

THE EXPANSION OF NEOLIBERALISM IN TURKEY: THE CASE OF
THE MASS HOUSING DEVELOPMENT ADMINISTRATION

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THE EXPANSION OF NEOLIBERALISM IN TURKEY: THE CASE OF
THE MASS HOUSING DEVELOPMENT ADMINISTRATION

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DECLARATION OF ORIGINALITY

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ABSTRACT

The Expansion of Neoliberalism in Turkey: The Case of the Mass Housing Development Administration

The neoliberal transformation in Turkey's housing market and urban economy creates a legal and institutional framework that accelerates the commodification of land, and construction-based economy. This thesis illustrates the institutional aggrandizement of Mass Housing Development Administration (TOKI) between 1984 and 2012 to unveil the ways of state intervention in the housing market and the transformation of state-society relations. A close examination of TOKI's institutional path elucidates the context-specific and path-dependent transformation of the neoliberal economy in Turkey. Although it increased its capacity through new modalities, TOKI's institutional expansion after 2003 has been based on the themes that already existed since the foundation of the administration. Benefiting from various sources such as laws and reports, and presenting an analysis of relevant parliamentary debates, this study is a demonstrative case on how institutional continuities and ruptures interact with neoliberalization in Turkey.

ÖZET

Türkiye’de Neoliberal Dönüşüm:

Toplu Konut İdaresi Örneği

Türkiye’nin konut piyasası ve kent ekonomisindeki neoliberal dönüşüm, toprağın metalaşmasını ve inşaat odaklı ekonomiyi hızlandıran yasal ve kurumsal bir çerçeve oluşturmaktadır. Bu tez, Toplu Konut İdaresi’nin (TOKİ) 1984 ile 2012 yılları arasındaki kurumsal gelişimine odaklanarak devletin konut piyasasına müdahale yöntemlerini ve devlet-toplum ilişkilerinin dönüşümünü irdeler. TOKİ’nin kurumsal gelişimi detaylı olarak incelenerek Türkiye’deki neoliberal süreçlerin bağlam ve izleğe bağlı dönüşümüne dair bulgular elde edilebilir. Her ne kadar kapasitesini yeni yöntem ve modeller ile geliştirse de TOKİ’nin 2003 sonrası kurumsal gelişimi, kuruluşundan bu yana var olan belli başlı temalar çerçevesinde gerçekleşmiştir. Yasa ve raporları da içeren çeşitli kaynakların yanı sıra ilgili meclis tartışmalarından yararlanan bu çalışma, Türkiye’deki neoliberalleşme süreçlerinin kurumsal süreklilik ve kopuşlar ile nasıl ilişkilendiğini incelemektedir.

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CHAPTER 1

INTRODUCTION

A significant resource for the accumulation of capital from the very beginning of capitalism, the urban geography is one of the flagships of post-Fordist economies. Fostering capitalist economic and social relations, the state supported “creative destruction” and “accumulation of dispossession” in the urban areas. In this sense, the state institutions were instrumentalized for distribution of power, and are responsible for unequal distribution of resources. The state interventions in the redevelopment of cities go hand in hand with capitalist development, and the relation between the state and urban land illustrates how politics is deeply intertwined with economics.

In an attempt to understand the transformation of the state and political and economic structures of Turkey from 1984 to 2012, this study focuses on the Mass Housing Development Administration of Turkey (TOKI). The history of this institution reveals not only the ways how state intervention in the housing market has changed but also unveils the transformation of state-society relations and political and economic framework in Turkey after 1980. The thesis focuses on how the state was involved in the production of the urban geography through investigating TOKI’s development since 1984. Keeping in mind that an analysis of state transformation that did not take history into account cannot present a comprehensive, plausible and verifiable explanation (Tilly, 2006, p. 421), this analysis elaborates on TOKI with a particular focus on its historical trajectory. Its path dependent development in accordance with the transformation of the state illustrates “actually existing

neoliberalism” in Turkey. Furthermore, it scrutinizes how the housing regime is shaped by these transformations.

The thesis is based on the qualitative analysis of the parliamentary debates and the content analysis of relevant laws and regulations, which directly changed TOKI’s institutional framework, and the extent of state involvement. Providing a background on the political and economic underpinnings of the development of TOKI in particular and the housing market in general, these enactments include laws on local governments, housing amnesties and urban transformations. Illustrating the discussions behind these laws, the parliamentary debates enable an understanding of the ideational framework and demonstrate the recurrent themes in the institutional transformation in this case. All the laws and parliamentary debates that are used in the analysis are publicly available.

The statistics that illustrate the institutional aggrandizement are compiled from the reports on parliamentary committee on the state economic enterprises between 2005 and 2010, audit court reports on the Mass Housing Development Administration between 2011 and 2016, the annual report of the General Directorate of National Estates between 2006 and 2014, and TOKI’s corporate profile reports.

Looking at the parliamentary debates and benefiting from these reports, the thesis aspires to illustrate the logic of government behind the laws and regulations that create neoliberalism in Turkey. Accordingly, the governmentality is a useful tool to elucidate state’s role and capacity in Turkey (Özbay et. al, 2016, p. 3). While the laws and regulations on the housing regime present macro-level transformations, the parliamentary debates is a tool for understanding micro-level changes in the governmentality and subjectivities of the law-makers. The development of laws and

institutions show how the neoliberal governmentality emerged and implemented in Turkey between 1980 and 2012.

Tracing the evolution of TOKI through laws, this study presents the state involvement in the economy. In the housing market, the historical development demonstrates that the state did not actually retreat but rather expanded through TOKI. This involvement favors private companies primarily through partnerships, privatizations, and tax exemptions. In other words, the usual coupling of neoliberalism with the withering away of the state is highly problematic. Instead, the state became a midwife of the neoliberal transformation in Turkey.

Neoliberalization refers to the transformation of economic and political system through market-driven reforms that replace redistributive Keynesian economic policies with market liberalization. Nevertheless, the neoliberal experience differs due to the historical and institutional legacies that are country specific. Exploring the manifestation of market-driven reforms in Turkey through public-private partnerships, privatizations, financialization of economy, and commodification of land, TOKI allows us to understand neoliberalization of Turkey. On the one hand, analyzing TOKI as a state institution illustrates how the state involved in these processes and how it took responsibility in the formation of the neoliberal economy. In a word, TOKI demonstrates that there is neither retreat of the state nor the “invisible hand” but rather state’s active involvement in the market to establish and maintain neoliberal policies. On the other hand, focusing on a specific institution rather than using broad categories as privatization, deregulation, and commodification provides a comprehensive analysis of neoliberalization in Turkey. The historical evolution of TOKI includes all these processes and presents a general framework.

In this sense, this study examines two successful waves of neoliberal reforms that were implemented in the critical junctures of the 1980 military intervention and the 2001 economic crisis. These ruptures have changed the institutional framework and introduced neoliberal economy in Turkey. Although the neoliberalization started in the 1980s, it is maintained and consolidated following the 2001 financial turmoil. Using historical institutionalism and neoliberalism literature, this thesis tells the history of TOKI to demonstrate nonlinear and particular neoliberalization in Turkey.

The next part presents the theoretical background of this study and the review of the related literature.

1.1 New institutionalism

The behavioral revolution in political science through the 1950s and 1960s reduced “all phenomena of government” into the observed and observable behavior of human beings. However, the resurgence of intellectual interest with institutions in the 1980s brought the state back in social analysis. Although there were Marxist debates on the state and its functions before, the state became one of the primary subjects for political scientists after 1980s. The new institutionalism asserts a more autonomous status for social and political institutions. According to this view, the institutions are not influenced by the society; but also shape it. Leaving the behaviouralist state theories behind, they analyzed the state as a powerful actor and an area of struggle.

