

The Inception of the Articulation of Turkey to the Neoliberal Hegemony: A Neo-Gramscian Analysis

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Abstract

“The Inception of the Articulation of Turkey to the Neoliberal Hegemony:
A Neo-Gramscian Analysis”

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This thesis examines the process of Turkey’s articulation to neoliberal hegemony via the transformation of the social relations of production and the form of state in its country in the 1980s and 1990s, from a neo-Gramscian perspective. With this purpose, the relations between Turkey and four international financial, military, and political organizations (the IMF, WB, EU, NATO) which played active roles in the neoliberal transformation of Turkey are analyzed. The research concentrates on the areas of material capabilities, legal and institutional transformation, and ideological unity, which are the three categories of force that neo-Gramscians consider necessary for the establishment of hegemonic structure. The subjects of the research are financial and military resource agreements made with the aforementioned organizations, the legal and institutional transformation that emerged as a result of Turkey’s relations with these organizations, the ideological unity between these organizations and the elites of the ruling and capitalist classes in Turkey, and the efforts to produce active social consent for neoliberal social relations of production and a neoliberal form of state in Turkey during this period.

43,000 words

Özet

“Türkiye’nin Neoliberal Hegemonyaya Eklemlenişinin Başlangıcı: Neo-Gramşiyen Bir Analiz”

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Doçent Z. Umut Türem, Tez Danışmanı

Bu tez Türkiye’nin 1980’ler ve 1990’lar boyunca toplumsal üretim ilişkilerinde ve devlet biçiminde gerçekleşen dönüşüm ile uluslararası neoliberal hegemonyaya eklemlenmesi sürecini neo-Gramşiyen bir perspektiften incelemektedir. Bu amaçla, Türkiye’nin yaşadığı neoliberal dönüşümde etkin rol oynayan dört uluslararası finansal, askeri ve siyasi örgüt (IMF, Dünya Bankası, AB, NATO) ile Türkiye’nin ilişkileri analiz edilmiştir. Araştırma, neo-Gramşiyen yaklaşımın bir hegemonik yapının inşası için gerekli gördüğü üç güç kategorisi olan materyal yeterlilikler, yasal ve kurumsal dönüşüm, ve ideolojik birlik alanlarında yoğunlaştırılmıştır. Bu dönemde yukarıda bahsedilen örgütlerle yapılan finansal ve askeri kaynak anlaşmaları, bu örgütlerle ilişkiler sonucunda gerçekleştirilen yasal ve kurumsal dönüşüm, ve bu örgütler ile Türkiye’nin yönetim ve kapitalist sınıflarının elitleri arasındaki ideolojik uyum, ve neoliberal toplumsal üretim ilişkilerine ve devlet biçimine yönelik toplumsal rıza oluşturma çabaları araştırma konusu edilmiştir.

43.000 kelime

To my family and
loving fiancée Simge

Table of Contents

List of Tables *xii*

List of Figures *xiii*

Abbreviations and Acronyms *xiii*

Acknowledgements *xvii*

1	INTRODUCTION	1
2	THEORETICAL BASIS	7
2.1	State and Hegemony	9
2.2	Hegemony, Civil Society, and Passive Revolution	11
2.3	Neo-Gramscian Approach on the State and Hegemony	15
2.4	Neoliberal Rule of the World	21
2.5	The State in Neoliberal World Order	29
2.6	Conclusion	34
3	THE RISE OF NEOLIBERAL HEGEMONY AND INTERNATIONAL ORGANIZATIONS	35
3.1	Since the 1970s: Rising Neoliberalism	36
3.2	The IMF and World Bank: Sources of Money and Knowledge	46
3.3	Neoliberal Restructuring of the European Union	51
3.4	NATO: Destructive Material Capabilities of the Hegemony	58
3.5	Conclusion	64

4	THE INCEPTION OF THE ARTICULATION OF TURKEY TO THE NEOLIBERAL HEGEMONY	67
4.1	Material Capabilities at Work	68
4.2	Legal and Institutional Transformations	84
4.3	For the Sake of Ideological Unity	98
4.4	Conclusion	110
5	CONCLUSION	117
	APPENDIX	123
	World Bank Projects with Turkey	123
	REFERENCES	127

List of Tables

Table 3.1	Inward foreign direct investment –US\$ at current prices in millions	44
Table 3.2	Outward foreign direct investment –US\$ at current prices in millions	45
Table 3.3	EU-15 Capital and Labor Indicators	57
Table 3.4	Defence Expenditures of NATO Countries (1980 - 2003)	62
Table 3.5	Arms exports (SIPRI trend indicator values in million)	63
Table 4.1	Defence expenditures as % of gross domestic product 1980-1999	70
Table 4.2	Turkey's arm imports in Trend Indicator Value of SIPRI, 1979 – 2000	72
Table 4.3	The annual sum of the credit that Turkey benefited from the IMF between 1976 and 2000	79
Table 4.4	The annual sum of the loans and credits that Turkey benefited from the IBRD and IDA between 1976 and 2000	80
Table 4.5	Turkey Capital and labor Indicators 1992-2001	81
Table 4.6	Standby Agreements between Turkey and IMF, in thousands of SDRs	82
Table 4.7	GDP based on PPP, share of world (Percent of World)	112
Table 4.8	GDP per capita, current prices (U.S. dollars per capita)	112
Table 4.9	Real GDP growth (Annual percent change)	113
Table 4.10	Inflation rate, average consumer prices (Annual percent change)	114

List of Figures

- Figure 2.1 Relational Source of Historical Structures 17
Figure 2.2 Spheres of Activities 19

Abbreviations and Acronyms

ANAP	Motherland Party
AMUE	Association for the Monetary Union of Europe
AP	Justice Party
BRSA	Banking Regulation and Supervision Agency
CDF	Comprehensive Development Framework
CHP	Republican People's Party
CU	Customs Union
DYP	True Path Party
EC	European Commission
ECB	European Central Bank
ECU	European Currency Unit
EEC	European Economic Community
EMS	European Monetary System
EMU	Economic and Monetary Union
ERT	European Round Table of Industrialists
ESAF	Enhanced Structural Adjustment Facility
EU	European Union
FDI	Foreign Direct Investment
FED	Federal Reserve
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GNP	Gross National Product
HIPC	Heavily Indebted Poor Countries
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association

IFI	International Financial Institutions
IFOR	Implementation Force
IMF	International Monetary Fund
INF Treaty	Intermediate-Range Nuclear Forces Treaty
NAFTA	North American Free Trade Agreement
NATO	North Atlantic Treaty Organization
OECD	Organization for Economic Co-operation and Development
OPEC	Organization of the Petroleum Exporting Countries
OSCE	Organization for Security and Co-operation in Europe
PPP	Purchasing Power Parity
PRSP	Poverty Reduction Strategy Papers
RTUK	Radio and Television Supreme Council
SAL	Structural Adjustment Loans
SAF	Structural Adjustment Facility
SIPRI	Stockholm International Peace Research Institute
SDR	Special Drawing Right
SEEs	State Economic Enterprises
SFOR	Stabilization Force
SHP	Social Democratic Populist Party
SPO	State Planning Organization
SYKB	Industrial Development and Investment Bank
TAI	Turkish Aerospace Industries, Inc.
TCC	Transnational Capitalist Classes
TEKEL	General Directorate of Tobacco, Tobacco Products, Salt and Alcohol Enterprises Company
TIV	Trend-Indicator Value
TISK	Turkish Confederation of Employer Associations
TNCs	Transnational Corporations
TÜSİAD	Turkish Industry and Business Association
UK	United Kingdom
UN	United Nations
UNICE	Union of Industrial and Employers' Confederations of Europe

UNCTAD	United Nations Conference on Trade and Development
US	United States
USSR	Union of Soviet Socialist Republics
WB	World Bank
WEU	Western European Union
WTO	World Trade Organization
YÖK	Council of Higher Education
TSKB	Industrial Development Bank of Turkey
IGEME	Export Promotion Center
TEK	Electricity Institution of Turkey
TÜİK	Turkish Statistical Institute, subsequently State Institute of Statistics

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Introduction

In recent history, world politics has witnessed and been affected by many crises, and yet something has remained constant: the increasing role of transnational corporations (TNCs) in the world political and economic order. According to the Global Justice Now, an organization based in the UK, the “10 biggest corporations make more money than most countries in the world combined” (Global Justice Now, 2016). The total revenue of this top ten, which includes Walmart, State Grid, Shell, Volkswagen, BP, and Apple is nearly \$US 2.7 trillion (Yeomans, 2016). This order maintains its existence thanks to a neoliberal world order that relies on a certain set of social relations of production and a certain form of state. It has been absorbing different regions of the world, continuously, for years.

For almost the last forty years, Turkey, too, has been undergoing a neoliberal transformation. The bloody coup d'état in 1980 not only initiated a neoliberal transformation process that directly affected the form of state and the social relations of production but also established the social, political, and economic foundations of today's authoritarian neoliberal rule.

In what areas was the neoliberal transformation, which is accepted to have started in 1980, first implemented in Turkey? What changes to the

legal and institutional basis of the form of state in Turkey have been realized? How have social relations of production been affected by or designed according to the attempts to articulate Turkey to the neoliberal world order? To what extent has Turkey benefited from the material capabilities of neoliberal rule? How has the ideological unity between ruling and capitalist elites in Turkey and international organizations been organized? Has the attempt to establish consent to the neoliberal rule amongst the society in Turkey, been successful? Besides answering these questions, in the basis of the excitement for writing this thesis, there is a desire to complete a missing aspect of analyses of neoliberalization in Turkey. This missing side concerns the roles of international financial, political, and military organizations – which, as Cox (1983) indicates, are the mechanisms of the hegemony of the world order - in the neoliberalization in Turkey. Therefore, the roles of these organizations (mainly the IMF, WB, NATO, and EU) in this process will be a topic of analysis, and special care will be taken not to ignore the transformations that emerged in the structures of these organizations that directly affected Turkey. Furthermore, the answers to the aforementioned questions guide us in our struggle to contemporary Turkey. What is the basis of the institutional and ideological transformation that began in the country in the 2000s and the material development of the capitalist classes that were strengthened in the social relations of production? In order to gain insight into these questions, we should look at the historical background, as usual, and make correct determinations by correct analyses.

In this thesis, to gain a rational comprehension and make correct inferences, the approach of Cox and his followers, which is now labelled as “Neo-Gramscian,” will be adopted. I believe this approach explains Turkey’s relationship with the international neoliberal hegemony, as well as the neoliberalization of the form of state and the social relations of production in Turkey as a consequence of these relations since the 1980s.

The 1980s are important because the neoliberal transformation started in this decade. The 12 September coup d’état rescued the 24 January economic decisions, the main purpose of which was initiate neoliberalization reforms, from increasing political and socioeconomic crises that

were ongoing since the mid-1970s. The content of the agreements made with international organizations following the 24th January decisions, the attitudes of these organizations after the coup, and their contribution to the neoliberal transformation of Turkey should be examined from a critical political economy perspective.

Later, in the 1990s, yet another wave of political and socioeconomic crises paralyzed social life after the one in the 1970s. Political parties and their leaders in Turkey in the 1990s did not win enough votes to govern the country on their own. Moreover, they failed at almost everything except the neoliberalization of Turkey and securitization of its social problems while in the coalition governments, and finally, became the architects of the biggest economic crisis in the history of Turkey in the twenty-first century.

Throughout these two decades, vital political and social changes occurred in Turkey, Middle East, and Europe. The only thing that stood still was the nature of the relations between the successive governments in Turkey and the administrations of the aforementioned international organizations - and the results of those relations.

In the following chapter, the theoretical basis of the research in this thesis will be presented. In this section, the neo-Gramscian approach and its respective research-method - which are not in widespread use in Turkey - will be explained. After the approaches in the Marxist literature to the state are briefly described, Gramsci's conceptualizations of the State, hegemony, civil society, *transformismo*, and passive revolution will be addressed. Then, the theoretical explanations, questions, and claims of the neo-Gramscian approach about the international political economic system, neoliberalism, and the state under the neoliberal order will be examined.

The following chapter, will present a historical review of the rise and spread of neoliberalism in the international system. First, examples of neoliberal transformation that have taken place since the 1970s will be discussed. Then, steps taken by the aforementioned international organizations to expand and deepen the neoliberal world order will be subjected to a neo-Gramscian analysis, showing that neoliberalism spread in

different regions with basically the same motives but in different ways, as it does today. In addition, the revolutionary changes in the forms of states and the social relations of production realized by the neoliberal project to obtain a hegemonic position at the international level will be traced to provide a new source of knowledge about the neoliberalization has taken place in Turkey.

In the final substantive chapter, a neo-Gramscian analysis of the neoliberal transformation witnessed in the 1980s and 1990s in Turkey will be carried out. What were the roles of international financial, political, and military organizations in this transformation? What was the extent of the productive and destructive material resources provided by these organizations to Turkey, and what was the impact of these resources on the neoliberal transformation of Turkey? What are the characteristics and scope of the legal and institutional transformations that these organizations enforced or supported in order to articulate Turkey to neoliberal hegemony? Lastly, what is the place of ideological unity as a *sine qua non* of a hegemonic structure, and how is consent created in the relations between Turkey and these international organizations? To what extent and how were ideological unity and the creation of consent realized? To answer these and similar questions, this chapter will be divided into three sections focused on material capabilities, legal and institutional transformations, and ideological unity in accordance with the research-method of the neo-Gramscian approach.

In the field of material capabilities, which is one of the categories of forces required for the establishment of a hegemonic structure, the thing that matters most, in general, are loans and technical information received from financial institutions such as the IMF and WB. However, since military financial and material resources and technological knowledge provided by the US and NATO constitute vital roles in the development of material capabilities, both will be analyzed in detail.

The legal and institutional basis, which is another necessary category of force, is an existential necessity for a ruling system. The operation of this system of and the constant reproduction of material capabilities and ideological unity are possible thanks to a legally-based-institutional

structure. As will be seen, IMF and WB structural adjustment programs and EU harmonization laws mainly establish this legal and institutional basis. It is also possible to say that this category of force is the one that to which the most importance is attached in the process of Turkey' articulation to the hegemonic neoliberal world order.

Ideological unity, as the last category of force, is the creation of a shared worldview between the ruling and capitalist elites in the country and international representatives of the hegemonic structure as well as among various segments of society vis-à-vis the form of state and social relations of production. The degree of success in the example of Turkey during the 1980s and 1990s will be analyzed.

To carry out a research focused on these topics, structural adjustment, debt, arms procurement, loan project agreements realized between Turkey and aforementioned organizations, letters of intent presented by Turkey, reports on Turkey published by these organizations, statements of administrators and politicians, and changes to legal and institutional structures in Turkey will be analyzed. Also, using these resources, how ideological unity was established and creation of active social consent were attempted will be discovered.

Theoretical Basis

In every country, the process is different, although the content is the same. And the content is the crisis of the ruling class's hegemony... [Hence] a 'crisis of authority' is spoken of: this is precisely the crisis of hegemony or general crisis of the state.

Antonio Gramsci, *Selections from the Prison Notebooks*

Approaches to the discipline of international relations and perspectives on world politics have gained an influential critical basis since Robert Cox published his two seminal articles in the beginning of the 1980s.

To understand what he has done and how, the distinction he made between the theoretical stances “problem solving theory” and “critical theory” must be underlined. According to Cox (1981), theory serves two purposes. The first is “to be a guide to help solve the problems posed within the terms of the particular perspective” and the second is “to open up the possibility of choosing a different valid perspective from which the problematic becomes one of creating an alternative world” (p. 128).

“Problem solving theory,” which is sourced from the first purpose, takes the world as it is and does not call the general pattern of institutions and relationships into question (p. 129). To avoid a perspective that comprehends power and production relations and national and international institutions by disregarding their social origins and ideological and material functions and only defining their role in the “theatre of politics,” Cox (1981) suggests to adopt the “critical theory” which emerges from the second purpose. He explains that critical theory

stands apart from the prevailing order of the world and asks how that order came about ... (and) does not take institutions and social and power relations for granted but calls them into question by concerning itself with their origins and how and whether they might be in the process of changing (p. 129).

As Adrian Budd (2013, p. 19) rightly puts it, this distinction emerges from advocacy of Marx’s famous eleventh thesis on Feuerbach: “philosophers have interpreted the world in various ways; the point however is to change it” (Marx, 1942).

With this aim in mind, Cox (1981) further explains that critical theory starts with historical enquiry because one needs to be aware of the fact that “action is never absolutely free but takes place within a framework for action” (p. 135). This “framework for action” changes over time and “has the form of an historical structure, a particular combination of thought patterns, material conditions, and human institutions” (p. 135). Also this “framework or structure ... is to be viewed from the bottom or from outside in terms of the conflicts which arise within it and open the possibility of its transformation” (p. 135). But of course, since “history is always ‘world history’ and ... particular histories exist only within the frame of world history” (Gramsci, 1985, p. 185) the roots of historical facts should be traced with a perception that goes beyond national boundaries.

Cox's approach has been praised by many for liberating international relations from the realists'¹ sole financial and military power-based view. Indeed, Cox opened an alternative way of understanding and criticizing world orders with the help of critical reasoning. By accommodating Gramsci's thoughts about capitalist states, societies, and production to the field of international relations and world politics, Cox presented a useful theoretical approach and methodology for analyzing power and production relations on the international scale and for looking for changes.

To keep this section at a reasonable length, theoretical approaches to the state, hegemony, and neoliberalism will be reviewed - and then the role of the state and international organizations in the neoliberal order will be dealt with briefly. During this process, the basic assumptions and methodology of the neo-Gramscian approach will be explained.

§ 2.1 State and Hegemony

The state is the entire complex of practical and theoretical activities with which the ruling class not only justifies and maintains its dominance, but manages to win the active consent of those over whom it rules.

Antonio Gramsci, *Selections from the Prison Notebooks*

In this section, a brief summary of the views of Marx, Engels, and Lenin on the state's function will be presented. Then, Gramsci's conceptualization of the state and hegemony will be explored.

1 Based on the thoughts of writers such as Thucydides, Machiavelli, Hobbes, realists see political activity as merely deployment and usage of power. Therefore, it is a common point among all realists that international relations and world politics are power politics, and states - as the dominant actor - act to survive and create security for their citizens.

It must be acknowledged that “the state,” as a key concept in this thesis, has come to mean many things in the Marxist tradition (Hay, 1999, pp. 153-155).

First, the view of “the state as the repressive arm of the bourgeoisie” can be seen in the work of Marx, Engels, and Lenin. In *The German Ideology*, Marx, together with Engels, wrote that the state is “nothing more than the form of organization which the bourgeoisie necessarily adopt both for internal and external purposes, for the mutual guarantee of their property and interests” (Marx & Engels, 1998, p. 99). Again in 1848, they wrote in the *Manifesto of the Communist Party* that “the executive of the modern state is but a committee for managing the common affairs of the whole bourgeoisie” (1948, p. 11). It can be said that this understanding of the state formed all classical Marxist views of the state.

Later, Lenin wrote that the state cannot be used to realize working classes aims because of its very characteristic of being “an organ of class rule, an organ for the oppression of one class by another” (Lenin, 1917 [1965]). Within these instrumentalist approaches, the state has been seen as an “organization” or an “organ” in the hand of the ruling classes that is used to ensure their superior position in the class structure (Hay, 1999, p. 162).

The contribution of Gramsci is of major importance for the literature on the state, and hence, for this thesis. Gramsci’s attempt to place “human subjectivity as a dynamic agent within the Marxist philosophy of history” made it possible to go beyond the economism and reductionism that had damaged the Marxist tradition (Hay, 1999, pp. 162-3).

Gramsci rightly saw the liberal capitalist state’s real function under the story of “laissez-faire,” stating that it is a “form of state ‘regulation,’ introduced and maintained by legislative and coercive means” of the state (Gramsci, 1971, p. 160). His rejection of the limited conceptualization of the state as an institution of governance that only acts within political society or according to “top political leaders and personalities with direct governmental responsibilities” (1971, p. 177) is important because this conceptualization is common in mainstream realist and liberal approaches in international relations. As Bieler and Morton emphasized

(2006, p. 165), this understanding of the state was referred to as “statolatry” by Gramsci (1971, p. 268). Instead of this limited “worship of the state,” Gramsci expands the state’s domain to the “civil society” where the “ruling class not only justifies and maintains its dominance, but manages to win the active consent of those over whom it rules” (1971, p. 244).

For Gramsci and contemporary Marxist theorists, the questions of “what gives capital the capacity to reproduce and reassert its dominance over time despite its inherent contradictions” (Hay, 1999, p. 163), how this ideological predominance and the consent of subordinate classes to the prevailing exploitative order is achieved by ruling classes, and also how to reverse this relationship are tried to be answered [Fiori as cited in (Carnoy, 1984, pp. 68-9)].

These questions led Gramsci to the concept of “hegemony” and to broaden the definition of the state to include all institutions and practices that allow the ruling classes to maintain the consent of the subordinated to the prevailing exploitative order (Hay, 1999, p. 163).

§ 2.2 Hegemony, Civil Society, and Passive Revolution

Before starting to examine the neo-Gramscian approach in the next section, a summary of Gramsci’s view on the concepts of hegemony, civil society, and passive revolution are needed. Hegemony will be the most explanatory concept in this thesis, and without an understanding of the concept of civil society, it is impossible to grasp what Gramsci meant by hegemony and the function of the state.

The intellectual source of the concept of “hegemony,” as emphasized by Allman (Mayo, 2015, p. 13), is found in the theory of consciousness of Marx and Engels (Carnoy, 1984, pp. 65-6). They write that the ideas of ruling class are the ideal expression of the dominant material relationships.

The class which has the means of material production at its disposal, has control at the same time over the means of mental production, so that thereby, generally speaking, the ideas of those who lack the means of mental production are subject to it ... each

new class which puts itself in place of one ruling before it, is compelled, merely in order to carry through its aim, to represent its interest as the common interest of all the members of society, that is expressed in ideal form: it has to give its ideas the form of universality, and represent them as the only rational, universally valid ones. (Marx & Engels, 1998, pp. 67-8)

It must be underscored that the detection of the relationship between ruling ideas and material relations in this passage makes it a rich source for readers to make inferences about world politics. Based on this perspective, this thesis accepts that capitalism in its neoliberal form as a global mode of production spreads and sustains hegemony not only through its material capabilities, but also through its ideological power to create consent for the view that it is the only rational, universal, and ideal form and that it fulfills the common interests of all.

Gramsci indicates that the power of the capitalist classes to influence or shape “the perceptions of the subordinate classes” is the main source of their ability to play the role of hegemon rather than the power to physically suppress. (Hay, 1999, pp. 163-4). The consent of subordinate classes, and thus the essence of the rule of capital, for Gramsci, can be understood by examining consciousness and ideology, not just the force or logic of capitalist production (Carnoy, 1984, p. 69).

In brief, with the help of this concept, he disclosed the uncovered practice of any dominant class by which it creates and maintains its ability to rule over subordinate classes. It can be said that the dominant class can be a hegemon by “presenting its own moral, political and cultural values as societal norms thereby constructing an ideologically engendered common sense” and by making subordinates accept that “there is no alternative” (Hay, 1999, p. 163). In other words, the dominant class plays a leadership role in political, moral, and intellectual fields “to establish its view of the world as all-inclusive and universal, and to shape the interests and needs of subordinate groups” and so as not to lose its prevailing position in this constantly shifting relationship of consent (Carnoy, 1984, p. 70). The concept of hegemony as “the ideological predominance of the

dominant classes (of the bourgeois values and norms) in civil society over the subordinate” (Carnoy, 1984, p. 68) explains this relationship.

This means dominant classes build their hegemony in civil society. Gramsci (1971).writes that, “civil society” is “the ensemble of organisms commonly called ‘private’ and the ‘political society’” (p. 12). and these are the two major superstructural "levels." These levels respectively correspond to “the function of ‘hegemony’ which the dominant group exercises throughout society...” and to “...that of ‘direct domination’ or command exercised through the State and ‘juridical’ government” (p. 12).

Therefore, it is clear that Gramsci understood state differently from Marx, Engels, and Lenin. As Carnoy (1984). indicates, by putting the apparatus of hegemony in the state and in civil society, Gramsci took the state beyond the Marxist-Leninist definition as the coercive apparatus of the bourgeoisie (p. 72). Gramsci’s (1971) view on the State is evident in these words:

The general notion of State includes elements which need to be referred back to the notion of civil society (in the sense that one might say that State = political society + civil society, in other words hegemony protected by the armour of coercion) ... It is possible to imagine the coercive element of the State withering away by degrees, as ever-more conspicuous elements of regulated society (or ethical State or civil society) make their appearance. (p. 263)

Then, for Gramsci, hegemony, as a combination of consent and coercion, encompasses every aspect of civil and political existence. In addition, the state uses coercive and consensual powers in accordance with the needs of hegemony. It works to perpetuate and expand bourgeois control over the people. Thanks to the “revolution which the bourgeois class has brought into the function of the state” it becomes “an ‘educator’ etc.” (Gramsci, 1971, p. 260). After this disclosure, we see the state is “a primary instrument for the expansion of dominant-class power and a coercive force that keeps subordinate groups weak and disorganized” (Carnoy, 1984, p. 72) at the same time.

There is one concept remaining to be reviewed - that of "passive revolution." This concept is necessary because, as we will see in the further pages, it explains how peripheral states such as Turkey, which did not undergo the major socio-economic and political changes that the core did, internalize the expansion of a hegemonic order via synchronizing their forms of state to it. Gramsci (1971) used the concept to examine the Italian Risorgimento, the national liberation movement in 1860-61, and other historical political acts that emerged in nineteenth century Europe. He wrote that this period of history starting from 1815 "shows the efforts of the traditional classes to prevent the formation of a collective will of this kind, and to maintain 'economic-corporate' power in an international system of passive equilibrium" (p. 132). He defines the concept (1971, p. 108) as the combination of the notions of "a 'revolution from above', without mass participation ... and a creeping, 'molecular' social transformation, in which the progressive class finds itself compelled to advance in a more or less surreptitious, 'compromised' fashion" (Van Der Pijl, 1993, p. 239). Morton (2003) explains why the concept involves the word "passive," as it is the "survival and reorganization of capitalism through periods of crisis" (p. 632) by adapting changes in production relations to the social and institutional structure without disturbing this order. The important thing for this thesis is that Gramsci used the concept to describe the "expansion of capital and the emergence of the modern state" (Morton A. D., 2003, p. 635). Gramsci (1996) writes that

the concept of passive revolution, it seems to me, applies not only to Italy but also to those other countries that modernize the state through a series of reforms or national wars without undergoing a political revolution of a radical-Jacobin type. (p. 232)

Therefore, even without a dominant social group and without an alliance between different local social groups, the form of state can be restructured by an elite-driven project that carries out a series of legal-institutional reforms. In the further pages we will see passive revolution in practice when we analyze the relations between Turkey and international financial, political, and military organizations in the 1980s and 1990s.

§ 2.3 Neo-Gramscian Approach to the State and Hegemony

At this point, it is reductionist to see the state as a collection of governmental elements such as administrative, executive, and coercion apparatuses because all these apparatuses function under the control of the hegemony of the ruling classes. To overcome this superficiality, one needs to expand the notion of the state as Gramsci did to include the fulcrums upon which hegemony reclines and maintains its balance. These fulcrums - such as religious institutions, the educational system, the press, and all other institutions or apparatuses belonging to civil society - place a perception about the prevailing social order in peoples' minds and make them internalize certain patterns of behavior. This process of consent creation, together with the coercive power of the state, are of vital importance in building hegemony, as in Machiavelli's symbol of the centaur: Coercion is needed, but it must be used only as a last resort. Consensual power must be at the forefront and reproducible at any moment of social relations (Cox R. W., 1983, pp. 163-4).

Gramsci's historical materialism forms the basis of Cox's approach. He writes that "in Gramsci's historical materialism, ideas and material conditions are always bound together, mutually influencing one another and not reducible one to the other." The ideas are seen in relation to material conditions and these material conditions are not only taken as the physical means of production but also as the production of social relations (Cox R. W., 1983, p. 168). Hegemony prevails "based on a coherent conjunction or fit between a configuration of material power, the prevalent collective image of world order (including certain norms) and a set of institutions which administer the order with a certain semblance of universality" (Cox R. W., 1981, p. 139); it is an "internalised coherence which has most probably arisen from an externally imposed order but has been transformed into an intersubjectively constituted reality" (Cox R. W., 1994c, p. 366).

