. 5218	Ankara Municipality	Ankara Municipality had a right to legalize squatters on the condition that the price of land would be paid to the state within 10 years.
1958	Law No. 7116	Foundation Law of Ministry of Public Works and Settlement	The law pointed to housing as a social problem requiring solution. General Directorate was formed under the Ministry to deal with affordable housing problems and the financial aspects necessary to resolve them.
Phase 2: Hybrid Forms of Housing Production between the 1960s and 1970s			

1966	Squatter Law No. 775	Municipalities, and Ministry of Public Works and Settlement	It attempted to solve the squatter problem through regeneration, demobilization, and prevention.
1966	Condominium Law No. 634	Municipalities	It established the flat ownership rights on separate parts of the same property.
1969	Housing Cooperatives Law No. 1163	Ministry of Commerce	It defined the legal framework for housing cooperatives
1969	Land Office Law No. 1164	Ministry of Public Works and Settlement	It was founded to fight against land speculation and to provide land for mass housing production.
Phase 3: The ‘Enabling’ Housing Market between the 1980s and 2000s			
1981	1 st Housing Development Law No. 2487	Ministry of Public Works and Settlement (as the execution body) and the newly established High Commission of Housing Development	The Turkish State was tasked with zoning the land and providing the infrastructure and financial resources for mass housing production. The state would be able to work with the private sector or other public sector bodies to initiate this process.
1984	Amnesty Law No. 2981	Municipalities and Ministry of Public Works and Settlement	The implementation of amnesty laws to legalize squatters by giving settlers legal rights to have a deed, buy land, and build four-storey apartments made these squatters small-scale entrepreneurs in the housing sector
1984	Law No. 2983	Establishment of the Housing Development and Public	Institutionalization of Turkish State’s intervention into the housing problem.

		Participation Administration	
1984	2 nd Housing Development Law, No. 2985	Establishment of off-budget Mass Housing Fund	The fund is under the control of Housing Development and Public Participation Administration
1985	Urban Development Law No. 3194	Municipalities	Empowerment of local authorities regarding implementation of urban development plans.
1986	Law No 3320	Emlak Bank and TOKI	The Bank undertook a new task regarding housing finance in 1986 by opening the Housing Provision Aid (KEY) accounts on behalf of TOKI.
1990	Governmental Decree No. 412	TOKI	The foundation of the TOKI as a separate body
1999	Decree in the Force of Law No. 588	Emlak Konut REIT	Emlak Bank transferred its banking functions and became a state-owned REIT
2001	Law No. 4698	TOKI	Undersecretariat of Housing was established. TOKI linked to the Undersecretariat.
2001	Law No. 4684	Emlak Konut REIT and TOKI	Emlak Konut REIT became a subsidiary of TOKI.
Phase 4: An 'Effective' State for the Formation of the Real Estate Sector in the 2000s			
2003	Law No. 4966	TOKI	The Under-secretariat of Housing abolished and its main tasks transferred to TOKI. It changed the Land Office Law (No. 1164) and compelled it to transfer lands to TOKI without any

			charge if proposed by the Ministry of Finance and Ministry of Public Affairs and Settlements and approved by the Prime Minister.
2003	Law No. 4864	TOKI	Provided authority to TOKI to establish subsidiaries in its operational regions and to work with temporary employers from governorships and municipalities.
2003	Presidential Decree No. 802	The Prime Minister's Office	It bound TOKI to the Prime Minister's office instead of the Ministry of Public Affairs and Settlements.
2003	Law No. 4964	TOKI	Mass housing projects were exempted from many rules and restrictions of the procurement law.
2004	Law No. 5162	TOKI	Amendments to TOKI's foundation law. Authorized to plan and develop projects to control and limit squatter areas. It was tasked with preparation and zoning plans, expropriation of vacant property for the sake of the common good, and development of financial arrangements for slum upgrading projects.
2004	Law No. 5273	TOKI	The transfer of the tasks and

			responsibilities of the Land Office to TOKI.
2004	Law No. 5104	TOKI	The law authorized TOKI and the Greater Municipality of Ankara to work for an urban renewal project in the city.
2005	Law No. 5366	TOKI	TOKI empowered to work with Municipalities and Provincial Special Administrations to protect sites of historic and cultural importance through providing funds for their renovation and protection.
2006	Law No. 5492	TOKI and Municipalities	Municipalities subjected to approve TOKI's application for occupancy permits within 15 days. Beside this delegation of planning authority, the mass housing projects of the municipalities would no longer be accepted by TOKI.
2006	Law No. 5492	TOKI	TOKI was given the lowest construction fees and exempted from paying anything more than these fees.

2007	Mortgage Law No. 5582	TOKI	The law amended several laws concerning the mortgage system, introduced an additional article to the housing development law regarding housing finance. TOKI was empowered with the right to sell securities through showing its account receivables, based on its sales of lands and houses as the guarantee.
2007	Law No. 5609	TOKI and Ministry of Public Works and Settlement	The transfer of the duties assigned to the Ministry of Public Works and Settlement regarding squatters to TOKI.
2008	Changes in the Squatter Law, published in Official Gazette No. 27052	TOKI and Municipalities	The zoning and subdivision plans regarding areas under the law do not need approval by municipalities. All municipalities are only charged with announcing the implications of the TOKI plan to the squatters with at least a month's notice.
2008	Law No. 5766	TOKI	TOKI was exempted from stamp tax liability.
2008	Law No. 5783	TOKI	It was decided that TOKI does not have to fulfill legal formal requirements or notarization regarding its construction activities.

2010	Law No. 5953	TOKI	TOKI's lands and plots were exempted from the real estate tax.
2010	Law No. 6009	TOKI and Municipalities	TOKI took priority in attaining lands within urban renewal zones for its plans, bypassing municipal planning controls.
2011	Law No. 6111	TOKI	While TOKI was excluded from the public procurement process determined by Law No. 4964 regarding the mass housing projects, it is further exempted from the procurement law for all its projects.
2012	Law No. 6306, the Regeneration of Areas under Disaster Risk,	TOKI and the Ministry of Environment and Urbanization	The law gave TOKI and the Ministry of Environment and Urbanization enormous powers to improve, discharge, and renovate lands and buildings even if the buildings are apart from these zones.
2012	Law No. 6292	TOKI	It allowed the opening of 2B lands (formerly classified as forests) for development of urban regeneration projects.
2014	Official Gazette No. 28945	TOKI	TOKI was made eligible for discounted services from the Ministry of Environment and Urbanization regarding changes and approvals of development plans, map service, analyses

			of the projects, building licenses etc.
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