New institutionalism does not promise completely new concepts and frameworks for political science, but re-employs and de-emphasizes the old ones. The followers of the new institutionalism have a broad definition of the institution varying from individual agreements to traditions, from economic organizations to social norms. Nevertheless, political institutions, primarily the state, are the

significant actors in the analysis of society with its relative autonomy (March & Olsen, 1984, p. 738). Accordingly, they are against treating political reality as aggregate consequences of individual behavior and as the consequences of calculated individual behavior without considering institutions that shape and limit the political reality. Against the reductionist perspectives, they argue for the complexity of politics. They favor integration of individual preferences rather than an aggregation of the preferences (Immergut, 1998, p. 10; March & Olsen, 1984, p. 740). They also emphasize the importance of sequence of events or path-dependency in understanding political science (March and Olsen, 1984, p. 737). However, the subcategories differ from each other. I will explain three kinds of new institutionalism based on mainly Hall and Taylor's classification (Hall & Taylor, 1996). Rational choice institutionalism considers political outcomes as a result of strategic interaction among individuals and institutions shapes the strategic interaction by defining rules, possible outcomes, providing information (Ibid., p. 945). Therefore, the strategic choice does not mean simple preference ordering, and as a result, the political phenomenon is not simple aggregation because of institutions (Immergut, 1998, p. 13). In sociological institutionalism, individuals are interactive, and they have a mutually constructive relationship with institutions that influence human behavior and perception. The sociological institutionalism emphasizes agent more than other subcategories (Hall & Taylor, 1996, pp. 947-949). Last but not least, the historical institutionalism is more eclectic than the types of institutionalism. It accepts both instrumental strategic calculation and cognitive elements in human nature while embracing other explanations for a fruitful analysis. It employs the institutions to unveil power asymmetries and path-dependent historical development (Ibid., pp. 939-942). As a result, although the subcategories in new institutionalism

have certain assumptions in common, they have a different focus in their analyses. Exploring a state institution, this study also brings the state back in the analysis as opposed to the usual coupling of neoliberalism with the retreat of the state. New institutionalism provides a comprehensive perspective for analyzing both the strategies of lawmakers and the power of the institution.

1.2 Historical institutionalism

Historical institutionalism focuses on organizational configurations and long-term processes to elucidate the interacting relations between states, politics and public policy making (Pierson & Skocpol, 2002). Accordingly, an analysis of institutions presents the origin of the institutions, its development within a particular context, and its relation with the other actors. In this sense, historical institutionalism differs from the previous schools that are legal-formalist (Skocpol, 1985, p. 4). Also, it is different from behavioralism that is similar to chemists who try to find the fundamental part of the world and from grand theorists who are similar to physicists who are ambitious about finding a theory of everything (Steinmo, 2008, pp. 155-156). Instead, historical institutionalists are like environmental biologists who try to understand ecology and the additional principles that result in biological diversity (Ibid., 166). In other words, they focus on historical persistence, continuity, and world-historical context to comprehend the diversity among the institutions and political environment (Evans, Rueschemeyer, & Skocpol, 1985, pp. 348-349).

Historical institutionalism brought the state back in the social sciences. Inspiring by the previous debates on the capitalist state, the historical institutionalism embraced the “Weberian understanding of state with propositions drawn from recent neo-Marxist theories” (Evans, Rueschemeyer, & Skocpol, 1985, p. 348). Their

understanding of state is still a capitalist one. State institutions are the tools for distribution of power and the reason for unequal distribution (Pierson & Skocpol, 2002). Also, state intervention and capitalist development go hand in hand (Rueschemeyer & Evans, 1985).

It considers state and its institutions as the main determinant of the political phenomenon. On the one hand, the state institutions are able to intervene directly in the outcomes. For example, bureaucracy and military are political actors that have an immediate impact on the political and economic context. On the other hand, they provide a base for the political action. The institutions regulate the socio-economic life through formal rules and regulations (Steinmo, 2008, p. 159).

Also, historical institutionalism deals with real-world questions by using historical and contextual analysis. It compares countries and time periods. In other words, it copes with real-world cases rather than variables (Pierson & Skocpol, 2002; Steinmo, 2008, p. 158). They “take history seriously” because historical analysis shows the political context, agents’ experience and possible future expectations (Steinmo, 2008, p. 164). To sum up, historical institutionalism emphasizes on institutions, not personalities, and the longer landscapes of history, not here and now (Sanders, 2006, p. 53).

The purpose of this study is to trace the historical evolution of TOKI to illustrate the neoliberal transformation in Turkey by benefiting from the historical institutionalism framework. Historical continuities and institutional ruptures in the housing regime are explored through parliamentary debates, legal framework, and data from the construction industry.

1.3 Historical institutionalism and change

Paying attention to continuity over change yet the literature of the historical institutionalism has two explanations for the institutional development: incremental change and critical juncture (Mahoney & Thelen, 2010).

The literature on incremental change focuses on the gradual transformation of the institutions primarily through endogenous developments. Accordingly, incremental change rejects the punctuated equilibrium and argues for a stable and gradual change in the institutions (Heijden, 2010). In this sense, the incremental change favors path dependency. It means once the social and historical processes start, they have constructive capabilities. Therefore, the previous decisions influence the possible choice options in the future. The path has its self-reinforcement and inertial stickiness (Pierson & Skocpol, 2002, p. 7; Thelen, 1999, p. 385). This self-reinforcement is also called as increasing return or positive feedback processes (Pierson, 2000). In path-dependency, the change becomes incremental unless the path is changed by a critical juncture that derives from outside influence. As a result, historical institutionalism analyzes the states and its institutions through historical causation. In other words, historical institutionalists do not explain institutions by using functional explanations but, focus on history instead (Pierson & Skocpol, 2002; Steinmo, 2008).

Critical junctures, on the other hand, have been used for explaining primarily the radical transformations. Critical junctures take place within a relatively short period of time, in which agents have the ability to change the outcome. It is quicker than path-dependent process and also the outcome is highly based on contingencies rather than continuity (Capoccia & Kelemen, 2007). Both incremental change and critical junctures are frequently employed by historical institutionalists.

The new institutionalism literature is significant to illustrate the role of institutions in political science. It presents a broad definition of institutions as well as multiple methodological tools for problem solving. In this thesis, the literature helps to examine the interplay between politics and economy through the lens of institutions, especial focusing on the state. To be more precise, historical institutionalism offers a fruitful theoretical background to explain the development of TOKI. Accordingly, a historical analysis unveils the path dependency in TOKI's institutional evolution and made a comprehensive explanation of neoliberal transformation in Turkey through a narrow historical analysis of a specific institution, which has played a crucial role in this neoliberalization process.

Focusing on path dependent incremental changes and critical junctures, the evolution of TOKI illustrates the changes and the ruptures in Turkish neoliberal experience. It also shows how the states become a midwife of neoliberalization by accelerating commodification of land and private-public partnerships through TOKI's unique institutional entity. Starting a rupture in the housing regime, state involvement in the market has increased gradually after 1984 through TOKI. While TOKI and the complementary urban laws were initiated in the 1980s, legislative activities and construction industry slowed down in the following decade of the 1990s. Although the period after the 2001 crisis did not result in a radical change in the institutional framework of TOKI, it accelerated the neoliberalization through series of laws and regulations due to the increasing state capacity. The extensive empowerment of TOKI between 2002 and 2012 expanded its involvement in the housing market and speeded up the neoliberalization in the urban economy.