The importance of Gramsci's theorization to the Neo-Gramscian approach can also be seen in Bieler and Morton. They clearly write that hegemony "appears as an expression of broadly based consent, manifested

in the acceptance of ideas and supported by material resources, and institutions” (Bieler & Morton, 2006, p. 10).

To understand this relationship between ideas, material resources and institutions, Cox’s concept of “historical structures” or “framework for actions,” which was mentioned in the introduction, should be elaborated upon in detail.

From the beginning, it has to be emphasized that historical structures are neither the sole, exclusive determinant of every aspect of social relations nor of the whole world. Rather, they “impose pressures and constraints,” and individuals and groups can struggle with these structures and even “buttress their actions with an alternative, emerging configuration of forces, a rival structure” (Cox R. W., 1981, p. 134).

As Adrian Budd (2013, 24-25) writes, Gramsci’s “historical bloc” and Cox’s “historical structure” have common ground, but there is an important difference. While Gramsci’s point was to show the conflicting nature of capitalism, Neo-Gramscians focus on the coherence of historical blocs and their ability to sustain the system and social integration. Indeed, Cox and Gill emphasize the coherence of minds and institutions and harmony among material forces, institutions, and ideologies (Cox R. W., 1981, p. 133), (Gill, 2008, p. 60).

Bieler and Morton write that only when leading social forces establish unity over contending social forces, a historical bloc takes place (2006, p. 14). This is no simple political alliance between social forces, but rather an integration of different class interests - as Gramsci puts it, “bringing about not only a unison of economic and political aims, but also intellectual and moral unity ... on a ‘universal’ plane” (1971, pp. 181-2).

From this point of view, according to Cox, historical structures arise from a reciprocal relationship between three “categories of forces,” that do not harbor unilateral determinism; rather they build the historical structure via a reciprocal relationship. As mentioned above, Cox calls, these forces are material capabilities, ideas, and institutions (Cox R. W., 1981, p. 136).

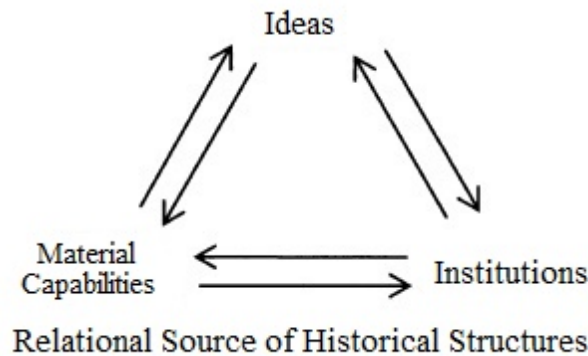


Figure 2.1

Ideas have two types. The first type is “intersubjective meanings” or “shared notions of the nature of social relations” (Cox R. W., 1981, p. 136). Cox gives states and their expected roles as examples of intersubjective meanings. For instance, organization and governance of the people by states with authority over a given territory is an intersubjective meaning in today’s international political structure. However, as it can be expected, these intersubjective meanings are historically conditioned, which means that they can weaken, stiffen, and even change over time (Cox R. W., 1981, p. 136). The other type is the “collective images of social order held by different groups of people” that can vary according to power relations occurring at a given moment. Of course, as there are different groups, there can also be a rivalry among those groups’ collective images - rivalry carries the “potential for alternative paths of development” and for “the emergence of an alternative structure” (Cox R. W., 1981, p. 136).

Material capabilities consist of both productive and destructive sources of power such as technological, natural, and financial resources and stocks of military equipment (Cox R. W., 1981, p. 136). Financial material resources are without any doubt essential for any hegemonic project, and all implementations of neoliberalism depend on these resources. However, the importance of destructive material resources is generally overlooked. These material sources alongside productive ones, are of

great importance for the realization of hegemonic power relations. Neither the race for militarization and the degree of a state's military resources nor the usefulness of these resources for the securitization of social life should be ignored. Therefore, wars waged over superiority in regional, and global power struggles, and the trade of material resources must be mentioned in a study of neoliberalism.

The stabilization and perpetuation of a particular order is possible via institutions. Institutions, according to Cox, emerge as the reflection of power relations and then embolden a particular set of collective images compatible with those power relations. Moreover, he writes, institutions are "amalgams of ideas and material power," and the latter can affect these two. Cox attributes an extra meaning to institutions as mechanisms that guarantee that the dominated accept the prevailing order. It is thus possible that institutions assume the role of a router in a hegemonic strategy. On the other hand, one cannot reduce hegemony to an institutional dimension; rather, one always has to take into account the "changes in the relationship of material forces, or the emergence of ideological challenge to an erstwhile prevailing order" (Cox R. W., 1981, p. 137).

Later, Cox defines the three "spheres of activity" to which the method of historical structure is applied.

The organization of production, more particularly with regard to the social forces engendered by the production process; forms of state as derived from a study of state/society complexes; and world orders, i.e. particular configuration of forces which successively define the problematic of war or peace for the ensemble of states. Each of these levels can be studied as a succession of dominant and emergent rival structures (Cox R. W., 1981, pp. 137-8).

New social forces emerge in accordance with changes in the organization of production, then novelties in social forces beget changes in the form of states. If the changes are sufficiently general, the problematic of world order shifts per those generalizations. However, this example should not lead readers to think that there is a unilinear relationship among these three levels. For instance, as transnational social forces affect states

through a particular structure of world order, structure have impact on the forms of states. Moreover, forms of states can have influence the development of social forces by, for instance, “advancing one class interest and thwarting others.” These spheres of activities can also be seen as special composition of the aforementioned categories of forces, namely material capabilities, ideas, and institutions (Cox R. W., 1981, p. 138). This means that all these spheres harbor a combination of material capabilities, ideas, and institutions that constitute historical structure (Bieler & Morton, 2006, p. 11).

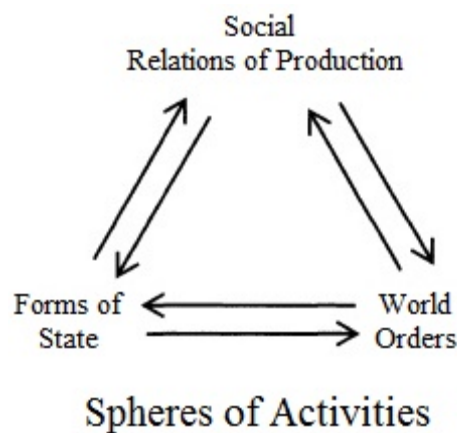


Figure 2.2

According to Bieler and Morton, hegemony within a historical structure is constituted on these spheres of activity. They emphasize that this framework can be used to analyze the reciprocal relationship between production and power. It “focuses on how power in social relations of production may give rise to certain social forces, how these social forces may become the bases of power in forms of state and how this might shape the world order” (Bieler & Morton, 2006, p. 13). This framework, help writers to avoid taking any institutions or social forces and even world politics as given and allows them to consider these phenomena in their historicity.

Refusing that dominant classes use the state instrumentally, Cox writes that “state actions are constrained by knowledge on the part of the

state's agents of what class structure makes possible and what it precludes" (Cox R. W., 1987, p. 6). Moreover, since the limits on the purposes and actions and the *raison d'état* of the states are defined by the configuration of social forces (Cox R. W., 1987, p. 107), by taking forms of states into account as the expression of particular historical blocs and the relations across state-civil society, the various historical content in different forms of states can be comprehended (Bieler & Morton, 2006, p. 15).

Cox explains the expansion of the hegemony of a certain type of global economy as a process that starts at a local level and then goes beyond. Major changes to the configuration of social forces and forms of states occur at the local level but do not remain within those borders and gain an international character by being transferred to other local units – or nation states. The secondary states confront the urge that emanates from international developments, and impel them to internalize these changes (Cox R. W., 1983, pp. 169-170).

On these inferences, Cox claims that, the hegemony of a state is only possible in a world order that creates an environment that other states also find appropriate for their interests and in which the forces of civil society can act freely across the globe. Therefore, it is superficial to understand hegemony as an order between states. It is "an order within a world economy with a dominant mode of production which penetrates into all countries" and "a complex of international social relationships which connect the social classes of different countries" (Cox R. W., 1983, pp. 171-2).

This explanation of the Neo-Gramscian theory about the state, hegemony, and their conceptual tools of it will be used to explain the roles of the state and international institutions and the characteristics of neoliberal hegemony. However, one first needs to understand neoliberalism. Thus, the next section will be on the theoretical and institutional basis of the neoliberal era of capitalism.

§ 2.4 Neoliberal Rule of the World

Competitiveness in the world market has become the ultimate criterion of state policy which justifies the gradual removal of the measures of social protection built up in the era of the welfare state. Neoliberalism is hegemonic ideologically and in terms of policy.

Robert W. Cox, *Civil Society at the Turn of the Millennium: Prospects for an Alternative World Order*

This section will discuss the theoretical basis of neoliberalism as a globally hegemonic politico-economic order and the concepts and institutions that are the results of it. While doing that I will also review Neo-Gramscian explanations of neoliberalism and the international organizations that play a vital role in spreading neoliberal hegemony. Since many authors, including Cox and Gill - who uses a Neo-Gramscian approach -, see neoliberalism and globalization as intertwined phenomena, I will examine these together.

But first, things from Marx and Engels on the basic characteristics of capitalism give important insight into the contemporary phase of its evolution. As Chodor (2015, 33) emphasized, they saw the basic instinct of capitalism: the need for endless accumulation and igitur new markets. They wrote in *The Communist Manifesto*:

The need of a constantly expanding market for its products chases the bourgeoisie over the whole surface of the globe. It must nestle everywhere, settle everywhere, establish connections everywhere. The bourgeoisie has through its exploitation of the world-market given a cosmopolitan character to production and consumption in every country. ... It compels all nations, on pain of extinction, to adopt the bourgeois mode of production; it compels them to introduce what it calls civilization into their midst, i.e., to

become bourgeois themselves. In one word, it creates a world after its own image (Marx & Engels, 1948, pp. 12-13).

Inspired by these words of Marx and Engels, Chodor criticizes the “one-dimensionality of explanations of realist and liberal orthodoxy” of neoliberal globalization. Indeed, the basic assumptions of both realist and liberal approaches, which respectively see international system as anarchic or convenient for cooperation among states and other international actors, neither open a path for a critical understanding of this system, nor and understanding of how to change it. For this reason, Chodor indicates, one has to understand the historical journey of capitalism, the process by which it was internationalized, and how it created a world order in the form of a great market, most notably since the 1970s (Chodor, 2015, p. 33).

Of course, the historical background of the neoliberal worldview goes beyond the 1970s. After the foundation of “the Mont Pelerin Society” by “a small and exclusive group of passionate advocates - mainly academic economists, historians, and philosophers-” who gathered around Austrian political philosopher Friedrich von Hayek in 1947 (Harvey, 2005, p. 29), the adventure of neoliberalism started. In *A Brief History of Neoliberalism*, David Harvey writes that neoliberalism is “in the first instance a theory of political economic practices” that claims the only way to achieve human well-being is to liberate all “individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets, and free trade” (Harvey, 2005, p. 2).

Cox uses the term “hyper liberalism” instead of neoliberalism. He sees it as the ideology of globalization, which “actively facilitates a restructuring, not only of the labor force, but also of the social relations of production” through policy practices (Cox R. W., 1993, p. 272).

As Worth writes, the neoliberal or *hyper-liberal* form of production points to the idea that a new historic bloc has been constructed, which has institutionally and societally consented to a new form of market deregulation and the acceptance that private capital is a more reliable form of wealth production than state intervention.

Within this outlook, financial transnationalism and ‘globalization’ are viewed as both inevitable and irreversible (Worth, 2003, p. 2).

Worth claims that globalization which has been “reinforced by global institutions appears natural, but in reality is a product of the construction of consensual common sense” (Worth, 2003, p. 4). The discourse of the liberal literature presents globalization as broadly inevitable. The main result of this “there is no alternative” discourse is the internalization of the policy outcomes of the neoliberal politico-economic understanding by political parties, governments, intellectuals, and institutions with little resistance.

Moreover, Cox’s words on globalization are educatory for those who want to understand it from the Neo-Gramscian perspective. He defines two principal features of globalization - “global organizations of production” and “global finance” - which he explains as a “largely unregulated system of transactions in money, credit, and equities.” These can be seen as the source of the material capabilities of the hegemony. Moreover, the global organization of production and finance together establish a global economy that depends on and works through certain international organizations, the discourse and practices of which are seen as the “only way” and reach beyond borders of states. This global economy functions according to interstate agreements (Cox R. W., 1993, p. 260).

As expected, consensus formation constitutes a vital stage of this hegemonic process. Cox writes that the central agencies (offices of presidents or prime ministers, foreign ministries, ministries of treasury and finance, and central banks) of advanced capitalist states as well as international institutions such as the IMF and World Bank serve the most necessary function. According Cox, they are important for “defining the ideological basis of the consensus, the principles and goals within which policies are framed, and the norms of ‘correct’ behavior” (Cox R. W., 1987, p. 259).

The term “Washington Consensus” coined by John Williamson, a senior fellow at the Institute for International Economics, must be examined because its creation and function show how the ideological, material, and

institutional forces of international neoliberal hegemony works in harmony. The “policy instruments” to which the Consensus refers are applied to credit borrowing states by the World Bank and the IMF (Peet, 2009, pp. 15-16). Kohl and Farthing (2006) describe the Consensus in ten articles, with reference to Williamson (1993).

- 1 fiscal discipline with deficits of less than two per cent
- 2 a change in public expenditure priorities that reduces subsidies for special interests
- 3 tax reform that includes cutting marginal tax rates, especially on overseas investments
- 4 financial liberalization, with market-determined interest rates, or, minimally, the abolition of subsidized interest rates for special interests
- 5 unified exchange rates
- 6 trade liberalization and the replacement of trade restrictions by tariffs, not to exceed 10 per cent, or at worst 20 per cent
- 7 increase of foreign direct investment through abolishing investment barriers in order to “level the playing field”
- 8 privatization of state enterprises
- 9 deregulation and abolition of regulatory barriers to entry to all industries
- 10 guarantees of secure property rights.

These policies of the Consensus are the concrete bases of the neoliberal governance of the world economy. They are presented as a guide to show underdeveloped or collapsed economies the way to reach economic growth and be a part of the world economy. Receiving credit from international financial organizations such as the IMF or World Bank is contingent on acceptance of these policies.

As it can be noticed, there is no democratic participation of the people in this process. Cox’s words in “Globalization, Multilateralism, and Democracy” highlight this characteristic feature of the neoliberal era.

By removing the economic sphere from political control - whether this is achieved by law or by ideology - what determines the condition of people in their everyday lives is removed from their con-

trol. Politics becomes irrelevant. The sense of civic efficacy is removed; and many people, the most disadvantaged, are left in the futility of alienation. Their rage is unchanneled. ineffective, self-consuming (1996 (1992), pp. 532-3).

Gill explains this process of isolation and alienation, from a point that Cox indicates by coining a new term. "New constitutionalism," he writes, is closely related to the rise of market civilization and the surveillance acts of international organizations. New constitutionalism postulates market efficiency, discipline, economic policy credibility and consistency, and limitations on democratic decision-making processes. Most importantly, the "insulation of key aspects of the economy from the influence of politicians or the mass of citizens by imposing ... 'binding constraints' on the conduct of fiscal, monetary, trade, and investment policies" is the major pattern of new constitutionalist stances (Gill, 1995, p. 412).

Peet draws an important theoretical route to explain how this neoliberal hierarchic power relationship functions. He proposes that "on to a Marxian–Gramscian base we might graft Michel Foucault's notion of 'discourse'". He indicates that

Foucault was particularly interested in the careful, rationalized, organized statements made by experts – what he called 'discourses.' In *The Archaeology of Knowledge*, Foucault saw the human sciences as autonomous, rule-governed systems of discourse. Within these discourses, Foucault claimed to discover a previously unnoticed type of linguistic function, the 'serious speech act,' or statements with validation procedures made within communities of experts'... In other words, hegemony in the policy arena is theoretically backed, political and economic good sense produced by experts in the symbolic form of discourses. (2009, p. 24).

The discourses that emerged in what Peet described as "political power centers," such as the United Nations, IMF, and World Bank, reached the hegemonic place with the help of other discipline apparatuses. This process diversifies according to the targeted area or country. Peet mentions

a series of formal-institutional mechanisms and - as occurred in Turkey - political/military interventions in the process by which debtor countries internalized the hegemonic politico-economic model (Peet, 2009, pp. 28-29).

For instance, Peet writes that the IMF, as “a short-term lender to countries in distress mainly over exchange rate depreciations and external debt,” uses a disciplining apparatus by providing a state in an economic crisis with loans so long as this state accepts the “conditions.” Moreover, the World Bank uses loans to “convince” states to carry out legal-institutional change which basically means promoting export orientation and trade liberalization. These practices are presented by the main international financial institutions with the titles of “stabilization” or “structural adjustment” programs (Peet, 2007, p. 106).

David M. Kotz agrees that “the role of finance and financial institutions in the economy expanded significantly” in the neoliberal era, especially in the 2000s. There is now an obvious “increase in activity in financial markets and a rise in the value of financial assets,” according to him (2015, p. 33).

Another writer who uses Gramsci, and Foucault’s conceptualizations to define globalization is Gill. He writes that the “neoliberal historical bloc” that we experience today is the practitioner of a “politics of supremacy” and constitutor of “the dominant forces of contemporary globalization.” Also, this historical bloc is consistent with “what Foucault calls a ‘discursive formation’: a set of ideas and practices with particular conditions of existence, which are more or less institutionalized” (Gill, 1995, p. 402). According to Gill,

Globalization is part of a broad process restructuring of the state and civil society, and of the political economy and culture. It is an ideology largely consistent with the world view and political priorities of large-scale, internationally-mobile forms of capital. Politically, it is consistent with the outlook of affluent minorities in the OECD and in the urban elites and new middle class in the Third World (Gill, 1995, p. 403)

While discussing this process of the restructuring of the state, civil society, political economy, and culture in favor of Capital, Gill draws attention to the disciplinary power of neoliberalism. Inspired by Foucault, Gill writes that “disciplinary neoliberalism” as a combination of the macro and micro dimensions of power encompasses “structural power of capital with ‘capillary power’ and ‘panopticism’” and practices a discipline in both “transnational and local dimension power” (Gill, 1995, p. 411).

Foucault’s concept of “panopticon” is commonly used to explain globalization’s social, political and economic effects on people. As Gill (2008) explains, the word panopticon means “sees all” in Greek, was first used by Jeremy Bentham, and was attributed an important meaning by Foucault. While explaining the roots of the concept, Foucault writes that it is meant

to induce in the inmate a state of conscious and permanent visibility that assures the automatic functioning of power... He who is subjected to a field of visibility, and who knows it, assumes responsibility for the constraints of power, ... he inscribes in himself the power relation in which he simultaneously plays both roles: he becomes the principle of his own subjugation. (Foucault, 1995, pp. 201-2).

Gill sees panopticism as “a dystopia latent in modernity: the possibility of developing a system of control which reduces the individual to a manipulable and relatively inert commodity” (1995, p. 2). He refers to the panopticon to make sense of surveillance acts by neoliberal states and the hierarchical relations take place at the level of interstate politics. He describes this recent phenomenon as “the internationalization of authority and governance” which constitutes the basis of global economy of today’s world, and he closely links it to international organizations such as the IMF and World Bank as well as with transnational firms and private consultancies (Gill, 1995, pp. 415-8).

As should be understood by now, international financial institutions such as the IMF and WTO and other unofficial agencies such as the Trilateral Commission, the Bilderberg Conferences, and the Club of Rome

are of great importance to Neo-Gramscians. Cox defines international organizations as the “products of the hegemonic world order” and as one of the “mechanisms of hegemony” that “embody the rules which facilitate the expansion of hegemonic world orders and which permit adjustments to be made by subordinated interests with a minimum pain” at the same time. These institutions also “ideologically legitimate the norms of the world order ... reflect orientations favorable to the dominant social and economic forces,” “co-opt the elites from the peripheral countries,” and “absorb counter-hegemonic ideas” (Cox R. W., 1983, p. 172). The term “transformismo” was used by Gramsci to explain the strategy of absorbing and assimilating the opposition according to the hegemonic forces. The main use of this strategy is to “obstruct the formation of class-based organized opposition to establish social and political powers” (Cox R. W., 1983, pp. 166-7).

Cox uses this term to disclose another function of international organizations. Through transformismo, according to him, “elite talent from peripheral states is co-opted into international institutions” and counter-hegemonic ideas are absorbed and neutralized. That is why the way to change world orders starts with national societies, not with these international institutions (Cox R. W., 1983, p. 173). Therefore, it is important to analyze the process of the incorporation of underdeveloped and collapsed economies into the neoliberal world order, via examining their relationship to international organizations.

This importance, as cited by Budd (2013, 74), is also demonstrated by van der Pijl who sees World Economic Forum as “a pivot of neoliberal hegemony” and “a true International of capital, the first identifiable forum in which concepts of control are debated and if need be, adjusted, on a world scale” (van der Pijl, 1998, p. 133).

Having reviewed neoliberal theory and the concepts used by writers to explain the process of neoliberal globalization and the roles of international organizations, the state in the neoliberal era can now be elaborated in detail.

§ 2.5 The State in the Neoliberal World Order

... and it seeks to bring all human action into the domain of the market

David Harvey, *A Brief History of Neoliberalism*

This section will review the Neo-Gramscian approach to the state in the neoliberal era. After making of the production, class structure, and international organizations in neoliberal world order, the role of the state in internalizing and spreading the hegemonic norms of prevailing global order will be discussed.

As Budd writes, the result of a new US centered, open global economic system at the beginning of the 1980s and the collapse of the USSR in 1989-91 was economic interpenetration that spread and deepened the “neoliberal drive for further global economic integration.” Since then, the world is witnessing neoliberal globalization, whose the result of which, according to Neo-Gramscians, is “transnationalism” (Budd 2013, 63-64). Budd summarizes the Neo-Gramscian explanation with four interconnected elements:

the transnationalization of production and finance; the erosion of the national historical blocs and class compromises of Pax Americana and the emergence of what Cox calls a transnational managerial class; the transnationalization of the state; the increased global management role of the formal international financial institutions and informal ‘policy networks’ and business organizations (2013, 64).

In this era in which production, finance, and class structures have started to take on an intense international character, the function of states and international organizations changed and gained a different importance.

Cox writes that production cannot be understood only as the production of physical goods for use or consumption, but as “the production and

reproduction of knowledge and of the social relations, morals and institutions that are prerequisites to the production of physical goods” (Cox R. W., 1989, p. 39). Moreover, since new social forces emerge in accordance with changes to the organization of production, a new organization of production causes novelties in social forces, the end result of which is changes in the form of states. Therefore, the internationalization of the state and the internationalization of production cannot be seen different processes.

Since the late 1970s, international production has “expand[ed] through direct investment,” and plays “the formative role in relation to the structure of states and world order” (Cox R. W., 1981, p. 146). Cox indicates that this can lead one to assume that industrial capital dominates financial capital. However, especially from the 1970s onward, financial capital has gained importance thanks to the transactions of multinational banks such as providing loans to the periphery and providing a “network of control and private planning for the world economy of international production” (Cox R. W., 1981, p. 146)

The international production structure has affected class structure. This effect can be seen in the emergence of a global capitalist class structure alongside national ones (Cox R. W., 1981, p. 147).

The “transnational managerial class” consists of those working at the international level and the key ranks of governments and local enterprises connected to international production. It occupies the top position in this global class structure. With its own ideology, strategy, and institutions, it is a class both in and for itself. Via its main organizations (the Trilateral Commission, World Bank, IMF, and OECD), it produces a “framework of thought” and “guidelines for policies,” and thanks to the internationalization of the state, it penetrates into states’ structure (Cox R. W., 1981, pp. 147-8).

The world of labor, on the other hand, suffers from the deep fragmentation of the working classes. The first fragmentation exists between established and non-established workers. Non-established workers drown in conditions of precarity and cannot be supported by trade unions. The

second fragmentation emerges between workers of national and international capital. International capital has the resources comfort workers and prevent them from becoming involved in other workers' conflicts with capitalists. On the other hand, workers of national capital are more inclined toward the protectionist attitudes since they cannot benefit from such a resource (Cox R. W., 1981, p. 148).

As production and national-international class structures underwent such transformations, states could not be distanced from this wave. Cox sees the "internationalization of the state" as the share of the state from the results of globalization. He explains it with a comparison of three states: the state in the 1930s, the state under Bretton Woods, and finally, the state following the mid-1970s. Indeed, in the 1930s states' primary goal was to "protect national economic space from disturbances coming from outside." With Bretton Woods, states had to fulfill this duty following "rules that precluded economic aggression against others and aimed at a harmonization of different national economic policies." Finally, since the mid-1970s, according to Cox, with the dissolution of the Bretton Woods, states have become "transmission belts" in the process of "adjusting national economic activities to the exigencies of the global economy" (Cox R. W., 1993, p. 260). Of course, states have started to function in this way in a "global historical bloc." He described this historical bloc as "the most powerful corporate economic forces, their allies in government, and the variety of networks that evolve policy guidelines and propagate the ideology of globalization" (Cox R. W., 1999, p. 12).²

2 However, this description of the role of the state as a "transmission belt" attracted much criticism, and in the end, Cox withdrew the metaphor. He later wrote that this metaphor may create a "false impression of a totally external force impacting upon states" and "obscure the role of the balance of social forces within the state and of the potential for resistance to globalization from hostile social forces" (Cox R. W., 2002, p. 33). Indeed, it can be seen as a reductionist approach to the relationship between states and the global capitalist economic order. Cox later indicated that local and global politico-economic orders shape each other. While external factors have a direct effect on states as well as through the societies, the effect of local social forces "along with states in shaping the external political and economic environment" cannot be ignored (2002, p. 33). But still,

Therefore, the “internationalization of the state” should be seen as a global process in which national policies and state practices are tailored in accordance with the demands of changing international production (Cox R. W., 1987, p. 253). Cox explains the meaning of the term in three points:

There is a process of interstate consensus formation regarding the needs or requirements of the world economy that takes place within a common ideological framework. Second, the participation in this consensus formation is hierarchically structured. Third, the internal structure of states are adjusted so that each can best transform the global consensus into national policy and practice (Cox R. W., 1987, p. 254).

Certain state agencies, such as ministries of finance and planning organizations, gain functional importance as an effect of the internationalization of the state. Because these agencies act as mechanisms to accommodate the national political structure to the international order. In other words, international organizations in the world economic system that host consensus formation processes and stand at the top of the hierarchy infiltrate national economies by using the debt obligations of these states to compel them to accept their policies and programs. As Cox writes, Turkey, Peru, and Portugal are examples of this process (Cox R. W., 1981, p. 146).

In this period states that suffered from internal or international economic crises were compelled to get help from the hegemony under the surveillance of institutions such as the IMF and the World Bank. They could benefit from these financial resources provided that they complied with norms such as the Washington Consensus discussed above. Moreover, this surveillance was enhanced by a “machinery for the harmonization of national policies,” primarily among the Western allies and then among all industrialized capitalist states (Cox R. W., 1981, p. 145).

other Neo-Gramscians consider the concept to be explanatory for some states as will be seen in further pages.

However, the role of the state should not be disdained after this positioning. Since neoliberalism imagines a state that acts only in respect to the freedom of individuals, entrepreneurs, and corporations in a “deregulated free market,” the disappearance or retreat of the state is one of the most common explanations of the role of the state in the era of neoliberalism. But as Gramsci emphasized that the role of the laissez-faire state was a “form of state ‘regulation’, introduced and maintained by legislative and coercive means,” deregulation in the neoliberal era and the state’s becoming a “transmission belt” should also not be seen as a retreat.

In the liberal heaven of free buyers and sellers, the duty of the state is to create and preserve a legal and institutional structure to pave the way for “the proper functioning of markets” (Harvey, 2005, p. 2). Protection of the free market, of the freedom of businesses and corporations, of private enterprises and entrepreneurial initiative, and of intellectual property rights is the *raison d’être* of the state, and it cannot avoid using its monopoly over the means of violence to fulfill this duty, when necessary (Harvey, 2005, p. 64).

Of course, since the state plays this vital role for the market, the hands that hold the reins are particularly important for neoliberal theorists. Harvey posits a view in line with Gill’s new constitutionalism that there is profound suspicion about democracy among neoliberals. Technocrats in government offices and major institutions isolated from democratic decision-making processes are generally believed to be the best means of illuminating the potential threat of majority rule to rights and liberties (Harvey, 2005, p. 66). In accordance with this, the neoliberal state by nature has to destroy or discipline any political, social, or economic action of force that so much as decelerates capital accumulation (Harvey, 2005, p. 75).