1.4 Neoliberalism and (urban) space

This thesis explores how neoliberalism on urban space operates through TOKI and how the state's role changed in the process. To do this it focuses on the period between 1980 and 2012. The change in the political economic context of Turkey after 1980 corresponded with so-called "neoliberalization" in the world. Accordingly, neoliberalism emerged as a dominant ideology and consolidated its position after two important shifts. The first one was initiated in the late 1970s by Thatcher and Reagan. Keynesian policies of the postwar years were replaced by marketization and deregulation. The second one took place in the early 1990s when the earlier shift resulted in an economic crisis and social externalities. The second shift proposed a reconstitution of the previous reforms through institutions and governmental intervention. This transformation led to the technocratization and depoliticization of economic management whereas social issues like crime, immigration, and urban order have shaped by an interventionist agenda (Peck & Tickel, 2002). These transformations of the political and economic system served the expansion of capitalist mode of production, especially through promoting global trade and finance capital. The neoliberal globalization and "accumulation by dispossession" empowered the capitalist elites against the labor (Harvey, 2005).

According to Wacquant, these shifts were presented as either imposition of coherent neoclassical economic policies or flowing and flexible political rationality of governmentality in the literature. Instead, he considers neoliberalism as a concrete political project that prioritizes the political means and state-crafting process. In this regard, he asserts that neoliberalism means a remaking and redeployment of the "Centaur" state that is liberal at the top and paternalistic at the bottom by

emphasizing the growing penal wing of this state (Wacquant, 2010; Wacquant, 2012).

Nevertheless, the outcome of these policies can variegate in a different context. As Hilger exemplifies, penalization of poverty is not a major element in the neoliberal experience in sub-Saharan Africa like the US or Europe. Accordingly, the sociohistorical trajectory of sub-Saharan states did not end in a glorification of the penal wing of the state (Hilgers, 2012). Also, the uneven institutional landscapes have an impact on the implementation of market-oriented reorganization. The different institutional settings in liberal and coordinated market economies lead variegated neoliberalization (Brenner, Peck & Theodore, 2010). Similarly, Jessop defines four different types of neoliberalism experience based on the inherited development model in a given state. The neoliberalization follows different paths in Atlantic Fordism in advanced capitalist countries, import-substitution industrialization in Latin America and Africa, export-oriented growth in East Asia and state socialism in Soviet bloc and China (Jessop, 2013).

In this sense, the contextual embeddedness of neoliberal reforms led a context-specific and path-dependent transformation of the institutional frameworks. As a result, neoliberalism revealed itself as “actually existing neoliberalism” rather than an inflexible, pure set of reforms. The evolution of political and economic framework is built on legacies of inherited institutions that shaped the future trajectories. In this sense, neoliberalization is a process of “creative destruction” in which historically specific institutions are shaped by the market-driven restructuring projects. While these encounters established a new set of institutions, the old system is abolished (Peck & Tickel, 2002; Brenner & Theodore, 2002; Peck and Theodore, 2012).

Another feature of existing neoliberalisms is its relation with space. As Lefebvre puts it, “we passed from the production of things in space to the production of space itself” (Lefebvre, 2009, p. 186). In this mode of production, as he called state mode of production, the state is responsible for the survival of the capitalism and undertake the process of economic growth, “mondialisation” and the production of space.

Accordingly, the state mode of production ensures the state intervention in the production of capitalist space due to the fact that planning modern economy requires spatial planning. Henceforth, the capitalist space is considered as a means of production and object of consumption at the same time. Also, it is a political instrument that state use for the reproduction of social relation through control, hierarchy and segregation (Lefebvre, 2009).

Similarly, David Harvey considers the housing and infrastructure investments as well as the urban rent into the Marxist theory. Accordingly, he stresses the relation between urban economy and capitalism. The urbanization served the expansion and reproduction of capitalism through the accumulation of capital that is fostered by the housing and infrastructure investments. In this context, the state contributes the commodification of the urban space and absorption of the surplus capital through further urbanization and speculation. Also, the finance capital promotes the reproduction of capitalism in relation to urban space. Finance market, especially housing credits increased the speculation and that enables housing market to absorb further surplus capital. Harvey exemplifies China to illustrate how massive urbanization goes hand in hand with the capitalist expansion and asserts that this growth is not sustainable (Harvey, 2012).

In this context, urban land has become a ground where “existing neoliberalisms” realized themselves. Cities all around the world experience “creative destruction” through diverse pathways of neoliberal localizations. Accordingly, neoliberal urbanization came with a series of market-driven reconfigurations that reward local entrepreneurialism, increase the reliance of private finance, enable public-private partnerships, establish gated communities and privatized spaces of elite consumption, creates new opportunities for speculative investment, promote workfare, and introduce new discriminatory forms of surveillance and social control (Theodore, Peck, & Brenner, 2011, pp. 22-23).

Benefiting from these debates on neoliberalism, this study considers Turkish experience after 1980 as an actually existing neoliberalism with its path dependent and historically specific institutions. Two historical shifts that implement market-driven reforms shaped how the state has been reorganized and redeployed in Turkey. Also, increasing significance of urban land elucidates the emergence and empowerment of TOKI. Therefore, state involvement in the housing market through TOKI points out a broader transformation in Turkey. TOKI served the expansion of neoliberal urbanization that is promoted by commodification and land speculation in relation to the financial market.

In line with this theoretical background, this thesis focuses on the development of TOKI to demonstrate and provide insights into the processes of the neoliberal transformation in Turkey. The next chapter demonstrates the institutional structure of TOKI and its expansion through time. While the financial limitations prevented TOKI from further expansion throughout the 1990s, the new legal framework that was established after 2002 enabled TOKI to increase its involvement in the housing market.

The third chapter explains the economic and political background of Turkish neoliberalism. Focusing on the distinct path of Turkish neoliberal experience, this part shows the historically specific transformation of the institutional frameworks between 1980 and 2012. Accordingly, the interplay between the old institutional framework and two waves of market-driven reforms together with economic and political crisis shaped the evolution of TOKI as well as Turkish neoliberalization.

The fourth chapter illustrates the establishment of TOKI and its development under the first wave of neoliberal reforms. Analyzing laws and parliamentary debates, it points out the main features of TOKI. The relation between the administration and the housing market elucidates how the state was involved in the market between 1980 and 2001. The redeployment and reorganization of the state initiated neoliberal urbanization in Turkey and TOKI is the major actor in this transformation.

The fifth chapter unveils the path dependent development of TOKI in compliance with the second wave of neoliberalization in Turkey. The laws and regulations that are derived from these contextually embedded reforms advanced the state capacity and enabled governments to deepen the neoliberal urbanization. Comparing with the first wave neoliberal reforms in the housing market, the period after 2001 has witnessed an expansion of neoliberalization through recurrent themes and concepts.

The changing economic and political structure after the military intervention, TOKI came into existence as a solution for the housing market. The next chapter will trace why and how TOKI emerged and illustrate the critical juncture and continuities in its institutional history. The new modalities that TOKI introduced after 2003 increase TOKI's institutional capacities to involve the housing market.

CHAPTER 2

TOKI AND ITS INSTITUTIONAL FRAMEWORK

This part focuses the establishment and transformation of TOKI to illustrate its expansion. It aims to introduce the Mass Housing Development Administration and provide a ground to trace its institutional expansion between 1984 and 2012.

Although the administration was established in 1984, the legal restructuring after 2003 allowed TOKI to control and shape the housing market. The administration has been granted with new tasks and duties that enable new modalities of state intervention to the housing market. In this regard, this chapter explores TOKI's institutional capacity and empowerment in relation to the state, housing market, and neoliberal urbanism.

2.1 The establishment of the mass housing development and public participation administration

Toplu Konut ve Kamu Ortaklığı İdaresi (The Housing Development and Public Participation Administration) was established in 1984 and the law on the mass housing fund defined administration's task and duties in the housing sector.