Therefore, instead of a retreat, visible changes in the forms of states depends on “new configurations of social forces expressed by class struggle between different (national and transnational) fractions of capital and labour.” And during this process of change in the forms of states, some states have played the role of a “transmission belt” by acclimating their economy to the global structure (Bieler & Morton, 2006, p. 172).

§ 2.6 Conclusion

From a neo-Gramscian perspective, how “the neo-liberal interests of transnational social forces of capital are currently internalized, or not, into different national forms of state” is a topic of analysis. This internalization can take place in two principal ways, according to Bieler and Morton. The first is the hegemonic way which explains the restructuring of the national form of the state by a majority coalition created by domestic social groups who agree on a consistent program involving economic interests, cultural ideas, identities, and moral values. The second is the passive revolution in which the restructuring of the form of state needs neither a majority coalition of domestic social groups nor an alliance between social forces. It emerges instead as an elite-driven project and cannot take place without external support. Moreover, it is common that elites educated in the US in accordance with neoliberal doctrines play a vital role in transmitting the necessary knowledge to these countries (Bieler & Morton, 2006, p. 198). This approach opens the way for studying how “transnational forces of capital become internalized in a particular form of state,” since the process of internalization must be fully restructured in every instance within the form of state to achieve hegemony (Bieler & Morton, 2006, pp. 201-2).

The problematic of this thesis is shaped according to this distinction. The economic and legal transformation of Turkey in accordance with a global change in the politico-economic system is widely discussed by distinguished researchers. This thesis also examines this transformation: however, it's the main argument is that this transformation cannot be fully grasped until its place in the international level of study is accomplished. This means that the search for the roots of this transformation must be done at the international level via examining the roles of international financial, political, and military organizations. Alongside their roles in neoliberalization as a passive revolution process in Turkey, their own transformation will be a topic of discussion from a neo-Gramscian perspective in the following pages.

3

The Rise of Neoliberal Hegemony and International Organizations

Do international relations precede or follow (logically) fundamental social relations? There can be no doubt that they follow. Any organic innovation in the social structure, through its technical military expressions, modifies organically absolute and relative relations in the international field too. Even the geographical position of a national State does not precede but follows (logically) structural changes, although it also reacts back upon them to a certain extent

Antonio Gramsci (1992) *Selections from the Prison Notebooks of Antonio Gramsci*

The crises and resultant changes that occurred in the international politico-economic environment of the 1970s signified the beginning of a new era. This new era, or new world order, is now called neoliberalism. This chapter will focus on the two decades of neoliberal rule of world politics and answer the question of how neoliberal ideology changed the

fabric of world politics. By this I mean how the ideological and institutional structure of world politics was shaped and material capabilities were used and allocated according to the neoliberal worldview. To do this in a holistic framework, the roles of the IMF, World Bank, EU, and NATO in the establishment of the neoliberal hegemony - as well as its journey to Turkey from the late 1970s to the crises of 2000-01 - will be reviewed from a neo-Gramscian perspective. In the following pages, I will first present the background of the 1980s by citing important changes in world politics that were the first instances of the neoliberal rule in the periphery and in core states. Then, the second section on the IMF and the WB will examine the roles of these institutions in expanding the neoliberal rule across the globe thanks to their financial material capability. This material capability is not only the source but also accounts for the continuing reproduction of the inevitably needed ideological unity. The third section will focus on the EU, an organization that itself constitutes an example of institutionalized neoliberalism and played a crucial role in the neoliberalization process of the form of state in Turkey, alongside the IMF and the WB. In the fourth section, I will answer the question of how NATO, an organization in which ideological unity among members is crystallized, and its core states, mainly the US, supported this neoliberal transformation process with the help of its material capabilities in the 1980s and 1990s. Lastly, the turning points in the political history of Turkey and their relations to the aforementioned institutions developed in favor of the neoliberalization process of this state, will be analyzed.

§ 3.1 Since the 1970s: Rising Neoliberalism

Events in Chile in 1973 were a cornerstone in the history of neoliberalism. After the overthrow of the democratically-elected socialist Allende government by the army under the command of Augusto Pinochet, Chile's economic structure underwent a neoliberal transformation. A group of Chilean economists known as the "Chicago Boys," who were trained by advocated neoliberal academics and economists such as Milton Friedman, provided the needed basic knowledge during this transformation.

Three years after the Chilean coup d'état, in 1979, Argentina also witnessed a coup d'état. This military junta, according to Kohl and Farthing, "was able to negotiate an IMF stabilization loan only after promising to liberalize the economy" by implementing basic neoliberal policies such as reductions of export taxes and deregulation of financial markets (Kohl & Farthing, 2006, p. 18). Behind this inception, it has to be mentioned that economic crises in developing countries in the late 1970s, created a politico-economic environment that was suitable for the spread of neoliberal restructuring, as in Turkey. Soon after these military dictatorships started to impose neoliberal policies in their country with the collaboration of international financial institutions such as the IMF, political figures who embraced the neoliberal understanding of governance came to power in developed capitalist countries. The most important examples are Margaret Thatcher in the UK, and Ronald Reagan in the USA. Thatcher was elected Prime Minister of the UK in 1979 and Reagan as president of the USA in 1981. Under the rule of the Thatcher government, a massive period of privatization took place that included the privatization of British gas, petroleum, airways, public housing, railroads, telecommunications, and water services. Reagan's policy document addressed to congress titled "America's New Beginning: A Program for Economic Recovery" urged "cuts in federal spending, massive tax cuts for corporations and wealthy individuals, deregulation to promote investment, and tighter monetary controls" (Kohl & Farthing, 2006, p. 19). As Munck writes, these political figures - Pinochet, Reagan, and Thatcher - "used a strong state to 'roll back' state interference" in markets and forced labor to be "deregulated" and more "flexible" with the inspiration of Hayek and Friedman. He dates the beginning of the second phase of neoliberalism to the 1990s. This time involved not only the "roll back of the state" but also "a 'roll out' of new policies," as we will see in the further pages (Munck, 2005, pp. 62-63).

While the Atlantic world met neoliberalism via democratically-elected politicians, Duménil and Lévy use the word "impose" to summarize the process of the neoliberalization of the periphery in the 1980s and 1990s (Duménil & Lévy, 2012, p. 241). I agree with the writers about the

usage of this word, especially with respect to Turkey's neoliberalization. First structural adjustment programs and later poverty reduction strategies of the IMF and the World Bank were implemented in peripheral countries in 1980s and 1990s in a hierarchical power relation. Societal participation during these processes was not even considered, and socio-economic and political areas were dominated by the states to the harshest control apparatus. Mounting criticism of these structural adjustment reforms led by the IMF and World Bank directed these institutions to change their approaches, and most visibly with respect to a discourse that then started to stress "'market-friendly' state intervention and good governance" with an "emphasis on social issues such as poverty and education and a dedication to debt reduction," at the end of the 1980s and in the early 1990s. As Peet indicates, the WB answered criticism of the structural adjustments with a "Comprehensive Development Framework" (Peet, 2009, p. 145). The CDF was proposed by WB President Wolfensohn in 1998 and defined by the WB as "a new way of doing business." This framework was "a basis for achieving greater poverty reduction and sustainable development," and it included the important principles of a long-term holistic vision and country ownership (World Bank, 2009).

Before delving into the acts of these organizations in the 1980s and 1990s, major changes that occurred in the 1970s must be mentioned. Following the transition from the fixed US Dollar-Gold standard to floating fiat currencies, the 1973-74 economic crisis ended the Bretton Woods system. As Morton writes, the decision by OPEC to stop exporting oil to several states including the US, Canada, and Great Britain also caused increased inflation and indebtedness in developed capitalist states (Morton A. D., 2003, p. 161). This was the beginning of "a period of structural change" that replaced the embedded liberal "world order based on Keynesian demand management and Fordist industrialism" of the post-war era (Morton A. D., 2003, pp. 162-3). The world witnessed "the erosion of Pax Americana principles of world order," and the

integration of production processes on a transnational scale with Transnational Corporations (TNCs) promoting the operation of

different elements of a single process in different territorial locations. It is this organization of production and finance on a transnational level, which fundamentally distinguishes globalization from the period of Pax Americana (Bieler & Morton, 2006, p. 18).

Morton further writes that these TNCs, for instance, bolstered the “integration of production processes on a transnational scale” and caused the territorial locations of production to be more varied. Moreover, this restructuring of capitalism that moved it to a transnational level inevitably resulted in the “emergence of new social forces of capital” and the “rise in the structural power of transnational capital” (Morton A. D., 2007, p. 124). Some examples of the rise of transnational capitalist groups will be examined in the following pages.

Moreover, according to Kean Birch and Vlad Mykhnenko, the falling rate of profits, stagflation crisis, and rising unemployment and inflation that characterized the politico-economic conjuncture in the 1970s was suitable for “a new economic project founded on neoliberal assumptions about economic efficiency, reduced state intervention and free markets.” Of course, this new project was not implemented identically in different countries; however, it had several basic principles such as privatization of state run assets, liberalization of trade in goods and capital investment, monetarist focus on inflation control, deregulation of labor and product markets, and, the marketization of society (Birch & Mykhnenko, 2010, pp. 4-5); see also (Kiely, 2005, p. 94).

Cox, too, highlights that the turning point was the beginning of the 1980s, drawing attention to the increasing role of international institutions, particularly the IMF, which started to play “a central role supervising international lending” (Cox R. W., 1987, p. 302).

In a similar vein, Harvey indicates that Deng Xiaoping started the liberalization process of the Chinese economy in 1979, and in 1979, Paul Volcker became the chairman of the Federal Reserve in the USA and led an important change to monetary policy. He saw the “fight against inflation” as the main objective of the Fed (Harvey, 2005, p. 1). Paul Volcker actions after being appointed as chairman of the Federal Reserve by Pres-

ident Carter in 1979, are generally considered one of the first implementations of neoliberal policies. He stopped running inflation by raising interest rates at the cost of double-digit unemployment. As Kotz (2015), writes, “thereafter a low unemployment rate was no longer a goal of the Fed” (p. 14), and soon after, it was no longer a goal of other national central banks and the IFIs.

Besides changes in government offices and vital, high-ranking state institutions, there were changes in universities, think tanks, and media organs which are the elements of civil society, as well as in the administrations of international institutions such as the IMF, WB, and WTO - all of which favored the establishment of the neoliberal hegemony (Harvey, 2005, p. 3). The political outcomes of this changing mentality were privatization and commodification (i), financialization (ii), management and manipulation of crises (iii), and state redistribution (iv) - the four ways of “accumulation by dispossession,” according to Harvey. While the first mainly aimed to open up new fields that were seen as out of the area up to then for capital accumulation, the second way showed that with a “speculative and predatory style,” daily financial transactions which stood at \$2.3 billion in 1983 could rise to \$130 billion by 2001 [see also (Kotz, 2015, p. 33)]. The third way was the “fine art” of transferring wealth from poor to rich countries by means of orchestrated debt crises that became usual after the 1980s. Finally, the fourth way is the result of the neoliberalization of the state, which is basically characterized by the change in the direction of wealth distribution in favor of the upper classes (Harvey, 2005, pp. 160-4). Gill apparently agrees with Harvey and writes that 1980s witnessed “a substantial shift in the balance of power between labor and capital” as a result of these major changes (Gill, 2008, p. 97).

As Hickel writes, the period before neoliberalism was not particularly fruitful for very rich segments of society. The share of national income seized by the richest 1 percent decreased by half - from 16 percent to 8 percent in the US. The share of the richest 0.1 percent melted from 10 percent to less than 2 percent in the US, Britain, and France. The solution was sought in the guidelines proposed by neoliberal economists like von

Hayek and Friedman (Hickel, 2016, p. 143). With the introduction of neoliberal policies in the 1980s, per capita income growth rates fell from 3.2 percent to 2.1 percent, and the richest 1 per-cent's share increased to 18 percent in the US and 13 percent (from 6.5 percent) in Britain (Hickel, 2016, p. 144).

There were some changes in the 1990s. The destructive results of the Washington Consensus created a critical atmosphere towards the institutions on which it depended, such as the IMF and the WB. According to Saad-Filho, during this period the failure of structural adjustment programs planned in accordance with the principles of the Washington Consensus was accepted by economists working at these international institutions (Saad-Filho, 2005, p. 117). A new term, the "post-Washington Consensus," was coined by the chief economist of the World Bank, Joseph Stiglitz. Represented by Bill Clinton in the US and Tony Blair in the UK, what Steger and Roy called the second-wave neoliberalism was come onto the agenda. Whether labeled "market globalism" or the "third way," this wave included basic principles of neoliberalism and some pieces of the politics of democratic left movements (Steger & Roy, 2010, p. 50); see also (Kiely, 2005, p. 100). As Steger and Roy emphasize, neither the trade policies enforced by the IMF and WB nor NAFTA and the GATT Uruguay Round - which signed by 123 states in 1994 and paved the way for the foundation of the WTO - put measures into effect to protect and develop "the benefit of the entire global community of nations." These efforts were only to preserve US hegemony (Steger & Roy, 2010, pp. 55-56) which was internally bound to the spread and maintenance of neoliberal hegemony.

The reason for this approach towards the policies, states, and organizations mentioned above can of course be questioned, and indeed there is much evidence available to answer these doubts.

For instance, the IMF-mediated neoliberalization of Argentina, according to Steger and Roy, made it more susceptible to external economic fluctuations such as the Asian, Russian, Brazilian crises between 1997 and 1999. The inevitable effects of these crises led a country formerly praised by the IMF and WB as a "role model" into the "1998-2002 Argentina great depression."

Another example is Mexico's neoliberalization which started in the 1980s, like Argentina's. President Salina's government realized many market reforms, and in the end, Mexico signed the North American Free Trade Agreement (NAFTA) with the USA and Canada in 1994. Between 1994 and 2000, President Zedillo continued the neoliberal reforms. The most important move of the Zedillo government was their agreement with the IMF for nearly \$40 billion dollar, in cooperation with the USA. Steger and Roy describe this process as "short-term relief to the Mexican economy at the expense of growing social inequality" (Steger & Roy, 2010, pp. 104-8).

Another example, indeed the main topic of this thesis, is Turkey's neoliberalization process which also started with a coup d'état in the 1980s. Throughout the 1980s and 1990s, the country witnessed an intense effort to restructure the form of state, and financial and labor market relations in line with neoliberalism with the indebted support of the IMF, WB, and EU. The result was the collapse of the economy and politics together during the 2000-01 crisis, and unsurprisingly, more debt.

Gill provides important information about the 1990s and about how transnational capitalist classes became voraciously stronger.

In 1992, the 300 largest transnational firms controlled about 25% of the world's \$20 trillion stock of productive assets; the top 600 corporations with annual sales over \$1 billion accounted for over 20% of the world's total value-added in manufacturing and agriculture ...in the financial markets, by 1994 the daily flow of foreign exchange transactions world-wide may have exceeded \$1 trillion. ... the recent UNDP Human Development Report, 1996 which noted that 358 billionaires had combined assets that exceeded the total annual income of 45 per cent of world's population, that is of 3.2 billion people, a truly staggering concentration of wealth (Gill, 2003a).

In these years, austerity measures were enforced in Eastern Europe and the former Soviet Union, as they were in the 1980s after debt crises smashed Latin American economies (Gill, 2008, p. 157). Speaking of

which, debt crises, were well-functioning tools of the neoliberalization of the periphery since the 1980s. Similar to Harvey, Kiely emphasizes that new loans meant new conditions and commitments to new adjustments (Kiely, 2005, p. 96). Moreover, these did not provide countries with higher levels of welfare. Besides the cases of Mexico and Argentina, evidence of this claim can be found in Chilean economy, whose adaptation to neoliberalism provided some improvements in growth rates, capital accumulation, and return on foreign investments. But these were short-lived, according to Harvey. All these improvements deteriorated in 1982 when debt hit Latin America (Harvey, 2005, pp. 8-9).

Anderson and Cavanagh examine the power of the world's top 200 corporations between 1983 and 2000. These corporations' sales "grew from the equivalent of 25.0 percent to 27.5 percent of World GDP;" their combined sales were "18 times the size of the combined annual income of the 1.2 billion people (24 percent of the total world population) living in 'severe' poverty," and their profits "grew 362.4 percent, while the number of people they employ grew by only 14.4 percent" (Anderson & Cavanagh, 2000, p. iii). Gill writes that in 1992 "37,000 transnational corporations ... had cumulative foreign direct investment of about \$2 trillion, one-third of which was controlled by the 100 largest corporations ... the top 100 had global sales of \$5.5 trillion, a sum roughly equal to the GNP of the US" (Gill, 1995, p. 405).

The increasing role of TNCs can also be seen in the movements of FDIs since the end of the 1979. The charts show that since the beginning of the neoliberal era, a tremendous increase in FDIs are visible until currency crises hit developing areas such Turkey and Mexico in the mid-1990s. Inward FDIs in the world increased from \$330,650 million in the period from 1979-1984 to \$1,133,453 million in the period from 1991-95. Outward FDIs increased from \$282,500 million to \$1,281,170 million in the same period. While the rising trend was maintained the first early stages of the 1997 Asian financial crisis and the subsequent crises in Russia, Turkey, Brazil, and Argentina, 2000 constitutes the definite starting point of the decrease in FDIs. Inward and outward FDIs started to decrease rapidly in the crises conditions of the first years of the 2000s. Inward FDIs was at

US\$1,360,253 million and outward FDIs stood at US\$1,164,956. It should also be emphasized that the course of FDIs in the developing countries was not affected by the crises. Maybe they were not the crises of the developing countries.

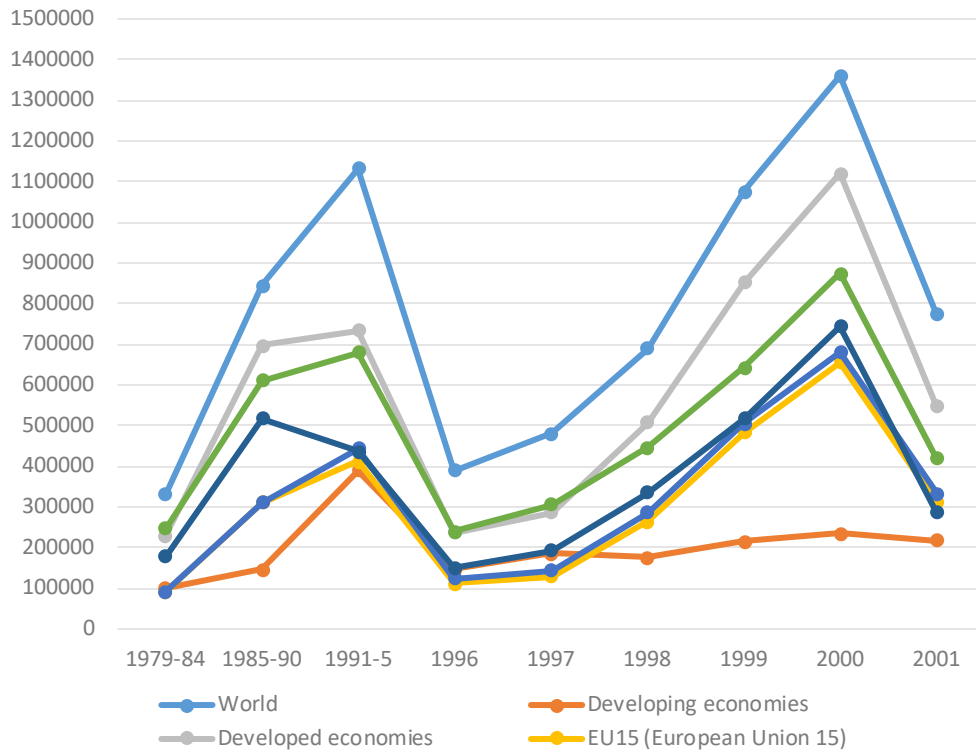


Table 3.1 Inward foreign direct investment –US\$ at current prices in millions. Generated from (UNCTAD, 2018).

ARTICULATION OF TURKEY TO NEOLIBERAL HEGEMONY

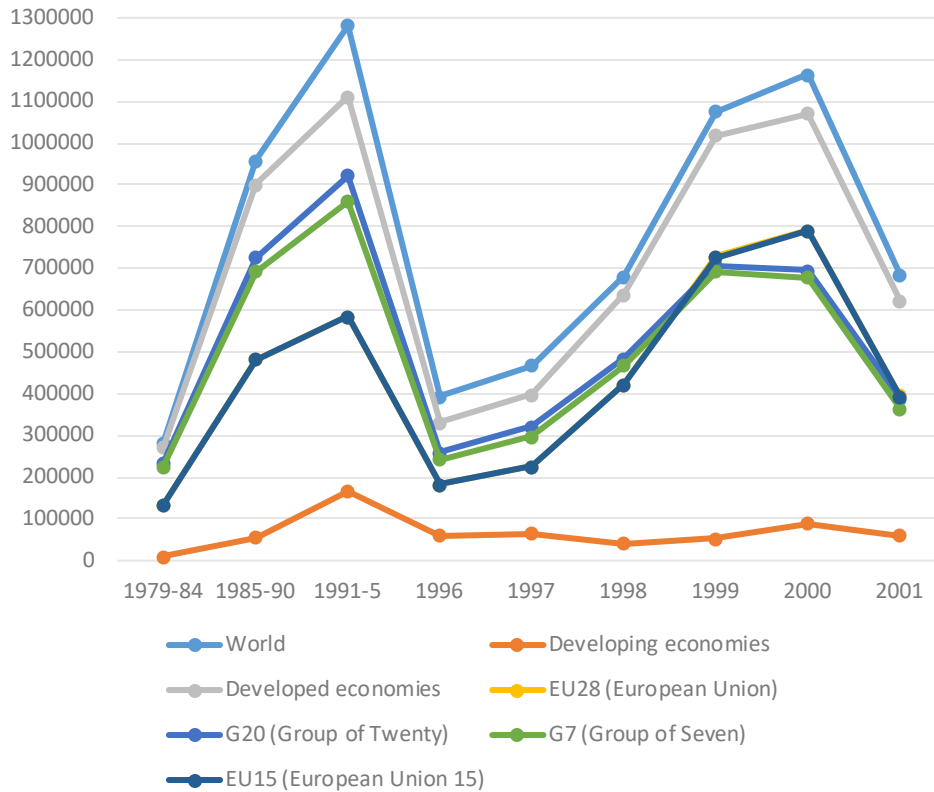


Table 3.2 Outward foreign direct investment –US\$ at current prices in millions. Generated from (UNCTAD, 2018)

The role of transnational capitalist classes in the neoliberalization of the world economic structure was not limited to their economic activities. They also politically supported neoliberal hegemonic attempts from the beginning as can be seen in the efforts of the Business Roundtable¹ founded in 1972. According to Kotz, these CEOs gave their full support to Reagan’s neoliberal restructuring program by issuing a statement declaring that “the business community feels strongly that all four parts of the

1 “Business Roundtable is an association of chief executive officers of America’s leading companies working to promote a thriving U.S. economy and expanded opportunity for all Americans through sound public policy ... the CEO members who make up Business Roundtable lead companies with more than 16 million employees and more than \$7 trillion in annual revenues” (Business Roundtable, n.d.)

economic recovery plan [decreases in social spending, tax cuts, regulatory reduction, and tight monetary policy] are essential, interrelated, and must be acted upon” (Kotz, 2015, p. 72). Unsurprisingly, the role of the transnational capitalist class in policy formation and implementation is not unique to the US. Other groups of TNCs acted in an organized fashion and with a particular strategy alongside IFIs to affect policy making processes in the EU as well as in Turkey, as will be seen in the respective chapters devoted to them.

After this brief examination of the period in which the first implementations of neoliberalism in the periphery and then in the core commenced in the 1970s and the beginning of the 1980s as well as its spread and evolution throughout the 1980s and 1990s, it is now possible to explore the practices and roles of the IMF, WB, EU, and NATO in this world order. The neoliberalization in Turkey cannot be fully grasped without understanding the functions and phases of these organizations in the neoliberal world order. Because, as Cox writes, international organizations are products of hegemonic world orders, they embody rules that facilitate the expansion of these hegemonic world orders, legitimate their ideological norms, cooperate with elites from the periphery, and neutralize counter-hegemonic ideas that have the potential to harm the hegemony (Cox R. W., 1983, p. 172).

§ 3.2 The IMF and World Bank: Sources of Money and Knowledge

Both institutions were founded at the United Nations Monetary and Financial Conference, commonly known as Bretton Woods, in 1944. The main difference between these institutions is while the Bank provides financing, policy advice, and technical assistance to governments, the Fund ensures financial stability, watches over the international monetary system, and prevents states from having balance-of-payments problems. However, it cannot be denied that these institutions were established to take charge of decision-making processes that directly or indirectly affect the international economic relations in the new world order, after the

Second World War. Since then, these institutions constituted the main source of financial material capability and functioned as leading actors in the spread and reproduction of capitalist production relations.

Before going into details the way that decisions are made should be explained. Voting shares in the IMF's highest decision-making body, the Board of Governors, explain how this system functions. Unsurprisingly, the USA has the highest voting share in the Board of Governors with 16.52 percent, and the next largest share is held by China with 6.09 percent (IMF, 2017). Peet writes that forty-seven Sub-Saharan states together control just 5 per cent of the voting share which means that these states have no say in the decision-making processes. No important decision can be taken without the approval of the US. The hierarchical power relations are, of course, a main facilitative factor in the spread and reproduction of the hegemony at the level of world politics.

Since 1979, Peet indicates, the WB started structural adjustment loan programs to realize their endless ambition to impose export orientation and trade liberalization all over the world in cooperation with the IMF. The new politico-economic order that emerged in the 1980s, cause the IMF and WB to undergo a transformation. This change was caused by the "Baker Plan" - which took its name from US Treasury Secretary James Baker - in 1985. According to Chorev and Babb, the Plan intensified coordination between the IMF and WB for the "restructuring [of] national economies." Under this plan, the IMF became "an active promoter of the neoliberal agenda," and "debt refinancing by the IMF ... [became] conditional on market-liberalizing policy reforms." This means, that the liberalization of trade, privatization of state-owned enterprises, reform of taxes to favor capitalist classes, and the establishment of a suitable environment for foreign investment were basically undertaken in exchange for credit. According to Bogdanowicz-Bindert, the Plan was also designed to address the problem of "how to distribute the burden of adjustment more equitably between debtors and lenders." James Baker advised the WB to shorten negotiation processes and "speed up actual disbursement of loans ... provide direct assistance to the private sector of indebted countries" and "to increase their disbursements to major debtors by

roughly 50%" (Bogdanowicz-Bindert, 1986, pp. 33-34). The Plan broadened and upgraded the roles of these institutions, and their way of working within the international capitalist economic structure by setting out a strategy.

During the 1980s, the reform prescriptions "offered" to countries were prepared according to this neoliberal agenda (Chorev & Babb, 2009, p. 468). "All understood within a neoliberal doctrine stressing strict limits to governmental intervention and the virtues of flexible, self-adjusting, free markets," writes Peet to describe these reform packages (Peet, 2007, p. 106). The "Structural Adjustment Loans" (SALs), as name of which explains its function, were the instruments used by the WB and IMF to enforce structural adjustments on developing and underdeveloped countries in this period. These programs "focused on macroeconomic policies and institutional change at the country level" (Peet, 2009, p. 139). The World Bank prepared thirty-seven SALs totaling \$5,259 million, \$1,555 million of which was used by Turkey between 1980 and 1986. This process of giving loans and undertaking reforms was realized in a so-called "context of bargaining" in which states had a weak hand placing them in an indefensible position (Mosley, Harrigan, & Toye, 1995, pp. 39-41).

In the following period, the IMF continued to act according to the Baker Plan and launched the "Structural Adjustment Facility" (SAF)² "designed to make longer-term loans for 'structural reforms'" in 1986 (Chorev & Babb, 2009, p. 469). According to the IMF, nearly US\$ 10.7 billion was disbursed to the fifty-two states³ via ninety ESAF arrangements between 1987 and 1999 (IMF, 2004).

Throughout the 1980s and 1990s, the neoliberal hegemonic project achieved its political power via implementing its policies nearly around the world. It was solidly established in the 1990s after the certain demise

2 Structural Adjustment Facility (SAF) became the "Enhanced Structural Adjustment Facility" (ESAF) in December 1987. The Poverty Reduction and Growth Facility then replaced the ESAF in 1999 (IMF, 2004).