According to the founding law (law no. 2985), the Housing Development and Public Participation Administration and mass housing fund was established to meet the housing need, regulate the rules and procedures for the contractors, and develop industrial housing techniques, tools and materials in compliance with the context and resources in Turkey.¹ For this purpose, the government allocated resources for the mass housing fund by the law no. 2985 through new taxes (including the departure

¹ The legal framework for TOKI's institutional expansion is illustrated in Appendix

² The law no. 4966, Amending Certain Laws and the Decree Law Concerning the Organization and

fee), sales of the public lands, and government securities and bonds that the administration was authorized to issue.

By the mass housing law in 1985, the administration was established as a public legal entity under the Prime Ministry and as a not-for-profit state agency rather than a state economic enterprise. Accordingly, the Housing Development and Public Participation Administration was subject to the public law and its employees are civil servants. Nevertheless, the mass-housing fund was an extra-budgetary fund and it was not subjected to parliamentary supervision. The audit of the administration was given to the Supreme Auditing Board that is affiliated with the Prime Minister's Office rather than the State Audit Court. The lack of supervision impaired transparency and accountability of the administration. The governments gained a free hand in their involvement in the housing market and expanded their political authority from the very beginning. The absence of independent audit mechanisms has led an unimpeded neoliberal urbanism, especially after 2003.

The Housing Development and Public Participation Administration used the mass housing fund for providing credit opportunities. Also, the administration started to be involved in the housing market as a direct contractor from 1989 onward. As a result of rising state intervention in 1989 that is discussed in the next chapter, TOKI gained a new role in the housing market. Although its influence as a direct contractor remained limited throughout the tumultuous financial and political context of the 1990s, it was a crucial step in the institutional history. Nevertheless, the 30% of the fund was transferred to the general budget in 1990 and the fund became completely part of the general budget in 1993. Therefore, the operations of the administration were restricted by the budgetary limits between 1990 and 2002. Between 1984 and

2001, TOKI gave around 1,000,000 housing credits and built around 43,000 housing unit (See Figure 1).

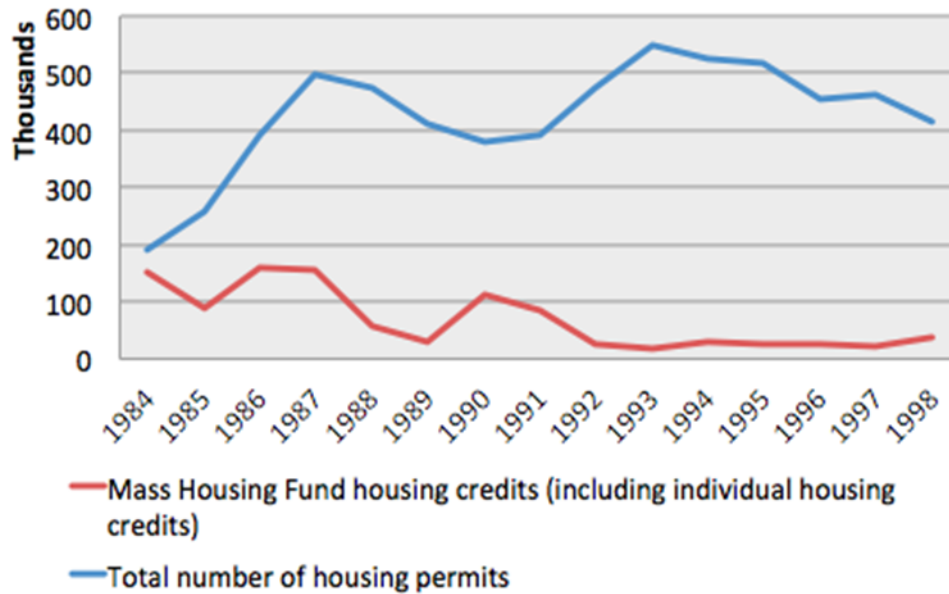


Figure 1 Total housing production
 Source: [DPT, 2001, p. 69]

As Figure 1 shows the administration lost its capacity during the 1990s. It gave most of the housing credits and financed around 500,000 housing units between 1984 and 1987. Nevertheless, its influence gradually decreased through the 1990s. Due to the limitations of TOKI’s budget, its contribution to the total housing remained limited between 1993 and 1988 compared to the period between 1984 and 1992. While TOKI financed 25% of total housing construction between 1984 and 1992, it contributed only 8% of the total housing production between 1993 and 1998 (See Figure 2 and 3).

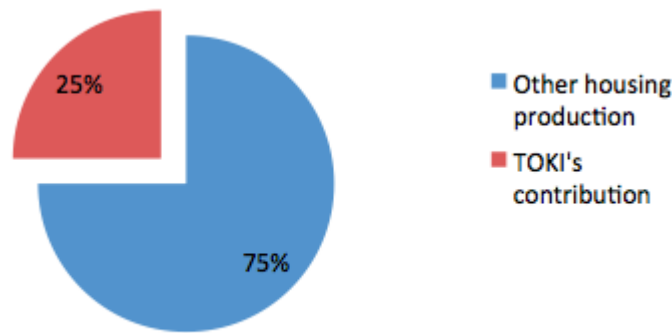


Figure 2 Housing production between 1984 and 1992 (Based on housing permit).*
 *Housing units that were financed housing credits are included.
 Source: [TOKI, 2006, p. 104]

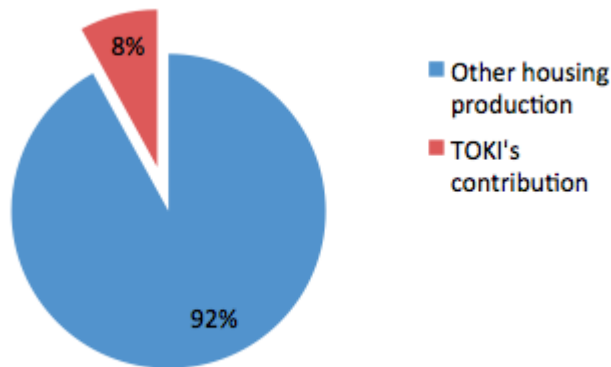


Figure 3 Housing production between 1993 and 1999 (Based on housing permit)*.
 *Housing units that were financed by housing credits are included.
 Source: [TOKI, 2006, p. 104]

Regarding the administrative structure, the founding law combined housing development and public participation (later called as privatizations) into the same institution. Nevertheless, the Housing Development and Public Participation Administration were separated into the Mass Housing Development Administration (TOKI) and Public Participation Administration through decree-law no. 412 and 414 in 1990 and TOKI became a separate institutional structure with its 167 employees.

Following the decree laws, TOKI lost its initial power in 1993, primarily due to a decrease in its financial resources. Although there are some attempts to revive TOKI, it remained inert until the rule of Justice and Development Party government.

2.2 The institutional expansion of TOKI

The political and economic context through the 1990s prevented TOKI from further institutional development. TOKI gradually lost its financial power. Although the government tried to boost the housing market and TOKI's institutional capacity, the attempts remained ineffectual throughout the 1990s.

Following the economic crisis in 2001, TOKI witnessed a critical juncture. The mass housing fund was repealed and the administration was transferred under the newly established Housing Undersecretariat (*Konut Müsteşarlığı*) in 2001. The new institution was established as a regulatory agency in the housing market. TOKI lost the institutional path and turned into an idle institution until another critical juncture in 2003.