3 Among these countries there are Albania, Bolivia, Cambodia, Ghana, Kenya, Mongolia, Niger, Pakistan, Uganda, and Vietnam.

of the USSR. During these years, thanks to the support of institutions such as the WB, WTO, and IMF, “the notion of ‘free trade’ as the main engine of economic growth” was imposed as an unquestionable norm (Mueller, 2011, p. 391).

Towards the end of the 1990s, Washington Consensus principles that had comprised the neoliberal policy strategy since the 1980s, were changed by their inventors. As Crawford and Abdulai emphasize, the first important change was the replacement of the “minimal state” with the “effective state” (Crawford & Abdulai, 2009, p. 83). Following words from the World Bank Development Report 1997, titled “the State in A Changing World,” included the following:

What does the state do? For one thing, it sets the formal rules-laws and regulations-that are part and parcel of a country's institutional environment. These formal rules, along with the informal rules of the broader society, are the institutions that mediate human behavior. But the state is not merely a referee, making and enforcing the rules from the sidelines; it is also a player, indeed often a dominant player, in the economic game ... The state, then, is in a unique position: not only must it establish, through a social and political process, the formal rules by which all other organizations must abide; as an organization itself, it, too, must abide by those rules (World Bank, 1997, pp. 30-31).

The Bank clearly explains itself in these words. It charged states with a series of duties such as setting out formal rules and playing the dominant role in the game. This was the acceptance of the need for a power that would intervene in a moment of crisis of hegemony in favor of the capital, favoring its dominant place in the hierarchical power relations. However, since these words attribute a powerful place for the state, some believe that they are a disengagement from liberal or even neoliberal ideology. However, as Gramsci described “laissez-faire” as a “form of state ‘regulation’, introduced and maintained by [the] legislative and coercive means” of the state (Gramsci, 1971, p. 160); neither classical liberal nor neoliberal economic principles stipulate a weakened state in practice. This was

clear when the neoliberalization processes of various countries such as Chile, Argentina, and of course, Turkey, were realized through these states' most violent forms of power and legal and institutional regulation. Therefore, the Bank's tasking of the state with these duties does not conflict with its past actions.

Kiely emphasizes this, too, stating that "The Bank explicitly rejected the increasingly sterile state-versus-market debate, and called for more attention to be paid to the issue of state effectiveness" (Kiely, 2005, p. 99). In addition, this by no means implied political or popular participation in the formation processes of structural changes. On the contrary, "partnership and local 'ownership' of adjustment policies was limited by the need to gain approval for endorsement by the Washington institutions" (Kiely, 2005, pp. 100-3).

The second important change was the employment of "poverty reduction strategy papers" (PRSPs) instead of the notorious structural adjustment facilities/programs of the IMF and the WB in 1999 (Crawford & Abdulai, 2009, p. 84). These papers were designed to be "basis for debt reduction" and "used to anchor IMF-supported programs for low-income countries to allow for the implementation of strategies to achieve sustained poverty reduction and growth" (IMF, 2016). According to Mueller, PRSPs were designed to address critics of the IMF and WB (Mueller, 2011, p. 398). Indeed, the IMF's three core principles with respect to PRSPs support Mueller's assertion. The principles aim firstly to "maintain the link between the member's PRS and policies under IMF-supported programs" and hence to show that there is no discrepancy between the parties; secondly to "preserve the national ownership of the PRS process," blocking any criticism with respect to the consent of the states; and lastly to "provide flexibility in the scope and coverage of the PRS to reflect different country circumstances," which again protects the consent of the states and prevents possible problems that could emerge during the implementation of reforms (IMF, 2016).

Arne Rückert agrees that structural adjustment programs used by the IFIs for "amending the social and economic fabric of developing countries" were replaced by PRSPs to answer to the criticisms they faced.

However, this shift was limited to a discursive change rather than a change to the essence of the IFIs' paradigm, meaning that there was no "departure from the neoliberal policy" (Rückert, 2007, pp. 91-2). Rückert shows the continuity in the top-down approach towards developing countries regarding their poverty reduction policies, citing "A Sourcebook for Poverty Reduction Strategies, Vol. I-II" published by the WB in 2002 to show that it reserved its "final say" (Rückert, 2007, p. 101)

While the shift to country ownership will allow substantially more leeway in terms of policy design and choices, acceptance by the Bank and the IMF boards will depend on the current international understanding of what is effective in lowering poverty (Klugman, 2002, p. 4).

To sum up, this change that brought basic social problems such as poverty and lack of access to education and health services back to the top of the priority lists at the end of the 1980s and in the 1990s was confined to discourse of these institutions and would not be able to ameliorate the situation. Despite these efforts of the IMF and WB and their "genuine" desire to alleviate poverty in the world, the debts of developing states increased over the years "from \$500 billion in 1980 to \$1 trillion in 1985 and around \$2 trillion in 2000," and the debt of Heavily Indebted Poor Countries (HIPC) in particular rose "from \$60 billion in 1980 to \$105 billion in 1985, \$190 billion in 1990 and \$205 billion in 2000" (Peet, 2007, pp. 107-8). Even though there has been some improvement in the burning socio-economic problems of these countries, their future incomes and therefore the politics they will embrace have been mortgaged.

§ 3.3 Neoliberal Restructuring of the European Union

Since the European Union has been one of the leading organizations in the neoliberalization process of Turkey via its push for institutional and ideological transformations and its support via its financial material capabilities, the neoliberal characteristic of the EU should be emphasized here.

After briefly looking at the history of the EU, one can grasp that from the end of 1970s, the EU – then the EEC – started to adapt its legal and institutional structure to a neoliberal understanding. First, the European Monetary System (EMS), an exchange rate regime, was established in 1979, to develop cooperation among the monetary policies of member states and improve monetary stability across Europe. It remained in force until the Economic and Monetary Union (EMU) was launched in 1992. Bieling and Schulten see the European Monetary System, the Single European Market, and the subsequent EMU as milestones in the process of revitalizing “capitalist accumulation in Western Europe” in the context of new constitutionalism (Bieling & Schulten, 2003, p. 232). This system, according to Cox, was an example of the internationalization of states whereby they “become more closely bound up with each other, and ... become more responsive to world-economy pressures” (Cox R. W., 1987, pp. 257-8). In the following period, thanks to the EMU, this system deepened and spread. Second, in 1985 the “White Paper from the Commission” was published with the subtitle “Completing the Internal Market.” By removing physical, technical, and fiscal barriers, the intent was to create a neoliberal common market by the year 1992. Third, the Single European Act enacted by the EEC in 1987 institutionalized the Internal Market and set the goals of the free movement of goods, services, capital, and people (Bieler, 2005, p. 519), (McGiffen, 2005, p. 4). Gill writes that the Single European Act was the step taken to institutionalize neoliberal market discipline and the “principle of mutual recognition in trade and capital mobility” (Gill, 2003b, p. 63). Then, the Treaty of Maastricht - or the Treaty on European Union -, which was signed in 1991, established the European Union, a common foreign and security policy, and the European Central Bank. It created the European citizenship, allowed citizens to reside and travel freely in member states, and “paved the way for the creation of a single European currency” (ECB, 2017). Chodor indicates that the Maastricht Treaty, like the North American Free Trade Agreement (NAFTA), created common markets (Chodor, 2015, p. 56). One objective of the Treaty was to establish the aforementioned EMU. According to Hermann, the EMU is “the most obvious manifestation of neoliberal restructuring

at the European level,” and it “fortifies the principles of monetary restraint and budgetary austerity by forcing EMU member states into a fiscal straightjacket” (Hermann, 2007, p. 16). Another important novelty was the independent European Central Bank (ECB) which was responsible for enforcing the single monetary policy. The main aim of the ECB was to maintain the price stability; economic growth and employment were not at the top of the priorities (Bieler, 2006, p. 81). A major step in the completion of the EMU occurred in 1999 when the Euro started to be used as a common currency among EU member states who fulfilled the “convergence criteria.”⁴ Today, nineteen of twenty-eight member states are in the euro-area. According to Gill, the Maastricht Treaty which paved the way for the euro as a common currency, and the Stability and Growth Pact of 1997, which was born after the decision by member states to “strengthen the monitoring and coordination of national fiscal and economic policies” (EU, 2017), placed monetary policies under the surveillance of the principle of disciplinary neoliberalism (Gill, 2003b, p. 63).

These politico-economic reforms that EU has undergone for years show that “neoliberal policies are locked, politically and often legally, into the structure of the EU” (Storey, 2006, p. 2). With its independent European Central Bank governing monetary policies to maintain price stability as well as with the EMU that functions as a barrier to prevent member states from accommodating “class conflict through credit expansion or currency devaluation” (Bonefeld, 2002, p. 132), the EU epitomizes the institutionalization of neoliberalism (Storey, 2006, p. 5).

Moreover, John Milios writes that EU practices and especially the European Integration movement serve the neoliberal hegemony. Since the

4 These criteria are price stability (inflation rate cannot be higher than 1.5 percentage points above the rate of the three best-performing member states); sound and sustainable public finances (government deficit cannot be higher than 3% of GDP and government debt cannot be higher than 60% of GDP); exchange-rate stability; long-term interest rates (should not be higher than 2 percentage points above the rate of the three best-performing member states in terms of price stability); and lastly, states' national laws must be compatible with the treaties and provisions of the European Central Bank (European Council, 2017)

1970s, changes in the forms of states, the precarization of labor world, and the marketization of education and health “affect not only the economy but also the politics of European societies.” Irrespective of the stances of political parties that run government offices, neoliberalization processes did not change or decelerate. As Milios emphasizes, “most conservative parties ... lost elections in the middle or late 1990s to center-left parties. Despite this shift in government power, economic and social policies did not change much in Europe” (Milios, 2005, pp. 208-9). Turkey is familiar with this phenomenon. After the military junta allowed elections to be held in 1983, center-right, center-left, and Islamist parties ruled the country - either their own or in coalitions with one another -, and during this period of more than thirty years, neoliberalization was not confronted with any obstacle, other than the incompetency of these governments.

The results of neoliberalization on both sides of the Atlantic were lucrative for transnational capitalist classes. Cafruny indicates this crucial aspect of economic relations between the US and EU. He writes that from 1990 to 2001, trade between the US and EU increased from \$273 billion to \$573 billion. While 58 percent of the foreign investment of EU based firms streamed into the US at the beginning of this period, by the end it had increased to 65 percent. This, according to Cafruny, shows how “the process of transatlantic integration has accelerated dramatically” (Cafruny, 2003, p. 295).

From a neo-Gramscian perspective, Andreas Bieler draws attention to transnational capitalist classes as a social force driving this neoliberalization process. He emphasizes that well-organized transnational capital, especially the Round Table of Industrialists (ERT)⁵ that “strives for a strong, open and competitive Europe... including its Single Market, as a driver for inclusive growth and sustainable prosperity” (ERT, 2018), has an important power to affect EU-level policies. For instance, there are similarities between “Europe 1990: An Agenda for Action,” written by the

5 ERT “is a forum bringing together around 50 Chief Executives and Chairmen of major multinational companies” (ERT, 2017).

ERT chairman Wisse Dekker, and the “White Paper on Completing the Internal Market” by the Commission. Moreover, according to Bieler, the ERT and its members are organic intellectuals “who formulate a coherent hegemonic project for transnational European capital” (Bieler, 2005, p. 520); see also (2006, p. 82).

To explain the role of TNCs, Wigger and Buch-Hansen write that the neoliberal project in the EU was an “alliance of political elites and an emerging transnational capitalist class.” This project, according to them, reached a “more market-based regulatory architecture” with the Single European Act, which removed 300 non-tariff barriers, and the Maastricht Treaty, which founded the EU and the EMU (Wigger & Buch-Hansen, 2012, p. 30). They further site the role of the ERT in the neoliberalization process of the EC as an example of organized transnational capital. By publishing papers, organizing meetings with Commission members and the ministers of member states, and cooperating with other capitalist organizations such as UNICE (now BusinessEurope),⁶ the ERT works to advance “neoliberal reforms, such as the prosecution of state aid and cartels, and the privatization of state-owned companies” (Wigger & Buch-Hansen, 2012, pp. 35-36).

While Christoph Hermann draws attention to the ERT’s lobbying activities in favor of the realization of the common market (Hermann, 2007, p. 9), Bohle emphasizes the role of the ERT in the eastward expansion process of the EU. She writes that the ERT “invited the EU to reform its institutional structure in order to facilitate enlargement, and urged it to start closer cooperation with the applicant countries” in 1997. In 1999 it “stressed that ‘enlargement offers a golden opportunity to improve the

6 The Confederation of European Business “aims included uniting the central industrial federations to foster solidarity between them; encouraging a Europe-wide competitive industrial policy; and acting as a spokesperson body to the European institutions” (BusinessEurope, 2017) and “is the leading advocate for growth and competitiveness at European level, standing up for companies across the continent and campaigning on the issues that most influence their performance” (BusinessEurope, 2016). Also, it is worth mentioning that leading business organizations in Turkey, the TÜSİAD (Turkish Industry and Business Association), and the TİSK (Turkish Confederation of Employer Associations) are members of BusinessEurope (TÜSİAD, n.d.).

competitiveness and prosperity of the whole European economy' (ERT, 1998, p. 6)" (Bohle, 2006, p. 71).

Last but not least, Budd draws attention to the ERT's role in the legislation processes of the EU. He writes that an ERT's report called "Reshaping Europe" influenced the Maastricht Treaty (Budd, 2013, p. 71).

Moreover, Hermann indicates that another business association lobbied for the neoliberalization of the EU. The Association for the Monetary Union of Europe (AMUE), which was founded in 1987, issued many papers favoring the monetary union and pushed the Commission and national governments "to establish a European zone with a common currency and economic policy" (Hermann, 2007, p. 17).

None of these examples indicate that states lost their ability to control decision-making in the process of transformation or that this transformation was realized against these states' wills. As Budd emphasizes by citing van der Pijl, the decisive impact of the Transnational Capitalist Classes (TCC) on the legislation and policy-making process that led to neoliberalization "does not mean the end of the Western European state ... for even the most globalized European companies still depend on the states ..." (Budd, 2013, p. 72); see also (van der Pijl, 2006, pp. 283-284). The role of the state never decreased in this process; on the contrary, they continued to be vitally important during this transformation.

The chart presents information about the statuses of capital and labor since the crisis year 1973. Annual percentage changes of real wages per head were consistently lower than the growth of net capital stock. This pattern continued even when real unit labor costs decreased consistently and labor productivity experienced an increase during the 1986-2000 period.

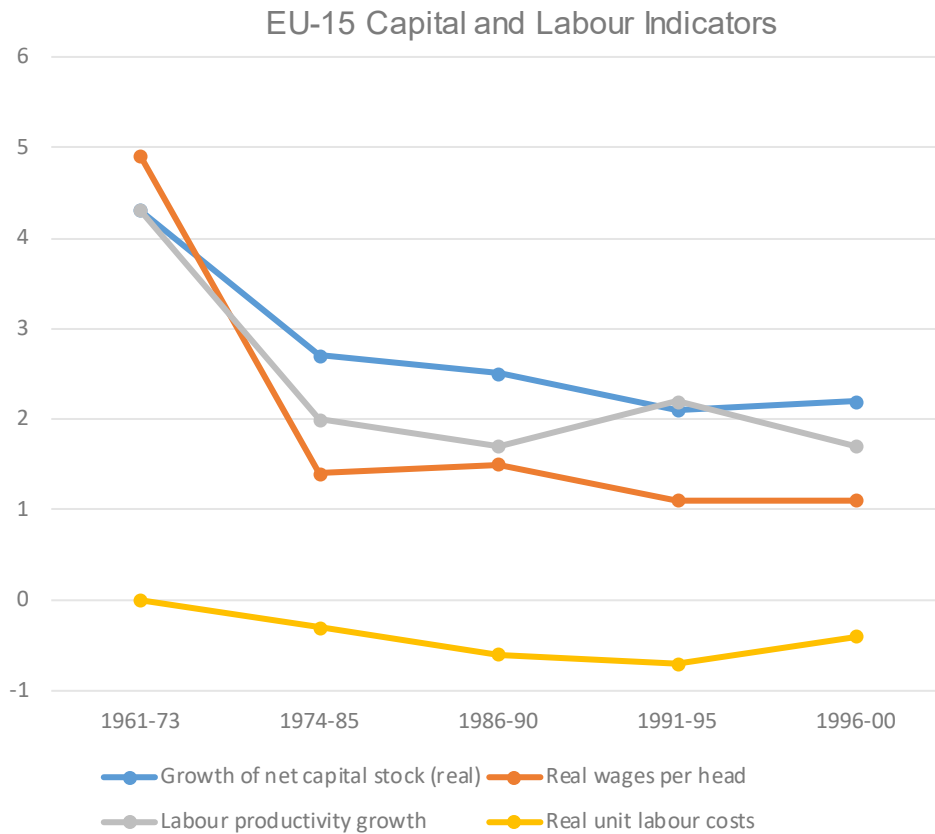


Table 3.3 EU-15⁷ Capital and Labor Indicators, Generated from European Commission (2006).

In sum, Morton (2007, p. 126) and Bieler (2005, p. 519) agree with Gill (1992, p. 165) about using the term “new constitutionalism” for the neoliberal restructuring of the political and economic structures of EU member states with these legal and institutional regulations. The stages of establishing neoliberal hegemony in European Union were overcome during this period. By transforming legal and institutional structures, adjusting the financial resources of material capabilities, creating consent via building a free-citizenship understanding, and isolating decision-making processes from democratic interaction, the EU has indeed established neoliberal hegemony at the end of the twentieth century.

7 Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, United Kingdom, Austria, Finland, and Sweden.

§ 3.4 NATO: Destructive Material Capabilities of Hegemony

The politico-economic essence of organizations such as the IMF, WB, and EU should not mislead us to think that there is no role of military power in this process. As “an integral part of neoliberal imperialism,” write Van Apeldoorn and De Graaff, “military power became a key instrument for the US as an enforcer of the new global neoliberal order.” Labelling any state that did not abide by the neoliberal order as “rogue states” – a concept often used in Bill Clinton and George .W. Bush eras - constituted an example of it (van Apeldoorn & de Graaff, 2012, pp. 213-4).

According to Cox, the failure of the USSR in the arms race and “its inability to shift from extensive to intensive growth” in the 1980s resulted in its. Afterwards, Cox writes that the military power of the US “served as the bulwark for enforcement of an American concept of world order which was shared in varying degrees by other governments, particularly members of NATO.” The superiority of the US in not only the economic field but also in the field of military capabilities has made it, and the organization that it leads, the major military power and enforcer in the world (Cox R. W., 2002, pp. 34-35).

Of course, this category of power was used for the benefit of neoliberal rule of the world in the 1980s, not only after the end of the Soviet Union. President Carter’s State of the Union Address on January 23, 1980 after the Soviet invasion of Afghanistan and the Islamic revolution in Iran in 1979 (and a day before the declaration of the 24 January economic decisions in Turkey) is accepted as the beginning of the Carter Doctrine. In his speech, Carter mentioned that

growth and increased projection of Soviet military power ...; the overwhelming dependence of the Western democracies on oil supplies from the Middle East; and the press of social and religious and economic and political change in the many nations of the developing world” shape the United States’ challenge.

Moreover, in the most quoted sentence from his speech, Carter declared that any “attempt by any outside force to gain control of the Persian Gulf

region will be regarded as an assault on the vital interests of the United States of America, and such an assault will be repelled by any means necessary, including military force" [(Carter, 1980) para. 5&27]. This sentence can show the intertwined relationship of military and economic status in the world and the necessity of examining these two fields of action together. This is not only because military technology has a high financial value but also because of the advantage it offers in use in actual wars and, equally importantly, its efficacy in producing ideological supremacy. This source of material capabilities is important and should be taken into account.

Tension between the US and the USSR and its ignition effect on NATO's practices and discourses rose at the beginning of the 1980s. The détente era of the 1970s - a period in which relations between the blocs improved – did not continue in the 1980s. The hardening of political discourse and acceleration of the armaments race with a strong emphasis on nuclear capabilities went hand in hand with the intensification of the neoliberal discourse. In 1982 NATO iterated its strategy as "deterrence and defense" relying on strategic, intermediate- and short-range nuclear as well as conventional force (NATO, 1982). A nuclear arsenal was seen as the best weapon to "protect peace",⁸ by the wit of this period. NATO, as exemplified by the meeting of its Defence Planning Committee in 1985, continued to emphasize its commitment to that approach by declaring that nuclear arms are essential to their aim of deterring war (NATO, 1985).

After Mikhail Gorbachev became General Secretary of the Communist Party of the Soviet Union in 1985, a reformist approach towards the USSR and a relieve dominated relations between the blocs. The most immediate result was the signing of a treaty on the elimination of intermediate-

8 This understanding, the belief that maintaining nuclear arms to protect peace because the respective parties are afraid of the disastrous destruction these arms can cause is generally named the "balance of terror." However, the risk of mistaken use of such weapons which could start a chain of attacks that could greatly harm the world, should be a reason for those who hold basic moral principles to eliminate these weapons completely.

and shorter-range missiles (INF Treaty) in 1987. NATO unsurprisingly supported its leader's agreement with the USSR, but also established the "Conventional Armaments Planning System" in 1988 to "improve NATO defense planning" by directing members to develop armament programs to best fulfill the needs of the Alliance (NATO, 1997a). Through the end of the 1980s, NATO continued to stress that its objective was the to protect peace and freedom and establish a just order in Europe via maintaining "adequate military strength and political solidarity to deter aggression" - an understanding that, according to the NATO, was sourced from the Harmel Report of 1967 (NATO, 1989). The report, written by Belgian Foreign Minister Pierre Harmel was praised by NATO as a seminal document in its history. The report mainly claimed that military power and a policy of détente are complementary and that the Alliance should undertake the duty of spreading this approach (NATO, 2017a). This discourse shows the admitted role of military capabilities in the maintaining and reproducing the present political order. However, despite NATO's all power and "genuine" will to establish peace in the world, it failed to end clashes, war crimes, ethnic cleansings and many other crimes against humanity committed during the 1991-95 Balkans Wars.

As an institution that lost one of its reasons to exist at end of the Cold War, NATO continued to be "central to the American internationalist strategy" (Carr & Ifantis, 1996, p. 47). Kaplan writes, with respect to the Gulf War which began with Iraq's invasion of Kuwait on 2 August 1990, European allies of the US immediately demonstrated opposition in the UN and supported the decision to place an embargo on oil and arms trade with Iraq. While Iraq's actions were described as "a warning to the world," NATO declared that it was "determined to maintain sufficient military strength to guarantee" their common security against risks that could "arise from instability in East and Central Europe, and from elsewhere" in the Final Communiqué released after a NATO meeting in December 1990 (NATO, 2008), (Kaplan, 2010, pp. 129-30). These messages from the then senior decision-making body of NATO, the Defense Planning Committee, and the principal political decision-making body of the North Atlantic Council not only expressed NATO's stance towards the

“out of area” issue, but also set an example of how military presence and discourse play a vital role in both consolidating and spreading the destructive material capabilities and ideological basis of the hegemony.

Furthermore, when post-Cold War conflicts arose in the Gulf, the Balkans, and Afghanistan, “US military power assumed leadership in NATO-centered coalitions to re-establish order,” and this leadership in military actions opened the way for further politico-economic support for the US from its allies (Cox R. W., 2002, pp. 34-35). Cox writes that “the Gulf War revealed the structure and *modus operandi* of the new world order” (Cox R. W., 1994a, pp. 55, original emphasis). The US played the role of “guarantor and enforcer of the world economic order,” compelled the UN to approve its decision to wage war, and acquired financial support for that war from allied states (Cox R. W., 1994a, p. 55).

After the fall of the Berlin Wall in November 1989, the North Atlantic Council met in London on July 5-6, 1990. At this summit, the Alliance issued the “Declaration on a Transformed North Atlantic Alliance” wherein it declared that Europeans chose to free themselves from the Soviet Union, and the Alliance, as “the most successful defensive alliance in history ... must continue to provide for the common defense” (NATO, 1990). The official result of the transformation of the Alliance initially declared at the London Summit, was a new strategic concept adopted at the North Atlantic Council meeting in Rome on November 7-8, 1991. The new thing that the Concept brought to NATO was emphasized under the title of “A Broad Approach to Security.” The Concept, under this “broad approach” discourse, maintained that “achieving Alliance’s objectives through political means are greater than ever before” and that “security and stability have political, economic, social, and environmental elements as well as the indispensable defense dimension” (NATO, 1991). This emphasis on the areas beyond military practices attributed a role for NATO beyond military defense; and from then on, ideological and institutional compatibility was more necessary for development of the material capabilities than in the Cold War era, especially in the post-Soviet European region.

Furthermore, in the next period, the “Partnership for Peace” program was established in 1994. The program seeks to carry the Alliance beyond

a military relationship, as did the new Concept, by carrying out projects that included civil-military relations, civil emergency planning and disaster response, and cooperation on science and environmental issues (NATO, 1994), (2017b).

In 1996, US president Clinton declared that NATO had to enlarge. He stated that “NATO must also take in new members, including those from among its former adversaries” and praised the role of the Partnership for Peace program in this enlargement (Clinton, 1996). Afterwards, at the heads of state and government summit in Madrid in 1997, the Alliance issued the Madrid Declaration and invited three former Warsaw Pact member states - the Czech Republic, Hungary, and Poland - to start accession talks to join the NATO (NATO, 1997b). These states became members on March 12, 1999, and soon after, on April 24, 1999, the “new NATO” declared another new Strategic Concept in Washington. This new Concept again emphasized the “broad approach to security” discourse, the goal of enlarging, and Euro-Atlantic bonds (NATO, 1999).

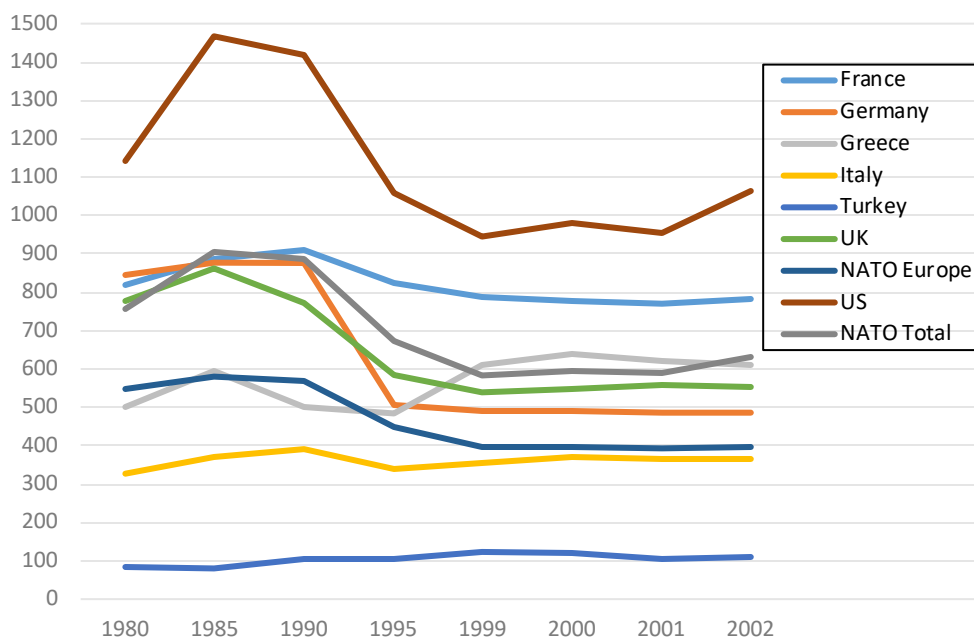


Table 3.4 Defense Expenditures of NATO Countries (1980 - 2003), (1995 prices and exchange rates), (NATO, 2010).

While there was a visible decrease from 1980 to the beginning of the 2000s in the defense expenditures of NATO members in general, budgets increased after 2000. The increase from the 1980 to 1985 was short-lived thanks to the softening the relations between the blocs. The only consistent increase in the defense expenditures since the 1985 was of Turkey's; even the expenditures of the US decreased from time to time. Nevertheless, the nearly \$600 per capita spent on armaments in the countries of the Alliance at the end the 1990s is not much lower than the nearly \$850 spent between 1980 and 1985, a period in which the armament race between the blocs intensified. This shows that even after the demise of the USSR and end of the Cold War, the desire to keep the destructive material capabilities of the Alliance alive never disappeared.