The Justice and Development Party government has changed the legal framework in the housing market starting from 2003. The government reorganized the administration and attained new task and duties to TOKI. Especially the law no. 4966², the government altered TOKI's institutional capabilities through alterations of its budget and ways of administration's intervention to the housing market. The administration was authorized to establish private companies or partnerships with already established companies; to develop and implement projects in Turkey or abroad directly or with partners; to grant credits for rural settlements, the urban transformation projects as well as the protection and renovation of historical sites and

² The law no. 4966, Amending Certain Laws and the Decree Law Concerning the Organization and Duties of the Ministry of Public Works and Settlement was passed on July 31, 2003 and came into force on August 7, 2003.

traditional architecture; to support and encourage housing construction and social facilities in the areas that are hit by a natural disaster; and to develop and implement profit-oriented projects to generate financial resources for the administration's social housing projects.

Additionally, the law enabled TOKI to acquire public land free of charge for its projects from the Land Office (*Arsa Ofisi*) by the permission of the Ministry of Public Works and Settlements. These new legal capabilities led the expansion and empowerment of TOKI. They transformed TOKI into a semi-private company that can benefit from various public resources, primarily from public properties. Following the law no. 4966, the administration acquired new income sources and legal capabilities, it became a "special budgeted" state economic enterprise.

The law no. 4966 made a fresh start for the Mass Housing Development Administration. Although the law was established on the founding law, it changed the way in which state was involved in the housing market. The amendment presents a critical juncture that opens a way for institutional aggrandizements well as the expansion of neoliberal urbanism, especially through public-private partnerships and increasing commodification of land.

Different from the previous legal framework, the law no. 4966 also encouraged TOKI to build new housing units and establish new relations with the private sector. Whereas its main role was to give housing credits in the previous period, TOKI introduced new modalities through its increasing capacity over public land after 2003 (See Figure 4). As Erdoğan Bayraktar defines in 2011, TOKI's field of operations into three categories: social housing, resource development projects and development property with infrastructure, and urban renewal and transformations of slums (TOKI, 2011, p. 10)

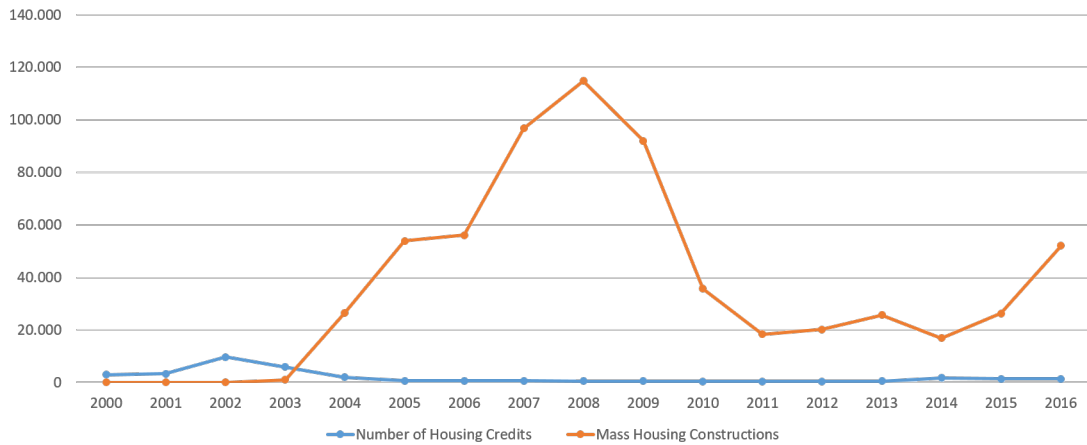


Figure 4 Comparison between TOKI's housing credits and housing constructions (TBMM, 2008b, p. 132; TBMM, 2010b, p. 201; Sayıştay, 2013, p. III; Sayıştay, 2017, p.II)

2.2.1 Social housing projects

TOKI's main objective is to supply affordable and high-quality housing for especially low and middle-income groups, who do not have home-ownership from the very beginning. For this purpose, TOKI started to undertake series of social housing projects that constitute 85% of TOKI's total housing production between 2003 and 2017.³ These modalities include housing projects for the poor groups, low and middle-income groups, disaster housing, agricultural villages and urban renewal projects (See Figure 5).

Having no profit-making purpose in general, social housing programs enables low and middle-income groups to become homeowners through low amount monthly installments within the scope of long-term payment schedules. While TOKI built 1,048 mass housing projects, 340 urban transformation projects, and 3,090 disaster housing units in 2003; it built 96,736 mass housing projects, 5,750 urban transformation projects and 892 disaster units in 2007 (TBMM, 2008b, p. 145; TBMM, 2010b, p. 201).

³ Retrieved from <https://www.toki.gov.tr/faaliyet-ozeti> on March 25, 2018.

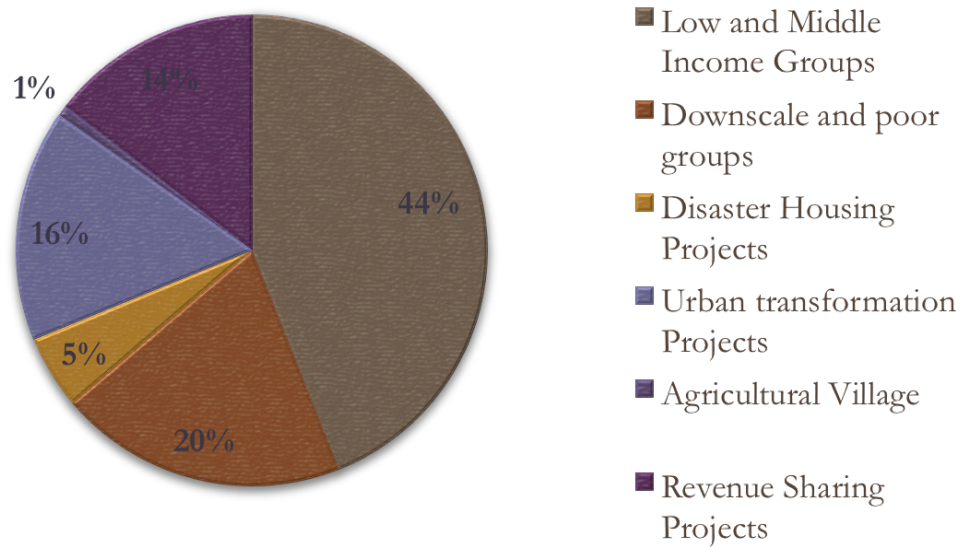


Figure 5 Percentage distribution of TOKI's housing production
 Source: [Sayıştay, 2017, p. 38]

TOKI implements “downscale and poor groups’ projects” in cooperation with the General Directorate of Social Benefits in the Ministry of Family and Social Policies. After conducting income assessments, the directorate delivers social housing projects accordingly. These units are between 45 and 65 m². No advanced payment is required and people make their low amount repayments through a long-term payment schedule that is up to 25 years. Due to the high support of the state, these projects are also called as subsidized low-income housing units (TOKI, 2016, p. 17).

The social housing projects for low-income groups are constructed for those who do not own a house and whose monthly income is 3,200 TL in maximum (3,700 TL for those who live in Istanbul). These units are between 65 and 87 m². An advance payment, which is 12% of the total cost, is required. The monthly repayments are made in a schedule that is up to 15 years. The housing projects for middle-income groups are between 87 and 146 m². The repayments are made in a schedule which is up to 10 years; and an advanced payment that is between 10 to 25% of the total cost is required (TOKI, 2012, pp. 43- 44; TOKI, 2016, p. 18). As the

figure 6 illustrates, the number of housing units for the poor, low-income and middle-income groups jumped from 1,000 in 2003 to 114,000 in 2008 and TOKI built 45,000 housing units on average between 2003 and 2016.

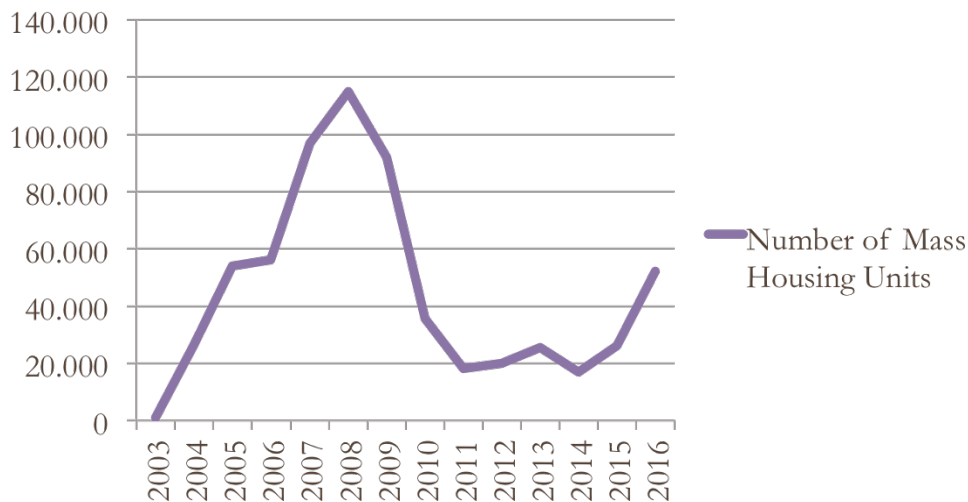


Figure 6 Number of housing units in the mass housing projects
Source: [TBMM, 2010a, p. 211; Sayıştay, 2012, p. III; Sayıştay, 2017, p. II]

In addition, TOKI is an instrument for implementing social housing projects in the areas that are hit by a natural disaster. For example, TOKI built 15,000 housing units and their facilities in Van following the earthquake in 2011 (Sayıştay, 2012, p. 112). Also, TOKI contributed the rural development through agricultural village projects. These projects aim to modernize rural areas to prevent urban migration.

Following the law no. 4966, the government started to transfer the rights, duties and land portfolio of the other public institutions in the housing market to the Mass Housing Development Administration. As discussed in Chapter 5, TOKI absorbed the housing institutions including Housing Undersecretariat, the Land Office, and the Ministry of Public Works and Settlements as well as local actors such as the municipalities and special provincial administration. These new rights and obligations increased gradually TOKI's institutional capacity in the housing market and enable to build more housing units than the previous period.

2.2.2 Resource development projects and development property with infrastructure

The institutional aggrandizement by absorbing other state agencies in the housing market led TOKI to develop a crucial mechanism to subsidize the social housing projects and boost the housing market. Different from the social housing modalities, these operations aims to generate profit by allocating necessary resources to support other projects. For this purpose, TOKI implements luxury housing projects through the revenue sharing model and sell the public land after turned it into a property. The fundraising projects consist of 14 percent of total housing projects between 2003 and 2016 (Sayıştay, 2017, p. 38) whereas the land sales constituted the 43% of TOKI's total income (Sayıştay, 2017, p. II). TOKI's income from sales of the public land jumped from 291 million TL in 2004 to 843 million TL in 2005 and to 3.9 billion in 2015 (TBMM, 2008b; Sayıştay, 2017).

The revenue sharing model is based on the development of luxury projects on TOKI's land in cooperation with a private company (or companies) and sharing profit of the project with the private partner(s). In these projects, TOKI established a partnership based on the project's revenue rather than the construction itself. In other words, the administration is responsible only for providing land for the project and receives the profit from the projects.

This model was fostered by the affiliations of TOKI. The affiliations in cooperation with TOKI's land production capabilities strengthened administration's position in the housing market and consolidated state power through private companies that blur the public-private distinctions. TOKI has seven affiliates in the housing market including the biggest real estate investment trust in Turkey, Emlak Konut REIT (*Emlak Konut GYO*) that demonstrates the power of TOKI's affiliates

and subsidiaries in the housing market. Two of its affiliates are real estate investment trusts and the other affiliates offer a wide variety of expertise from project management to funding for restoration and consultancy. Although TOKI has share between 14 percent and 50 percent, the affiliates have independent administrative bodies and budgets from TOKI.

On the other hand, the revenue sharing model and privatization of the treasury land redefine the state-business relations and contribute construction-based neoliberal urbanism. Legitimizing the harsh and violent sides of this neoliberal transformation through social housing projects, TOKI promotes further commodification and privatization to boost the private sector.

Fostered by these legal frameworks, TOKI's institutional capacity has increased gradually. Its total income increased drastically after 2004. According to State Audit Court reports, the total income was around 344 million TL in 2001 and 532 million TL in 2004, while it increased to 1.4 billion TL in 2005, to 6 billion TL in 2008 and to 7.9 billion in 2014 (TBMM, 2008b, p. 145; TBMM, 2010b, p. 201; Sayıştay, 2015 p. II). Vested with new capabilities and resources, TOKI's capacity to build new housing units -as a direct contractor- has increased. Therefore the administration increased its housing production on the public land and decreased its creditor role in the housing market. In accordance with the governments housing targets, TOKI built more than 500 thousands housing units between 2002 and 2011, while it built around 817 thousands housing units between 2002 and 2017.⁴

⁴ Toplu Konut İdaresi Faaliyet Özeti. Retrieved from <https://www.toki.gov.tr/faaliyet-ozeti> on March 28, 2018.

2.2.3 Urban renewal and transformations of slums

Another field of operation of TOKI is the urban transformations projects. The legal and institutional reforms allow government and municipalities to implement urban renewal projects in the irregular settlements. The government criminalized the irregular settlements in 2004 and the state attitude towards slums and irregular settlements have changed radically. Although there were small-scale urban transformation projects previously, TOKI after 2004 started to implement the most comprehensive urban transformation program in the history of the Turkish Republic. The urban renewal projects consist of 15% of TOKI's total housing production (Sayıştay, 2017, p. 38). As figure 7 illustrates, the number of transformation projects increased after 2004. While TOKI built around 3,000 housing units for the urban transformation projects in 2004, the number of housing units increased into 10,000 in 2005 and 14,000 in 2006. The administration built around 9,000 housing units on average in the urban renewal projects between 2003 and 2016 (TBMM, 2010a, p. 211; Sayıştay, 2013, p. III; Sayıştay, 2017, p. II)

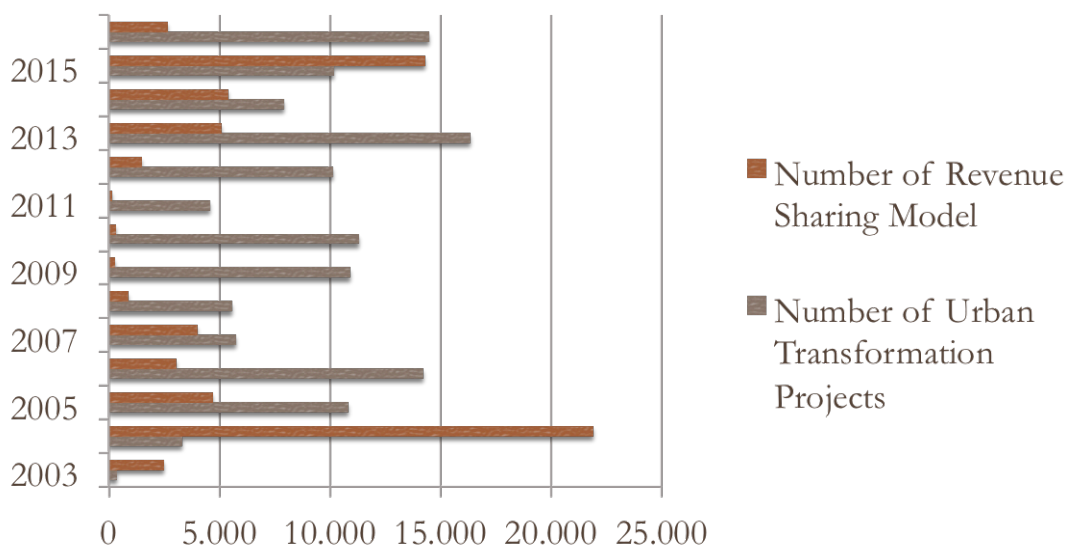


Figure 7 Number of housing units in the revenue sharing model and urban transformation projects*