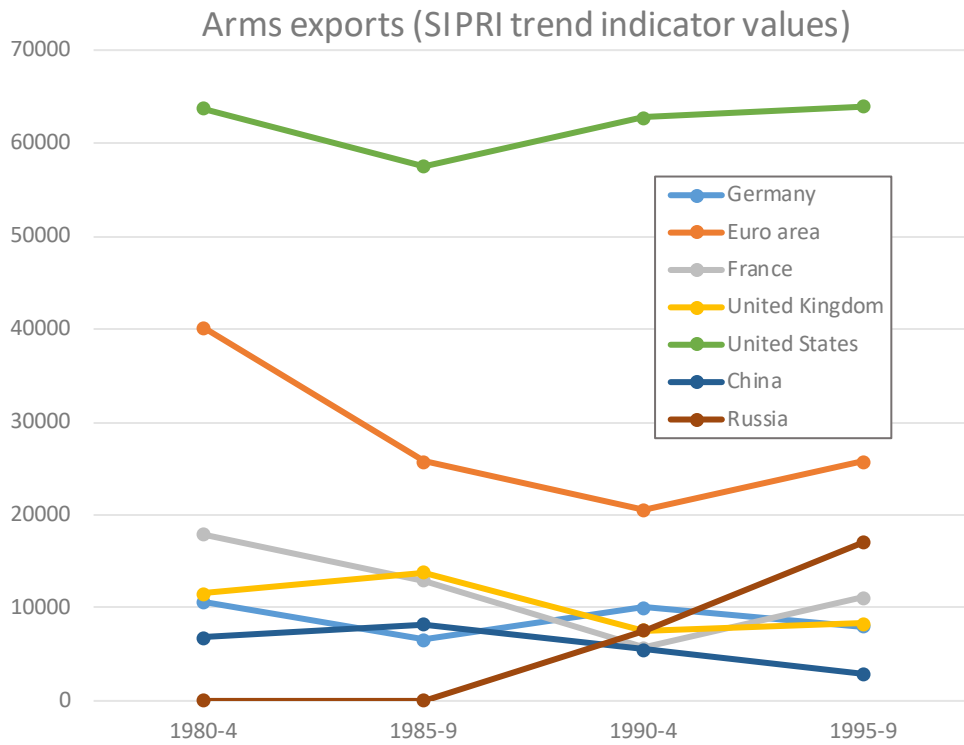


Table 3.5 Arms exports (SIPRI trend indicator values in millions). Generated from data circulated by the World Bank (2018).

According to the chart, throughout the 1980s and 1990s, when the arms exports of Russia and China were under 20,000 million TIV and those of Germany, France, and the UK stood at 10,000 million TIV, the US was clearly the leader with 60,000 million TIV. These numbers unquestionably show the military superiority of the US in the world. This power shows its results as the leadership in NATO, both militarily and politically.

This section briefly examined the process that NATO underwent in the 1980s and 1990s, the unbreakable bond of this institution with US supremacy, and the maintenance of capitalist hegemony. With its ability to enforce military and political practices institutionally, its abundant destructive material capabilities, and its ideological unity, NATO constituted an essential part of neoliberal hegemony starting in the 1980s.

§ 3.5 Conclusion

After acts by these international organizations, states, and elements of the transnational capitalist class, there are consequences that the people of the world had to pay. The neoliberal understanding of production relations functioned to spread an intrinsic moral deficiency by widening the income gap between rich and poor, creating a precarious labor world, and recklessly consuming nature. Cox (1994b) briefly summarizes the destructive consequences of neoliberalism. The first, he emphasizes, is the increasing gap between rich and poor shown by “an eight-fold increase in the absolute difference in incomes between the richest fifth and the poorest fifth of the world population” between 1960 and 1989. The second is the restructuring of the production “as an integral aspect of economic globalization” whose results are the creation of flexible production units and a “precariously employed secondary workforce.” This is related to another consequence: the movement of peoples from the periphery to the core and the movement of capital in global extent. This means that there is a “steady flow of recruits to the secondary workforce in the richer countries” and a rise in xenophobia among workers. Thirdly, Cox emphasizes the destructive consequences of the growth-and-consumption style of neoliberalism for the environment (Cox R. W., 1994b, pp. 105-8).

The fact that there would not be no change about the roles of international organizations as the mechanisms of hegemony, was clear when the WTO's agreements with the IMF and WB aimed at "greater coherence among economic policies" were approved on November 18, 1996 (WTO, 1996). Three years later, on October 21, 1999, a report was published by the WTO titled "Coherence in Global Economic Policy-Making: WTO Cooperation with The IMF and The World Bank" (WTO, 1999). It informed members about the activities of the WTO in cooperation with the IMF and the World Bank. The report summarized these organizations' some of the occasions, such as consultations between the Director-General of the WTO, the Managing Director of the IMF, and the President of the World Bank; mutual observations at WTO, IMF, and WB meetings; joint research; and technical cooperation. "The most direct contribution" made by the staffs of these organizations was indicated to be their assistance to "developing countries to realize the expected benefits of their participation in the WTO and their implementation of WTO commitments, in terms of the contribution this makes to their economic development" (WTO, 1999, p. 1). These agreements among top international organizations that monopolize the financial material capability in the world economy and their call to developing states to realize the benefits of being part of the international capitalist market epitomize the relationship among ideology, institutions, and material capability in building hegemony.

The 1980s and the 1990s witnessed gradual transformations of and changes in the policies of the IMF, WB, EU, and NATO, facilitating their internal neoliberalization as well as that of any states that needed their material capabilities, institutional experience, and ideological support. More important for this thesis is the fact that they had an uninterrupted relationship with Turkey throughout these two decades. The catalytic roles these institutions played in the process of Turkey's articulation to the neoliberal hegemonic project will be analyzed in detail in the next chapter.

4

The Inception of the Articulation of Turkey to the Neoliberal Hegemony

The more the immediate economic life of a nation is subordinated to international relations, the more a particular party will come to represent this situation and to exploit it, with the aim of preventing rival parties gaining the upper hand.

Antonio Gramsci (1992), *Selections from the Prison Notebooks of Antonio Gramsci*

This chapter will analyze the neoliberalization process in Turkey by investigating its relationship with the international organizations - namely the EU, NATO, IMF, and WB - and the resulting changes in its form of state and social relations of production during the period between the end of the 1970s and 2000. The first section will review the process in the field of material capabilities by citing important agreements and programs realized by Turkey and mentioned international organizations. The second section will be on the legal and institutional transformation that took place in accordance with the sharing of productive and destruc-

tive material resources, and in favor of the articulation of Turkey to neoliberal rule. The third section will deal with the ideological unity between the ruling elites of Turkey and representative organizations of the neoliberal order; to understand how this pillar of neoliberal hegemonic projects functioned.

Beside reviewing the internal politico-economic turning points and the political and economic crises that occurred in Turkey during these decades; the effects of Turkey's relations with NATO, the IMF, the WB, and the EU on the three categories of power upon which a hegemonic structure is built - namely material capabilities, institutions, and ideas -will also be analyzed.

§ 4.1 Material Capabilities at Work

As discussed in the first chapter, material capabilities are one of the categories of force for a hegemonic structure that includes both productive and destructive power sources. These resources can be financial resources such as credits or loans, military resources such as arms or any other equipment, and knowledge sources which emerge in stand-by programs, projects, and military modernization processes.

The ideological support of the capitalist bloc for the 12 September coup d'état in Turkey, which will be dealt with in the further pages, was materially realized on October 19, 1980, when the US government and the junta in Turkey ratified the "Defense and Economic Cooperation Agreement." After the one signed in 1976, another agreement was signed on 29 March 1980 and entered into force on 18 December 1980. Of course, support was not in exchange for nothing. Indeed, as Bölme emphasizes, the agreement contains the famous Article 5 which allows the US to use military facilities in Turkey (Bölme, 2012, p. 301). This article determines that "Turkey authorizes the Government of the US to participate in joint defense measures at specified Turkish Armed Forces installations" (Turkey & US, 1980, p. 3327). When a "Memorandum of Understanding" was signed by Turkey and the US on 29 November 1982, in Brussels, Turkey had more returns. According to this agreement the US was to modernize

ten air bases and construct two new air bases in Muş and Batman (Aydın, Erhan, & Erdem, 2001, p. 253). Moreover, beside these mutual acts in arms, “Americans helped to secure Turkey an IMF credit of US\$92 million in 1980 and postponed US\$350 million Turkish debts for the next year. American economic and military aid to Turkey ... amounted to US\$453 million in 1981, US\$704 million in 1982 and US\$688 million in 1983” (Dagi, 1996, p. 127). Material capabilities of a core state of the capitalist bloc were used to prosper the junta government’s budget throughout the first years of the 1980s.

As Athanassopoulou writes, Turkey was “an extremely valuable ally.” Cooperation on the development of military material capabilities was manifested when Turkey declared an agreement with General Dynamics on the production of 160 F-16 fighter planes in Turkey in 1983. After the US authorized the sale, the Turkish National Defense Ministry and General Dynamics founded Turkish Aerospace Industries, Inc. (TAI) with shares of respectively 51 and 49 percent in 1984 (Aydın, Erhan, & Erdem, 2001, p. 253), (Athanassopoulou, 2014, p. 37).

NATO support in the field of material and knowledge sources also continued during junta rule. There was a special assistance program called the “Science for Stability Programme” which aimed to “assist in strengthening national scientific and technological substructures” initiated by the NATO Science Committee in 1979 - in particular, to provide for the needs of Greece, Portugal, and Turkey. According to Henry A. Lee, the director of the Science for Stability Programme during its first phase, fifteen research and development projects focused on technology development and applications in areas ranging from agriculture, to health to fisheries to information technology were launched in 1981. After five years, the success of the program in these countries made it possible to initiate an expanded second phase¹ (Lee, 2002), (NATO, 1987). Cooperation

1 Today, the “Science for Peace and Security Programme” of the NATO Science Committee functions similarly.

among the states of the capitalist bloc was indeed effective and productive with respect to the problems of the allies in the field of material capabilities.

Table 4.1 Defense expenditures as a percent of gross domestic product 1980-1999 (NATO, 2000).

Country	Avg. 1980-84	Avg. 1985-89	Avg. 1990-94	Avg. 1995-99	1996	1997	1998	1999
France	4	3.8	3.4	2.9	3	2.9	2.8	2.7
Germany	3.3	3	2.1	1.6	1.6	1.6	1.5	1.5
Greece	5.3	5.1	4.4	4.6	4.5	4.6	4.8	4.8
Italy	2.1	2.3	2.1	1.9	1.9	2	2	2
Portugal	2.9	2.7	2.6	2.3	2.4	2.4	2.2	2.2
Spain	2.3	2.1	1.6	1.4	1.4	1.4	1.3	1.3
Turkey	4	3.3	3.8	4.4	4.1	4.1	4.4	5.4
UK	5.2	4.5	3.8	2.8	3	2.7	2.7	2.5
Europe	3.5	3.2	2.6	2.2	2.2	2.2	2.1	2.1
US	5.6	6.0	4.7	3.3	3.5	3.3	3.1	3
Total	4.5	4.5	3.5	2.7	2.8	2.7	2.6	2.6

Other than these direct agreements and projects in the field of military support, Table 4.1 shows that throughout the 1980s and 1990s, Turkey's defense expenditures as the percentage of its gross domestic product was among the top five and higher than the average of European countries. Especially after the 1994 economic crisis, Turkey's defense expenditures were second only to Greece, peaked at 5.4 percent in 1999. As will be seen in more detail below, the financial resources Turkey spent in this field flew mainly to Western states and defense companies in the Atlantic region. For instance, the cooperation on the military agenda produced an agreement between the Turkish Defense Industries Undersecretariat and United States Technologies-Sikorsky worth US\$1.1 billion for the procurement of ninety-five Black Hawk helicopters at the end of the 1992 (Aydın, Erhan, & Erdem, 2001, p. 255).

These high defense expenditures at times when Turkey had run into debt under IMF and WB supervision shows not only a direct link between

ideological unity and benefiting from the productive and destructive material capabilities of the hegemonic structure, but also the reciprocal nature of this exchange of material resources.

The degree of Turkey's arm imports and its suppliers are seen in the below table thanks to the information provided by the Stockholm International Peace Research Institute. Throughout the 1980s and 1990s Turkey was a loyal buyer of arms, mainly from capitalist bloc states. The US, the leading state of this bloc, was of course at the top among sellers, procuring more than half of the income pouring out of Turkey in this period. Germany was the second largest arms trade partner of Turkey. The fact that Turkey spent 10,056 TIV on arms between 1979 and 1990 and 17,406 TIV in the 1990s again shows the general growth of defense expenditures in a period when country's economy suffered from severe economic problems.

Table 4.2 Turkey's arm imports in Trend Indicator Value of SIPRI², 1979 – 2000. Generated from the (SIPRI, 2018a)

	1979-84	1985-90	1991	1992	1993	1994-1995	1996	1997	1998	1999	2000	Total	
Belgium	76											76	
Canada		134										134	
China									6	6	6	18	
Denmark	58											58	
France	31	3	1	1	25	50	124	123	34	125	163	156	836
Germany (FRG)	1392	1774	241	97	243	341	554	488	123	591	237	298	6379
Italy	57	192	1	4	4	10	23	37	36	10	5	10	389
Netherlands	249	379	41	27	10	10	14	5	19	22	13	22	811
Norway	93	67	3	5	15	5							188
Russia					24	7	44	95					170
Spain				25	49	49	74	74	82	74			427
Switzerland	6							5	23	23	23	23	103
Taiwan		29											29
United Kingdom	208	595				28	43	55	55	178	163	150	1475
United States	1473	3240	917	1680	1929	1359	713	631	1160	1617	1130	520	16369
Total	3643	6413	1204	1839	2299	1859	1589	1513	1532	2646	1740	1185	27462

On the other hand, the productive part of material resources was generally provided in the form of financial credit and cooperation agreements heavily based on knowledge sources. Relations with the EC, for example, were in no situation to harm junta rule in Turkey. A week after the 12 September 1980 coup d'état, the EC-Turkey Association Council reached two important decisions on the development of the association. The first decision consisted of 30 articles on the fields of agricultural, economic, and technical cooperation as well as social provisions for workers. The free

- 2 "SIPRI has developed a unique system to measure the volume of international transfers of major conventional weapons using a common unit, the trend-indicator value (TIV) ... The TIV is based on the known unit production costs of a core set of weapons and is intended to represent the transfer of military resources rather than the financial value of the transfer ... SIPRI TIV figures do not represent sales prices for arms transfers ... A 'o' indicates that the value of deliveries is less than 0.5m" (SIPRI, 2018b).

movement of agricultural products and workers and the social and cultural advancement of young workers were emphasized and regulated by the parties. The second decision included a grant totaling 75 million European units of account by the Community to Turkey (Turkey-European Union Association Council, 2001, pp. 155-167). Moreover, despite the adoption of a resolution of concern about the rights and safety of detainees and a reminder of the importance of respect for human rights by the European Parliament, the EC decided to increase “the to Turkey by about 94 per cent over the previous one to 600 million ECU” in June 1981 (Dagi, 1996, pp. 128-30).

The first long term stand-by agreement between Turkey and the IMF was signed just three months before the coup on June 18, 1980, for three years. As requested in a letter signed by İsmet Sezgin, Turkey’s Minister of Finance, on June 2, 1980, 1,250 million SDRs - which were nearly equivalent to 1,500 million US\$ - were provided by the Fund (IMF, 1980a). Vital parts of the financial material capabilities of Turkey were determined according to “understandings” reached with the IMF at that time, and Turkey guaranteed it would apply related “limits on (a) the net domestic assets of the Central Bank and (b) net Central Bank credit to the public sector” after the negotiations (IMF, 1980a, p. 4). There are more examples in the “Memorandum of the Government of Turkey on Its Economic and Financial Policies” attached to the stand-by agreement. One is the establishment of the “Labor Contracts Coordination Committee” to secure wage settlements “in harmony with the basic stabilization policy measures.” This move constitutes an obvious example of the attempt to transform the social relations of production according to the neoliberalization process. The article clearly states that Turkey would work “to achieve work discipline that is consistent with the application of rational management practices in line with the newly introduced policies of full autonomy in pricing and employment decisions” (IMF, 1980a, p. 11). The “newly introduced policies” were the requirements of neoliberal production relations which brought about labor insecurity.

Furthermore, many projects were based on grants, loans, and credit between Turkey and the WB during the 1980s and 1990s, and it is impossible to discuss all of them here. To comprehend the scale of these projects, some can be mentioned. For instance, a loan agreement called the “Labor Intensive Industry Project” was prepared in 1981 and included US\$40 million to be used by the SYKB (Industrial Development and Investment Bank). The loan, as its name indicates, was to be used only for “employment creation in urban areas” (Legal ISC Files, 1981a, pp. 4-6). Moreover, there were also agreements on structural and financial sector adjustment projects. The first structural adjustment loan agreement signed by Turkey and the IBRD on March 16, 1980, provided Turkey with US\$200 million. This loan agreement, signed after the 24 January Decisions, aimed “the provision of foreign exchange required for the importation of raw materials and intermediate goods ... in order to improve the Borrower's productive capacity in industry and agriculture as part of the Borrower's economic program and the measures.” The agreement also determined the commodities to be imported with the loan. These included materials for the production of fertilizers, crop protection chemicals and their raw materials, and some products for the steel industry such as coil, tinplate, aluminum ingot, and copper. (Legal ISC Files, 1980a, pp. 2, 9-12). In addition to this loan, another agreement was signed on November 24, 1980, giving Turkey US\$75 million as a “loan supplement” (Legal ISC Files, 1980b, p. 9). In the following years from 1981 to 1984, the Bank provided four more structural adjustment loans for Turkey for US\$300, US\$304, US\$300, and US\$376 million, respectively. All these loans were to be used to finance urgent imports during the execution of the structural adjustment program (Legal ISC Files, 1981b), (Legal ISC Files, 1982b), (Legal ISC Files, 1983), (Legal ISC Files, 1984a). It has to be emphasized that access to these documents was possible only after their disclosure in 2013.

On June, 3 1981, another loan agreement titled “State Industrial Enterprise Finance Project” was signed. The WB lent US\$70 million to Turkey for a series of investment projects. Including the expansion of two facilities of Turkey Sugar Factories and the establishment of a new one; the

modernization of the factories of Karabük Iron and Steel Works; and the modernization and expansion of Black Sea Copper Operations (Legal ISC Files, 1981, pp. 5-6).

The loans, of course, not only provided import costs and the cost of factory construction during the realization of neoliberalization programs but also for a general will to “contribute to the economic and social development and the export capacity of the country.” The Export Oriented Industries Project dated March 5, 1982, was one such loan agreement. Worth US\$100 million, the project first financed the direct and indirect “foreign exchange costs of fixed assets for development projects including ... Export-Oriented Projects.” Moreover, the “financing of technical assistance ... in carrying out an export promotion program” and “of foreign exchange costs of technical assistance through loans to private enterprises” was aimed by the project (Legal ISC Files, 1982a, p. 8).

Also, two Industrial Training Projects signed in 1984 and 1988 worth US\$152,6 million in loans sought to “improve the productivity of labor, especially in the manufacturing exporting industry” (Legal ISC Files, 1984b, p. 16). This was to be done by strengthening the capacity of YÖK (Council of Higher Education) “to plan and coordinate training programs for technicians and for technical and vocational teachers,” “to improve the quality and increase the quantity of trained technicians for the industrial sector” and “of trained hotel, catering and other service personnel for the tourism sector” (Legal Dept of World Bank, 1988a, p. 6).

Then on May 15, 1986, before the second training project, Turkey and the WB agreed on a loan that covered Turkey’s financial sector adjustment program. The main objective of the program, was “to establish an efficient and flexible system of resource mobilization and allocation, which would respond rapidly to market forces and would offer a wide variety of financial instruments to both borrowers and savers.” The Bank made US\$300 million in credit available for this project (World Bank, 1986, p. 3). Parallel to financial sector adjustments, another loan agreement signed on June 29, 1987 was for the adjustment of the energy sector and supported Turkey’s public investment program in this sector. In detail, the objective of the project was “to strengthen the institutional

framework for the energy sector, ... improve the efficiency of the agencies, institutions and other entities,” and to secure an “investment strategy for the sector” (Legal Dept of World Bank, 1987, p. 13)

Later, on January 25, 1988, the WB and Turkey agreed on two “Industrial Export Development Projects” worth US\$150 million to help Turkey “expand export through the financing of investments in private, export oriented industries.” Moreover, the project also aimed “to strengthen the role of IGEME in the promotion of export, ... [to] support TSKB in the implementation of its financial restructuring program,” and to “assist TSKB and SYKB in their operation diversification efforts” (Legal Dept of World Bank, 1988b, p. 8).

Again in 1988, when the Bank received a letter from Turkey, declaring that it was committed to the execution of the financial sector adjustment program but needed more credit for “the financing of essential imports and services required during such execution,” the Bank lent US\$400 million to Turkey (Legal Dept of World Bank, 1988c, p. 2).

According to another loan agreement made in 1989, Turkey accepted US\$204,5 million from the IBRD to assist in the expansion and diversification of small- and medium-scale industries, improve their access to credit, and provide them with technical and marketing services (Legal Dept of World Bank, 1989, pp. 3, 8).

The contribution of the IMF and WB in the form of financial and knowledge sources in the articulation of Turkey to the neoliberal project in the 1980s cannot therefore be ignored. This process of transformation could not have been realized without them. By providing loans to restructure the social relations of production and create an appropriate financial environment, the IMF and WB helped Turkey’s ruling and capitalist elites at the beginning of neoliberalization of the state and production relations. The total amount of the sixty projects conducted in the 1980s with the WB, was equal to nearly US\$ 7.8 billion (see Appendix A).

Before the 1994 economic crisis, Turkey continued to benefit from the financial resources of the neoliberal order. In the economic field, many agreements were signed with the WB in a variety of areas. Concerning fields from agriculture and education to private investment and public

finance management, thirty-three projects were conducted by the WB and Turkey in the 1990s. The total amount of these projects was equal to nearly US\$ 4.7 billion. For instance, in 1990 Turkey and the WB agreed on a US\$90.2 million project “to improve the quality of primary and secondary education and of teacher education, and to increase the administrative and managerial efficiency in ... primary and secondary education.” This project included objectives such as the development of curriculum policy and management, quality textbooks and instructional materials, testing and evaluation, and teacher education (Legal Dept of World Bank, 1990a, pp. 2, 7-8). As in the field of education, the WB allowed Turkey to benefit from its financial resources in the field of health. Two loan agreements in 1990 and 1994 worth US\$225 million were intended for most “to improve access to basic health services” and “upgrade and expand the provision of primary health care” in selected provinces.³ Other aims of the projects were to “improve efficiency in the delivery of health services [and] strengthen the technical and managerial capabilities of Ministry of Health” (Legal Dept of World Bank, 1990b, p. 6), (Legal Dept of World Bank, 1994, p. 7).

In 1991, to restructure the Turkish Electricity Authority (TEK) as a corporation, the WB and Turkey agreed on a “TEK Restructuring Project” worth US\$ 300 million (World Bank, 1991a). The TEK was later designated by Turkey, in a stand-by agreement realized with the IMF in 1994 as an institution enlisted in the privatization list (IMF, 1994a). Moreover, another project called the Private Investment Credit Project was conducted at same time as the TEK project. Worth US\$ 200 million, this project to “provide[d] long-term funds to help finance the private investments needed to sustain Turkey’s export drive in the 1990s.” The main was to help Turkey develop its capacity to produce goods and services for export (World Bank, 1991b).

3 In the first project, the selected provinces were Ankara, Diyarbakır, Istanbul, Mardin, Muğla, Tokat, and Yozgat. In the second, Adıyaman, Ağrı, Ardahan, Artvin, Batman, Bayburt, Bingöl, Bitlis, Elazığ, Erzincan, Erzurum, Gümüşhane, Hakkari, Iğdır, K. Maraş, Kars, Malatya, Muş, Siirt, Şırnak, Ş. Urfa, Tunceli, and Van.

An important project related to the world of labor, the “Employment and Training Project,” was signed in 1993 and was worth US\$67 million. Its aim was “to promote productive employment through improved labor-market efficiency” by carrying out job training programs, improving services in employment offices, and providing needed “technical assistance, staff training, vehicles and equipment and material.” Moreover, the project included a provision stipulating the “establishment of a labor-market information data base” under the supervision of TÜİK (Turkish Statistical Institute, then “State Institute of Statistics”) (Legal Dept of World Bank, 1993, p. 7). With all these projects and loans, Turkey continued its intense relationship with the WB in the fields of education, energy, and production.

The IMF and WB continued to play a role during the 1994 Crisis. Signing another stand-by agreement with Turkey equivalent nearly to US\$742 million, the IMF supported the government’s efforts to maintain “a tight monetary policy that relies on market instruments ... address the urgent structural factors that underlie the fiscal deficit and impede sustainable growth” (IMF, 1994b, p. 1). Agreements were also signed with the WB, of course. The Privatization Implementation Technical Assistance Project worth US\$ 100.00 million, aimed to increase the “efficiency and productivity in the economy,” and basically fund the privatization process (World Bank, 1994).

Another loan agreement between Turkey and the IBRD was intended to enhance Turkey’s “fiscal consolidation and reform efforts in tax administration, management of government expenditures and customs administration and in improving the efficiency and effectiveness of the agencies” with the help of a US\$62 million (Legal Dept of World Bank, 1995, pp. 2, 8).

These two graphs show the course of Turkey’s use of the material capabilities of the neoliberal hegemony. Throughout the 1980s and after the 1994 crisis – especially at the end the 1990s when Turkey injured into its most intense crisis ever - there was a notable increase in the use of credit and loans. Moreover, Turkey’s position as a debtor to these institutions

never changed, reformed its form of state and social relations of production, or formed a novelty regarding these, under the supervision or guidance of these institutions.

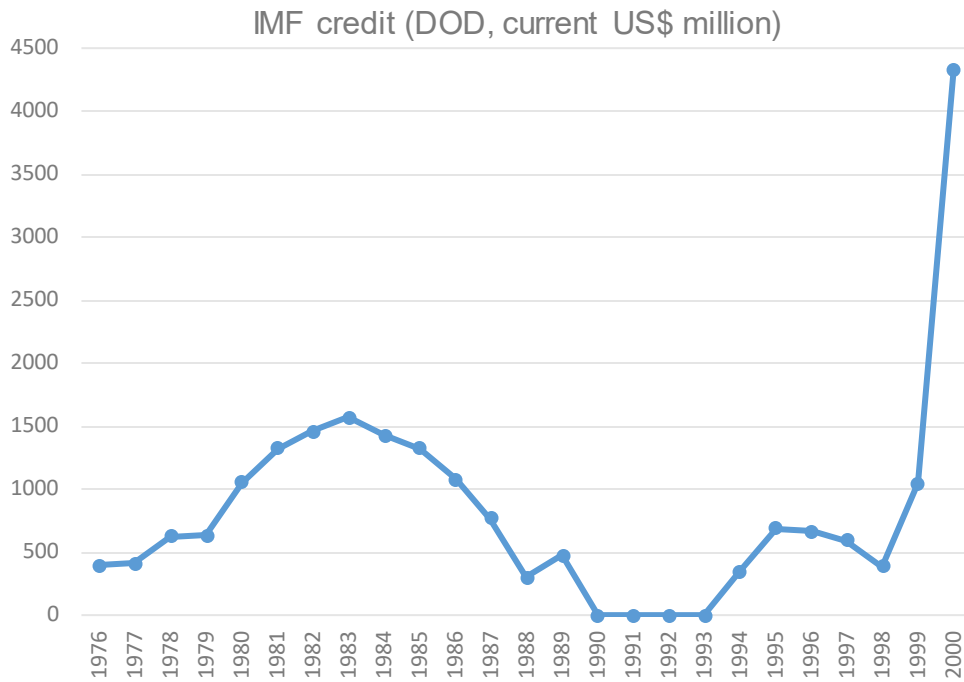


Table 4.3 The annual sum of IMF credit⁴ from which Turkey benefited between 1976 and 2000 (World Bank, 2018b).

4 Use of IMF credit includes purchases and drawings under Stand-By, Extended, Structural Adjustment, Enhanced Structural Adjustment, and Systemic Transformation Facility Arrangements as well as Trust Fund loans.