*The numbers do not include the revenue sharing housing units that are built by the TOKI's affiliates

Source: [TBMM, 2010a, p. 211; Sayıştay, 2012, p. III; Sayıştay, 2017, p. II]

One of the substantial changes in the legal framework of the housing regime was the gradual expansion of TOKI's authority against the irregular settlements (*Gecekondu*). The founding law made TOKI responsible for the implementation of the law no. 775 regarding the irregular settlements and irregular settlements was legalized through amnesty laws. Following the criminalization of irregular settlement in 2004, a series of legal amendments including laws no. 5216, 5393, 5366, and 5793 has altered the government's attitude against the irregular settlements and strengthened TOKI's institutional power through the urban transformation projects. In 2012, TOKI became the only authority for the urban transformation projects in cooperation with Ministry of Environment and Urbanization by the law no. 6306. Once the government started to authorize TOKI in the urban transformation projects as a result of the critical juncture in 2003, TOKI gradually acquired more and more power. A detailed scheme of the legal framework of TOKI's institutional expansion is illustrated in Appendix.

Nevertheless, the urban transformation projects have served the further commodification of urban land as well as the establishment of neoliberal urbanism. TOKI have the right to evacuate the *gecekondu* neighborhoods that are located in the city centers and force the residents to live outskirts of the city. The process of urban gentrification increases the land value and contributes the speculation over the urban land.

2.2.4 Social facilities and protocols with the ministries

The social housing projects include the social facilities around the neighborhoods including schools, indoor sports halls, and mosques. Nevertheless, TOKI increased its operations through the protocols with the ministries. TOKI built total 8,616 social facilities between 2003 and 2016 (TOKI, 2016, p. 34).

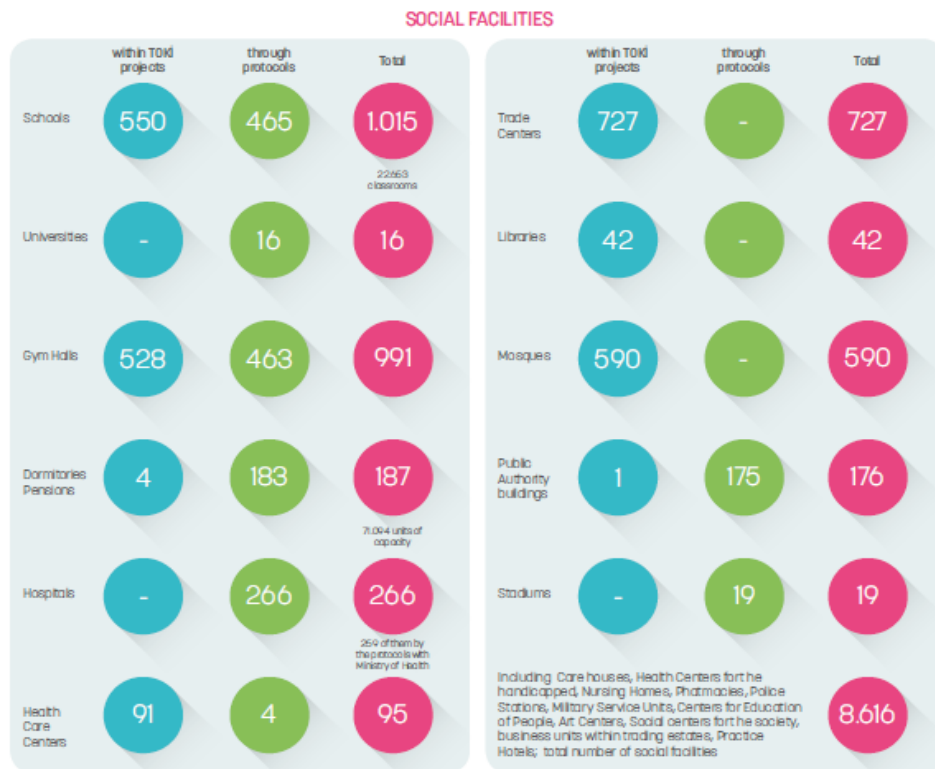


Figure 8 Social facilities within TOKI projects and through protocols
Source: [TOKI, 2016, p. 34]

These new modalities and increase in the field of operations require an administrative expansion as well. TOKI gradually increased its administrative capacity. According to the state audit court reports, the administration has 242 employees in 2001, while the number of employees increased to 370 in 2005, to 598 in 2010 and to 668 in 2016 (TBMM, 2008b, p. 132; TBMM, 2010b, p. 201; Sayıştay, 2013, p. III; Sayıştay, 2016, p. II). The institutional expansion resulted in new departments in the Mass Housing Development Administration (See Figure 9). After

the critical juncture of 2003, TOKI started to open new departments including urban renewal office, Istanbul land office, Admissions, Zoning, and Planning Department; Tendering Department; and also regional implementation departments (Doğru, 2016, p. 186).

As the organizational schema illustrates, the institutional expansion in relation to the new legal framework has enabled TOKI to involve and control the housing market. The bureaucratic schema shows TOKI's ability to make zoning plans, urban renewal projects, privatize or confiscate public land, and using credit mechanisms. In this regard, the expansion of TOKI demonstrates how state promoted the establishment of neoliberal urbanism and act as a midwife of the neoliberalism.

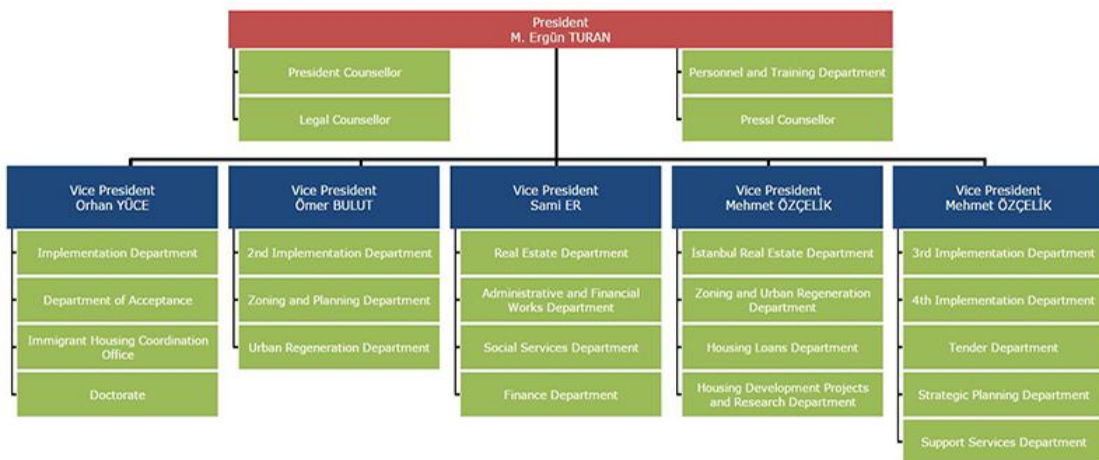


Figure 9 Organizational Schema
Source: [TOKI (2018) <https://www.toki.gov.tr/>]

In this chapter, I explored the institutional structure of TOKI and its expansion through time. This chapter introduces TOKI and its different modalities to provide a basis for understanding how it involves the housing market. The legal

framework that is established between 1984 and 2012, in relation to political and economic context, influenced how TOKI acquired its institutional power. The next part focuses on the political and economic surroundings in order to trace TOKI's institutional expansion in a meaningful way.