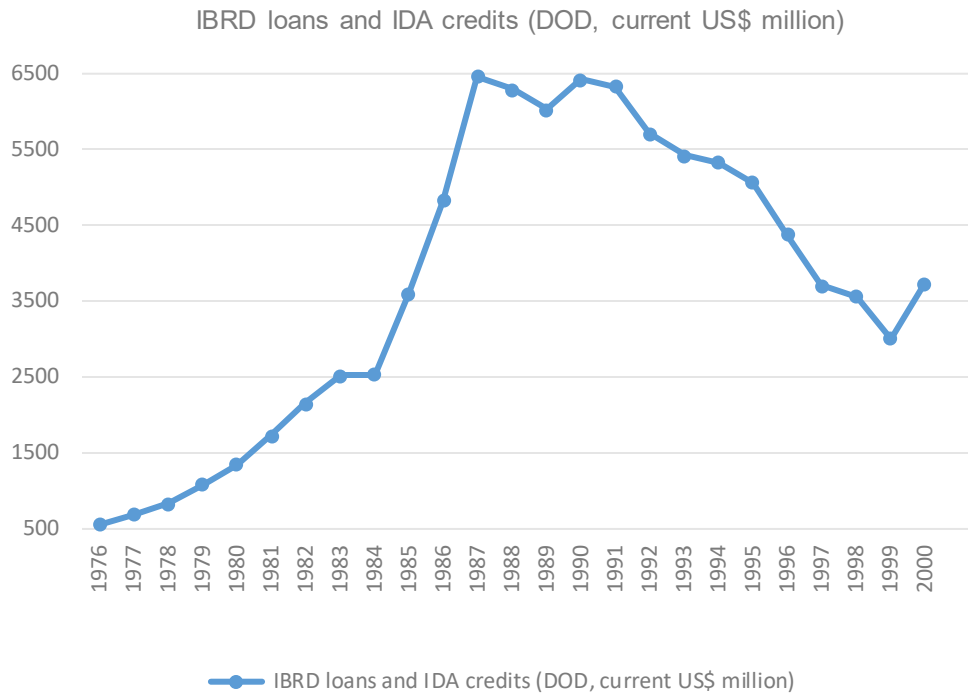


Table 4.4 The annual sum of IBRD and IDA loans and credit⁵ from which Turkey benefited between 1976 and 2000 (World Bank, 2018a).

Later, on 3 March 1998, the EU published the "European Strategy for Turkey" to develop "a strategy to prepare Turkey for accession" (Commission of the European Communities, 1998, p. 9). The document consisted of fifteen proposals on topics from industrial cooperation and investment to agriculture, and from "greater substance for the customs union" to "dialogue on macroeconomics." It offered cooperation in the fields of science and technology research, environmental matters, transportation, energy, and consumer policy. Also, the document pledged financial assistance to Turkey for the implementation of these proposals worth 375 million ECU and "financial regulation for the special financial co-operation arrangements for Turkey" (Commission of the European Communities, 1998, p. 1). Moreover, on the topic of financial assistance, Turkey benefited from

5 IBRD loans and IDA credits are public and publicly-guaranteed debts extended by the World Bank Group.

financial assistance worth 1 billion euro during the period between the 1963 Ankara Agreement and 1996 Customs Union. Afterwards, until the EU granted candidacy to Turkey in 1999, nearly 1.3 billion euros in credits were provided by the EU (Ministry for EU Affairs, 2016). Finally, the 1999 Helsinki European Council defined Turkey as “a candidate State destined to join the Union” (The European Council, 1999). The process in these years also included attempts to transform the relations of production and state-market relations via realizing legal and institutional changes and providing financial resources which will be dealt with in the following pages.

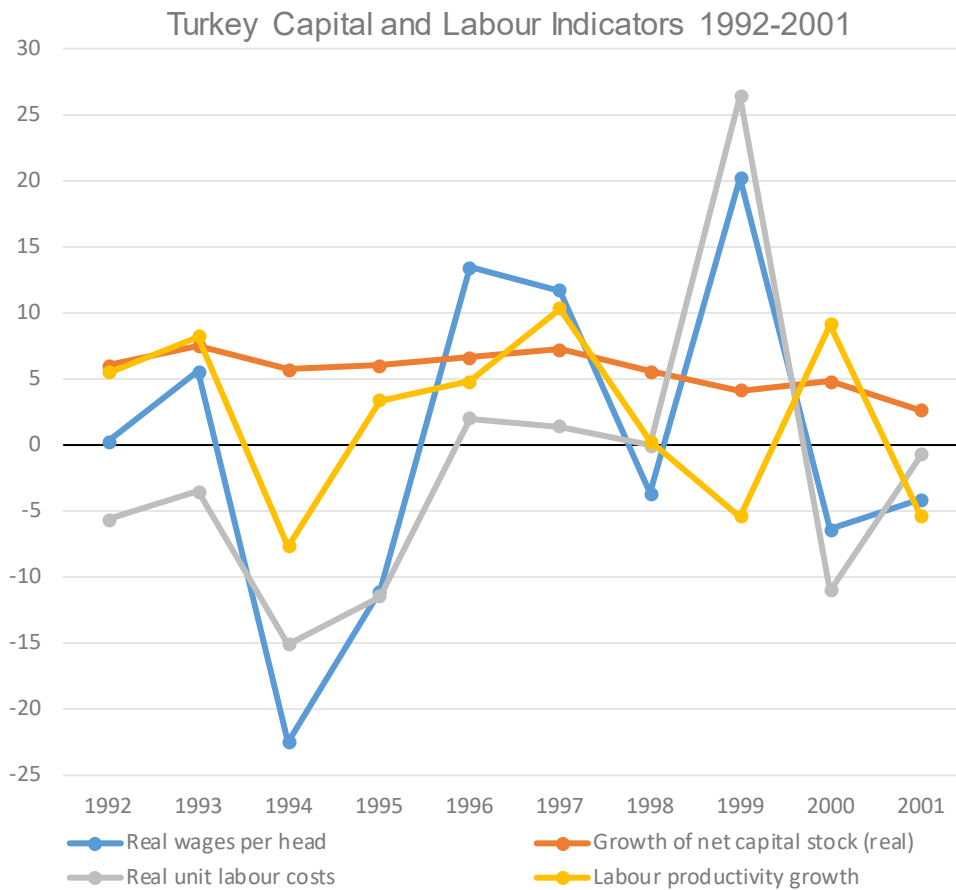


Table 4.5 Turkey Capital and labor Indicators 1992-2001, generated from the “Statistical Annex of European Economy” documents published between 2004 and 2013 (European Commission, 2015).

Table 4.5 shows the trajectories of some indicators allow a brief comparison of the status of capital and labor in the 1990s.⁶ That the only relative constant is the growth of net capital stock. On the other hand, real wages per capita and real unit labor costs chart an unstable course as a result of the direct effects of crises and populist decisions. Labor productivity growth was below zero only during moments of crisis. The neoliberal approach to the social relations of production never allows capital growth rates to experience any loss of profit, while laborers' wages could easily be reduced by almost %30.

Table 4.6 Standby agreements between Turkey and IMF, in thousands of SDRs (IMF, 2018a).

Standby Arrangements	Expiration Date	Amount Agreed	Amount Drawn
Dec 22, 1999	Feb 04, 2002	15,038,400	11,738,960
Dec 21, 2000	Dec 20, 2001	5,784,000	5,784,000
Jul 08, 1994	Mar 07, 1996	610,500	460,500
Apr 04, 1984	Apr 03, 1985	225,000	168,750
Jun 24, 1983	Apr 03, 1984	225,000	56,250
Jun 18, 1980	Jun 17, 1983	1,250,000	1,250,000
Jul 19, 1979	Jun 17, 1980	250,000	230,000
Apr 24, 1978	Jul 18, 1979	300,000	90,000
Aug 17, 1970	Aug 16, 1971	90,000	90,000

Despite the material support of the IMF and WB, the crisis that would shape Turkey at the beginning of the twenty-first started to show itself at the end of the 1990s. A "Memorandum of Economic Policies" submitted by the Undersecretariat of the Treasury on June 26, 1998, admitted that high inflation had plagued the economy for two decades and programs to resolve this problem were never successfully carried through. Constant instability threatened the economy hence blocking investment channels. Also, Turkey's public finances, according to the memorandum, were not

6 The Commission does not have data on these topics for the years from 1980 to 1991.

sufficient to carry out basic education, health, and infrastructure services. Under the title main economic policy actions, the Undersecretariat of the Treasury stated that would seek to limit public sector wage and agricultural support price increases in 1999 to target inflation as well as to take in US\$2 billion in 1998 and US\$3 billion in 1999 from privatizations for debt reduction in 1998. Moreover, “a regulatory framework for the telecommunications and energy sectors,” a rise in the retirement age, and the introduction of “user fees and cost control measures in the health care system” were on the to-do list (IMF, 1998). These components of the memorandum show that Turkey’s financial material capabilities were severely inadequate. It could not stop high inflation and maintain public services. The solution to these problems, unsurprisingly, was the reduction of the general welfare of the people, more privatization, and more credit and adjustment programs – that is, more neoliberalization.

Later, a letter of intent signed by the Minister of State for Economics and governor of the Central Bank describing the policy plan of the government of Turkey to be implemented “in the context of its request for financial support from the IMF” was sent to Washington on December 9, 1999. Starting in the first sentence, the letter declares its intent to free Turkey from inflation and to enhance “the prospects for growth and for a better standard of living for all parts of society.” The instability of economic growth, rapid decline in economic activity, and high and unstable nominal and real interest rates were counted amongst the main problems of the Turkish economy (IMF, 1999a, p. 1). Then IMF approved the requested amount of SDR 2,892 million (about US\$4 billion) for three years to support Turkey’s disinflation program (IMF, 1999b, p. 1). This number was then increased to SDR 8,676.0 million (IMF, 2000). The program concerned three main fields, namely fiscal adjustment, structural reform, and an exchange rate commitment. The weakness of public accounts was seen as the basic factor behind running inflation. “To make the fiscal adjustment sustainable; improve economic efficiency; and, through increased privatization receipts, facilitate the decline of public debt,” the government sought to realize a series of structural reforms. These in-

cluded reforms to the fiscal and banking sectors, agriculture, and pensions, as well as, of course, privatizations (IMF, 1999a, pp. 9-16). Lastly, monetary and exchange rate policies would be formed to create a more predictable, less uncertain investment environment and “a transparent and preannounced exit strategy from this exchange rate regime” to close the way for future unwanted rigidities in monetary and exchange rates (IMF, 1999b, p. 3).

Other interesting information presented by Günlük-Şenesen (2002, p. 111) shows Turkey’s purchases on the international arms market between October 1998 and October 2000. The vast majority of these purchases were made from leading NATO countries such as France (\$US 1284 million), the UK (\$US 482 million), and the US (\$US 4471 million). Alongside these, there was a purchase worth \$US 1204 million from Israel. The total of these purchases made from nine different countries was worth US\$ 8,484 million. Between 1998 and 2000, economically and politically Turkey’s most unstable years, it showed great commitment to its western allies by realizing a substantial number of arm purchases.

§ 4.2 Legal and Institutional Transformations

Institutions are the amalgams of ideas and material power, and both are products and mechanisms of the hegemonic world order, as indicated by Cox. Therefore, both international institutions of the neoliberal world order and institutions that form the neoliberal state are of vital importance for the maintenance, deepening and spread of neoliberal hegemony. Also, the legal structure that constitutes the basis for a form of state and regulates the social relations of production should not be overlooked since all institutional transformations are realized through legal changes. For this reason, legal and institutional transformation will be dealt with together.

Before the 12 September 1980 coup which opened the way to transform the form of state and social relations of production in Turkey, the 24th January 1980 economic decisions were an important turning point in the neoliberalization process in Turkey. Prepared under the guidance of the Undersecretary of the Prime Ministry, Turgut Özal – who worked

as a consultant at the World Bank from 1971 to 1973 and later became Prime Minister in 1983 following the junta with his ANAP (Motherland Party) – the decisions foreshadowed future austerity measures and structural adjustment policies that would be implemented in accordance with agreements with the IMF and WB. On January 25, 1980, the AP (Justice Party) leader and prime minister Demirel declared that the decisions were “drafted ‘in consultation’ with the IMF” and that the program included “33 percent devaluation, devotion to restrained money growth, abolition of price controls and subsidies to state economic enterprises, and cessation of deficit spending - all to be monitored by the IMF” (Yalpat, 1984, p. 19). These decisions had three aims according to Owen and Pamuk: “to improve the balance of payments, to reduce the rate of inflation in the short term, and to create a market-based, export-oriented economy in the longer term” (Owen & Pamuk, 1999, p. 118). Nevertheless, the actual implementation of these decisions had to wait out the rule of the military junta since the minority AP government lacked the necessary political power at that moment (Akça, 2014, p. 14), (Owen & Pamuk, 1999, p. 117), (Bedirhanoğlu & Yalman, 2010, p. 110), (Boratav, 2015, p. 150).

Korkut Boratav describes the years from the 1980 to 1988 as the first “golden age” of the Turkish bourgeoisie in neoliberal times. Because in the first two years of this period, the military banned any trade union activities and restrained the incomes of workers. Boratav writes that “an extreme version of the structural adjustment recipe of the World Bank (WB) was implemented” in this period (Boratav, 2016, p. 3). The junta in 1980 aimed to restructure the institutional architecture of the state and limit politics in favor of the dominant classes (Akça, 2014, pp. 16-17). The fact that the first subsequent labor action, “the spring actions,” would be realized in 1989 nine years after the coup (Bekmen, 2014, pp. 47, 55) gives an idea of the degree of the restrictive practices of the state in this decade.

The 1982 constitution was accepted during the junta ruling. Yalman agrees that the legal and institutional changes realized via the authoritarian nature of this constitution were changes that not only concerned the legal, economic, and political areas, but were also a “change in the form of state” (Yalman, 2009, p. 298). He writes that this change in the

form of state was actually the reconstitution of “the balance of class forces within society which is registered in the state itself” (Yalman, 2009, p. 299). Önder also emphasizes this by stating that the military regime that ruled the state until 6 November 1983 tried to “restructure the state and its relation with society” by enacting 535 laws and 91 decree-laws. In this process, state-society relations and the institutional structure of the state were reformed (Önder, 2016, p. 25).

These changes, which were intended to transform the form of state, and its relations with society, as well as to strengthen the position of the bourgeois classes in class struggle, can be defined as a mutual restructuring of the forms of state and social relations of production, as Cox theorized (1981). In other words, the social relations of production were formed in order to create a suitable environment for new social forces or the ones that previously resided at a weakened position to reach ruling power.

Important restructurings in the form of institutions were directly related to the form of state and social relations of production. An example of this restructuring was the change of the functions and structures of the Money and Credit Committee and the Coordination Committee after the 24th January Decisions. These committees started to become decision-makers more so than advisory committees with respect to economic policies such as the import-export regime and money-credit policies (Sönmez, 2011, p. 149), (Önder, 2016, p. 27). The changing situation of the State Planning Organization (SPO), according to Önder, was “the most dramatic case” in this period. Indeed, she writes, “the principal agency for economic policy in the 1960s and 1970s ... [was] relegated to a less important role during the 1980s. In 1991, it lost some of its most important function and responsibilities to the Undersecretariat of Treasury and Foreign Trade” (Önder, 2016, p. 29). Yet another example of this institutional transformation process was the foundation of the “Undersecretariat of Treasury and Foreign Trade” which had the authority to make decisions about issues regarding trade and the treasury and functioned as the top executor during the neoliberalization process these are the IMF and

WB (Sönmez, 2011, p. 151). This institution was formed as “the headquarters of the prospective neoliberal revolution, charged with overseeing the implementation of structural adjustment ..., and the expansion and integration of the Turkish economy with the global networks” (Ünay, 2006, p. 122).

The other pillar of the institutional transformation period was privatization. Decree-law no.233 was issued in 1984 to make it possible to privatized state-owned enterprises. However, despite the enthusiasm of Özal and his government, the pace of privatization remained slow (Sönmez, 2011, p. 152). The fact that all these reforms and structural changes made to transform the form of state and social relations of production in Turkey to articulate it to neoliberal politico-economic structure were carried out with decree laws also vitally evinces the top-down characteristic of this period.

Another aspect of institutional change in the form of state was the foundation of independent regulatory agencies. One such agency created between 1980 and 1999 was the Capital Markets Board of Turkey. This institution is defined as “the regulatory and supervisory authority in charge of the securities markets” and its main duty is “to take the necessary measures for fostering the development of capital markets, and hence to contribute to the efficient allocation of financial resources in the country while ensuring investor protection” (Capital Markets Board of Turkey, 2018). The Board was founded by the Capital Markets Law in 1981 and “equipped with important supervisory power” (Önder, 2016, p. 42), but according to Sönmez, it reached the qualities of an independent regulatory agency thanks to changes to the law in 1992 and 1999 that freed it from the Ministry of Finance (Sönmez, 2011, pp. 167,169).

During this period, Turkey not only benefited from the material resources of the neoliberal order and started to transform its form of state and social relations of production, but also became part of the joint institutions formed to improve cooperation between international organizations and Turkey. Turkey protected and developed good relations with the IMF, WB, and the US/NATO both during the junta and the civil government elected in 1983. Some progress was achieved in this respect with

the EEC, too. On 16 September 1986, Turkey convened the EEC Association Council. Before a year passed, on 14 April 1987, Turkey applied for EC membership. However, the European Commission “stated that it would be inappropriate for the Community - which is itself undergoing major changes ... to become involved in new accession negotiations” and “the political and economic situation in Turkey leads the Commission to believe that it would not be useful to open accession negotiations with Turkey straight away” (Commission of the European Communities, 1989, p. 8). The Single European Act was on the agenda of the Community, and it was preparing its own political and economic structure in the Treaty of Maastricht. Therefore, it was emphasized that the required legal and institutional changes in the form of state and the social relations of production related to the neoliberalization of Turkey that were sourced from its relationship with the EU could not be achieved in this period.

However, after 1989, legal regulations favoring the liberalization of international capital movements made it possible to meet the public sector borrowing requirement (budget deficit) with short-term capital inflows. Yeldan emphasizes the importance of the decision enabling the shift to convertibility realized by cabinet decree 32 titled “about the Protection of the Value of Turkish Currency.” Accompanied by the acceptance of Article VIII of the IMF’s Articles of Agreement, this decision allowed the liberalization of external capital movements, and any restrictions on the movement of international financial capital in Turkey were abolished (Yeldan, 2006, p. 127). Further results of this decision are summarized by Yeldan as follows:

The financial liberalization process, which accelerated in the half of the 1980s and reached full convertibility in 1989, has pushed the national economy directly into the interest of international speculative finance-capital and has created a structure dependent on hot money flows. (Yeldan, 2006, p. 128).

Bedirhanoglu and Yalman also agree that the negative effects of this capital account liberalization resulted in a “very volatile economy in Turkey

vulnerable to financial speculation, reflected in its weakness in the 1994, 1998 and 2001 financial crises” (Bedirhanoğlu & Yalman, 2010).

Actually, this phenomenon emerged in other countries whose social relations of production were restructured via structural adjustment programs. According to Kiely, the crises of 1997-8 in East Asia, 1994 in Mexico, 1998 in Russia, and 1998-2002 in Brazil and Argentina were all “facilitated by the rapid removal of ‘hot money’ that had initially promoted largely speculative investment, and, once removed, had a devastating impact on the real economy” (Kiely, 2005, p. 111). Indeed, a politico-economic environment characterized by volatile and speculative practices is not appropriate for economic growth. Moreover, the damage of the crises this system caused outweighed its benefits.

Sönmez indicates that the implementation of Decree Law 32 in 1989 necessitated reforms regarding the public sector. However, these needed institutional reforms were not realized by the Özal government. As Sönmez writes, instead of pursuing a wholly administrative reform strategy, the government used substitute methods and organizations to bypass the existing institutional structure. These practices were also carried out via decree laws which were an alternative to traditional decision-making processes. Sönmez emphasizes that while there were seventeen decree laws issued between 1972 and 1978, the number went up to 305 between 1982 and 1990 (Sönmez, 2011, pp. 146-8). This, of course, was made possible by the 1982 Constitution which played a vital degree of power in the executive organ of the state. The fact that the 1982 Constitution strengthened the executive is indicated by Önder, too. She writes that new institutions established after the coup “assumed most critical powers and responsibilities in directing the restructuring of the Turkish economy toward an export-led form of accumulation in an open-market economy” (Önder, 2016, p. 27).

It is important to mention that the contradictions, inconsistencies, and cases of corruption that emerged after the top-down, even unplanned neoliberalization process were amongst the reasons for the establishment of independent regulatory agencies in this period, along

with the pressure of international organizations and financial institutions (Sönmez, 2011, p. 162). However, as will be dealt with in more detail in the next pages, this institutionalization was not achieved with the required rapidity.

The economic results of the neoliberalization process in the ten-year period after the coup d'état, either growth rates, or the levels of debt and real wages were far from being impressive. Owen and Pamuk writes that

GNP increased at the annual average rate of 4.6 percent and GNP per capita at 2.3 percent during the 1980s. Moreover, these increases were only obtained at the cost of accumulating a large external debt which climbed more than fivefold from less than US\$10 billion in 1980 to more than US\$50 billion in 1990. ... Real wages declined by as much as 34 percent.

Moreover, the agricultural sector which employed nearly half of the labor force was damaged by the “elimination of the subsidies and price support programs after 1980,” and the rates output increase averaged 1.4 percent, the lowest rate in the postwar era (Owen & Pamuk, 1999, pp. 120-2).

Far from ameliorating the country's damaged economic structure, governments that ruled the country in the late 1980s and the beginning of the 1990s only sought growth - not a balanced budget or a fiscal policy. The main reason for the deficit, according to Önder, was the high interest rates of the government's debts and its failure to pay those extra expenses with anything other than more debt. Populism shows itself with increases in public employees' salaries and welfare expenditures in response to growing societal opposition to neoliberalization. Military expenditures spent during low-profile clashes with the PKK (Kurdistan Workers' Party) also contributed to the budget deficit (Önder, 2016, pp. 284-5). Therefore, the 1994 crisis, which spelled was the first structural crisis of Turkey's economy, “resulted from the contradictions and imbalances generated during the implementation of a neoliberal strategy.” The growing budget deficit was the *prima facie* reason; however, this deficit was the outcome of the neoliberal transformation of Turkey (Önder, 2016, p. 284).

The “Economic Measures Implementation Plan,” known as the 5 April 1994 decisions were prepared by the coalition government to overcome the crisis in a similar manner to IMF stabilization programs implemented in the 1980s and 1990s in order to receive the approval of IMF. The reduction of fiscal deficits via cutting public-sector wages and eliminating indexation clauses from collective bargaining agreements and the continuation of the neoliberalization process comprise the two parts of the 5 April decisions (Önder, 2016, p. 293). Soon after in July, a 14-month standby agreement with the IMF was signed. Most importantly, the Central Bank Law was amended to increase the autonomy of the Bank and restrict the Treasury’s interventions as was foreseen in the Plan and the stand-by agreement (Önder, 2016, p. 292).

Since the decisions taken to end the crisis and the period afterwards contain an intense neoliberal understanding, the crisis was the beginning of another phase of institutional transformation which make it possible for the neoliberal understanding of rule to penetrate into the form of state and social relations production.

For instance, the privatization or sale of the SEEs were again accounted for in the stand-by agreement of 1994. Moreover, Turkey pledged that the SEEs would be “made subject to commercial law and hence expected to operate according to the principles of the market economy” and that those SEEs which “cannot be privatized because of their weak economic condition will be closed down and their assets sold.” These include companies related to important fields such as textiles, petroleum, tobacco and alcoholic beverages, iron, steel, and agricultural equipment (IMF, 1994b, pp. 5-6).

A series of reforms of the tax, social security, agricultural support, and banking systems were also included in Turkey’s letter of intent. In the “Memorandum on Economic and Financial Policies” of Turkey, changes related to tax system were “aimed at simplifying the tax system and improving its administration.” However, the government did not present examples of this simplification and improvements. On the contrary, only a few changes concerning the rates and scope of taxes were presented. For instance, “corporate income tax rates were decreased from 46 percent to

25 percent” and “most of the exemptions from the corporate income tax were abolished.” Another area of reform mentioned in the Memorandum, the so-called “burden” on the state’s budget, was social security institutions. To get rid of this burden, it was promised that “private health insurance and the establishment of fully-funded private pension funds will be encouraged.” Support provided for agricultural production was also targeted. Subsidies were limited according to the budget and their scopes were narrowed. On the other hand, “to strengthen the financial system and bolster confidence in it” measures such as backing “all domestic and foreign currency deposits” and the merging of weak banks were encouraged by the government (IMF, 1994b, pp. 6-7). The government basically planned to increase taxes on the people, open a way for the privatization of social security, and give guarantees of profits to the financial capital. This was value creation by exploiting the existing wealth of the people.

A year after the crisis, the Customs Union, which was the aim of Turkey and the EC since the 1963 Ankara Agreement, was established by Decision 1/95 of the EC-Turkey Association Council and came into force on 31 December 1995 (EC-Turkey Association Council, 1995). The Customs Union, as Boratav describes, did not create a new for relationship between the EU and Turkey. Nevertheless, the major negative effect of the agreement for Turkey concerned its trade with third parties. According to the agreement, Turkey has to implement the tariffs that the EU imposes on third-party states, while those states did not have to. The resulting loss of Turkey’s competitiveness contributed to the growing foreign trade deficit (Boratav, 2015, p. 187). This means opening Turkey to world economy as a market in which entrance costs were very low. On the other hand, Kalaycıoğlu points to the political aspect of the process and writes that the CU created a new incentive for Turkey to undertake new reforms. Indeed, in 1995 fourteen amendments to the constitution - including liberties, legislative procedures, and the status of local administrations - were approved by the majority of the parties in the parliament (Kalaycıoğlu, 2013, pp. 61-63).

This new wind favored the institutionalization process towards the end of the 1990s. For instance, according to Bayramoğlu, independent

regulatory institutions started to become widespread. It was generally in the second half of the 1990s that such institutions became part of the political and economic structure of countries such as Germany, Brazil, Britain, France, Netherlands, Ireland, Spain, Italy, Canada, Poland, Greece, and Turkey. The fields that these institutions regulate and control include telecommunications, competition, energy, finance, and drug markets (Bayramoğlu, 2010, pp. 280-3).

Of course, the process of transferring the regulatory functions of the state to these institutions did not start by itself. It was the product of an approach emerged that at the international level at the beginning of the 1990s and showed itself concretely in the OECD's "Report on Regulatory Reform" and the IMF's "Good Governance: The IMF's Role." Both documents emphasize the importance of regulatory reform as an aspect of good governance (IMF, 1997), (OECD, 1997).

One of these independent regulatory institutions, the Radio and Television Supreme Council (RTUK), was founded "in 1994 as an administratively and financially autonomous and impartial public legal authority for the regulation and supervision of radio, television and on demand media services." The RTUK was founded to protect the "freedom of expression and information, diversity of opinion, media pluralism, competition environment for avoiding media concentration, and public interests" (RTUK, 2018). However, as Sönmez indicates, it has been criticized for exceeding the limits of protection and becoming a censorship organ for the governments (Sönmez, 2011, p. 171).

Another institution, the Competition Agency, was founded to "facilitate and protect competition in markets ... ensure the formation and development of markets for goods and services in a free and sound competitive environment" with the adoption of "Act No. 4054 on the Protection of Competition in 1994 and the Establishment of the Competition Authority" (Competition Authority, 2018). According to Önder, the customs union between Turkey and EU stipulated the foundation of an independent competition agency which was the catalytic power behind this act (Önder, 2016, p. 43). However, the agency could not start to function until

1997 since members of the agency were not appointed until this year (Sönmez, 2011, p. 172).

Three reasons explain delayed establishment of these institutions, according to Sönmez. The first was the reluctance of previous governments, the second was the acceleration of relations with the EU in this period, and the third was that the need for these institutions emerged in the 1990s, not just after the reforms were made in the 1980s (Sönmez, 2011, pp. 172-3). The fact that these institutions started to be part of the neoliberal ruling understanding at the international level in the 1990s can also be seen as a reason for their establishment in Turkey in this period.

Because the legal-institutional, material, and ideological bases of the neoliberal hegemony in Turkey were also fed by its relationship with the EU, the second half of the 1990s witnessed progress in this respect. In the December 1997 Luxembourg European Council Presidency Conclusions the Council declared “Turkey’s eligibility for accession to the European Union.” Stating that the European strategy towards the accession of Turkey included the “development of the possibilities afforded by the Ankara Agreement; intensification of the Customs Union; implementation of financial cooperation; [and] approximation of laws and adoption of the Union acquis” (European Council, 1997), the Council formally started the legal/institutional transformation and the partnership in financial material capabilities.

The year 1999 was important not only because Turkey was granted candidacy status, but also because of the establishment of this new movement started by the EU. The initiative that demonstrated the vitality and use of institutions at the international level for the maintenance of a hegemonic structure was the “Stability Pact for South-Eastern Europe,” an institution aimed for “reinforcing peace and security in South-Eastern Europe” (European Commission, 2016). The Pact’s declaration document emphasizes that states “will strive to achieve the objective of lasting peace, prosperity and stability for South Eastern Europe” via an “approach to the region involving the EU, the OSCE, the Council of Europe, the UN, NATO, the OECD, the WEU, the IFIs and the regional initiatives.” Moreover, states “pledge to cooperate towards ... creating vibrant market

economies ..., markets open to greatly expanded foreign trade and private sector investment” (Köln Summit, 1999) and made a point of neoliberal market relations while, of course, raising the roles of the EU, NATO, IFIs, and other international organizations.⁷

The reflections of the continued relationship between Turkey and the EU on the legal – institutional basis of the neoliberalization in Turkey can also be seen in the European Commission’s progress reports on Turkey. In the first progress report, the Commission emphasized that Turkey had “certain anomalies in the functioning of the public authorities, persistent human rights violations and major shortcomings in the treatment of minorities.” It had “most of the hallmarks of a market economy, ... However; ... it must establish a credible, durable framework of macro-economic stability and a climate in which the financial sector can genuinely act as an intermediary” (EU Commission, 1998, pp. 53-54). In detail, the Commission drew attention to the state’s role in setting the prices of SOEs; in the agricultural, the telecommunications, and energy sectors; and in market relations in general. “The balance between supply and demand is far from being set by market forces,” according to the Commission (EU Commission, 1998, p. 26), and “much still remains to be done in ... the effective implementation of competition law” (EU Commission, 1998, p. 33).

Moreover, the situation of the Central Bank was also indicated in the report as it was not independent of the government. Since “accession means closer monetary and exchange rate cooperation with the European Union,” this form of functioning of the Central Bank was considered incompatible with EU norms (EU Commission, 1998, p. 47). Indeed, after this condition was put forward by the Commission, Turkey amended Article 4 of Law 1211 on the Central Bank of the Republic of Turkey in April 2001.⁸

7 The Pact was replaced by a “Regional Co-operation Council” in 2008, which now works for the European and Euro-Atlantic integration of the region.

8 According to the new article, the Central Bank “determine(s) on its own discretion the monetary policy that it shall implement and the monetary policy instruments that it is going to use in order to maintain price stability,” and as long as “it shall not conflict with

A "Regular Report from The Commission On Turkey's Progress Towards Accession" was published on 13 October 1999. In which the Commission expanded its demands for political progress in Turkey in the fields of human rights and the protection of minorities (EU Commission, 1999, pp. 15-16). Moreover, as economic progress meant intensifying the neoliberalization process, Turkey was urged to adjust its economy's competition structure to that of the Customs Union, to end the "privileged position" of TEKEL, to concentrate on reducing inflationary pressures and fiscal deficits, and to continue with privatizations (EU Commission, 1999, p. 28).

It is worth repeating that the ingredients of the reports published in 1998 and 1999, highlighted the legal-institutional, ideological, and material shortcomings of the neoliberalization process in Turkey. The conditions to which the Commission drew attention were directly related to the form of state and social relations of production in Turkey. Likewise, Turkey worked to equate the legal basis of its trade relations, and also used this ambition, in its relations with the IMF. In the letter of intent sent by Turkey to the IMF regarding the stand-by agreement signed in 1999, it explained that it had adjusted its customs regulations in accordance with the EU's Customs Code in a law approved by parliament. Moreover, the "Turkish National Accreditation Council" - an institution that was "a vital step in the implementation of the EU's legislation on the removal of technical barriers to trade" - was established (IMF, 1999a, p. 16).

In addition to the outcomes of relations with the EU, the last years of the 1990s also witnessed the results of relations with the IMF and WB. A "close monitoring agreement" signed in July 1998 was the beginning of the IMF directed structural adjustment period that lasted until 2008. Although this agreement was not enforced as planned due to a government crisis sourced from a corruption case, subsequent coalition government continued with the pledged reforms in 1999. These included the Banking Law which established the "Banking Regulation and Supervision Agency"

the objective of maintaining price stability" the it can "support the growth and employment policies of the Government" (TCMB, 2018, pp. 1-2).

(BRSA) and transferred the authority of the Treasury to the BRSA (Bağımsız Sosyal Bilimciler, 2012, pp. 18-20). As mentioned in Turkey's letter of intent for the stand-by agreement realized in 1999, "parliament approved a new banking law that inter alia created a new supervision authority" which sought to "strengthen public confidence in the banking sector." In that vein, state banks such as Ziraat Bank and Halk Bank were to be commercialized "with an eventual privatization goal" (IMF, 1999a, pp. 14-15). This, like the foundation of the Competition Agency, was a vital neoliberal reform that directly concerned a free-market structure and the financial system and continues to transform the form of state and social relations of production in Turkey.

Taxes were again a point in Turkey's letter of intent for the stand-by agreement realized in 1999. Recep Önal, the Minister of State for Economic Affairs, and Gazi Erçel, the Governor of the Central Bank, openly told the IMF that the government increased taxes on personal income, corporations, motor vehicles, property, and mobile phone usage with the approval of parliament. Also, the government "introduced measures allowing individuals to reduce the duration of military service against payment of a fee" (IMF, 1999a, p. 4), an interesting issue for a state to emphasize in a letter of intent sent to the IMF. Of course, privatization was also included in the letter. Turkey explained its plan "to limit the domestic borrowing requirement of the public sector" by procuring privatization income mainly in the telecommunication and energy sectors "in 2000 to at least 3% percent of GNP (US\$7.6 billion)." Moreover, this time around the needed legal basis was realized in 1999 by constitutional amendments that established the authority of high judicial bodies as well as a regulatory body for the telecommunications and energy sectors (IMF, 1999a, pp. 6,13).

These amendments, which were directly connected to the pledges given to the IMF, constitute a model of legal-institutional change in favor of the neoliberalization process. These concerned Article 47, 125, and 155 of the constitution. According to Ataay, the concept of "privatization" entered the constitution in these amendments, and the principles and pro-

cedures of the privatization of public enterprises and assets were regulated by law. Moreover, the basis for the judicial processes to which contracts related to public services would be subjected were determined, opening the way for the fulfillment of public services by private entities (Ataay, 2006, p. 67). This, in practice, meant the commoditization of public services (Ataay, 2006, p. 37).

As a result, throughout the 1980s and 1990s, Turkey witnessed many plans and programs such as the 24th January and 5th April decisions, legal and institutional reforms, and a strict constitution prepared by the junta that allowed the top-down administration of vital fields via decree-laws and extraordinary use of this authorization by governments. Especially legal and institutional changes realized during crisis periods, intensified neoliberalization. The institutional structure of the relationship between the state and the economy as well as the social relations of production passed through a transformation via legal and institutional restructuring. Many new institutions were created and the forms of existing ones were changed. Privatizations and the establishment of independent regulatory agencies were ardently supported and realized. The underlying neoliberal understanding of this process was never questioned. Harmonious relations between Turkey and the IMF, WB, EU, and NATO in these decades were developed not only by cooperating with these organizations but also by establishing new international organizations operating under a perspective that supported and functioned to spread and strengthen neoliberal rule.

§ 4.3 For the Sake of Ideological Unity

The ideological unity between the ruling elites of a state and representative organizations of the neoliberal order as well as their attempts to create a shared worldview to internalizes the nature of neoliberal social and politico-economic relations in the various parts of a society should also be analyzed.

Before this inquiry into ideological unity in the 1980s and 1990s, it will be beneficial to look briefly at a period a few years prior to the 12 September 1980 coup d'état and the start of the ideological implementation of the neoliberal project. To explain the political atmosphere of the late 1970s in Turkey, Akça points to three main political trends and their representatives. The first was the center-left Republican People's Party (CHP) and its left populist strategy which failed to win "the consent of the bourgeoisie or more radical fractions of the working class;" second was the center-right liberal-conservative Justice Party (AP) who adopted an authoritarian populist strategy and won "the support of important sections of the bourgeoisie" but lost the support of dominated classes; and the last was revolutionary leftist politics which managed to gain support outside parliament (Akça, 2014, p. 15). During these years, Turkey's import-substituting industrialization economy was in a deepening crisis. This crisis, unsurprisingly, brought about increasing conflict between classes. Akça writes that in the minds of bourgeoisie factions, the basic rights of the working class such as trade unions and collective bargaining were the reasons for this crisis. Workers responded to these accusations with more strikes, a total 190 between 1977 and 1980 according to Keyder (Keyder, 1987, p. 191) as cited in (Akça, 2014, p. 14). The unsuccessful relationship of the AP government with unions is also mentioned by Owen and Pamuk. They write that "strikes and other forms of labor unrest, often violent, became increasingly common in the summer of 1980" (Owen & Pamuk, 1999, p. 118). Therefore, the general view of this period is that there was a "crisis of hegemony" and no political actor or group was able to gain the consent of the masses to realize the neoliberal transformation of the form state and social relations of production in a hegemonic way. This crisis of hegemony was ended by the 1980 coup d'état which created a rule that basically did not need consensual power to survive.

In the 1980s, the new ruling elites who embraced the ideology of the international capitalist order and the capitalist classes that were saved from the hegemony crisis of the 1970s by the authoritarian regime that the coup imposed on the society were the playmakers. The commitment of the junta government and the subsequent Özal governments to the

capitalist bloc provided Turkey with relations with IFIs, the US and NATO, which were free of crises. This commitment was even rewarded with financial and military material and ideological knowledge resources in the form of assistance projects and adjustment loans that were needed for the neoliberalization of production relations and the form of state via the transformation of institutional structures.

Attempts to legitimize attacks on the form of state and social relations of production as part of the neoliberalization project emerged especially after the 24th January Decisions that were the first step towards neoliberal transformation in Turkey. Statements by leading political figures functioned to establish the discursive armor of the neoliberal project. Prime minister Demirel, for instance, stated with respect to the decisions that “they took precaution to eradicate poverty” (Demirel: "Yoklukları kaldırmak için önlem aldık", 1980a), which brought about rigid price increases in many basic aspects of people lives. The government also openly defended cooperation and agreements with the IMF as well as the neoliberalization of production relations via privatization, freeing of prices, and marketizing the agriculture and mining fields in fourteen decree laws (Ekonomi Özel Kesim ve IMF'nin İsterlerine Açıldı, 1980a). In a letter on June 2, 1980 sent to Jacques de Larosière, Managing Director of the IMF, signed by İsmet Sezgin, the Minister of Finance, he openly writes that he wishes to reassure the Director that “the policies to be pursued in the succeeding two years will be fully consistent with the objectives set forth in the Government's policy announcements of January 24, 1980” (IMF, 1980a, p. 4). However, this expression of ideological commitment was already peaked when Demirel manifestly declared that they say, “let it be done” referring to the classical liberal motto (Demirel: "Bırakın Yapılsın Diyoruz", 1980b). Unsurprisingly, positive reactions came in from representatives of capitalist factions in the country. The chairman of the Istanbul Chamber of Industry stated that devaluation would help to stabilize the economy in the long run (Son karar genellikle olumlu karşılandı, 1980c). As expected, the 24th January 1980 decisions had the support of the IMF and WB thanks to its neoliberal soul and com-

patibility with the agendas of these institutions to overcome the economic recession in core economies, increase profits, and shape peripheral countries according to this aim (Kazgan, 2006, p. 125).

Moreover, Owen and Pamuk indicate that another vital aspect of this support was the Islamic revolution that took place in Iran in 1979, which overthrew the pro-western Shah and directly made Turkey “an indispensable ally of NATO” in the region (Owen & Pamuk, 1999, p. 119). The invasion of Afghanistan by the USSR that same year was an additional factor (Bölme, 2012, p. 311). The leading state and its allies did not refrain from helping needed allies through the international institutions they controlled. Therefore, an important politico-economic crisis-like situation was meticulously addressed by the US and the IFIs for the sake of protecting their power in the Middle East region and preventing any possibility of a popular tendency for leftist politics from emerging. Moreover, this shows that situations in the world conjuncture consist of an intertwined relationship of military and economic conditions and ideological character. They must be examined together since hegemony needs financial and military material capabilities and ideological unity, at the same time.

Şener explains the ideological essence of the 24th January decisions, the 12th September coup d'état, and the neoliberalization process under Özal's government by citing the famous *The Economist*:

On September 20, 1980, one week after the coup, *The Economist* published an article about the military coup in Turkey. According to the journal, the coup was “regrettable” for “...the Western alliance (which) draws strength from its democratic institutions and is morally weakened when the democratically elected government of a member country is forcibly overthrown...,” it was still hard “...not to concede that Turkey's armed forces...acted as they had to when they took over power on September 12th.” (Şener, 2018, p. 14).

As one example among many, this shows that the discourse of the 1980 coup was built in such a way to create consent for the continuation of

support for Turkey in the western media during its neoliberalization process. Moreover, a day after the coup, support for the junta administration from the international political and economic environment was declared by the newspapers. According to one of the most well-known, the *Times* a coup had been expected at any moment just a day before (Ordunun yönetime gelmesi dışta olumlu karşılandı, 1980d). The public was reassured that the international system would continue to send credit via its financial institutions and let Turkey benefit from the material capabilities of the capitalist bloc - not isolate it because of the coup (Dünya Bankası ve IMF, Türkiye'ye Kredileri Sürdürecektir, 1980e). It must be mentioned that developments in core capitalist countries were also traced and published in the media. News of Thatcher's economic policies and Reagan's election pledges were published just four days after the coup (Başbakan Thatcher'in ekonomik politikası başarılı olamadı, 1980b). The print press fulfilled its duty to create acceptance in the society for the power and for support of a higher authority and a new wave of change in the world order.

When we look at the political and military wing of the capitalist bloc, in two communiqués released after the meetings of the Defense Planning Committee of NATO in 1979, Turkey alongside Portugal were spoken of as states with difficulties fulfilling their commitments under severe economic constraints; therefore, they urgently needed external assistance. There is no doubt that NATO saw economic and military power as deeply related when ministers who attended the meeting “agreed that the efforts to provide assistance, both military and economic, to Portugal and Turkey should be pursued vigorously” (NATO, 1979a), (NATO, 1979b).

Moreover, throughout the 1980s, Turkey's economic conditions were mentioned in nearly every NATO meeting and communiqué. The strategic importance of the Alliance's southern region and the Mediterranean; the interdependence of Allied security; and economic cooperation and assistance within the Alliance were among much cited topics in parts of the communiqués wherein members called for assistance for states suffering from severe economic difficulties - mainly Greece, Portugal, and Turkey.

Another example mentioned in the first section of this chapter, the “Defense and Economic Cooperation Agreement” between the US and Turkey which was ratified after the coup, also intensely emphasize ideological unity. These reference points make it easier to understand the substance of neoliberal hegemony based on ideological, institutional, and material capabilities. The main aim of the agreement is clearly declared in the first article: “The Parties shall maintain and develop close cooperation between them comprising economic, defense and related scientific and technical fields.” (Turkey & US, 1980, p. 3326). Moreover, the agreement emphasizes that because of “the interrelationship of economic and defense matters and the fact that a sound defense rests on a sound economy,” Turkey and the US “will exert maximum efforts to develop economic cooperation, including commercial, economic, industrial, scientific and technological relations.” (Turkey & US, 1980, p. 3326). On another page, the emphasis on military capabilities intensifies with the US recognition of “the needs of the Turkish Armed Forces for a modernization and maintenance program” and its commitment to “use its best efforts to provide defense support (defense materials, services and training)” to Turkey (Turkey & US, 1980, p. 3329). Considering these pledges, the establishment of ideological unity between the US and Turkey and the development of the material capabilities of Turkey functioned to legitimize the junta government and shield it from regional and global criticism in a period of world politics characterized by other coup d’états in Latin America and the start of the articulation of Turkey into neoliberal world order. This partnership between the US-led Atlantic alliance and Turkey was beneficial for Turkey which purchased military equipment and services from these states throughout two decades as discussed above.

It should also be emphasized here that it was not only the US that had a political impact on Turkey’s actions; the EC realized important discursive politico-economic steps in bringing Turkey close to the neoliberal order. For instance, the EC-Turkey Association Council mentioned above focused foremost on the free movement of products and workers – any

social and cultural advancement of workers was part of the attempt to establish shared consent for neoliberal social production relations.

The financial column of the neoliberal world order was also absorbing Turkey in these years. After the declaration of the 24th January 1980 decisions, the IMF's executive director de Groote said in a statement on Turkey that "the measures recently taken ... aim at bringing the economy back on the right track after an initial correction ... The achievement of this objective is predicated on a major reorientation of the economy in the direction of liberalization." In addition to their firm belief in the program, the director warns that "the capability of the government to carry out all transfers without delay is crucial." The director and the Fund attached much importance to the program and its success and de Groote emphasizes that the objectives of the program fully comply with the objectives of the Fund. Its success would demonstrate the appropriateness of the Fund's policies (IMF, 1980b, pp. 1-3). While it is unknown whether the director genuinely cared about the economic well-being of Turkey, this discourse of mutuality served ideological unity.

After the coup, this relationship was continued by the junta government. Five days after the coup, a memorandum signed by Kenan Evren who was designated as Head of State, Chief of General Staff and President of the National Security Council was sent to the IMF's executive board. The memorandum declared that the program launched by the first long-term stand-by agreement in June 1980 "to stabilize and improve the Turkish economy as well as the application of all international agreements, arrangements and protocols will be continued" (IMF, 1980c). Unsurprisingly, the IMF did not end the program.

In the following years, acts of cooperation and surveillance by the IMF and WB continued, two other stand-by and loan agreements were signed, and were projects realized. The Fund emphasized that "a sustainable balance of payments requires a more outward-looking orientation of the economy" for Turkey (IMF, 1984a, p. 2). It praised Turkish authorities for their determination to aim for "more sustainable, outward-looking development and greater reliance on free market principles" (IMF, 1986, p. 4). The stance of Turkey was also coherent. In a letter attached to the stand-

by agreement declared in 1984, Kaya Erdem, the Minister of State and Deputy Prime Minister, demonstrates how government officials could advocate for neoliberal rule and ideological unity in just a few words. He writes that the government believes that they will reach their economic aim “through a free market economy with the minimum of bureaucratic intervention” and that “Turkish citizens - farmers, workers, and industrialists - can be most productive when they can respond freely to the rewards of a free market environment” (IMF, 1984b, p. 5). That determination and commitment are made clear from the beginning whenever any country sends a letter of intent to the IMF and those letters are explained as documents describing the policies that the states intend to implement to get financial support from the IMF.

Beside this cooperation between ruling and capitalist elites and international organizations, these stand-by and loan agreements were indeed burdened by the necessity to create consent in society. This was required for the acceptance of neoliberal social production relations. To do this, reform of the market structure was tried as in the WB projects discussed above which aimed to expand and diversify small- and medium-sized industries and develop their ability to obtain credit.

The fact that these loans, projects, and political partnerships were made available to Turkey in a number of different fields is important not just because they advanced institutional development and productive material capabilities but also they played a vital role in producing and maintaining ideological unity via reproducing consent. This consent was apparent when Turkey continued to show its devotion to the neoliberalization process by, for instance, consenting to

refrain from imposing restrictions on the making of payments for current international transactions or engaging in discriminatory currency arrangements or multiple currency practices without Fund approval, and also [to] undertake to assure the convertibility of their currencies

with the acceptance of Article VIII of the IMF’s Articles of Agreement (IMF, 1990). The ratification of this article and Cabinet Decree 32 titled

“About the Protection of the Value of Turkish Currency” that enabled the shift to convertibility was regulation in the service of the neoliberalization of the legal and institutional form of the state and social relations of production. As mentioned in the first chapter, since the mid-1970s, in the process of “adjusting national economic activities to the exigencies of the global economy,” states started to act as “transmission belts” (Cox R. W., 1993, p. 260), and the state in Turkey did not follow a different path.

Turkey, as discussed above, witnessed the end of the hegemony crisis of the late 1970s with a coup d'état in 1980 which brought about authoritarian rule throughout society that suppressed all opposition movements and removed all channels for the emergence of one - for three years formally, but throughout the 1980s in practice. During the neoliberalization process, political and capitalist elites encountered no resistance due to this oppression. Turkey benefited from the financial and military resources of the capitalist bloc, and the regime in Turkey developed its material capabilities. Moreover, an intense ideological unity among the government, political and capitalist elites, and international financial and political organizations was established, and a collective image about social order was imposed on society. However, the legal and institutional, and ideological transformations were not sufficiently intense. For instance, the regulation that freed external capital movements from any restriction was enforced in 1989, and independent regulatory agencies started to penetrate state-market relations in the 1990s. This lack of legal and institutional transformation of the form of state and social relations of production was not exclusive to Turkey; the EU, IMF, and WB were also continuing this process. The legal and institutional basis of neoliberalization was not founded in parliament in a hegemonic way, but rather via top-down decree-laws. The reason was the continuation of the political, economic, and military rivalry between the blocs. The fear of the “communism threat” and the mere existence of the USSR were obstacles that blocked the spread of neoliberalism in a hegemonic way. Instead, the capitalist power bloc aimed to consolidate.

The 1990s were a second period of a crisis of the hegemony in Turkey after the first in the 1970s. Daily political life was dominated by a discourse of security and militarization of the societal identity problems. Again, the institutions of liberal democracy such as parliament became non-functional (Akça, 2014, p. 23), (Bekmen, 2014, p. 55). In this period, not only was class politics overshadowed by identity crises, but there was also a lack of power and political authority to carry out institutional and ideological transformation in favor of any hegemonic project.

During this decade, three general elections took place in which the center-right, center-left, social democrat, radical nationalist, and Islamist parties competed. None were able to win more than 27 percent of votes (Akça, 2014, p. 23). As Çetin emphasizes, weak, short-lived governments were not able to initiate institutionalization in the political, bureaucratic, and legal spheres in tune with economic decisions, and the result was a decade of “politics without policy” (Çetin, 2010, p. 27). Political and economic instability, lower growth rates, inflation, and inadequate budget management dragged the country into an unsustainable fiscal deficit resulting in the 1994 crisis (Öniş & Bayram, 2010, s. 44).

Boratav describes the years between 1989 and 1997 as the “revival of populism.” It is true that most of the 1990s were characterized by coalition governments whose political strategies were based on populist policies. Towards the end of the 1990s, as Boratav indicates, “a consensus emerged within the ranks of the bourgeoisie for a radical further move in the neoliberal direction.” This consensus was reflected in politics in the form of a short-term monitoring agreement with the IMF in 1998 (Boratav, 2016, p. 4) and stand-by agreements at the end of the 1990s which will be dealt with in further pages.

The crisis of hegemony in the 1990s started with the 1991 parliamentary elections. The ANAP lost more than half of its seat in parliament, and a coalition of the center-right True Path Party (DYP) and the center-left Social Democratic Populist Party (SHP) started to rule the country. This coalition government put forward a program that included new redistributive policies, a new constitution, and a political solution to the Kurd-

ish question. However, these pledges gave way to hollow, groundless populist economic policies, the militarization of the Kurdish question, and continuation of the neoliberalization process when the 1994 financial crisis hit the country.

Before the crisis, relations with the hegemonic order did not differ. Ten months before the agreement between the Turkish Defense Industries Undersecretariat and US Technologies-Sikorsky worth US\$1.1 billion, Prime Minister Demirel highlighted the military alliance between the US and Turkey and expressed his wish to establish a new Marshall Plan to maintain stability in the Turkic republics (Aydm, Erhan, & Erdem, 2001, p. 255). Setting aside his desire to spread the US-led hegemony to former Soviet regions, the deepening of the articulation of Turkey to this hegemonic structure via its dependence on destructive material capabilities increased in the 1990s.

When crisis shook the country, the 5th April Decisions were declared. In May, newspapers wrote that the “IMF got what is wanted” and Prime Minister Çiller of the liberal-conservative DYP (True Path Party) stated that the “package will be painful, but there is no relief” in a way that recalls Thatcher (IMF'nin İsteddiği Oldu, 1994). Attempts to build a discursive armor for the deepening and spread of neoliberalization via IMF and WB agreements after the 1994 crisis not only took place in the statements of politicians. The agreement called the Privatization Implementation Technical Assistance Project realized by the WB and Turkey to increase “efficiency and productivity in the economy” was approved in May 1994 also had a similar condition. One of the aims of this project supporting privatization during an economic crisis was to set up a “public information campaign to promote the Government's privatization agenda and broaden public support for it” (World Bank, 1994). This is an example of a quest to reproduce the consent of the people to neoliberalization projects with the financial resources of the neoliberal hegemonic order.

Soon after the crisis, the EU proceeded with its relationship with Turkey. The Customs Union a year after the crisis was first on the agenda in Turkey. This union on economic and trade relations between the EU and

Turkey did not bring something for these parties as explained in the previous sections. Instead of seeming unnecessary, it became a top point in political and socio-economic discussions. Because the mere existence of an agreement that regulates and reforms the legal basis and institutional structure of relations between the EU and Turkey was both a product of and affirmation of an ideological unity. Otherwise it would neither have been possible to see the US foreign secretary and the Secretary General of NATO shaking hands and agreeing on support for Turkey's accession to the Customs Union (ABD'den GB desteği, 1995a) nor to see Labour leader Blair declaring his support while laughing with Turkey's minister of foreign affairs Deniz Baykal (Blair'den "yes", 1995b).

Another new development in that period, as discussed in the previous section, was the establishment of independent regulatory institutions. Besides the material functions of these institutions, their ideological roles and functions must be emphasized. The first independent regulatory institutions in Turkey established in the fields of media and competition. While the former is part of civil society - the field of consent reproduction - the latter is at the heart of the ideology of market relations. The importance of the well-functioning of these apparatuses do not let the neoliberal hegemonic order to neither ignore the states' interventions nor the direct popular control that contain the possibility of the emergence of actions that can harm the consent production, and the basis of the neoliberal production relations.

Towards the end of the 1990s, relations between Turkey and international organizations gathered new momentum. The EU initiated an intense work on Turkey, and the IMF was in the business with the help of "close monitoring" and stand-by agreements. This increasing action in the relationships with Turkey not only meant an increase in Turkey's benefit from the material and knowledge sources of the neoliberal order and the institutionalization of it within the country, but also involved panoptic operations pursued by these organizations towards Turkey. Annual progress reports not only traced candidate states' shortcomings in the process of articulation to the neoliberal hegemony but also determined the politics of those states whatever government held power. The

titles of the IMF's documents themselves tell its panoptic functions more distinctly; because the "close monitoring" of a state's policies is what Gill intends when he uses the word panopticon to explain the hierarchical relations at the level of international politics.

Lastly, as has been emphasized throughout, the parallel trajectory of military relations in the process of articulation to a hegemonic order was apparent towards the end of the 1990s. The contribution of a state to the destructive material capabilities of the hegemony in its articulation process is as important as its benefit from the sources of the hegemonic order. In this context, the European Commission did not overlook Turkey's contributions to military organizations such as the IFOR/SFOR and generally to NATO generally. The collaboration between the EU and Turkey in foreign and security policy issues (EU Commission, 1998, pp. 50-51) were a series of practices realized by Turkey to contribute to the destructive material capabilities of the neoliberal hegemony.

As a result, the ideological unity between the elites of the ruling and capitalist classes of a country and the international organizations and elites of the leading states is necessary for a hegemonic project to be realized. In this case, when we look at the first two decades of the neoliberalization of the form of state and social relations of production in Turkey, was attempted to be actualized by not ignoring this field. However, even if there is a strong example of ideological unity between the elites in Turkey and the representatives of the neoliberal world order, widely-shared acceptance of neoliberal rule has not been brought about in the society.

§ 4.4 Conclusion

In this chapter I presented an analysis of the neoliberalization of the form of state and social relations of production in Turkey by examining its relations with international financial, political, and military organizations in the 1980s and 1990s from a neo-Gramscian perspective.

According to Table 4.7, Turkey's share of the world GDP based on purchasing power parity was between 1.17 percent (1980) and 1.43 percent

(1987) throughout the 1980s and 1990s. At the end of the later decade, Turkey's share was 1,38 percent (1999) and 1,36 percent (2000).

The 1980s, from their begin, were a decade in which Turkey started to be articulated to the neoliberal world order. The 24 January Decisions declared the inception of this process, and the 12 September coup d'état emerged as the needed power source for the state to stamp out any opposition, end class-based politics (Bedirhanoğlu & Yalman, 2010, p. 117), and initiate the transformation period. While any social forces that were a potential threat for junta rule and that of successive neoliberal governments were exterminated, all of whole society rolled into a securitization of every corner of social life until the end of the 1980s. This pressure on society originated not only from the coup within the country, but also from conflicts such as the invasion of Afghanistan, the Iran – Iraq War, and rising tensions between the blocs that affected the whole of the Middle East and the world economy.

In the 1990s, the degree of activity in the internal political life of Turkey and in its foreign relations continued to increase. While a hegemony crisis penetrated the fissures of political life, political Islam and the Kurdish movement, which were gaining political and social force, deeply influenced the political agenda of the time. In addition to these socially-rooted crises, an economic crisis in 1994 opened the way for more neoliberalization. Relations with IFIs were free of troubles, and relations with NATO and the EU in particular intensified as Turkey became a member of the Customs Union and took important steps towards membership in the latter. It should be mentioned that securitization of socio-political life did not disappear but rather increased in this decade given the militarization of the Kurdish problem by the state in the country and the never-ending conflicts and US interventions in the Middle East.

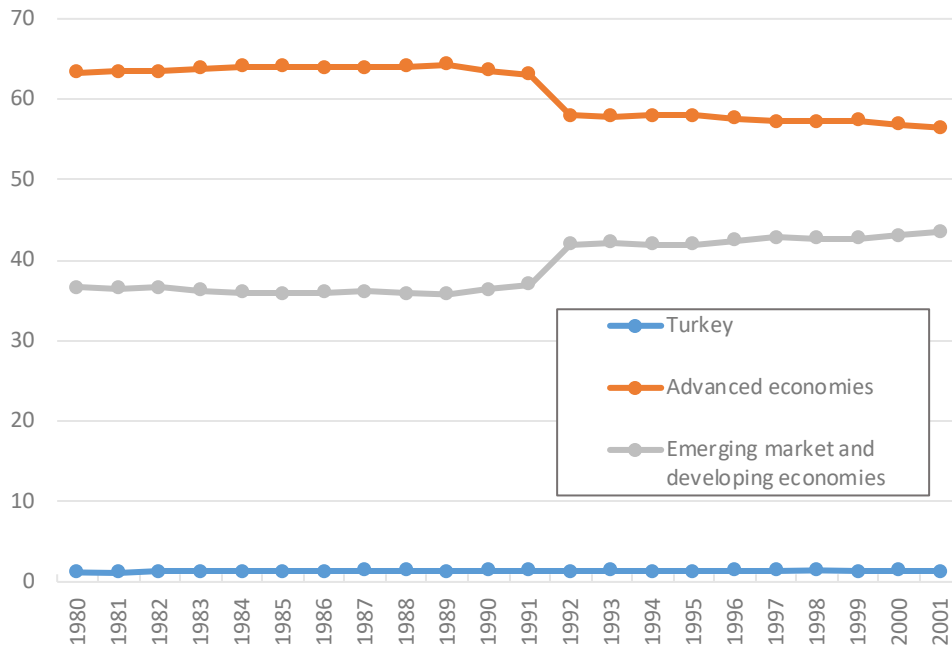


Table 4.7 GDP based on PPP, share of world (percent of world), generated from (IMF, 2018b)

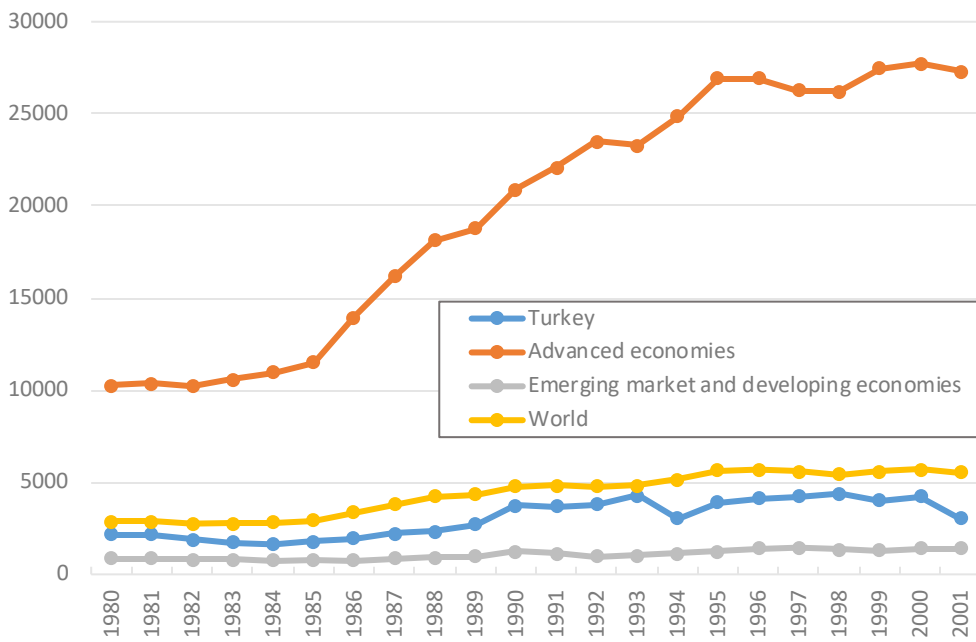


Table 4.8 GDP per capita, current prices (U.S. dollars per capita), generated from (IMF, 2018b)

Moreover, as Table 4.8 shows, while the GDP per capita in Turkey increased from US\$2168 in 1980 to only US\$4218 by 2000, the world average was US\$2843 in 1980 and US\$5667 in 2000. Not surprisingly, GDP per capita in advanced economies increased greatly from US\$10,273 in 1980 to US\$27,739 in 2000 while developing economies did not make great progress, increasing from US\$865 in 1980 to US\$1405 by 2000.

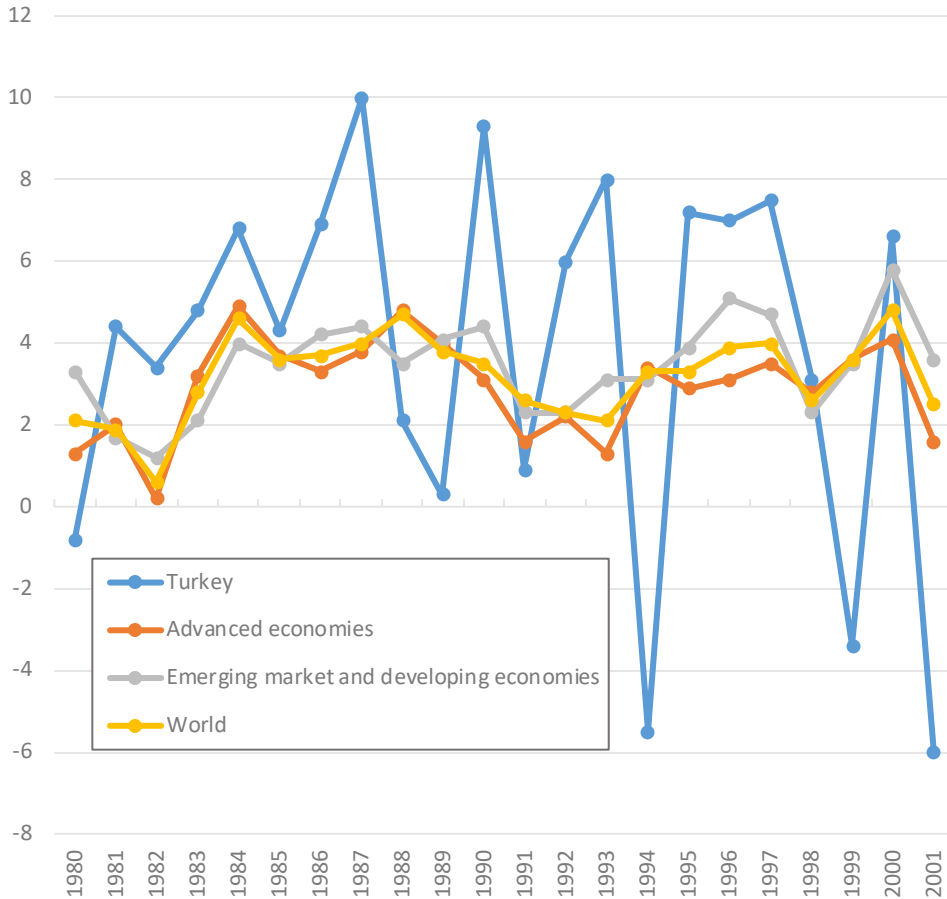


Table 4.9 Real GDP growth (annual percent change), generated from (IMF, 2018b)

However, GDP per capita notwithstanding, Table 4.9 on real GDP growth illustrates an interesting fact about the economic conditions of Turkey in the 1980s and 1990s. It is clear that Turkey did not achieve stable growth in this period, and the average rates in the advanced and emerging economies, in world went nearly hand in hand. This data not only shows the

failure of governments in Turkey to establish a well-functioning neoliberal economic structure, but also shows that the root of the failure concerned the creation of consent for neoliberal production relations.

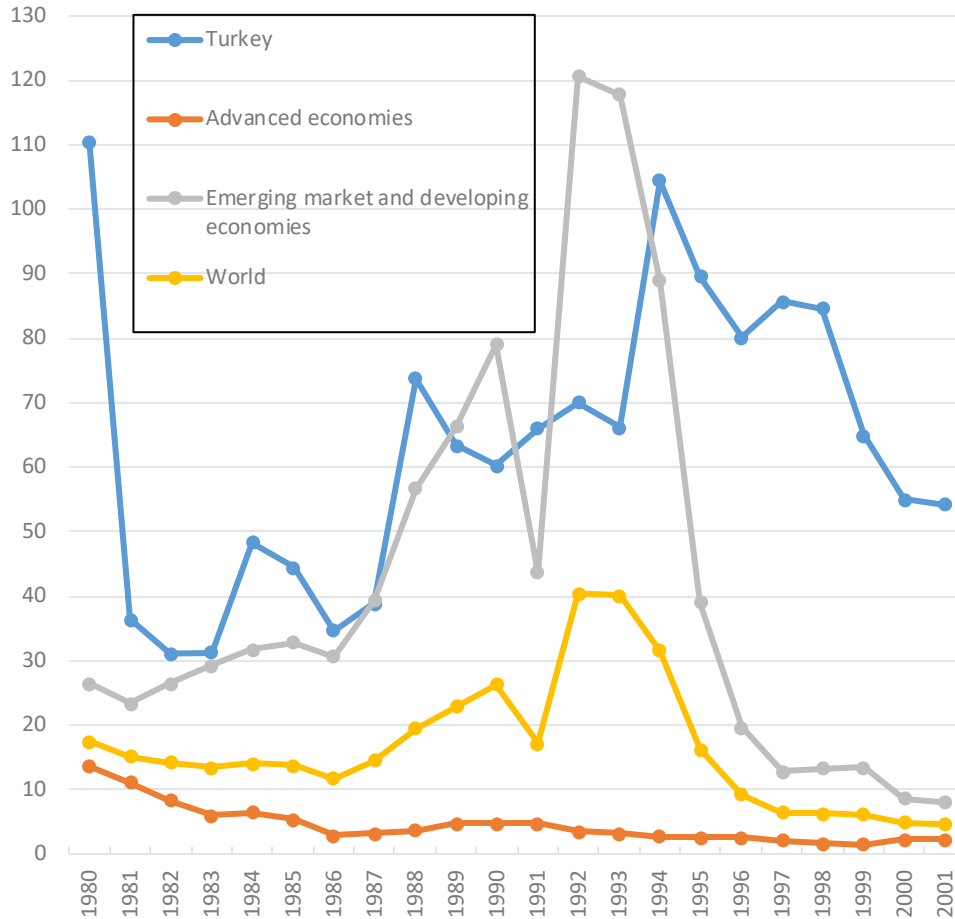


Table 4.10 Inflation rate, average consumer prices (annual percent change), generated from (IMF, 2018b)

Moreover, the problem of inflation in Turkey's economy in this period was not solved despite billions of US dollars of loan, projects, and agreements realized between Turkey and international financial organizations that were aimed at structural and institutional transformations. The inflation rate of 36,4 percent in 1981 climbed to 104,5 percent and it was reduced to only 55 percent in 2000.

Turkey received the constant support of international financial, political, and military organizations. This support became visible in the form

of statements of the international organizations and their leading states, of destructive and productive material resources to develop Turkey's material capabilities, and of sources of knowledge vis-à-vis structural adjustment programs, development projects, and legal and institutional reform packages. It can be said that these resources were used for most to keep the state in Turkey functioning and secondly to transform it to fulfill its functions in harmony with neoliberalism. In parallel with this transformation, the state carried out its duty of being the transmission belt by imposing a neoliberal understanding on the social relations of production. As the graphs thoroughly explain, Turkey benefitted from significant productive and destructive material resources in the 1980s and 1990s, but the institutionalization of neoliberal hegemony through the transformation of the form of state and the creation of a shared image of neoliberal social relations in society were not properly achieved.

Conclusion

Throughout these pages, with the help of the neo-Gramscian approach that provides a needed critical perspective, the neoliberalization of the form of state and of social relations of production in Turkey since the beginning of the 1980s has been analyzed mainly by examining its relations to four international organizations. The characteristics of Turkey's articulation process to the neoliberal world order before the 2000s via a passive revolution has thereby been investigated from an uncommon point of view.

To establish the required knowledge basis, some examples of neoliberalization from different regions of the world, the roles of international organizations in these processes, and the transformations carried out by these organizations within their own structures were dealt with in by this research.

The most important point that as Gramsci pointed out is that international relations do follow fundamental social relations and that a change in social structure influences international relations through various channels. Indeed, as Cox also indicates, a certain form of social relations of production and the form of state emerge accordingly in a certain region, reach a widespread and even hegemonic position at the international level, and then impose this form of rule on other regions. The expansion process of the neoliberal world order, which began in mid-1970s,

was initiated and maintained by bloody coup d'états in some Latin American countries and in Turkey but was introduced in developed capitalist regions via elections. However, regardless of this difference, the first fields that the neoliberal transformation affected were the nature of the social relations of production and forms of states everywhere.

The transformations carried out in these fields sought to achieve a hegemonic position for the neoliberal project during this period.

The 1980s were a period in which international politics became increasingly rigid, international organizations were active and functioned in favor of the spread and deepening of the neoliberal world order. The process of adaptation to this new system by international organizations began with the Baker Plan, which brought about changes to the structures and operation of the IMF and WB. The IMF and WB started to create credit products such as "structural adjustment loans" and "structural adjustment facility" that now begun to bring connotations of crisis and exploitation to mind. In addition to these packages created to articulate more states into the neoliberal hegemony - which generally included financial resources to develop constructive material capabilities in these states - the IMF and WB did not hesitate to put forward discursive practices, too, for the production of consent towards the neoliberal order.

In response to criticisms of the initial results of neoliberal transformation, changes took place in the discourses and practices of the governments of the leading countries of the neoliberal world order such as the US and the UK as well as international organizations beginning in the early 1990s. However, as seen from the mid-1990s attest, these procedural and discursive changes did not produce positive results, and economic crises again emerged in underdeveloped and developing countries. Moreover, the solutions proposed for these crises - the so-called "structural reforms" - did not deviate from their purpose to spread and deepen the neoliberal project.

The neoliberal restructuring of the EU - an organization that played a vital role in the articulation of Turkey to the neoliberal hegemony, especially via the transformation of its legal and institutional structure and the creation of ideological unity with it - was carried out incrementally

during the same period. The transformation of its own legal and institutional structure, the enrichment of its material capabilities, and the production of social consent for neoliberal rule had been on the agenda of the EU since the 1970s. From the European Monetary System established in 1979 to the acceptance of the Euro as a common currency in 1999, the EU has become one of the most powerful fortresses of the neoliberal world order. The contribution of TNCs to this process were important enough to be a subject of analysis.

NATO, an international organization with a vital role in the enhancement of destructive material capabilities and the creation of ideological unity at the international level, also underwent a certain transformation in this period. In this context, NATO provided a platform that stretched the politics between the two blocs and maintained the power unity in the capitalist bloc, especially since the mid-1980s. With the fall of the USSR, NATO strengthened its discourse of being the protector of the liberal world and took on the duty of being the military wing of the neoliberal hegemony in the emerging world order. For instance, it functioned efficiently during the militarization of the Middle East in the 1980s and 1990s. Aside from these, research on the transformation of a country like Turkey, which has been a NATO member since 1952, had to treat this organization as a topic of analysis.

Gill argues in 2003 that “world order configuration, and prevailing forms of state and civil society are in a situation of ‘organic crisis’” A process of global transformation, according to Gill, has taken place, and a structural change in the ideas, institutions, and material capacities that create the basis for the hegemonic world order was witnessed in that process. This process, he emphasizes, has its roots in the end of the 20th century, which was a period in which the neoliberal state form became a model for internalization for both developed and developing states thanks to what he calls the “synthesis of public and private power” or the

“G-7 nexus”¹ (Gill, 2003a). This internalization of neoliberal hegemony, and the indispensable transformation of the form of state and social relations of production in Turkey, are examples of this process.

The neo-Gramscian analysis of the articulation of Turkey to be neoliberal hegemony in the 1980s and 1990s is crucial for two reasons. First, of course, is that it explains the characteristics and basis of the heavy neoliberal transformation in Turkey that continued in the 2000s. Second, it explains the nature of the neoliberal world order which is materialized in the structures and functions of international organizations.

The 1980s and 1990s witnessed many political and social crises and transformations in Turkey. Neoliberalization was initiated under authoritarian rule based on solid violence in the 1980s. A new legal and institutional structure in line with neoliberal rule began to be implemented under the guidance of international organizations. However, this legal and institutional transformation process was not carried out in a hegemonic way, and did not achieve the needed success. Firstly, the implementation of the changes was based on a top-down administrative understanding that did not seek or need the active consent of different segments of society. Secondly, it resulted in an inadequate legal and institutional structure that did not function as the neoliberal hegemony needed. In the 1990s, political and socio-economic life were under constant attack and in crisis. Identity problems took precedence over class politics and social problems were militarized by the state in parallel with the militarization of the Middle East by the US and NATO. Political Islam grew and opposition groups did not place enough weight on labor politics.

1 This nexus, according to Gill (2003a), “can be defined as the constellation of social and political forces which regulate, police and protect a disciplinary neo-liberal world order” (para. 2). We can include the IMF, the World Bank, and the G7 in that nexus. He writes with an inspiration Inspired by Gramsci and Foucault, he writes that “the interpenetration of political and civil society in the form of state in an internationalized process of policy formation and surveillance” (para. 2). This is, of course, a topic to which a whole another thesis can be devoted, but, it is vital to grasp the inference that the production and implementation processes of the neoliberal mind depended heavily on the international level of politics.

During this period, Turkey's had access to destructive material resources to develop its material capabilities thanks to NATO and the US. The fact that this beneficial relationship continued uninterrupted throughout these decades shows that any administration that does not veer from the neoliberal hegemony can benefit from these resources. Governments in Turkey during this period continued to benefit from these resources even in the most difficult economic times, mostly running up debt with a compatible political attitude. On the other hand, productive material resources, such as financial credit, were provided to Turkey mostly by the IMF and WB and to a degree by the EU. This credit worth billions of US dollars were in adjustment agreements and projects that primarily supported the quest of governments in Turkey to articulate the country to the neoliberal hegemony.

The transformation of legal and institutional structures, which is another category of force, was carried out mainly through borrowing agreements with the IMF and WB and during the EU harmonization process. Legal institutional transformation in social production relations and in the form of state progressed in a coordinated manner. In this process, an ideal form of state and ideal relations among the state, market, and production structure was transmitted to Turkey. As a result, since the 24th January decisions, in accordance with the neoliberal ruling understanding, every production potential that the state possessed in economic structure was opened to private capital, the areas related to basic human needs such as health, education, housing, and social security were subjected to market relations.

Ideological unity in these two decades, another category of force that has been examined, provides an important source of knowledge on how the neoliberal world order works both at the international and local levels. Firstly, the ideological characteristics of the relations between Turkey and international organizations which are the representative of the neoliberal world order. Throughout this period there was a harmonious ideological unity between the elites of ruling and capitalist classes and the administrations of these international organizations. However, it was not possible to create a world view shared by different segments of society

towards neoliberal social relations of production and the form of state. Rule in Turkey in the beginning of the 1980s, was carried out first by a junta government that did not need the active consent from society then by a civil government in a social environment in which the opposition was almost completely oppressed. In the 1990s, it can be seen that the failure to create consent penetrated political life. The economic crisis that took place in the middle of this period, when no one political party or figure had the support of different social segments at the same time, also contributed significantly to this failure.

Lastly, factors affecting the politics in Turkey, without any doubt, also affected the neoliberal transformation process. The EU, as one of these factors, worked to establish a legal and institutional structure in its region, developed its material capabilities, and imposed the ideological worldview on its people and eliminated the opposition groups' effects on the decision-making processes during the 1980s and 1990s. The fact that this transformation of the EU had to last until the end of the 1990s, is one reason for Turkey's failure to carry out the legal and institutional neoliberalization. As it was seen later, these reforms have been dealt with in the post-2000 period. Another factor affecting directly the politics in Turkey was the constant state of war and crisis in the Middle East. The positive course of politics in these two regions from the early 2000s to the 2008-9 crisis and the Arab uprisings, contributed to AKP's establishment of a hegemonic bloc in the country, and articulation of Turkey to the neoliberal hegemony by transforming the form of state and social relations of production. Afterwards, two regions have entered intense political and socioeconomic crises with the 2008-9 economic crisis and the Arab uprisings and this change is one of the factors behind the transition of the AKP rule from hegemonic neoliberalization to authoritarian neoliberalization.

Then, it can be said that, in order for a hegemonic structure to be established within a country, there must be a relationship free of crisis with neighboring countries, and more importantly, a democratic politics or at least a solid power bloc that lifts political and economic risks altogether.

Appendix World Bank Projects with Turkey, Generated from:
(World Bank, 2018a)

Project Title	Project ID	Commitment Amount in \$US Millions	Approval Date
Marmara Earthquake Emergency Reconstruction Project	P068368	505,00	16.11.1999
Emergency Earthquake Recovery Loan (EERL)	P068394	252,53	16.11.1999
Export Finance Intermediation Loan (EFIL)	P065188	252,53	6.07.1999
Industrial Technology Project	P009073	155,00	17.06.1999
Emergency Flood & Earthquake Recovery Project	P058877	369,00	10.09.1998
Commodities Market Development Project	P048851	4,00	16.07.1998
Basic Education Project	P009089	300,00	23.06.1998
National Transmission Grid Project	P048852	270,00	11.06.1998
Cesme-Alacati Water Supply & Sewerage Project	P008985	13,10	14.04.1998
Privatization of Irrigation Project	P009072	20,00	14.10.1997
Primary Health Care Services Project	P009095	14,50	24.06.1997
Baku-Ceyhan Oil Export Pipeline Technical Assistance	P045073	5,00	12.09.1996
Road Improvement & Traffic Safety Project	P038091	250,00	20.06.1996
ODS Phaseout 2 Project under Montreal Protocol	P038404	2,80	5.10.1995
Public Finance Management Project	P035759	62,00	21.09.1995
Antalya Water Supply & Sanitation Project	P009093	100,00	25.05.1995
Health 2 Project	P009076	150,00	22.09.1994
Privatization Implementation Technical Assistance Project	P009102	100,00	3.05.1994
Phaseout of Ozone Depleting Substances Montreal Protocol Project	P008871	6,20	28.12.1993
Turkey In-Situ Gene Conservation Project	P008869	5,10	11.03.1993

Project Title	Project ID	Commitment Amount in \$USMillions	Approval Date
Eastern Anatolia Watershed Project	P009023	77,00	11.03.1993
Bursa Water & Sanitation Project	P009065	129,50	11.03.1993
Employment & Training Project	P009064	67,00	10.12.1992
Earthquake Rehabilitation & Reconstruction Project	P009099	285,00	23.07.1992
Berke Hydropower Project	P009019	270,00	28.05.1992
Technical Assistance for Treasury Data Project	P009097	9,20	28.05.1992
Agricultural Research Project	P009044	55,00	21.05.1992
Private Investment Credit Project (PICP)	P009036	200,00	13.06.1991
TEK Restructuring Project	P009071	300,00	13.06.1991
State & Provincial Roads Project	P009051	300,00	14.05.1991
Technology Development Project	P009058	100,00	28.02.1991
National Education Development Project	P009029	90,20	26.04.1990
Turkey Second Agriculture Extension Project	P008974	63,00	13.03.1990
Ankara Sewerage Project	P009061	173,00	21.12.1989
Agricultural Credit Project (03)	P008967	250,00	15.06.1989
Agroindustry Development Project	P009056	150,00	30.05.1989
Small & Medium Scale Industry Project (02)	P009057	204,50	23.05.1989
Health Project (01)	P009030	75,00	11.05.1989
Financial Sector Adjustment Loan Project (02)	P008987	400,00	21.06.1988
Industrial Training Project (02)	P008988	115,80	22.03.1988
Industrial Export Development Project	P009033	300,00	19.01.1988
Istanbul Water Supply & Sewerage Project	P009034	218,00	1.12.1987
Energy Sector Adjustment Loan Project	P008968	325,00	25.06.1987
Çukurova Urban Development Project	P008970	120,00	21.05.1987
Izmir Water Supply & Sewerage Project	P008971	184,00	21.05.1987
Non Formal Vocational Training Project	P008976	58,50	6.01.1987
Sir Hydropower Project	P008964	132,00	26.08.1986

Project Title	Project ID	Commitment Amount in \$US Millions	Approval Date
Railway Project (02)	P008969	197,00	8.07.1986
Financial Sector Adjustment Loan Project	P008962	300,00	10.06.1986
Drainage & On Farm Development Project	P008961	255,00	20.03.1986
Kayraktepe Hydropower Project	P009004	200,00	25.02.1986
Elbistan Operation & Maintenance Assistance Project	P008960	10,00	4.02.1986
Small & Medium Scale Industry Project	P008957	100,00	7.01.1986
TEK Power System Operations Assistance Project	P008978	140,00	2.07.1985
Agricultural Sector Adjustment Loan Project	P008956	300,00	18.06.1985
TEK Transmission Project (04)	P009008	142,00	18.06.1985
Pulp & Paper Rehabilitation Project	P008959	55,10	16.05.1985
Industrial Schools Project	P008958	57,70	9.05.1985
Port Project (03)	P008965	134,50	9.05.1985
Çukurova Region Urban Engineering Project	P009002	9,20	9.05.1985
Structural Adjustment Loan Project (05)	P008954	376,00	14.06.1984
Highway Project (02)	P008955	186,40	7.06.1984
Iğdır Aksu Ereğli Erciş Irrigation Project	P008950	115,30	5.06.1984
Agriculture Extension & Applied Research Project	P008951	72,20	17.04.1984
Industrial Training Project	P008952	36,80	27.03.1984
Technical Assistance to State Economic Enterprises Project	P008953	7,60	27.03.1984
Thrace Gas Exploration Project	P008947	55,20	28.06.1983
Structural Adjustment Loan Project (04)	P008948	300,80	23.06.1983
TEK Power Transmission Project (03)	P008949	163,00	23.06.1983
Agriculture Credit Project (02)	P008946	150,40	14.06.1983
Structural Adjustment Loan Project (03)	P008943	304,50	27.05.1982

Project Title	Project ID	Commitment Amount in \$US Millions	Approval Date
Istanbul Sewerage Project	P008945	88,10	27.05.1982
Highway Rehabilitation Project	P008944	71,10	11.05.1982
Fertilizer Rationalization & Energy Saving Project (02)	P008942	44,10	27.04.1982
Erzurum Rural Development Project	P008940	40,00	23.02.1982
Export Oriented Industries Project	P008941	100,00	23.02.1982
State Industrial Enterprise Project (03)	P008933	70,00	21.05.1981
Structural Adjustment Loan Project (02)	P008938	300,00	12.05.1981
Fertilizer Rationalization & Energy Saving Project	P008937	110,00	7.05.1981
Fruit and Vegetable Project (02)	P008932	40,00	31.03.1981
Labor Intensive Industry Project	P008934	40,00	3.03.1981
Bati Raman Oil Pilot Development Project	P008935	62,00	18.11.1980
Petroleum Exploration Project	P008936	25,00	18.11.1980
Structural Adjustment Loan I Supplement	P008939	75,00	18.11.1980
Livestock Project (05)	P008925	51,00	3.06.1980
Sümerbank Textile Project	P008928	83,00	20.05.1980
Karakaya Hydropower Project	P008930	120,00	15.05.1980
Structural Adjustment Loan Project	P008929	200,00	25.03.1980
Total		12.676,46	

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