CHAPTER 3

NEOLIBERAL TRANSFORMATION OF TURKEY

This chapter presents a brief outline of the political and economic developments of Turkey between 1980 and 2012 to clarify how TOKI has emerged and acquired its current institutional power. It illustrates the economic regime and institutional framework in which TOKI was established and realized its potential. The main purpose of this chapter is to show the neoliberal logic that surrounds the genesis and evolution of the institution, focusing primarily on the changing role of the state and state-business relations. In this sense, this analysis demonstrates that TOKI is part of a broader process of commodification, privatizations, and deregulation, taking place in Turkey since the 1980s. As an institution that was established in the first wave of market-driven economic policies, TOKI favors state-controlled marketization and commodification of land from the very beginning but the political and economic conditions through the 1980s and 1990s prevented TOKI from realizing its neoliberal potential. Yet, the economic reforms together with domestic political stability and international incentives following the 2001 economic crisis have revived and empowered TOKI to implement neoliberal urbanism and accelerate the process of the neoliberalization in Turkey.

Demonstrating the critical junctures, institutional legacies, and historical contingencies that have shaped the Turkish neoliberalization since the early 1980s, the historical overview here underlines the *sui generis* features of Turkish experience and highlights TOKI's particular position in the neoliberal reforms. Parallel to the general economic framework, TOKI's institutional history has been dramatically influenced by two critical junctures: the military intervention of 1980 and the 2001

economic crisis. Alongside the critical junctures, the institutional continuities like populist tendencies and economic volatility of Turkish economy have distinguished Turkish neoliberalization as well as TOKI's institutional development.

The post-coup single party government rescaled the state and introduced the first round of neoliberal policies. The first critical juncture that emerged after the military intervention helped the ruling elites to erase the old institutional framework and form market-driven economic and political reforms. The new constitution and the Motherland Party governments presented deregulation, privatization, commodification, and marketization through newly established laws and regulations. Nevertheless, the transformation was regressed by increasing redistributive pressures and instabilities. A close examination of the 1990s reveals that economic and political environment of Turkey did not allow the governing parties to continue the neoliberal transformation and change the institutional framework to deepen the market-driven economic reforms. On the contrary, following the turbulent years of the 1990s, the 2001 crisis had a transformative influence over the state due to dramatic political and economic consequences (Öniş, 2009; Bayırbağ, 2013). This critical juncture enabled the governing parties to rescale the state and completed the interrupted neoliberal transformation. In the second wave of neoliberal policies, the governing parties continued the market-driven economic and political reforms that were initiated between 1980 and 1989. In this context, Turkey has witnessed an exponential increase in privatization, commodification, depoliticization, and marketization through new laws and regulations after the 2001 economic crisis. The state was involved in these processes. Similarly, as the state acquired the necessary power to increase its capacity, the governing party started to regulate and control the housing market in Turkey through TOKI and its massive institutional power.

3.1 On the way to the 1980s

Embracing Keynesian economic policies, Turkey adopted inward oriented, protectionist developmentalism coupled with “import substitution industrialization” (ISI) policies between 1960 and 1980. This period in Turkey was characterized by planned economy, high growth rate, increase in per capita income and purchasing power, and improvement of life quality in parallel to the rest of the World (Pamuk, 2014). However, the ISI policies and Keynesian economy weakened gradually after the 1973 oil crisis. “Neoliberal” policies started to spread all over the world while the Bretton Woods system began to disintegrate during the 1970s. IMF and World Bank introduced liberalization as a solution for high inflation and stagnation that hit the advanced industrial countries during the 1970s.

Turkey faced an economic crisis between 1977 and 1980. The 1973 oil crisis had direct and mediated influences on Turkey. On the one hand, Turkish export to European countries slowed down, and Turkey had difficulties in finding international loans to pay its debts. On the other hand, the austerity programs throughout Western Europe reduced the remittance that came from Turkish guest workers (Arıcanlı & Rodrik, 1990). As a result, in comparison to the early 1970s, Turkey suffered from current account deficits, depreciated Turkish lira, short-term debts and high inflation. Following the second oil-price shock that was occurred in 1979-80, the Stabilization and Structural Adjustment Program (SSAP) prepared by Turgut Özal was initiated on January 24, 1980. Former undersecretary of the prime ministers, he was assigned as the minister of economy by the military government, and then was elected as the prime minister in the first (partly) democratic elections following the coup d'état. In this regard, the SSAP program was not only a simple stabilization program. It

resembled a government program that reflected the nature of the transformation of Turkish Economy after the coup.

In other words, creating a critical juncture, the military intervention of 1980 established an opportunity for the elites to replace the import substitution industrialization with market liberalization reforms including deregulation, financialization, and privatization. In the following decade, Turkey experienced the first wave of neoliberalization, alongside witnessing the establishment of TOKI within the broader process of the marketization of the housing regime and commodification of urban land through various laws and regulations.

3.2 The early years of the neoliberal transformation: 1980 - 1989

Initiated on January 24, the SSAP was mainly based on real exchange rate depreciation, the provision of export subsidies, and gradual import liberalization. The military government of 1981-1983 period successfully implemented the program. Ironically, most of the liberal economic reforms in Turkey have taken place under the authoritarian rule (Boratav, 2003, p. 157). After the major depreciation of Turkish Lira in 1980, the military government embraced a daily adjustment policy of the exchange rate in line with the divergence between Turkey and significant trading partners and major foreign exchange markets in 1981. In this regard, the military government initiated a solution for one of the most significant sources of instability in the 1970s through exchange rate depreciation. Arıcanlı and Rodrik argue that overvalued exchange rates prevented the development of exports and led an excess domestic demand (Arıcanlı & Rodrik, 1990, p. 1344).

Financial liberalization was also implemented based on the SSAP by the military government. The deposit rates were deregulated, and non-preferential

lending rates freed in July 1980. As a result, the competition of interest rates between small banks and brokers led a speculative boom and a crisis in 1982. The Broker Crisis in 1982 was a good demonstration of the problems pertaining to the early phases of Turkish neoliberal transformation. The liberalization and financialization took place without taking necessary measures and led speculative booms, especially in favor of those who have personal connections with the government.

In addition, the new ways of investment that derived from the financial liberalization, especially deposit interests had an unfavorable impact on the housing market. Previously, the housing sector was one the few investment channels in the economy and the demand was reinforced by the investments in the housing market between 1960 and 1980 (Öncü, 1988; Baharoğlu, 1996). Therefore, the financialization decreased the housing demand while it opened up new methods for investments. Secondly, financialization without a robust economy and necessary institutions led economic instabilities between 1980 and 2002. As Türel underlines, 1982 Banker Crisis had a negative influence on housing demand and led the downsizing of the construction market (Türel, 1989). In the context of economic crises, the banking sector became quite lucrative due to instabilities and patronage relations while housing sector lost its significance, primarily through the 1990s.

The military junta in 1980 and the following election of a former a technocrat, Özal, as a prime minister pointed out a new phase in the social, economic and political life in Turkey. After the 1983 elections, neoliberal reforms gained new momentum in the hands of Motherland Party. Özal took decisive steps towards liberalization of the financial market and import regime. Similarly, he continued with the flexible exchange rate system and austerity programs to support an export-driven economy. In other words, the years between 1984 and 1988 under the rule of

Motherland Party consolidated neoliberal reforms through structural adjustment.

Boratav called this period (1984 - 1989) as the golden years of the Motherland Party (Boratav, 2003, p. 373).

Through the first wave of market-driven reforms, the rule of Motherland Party facilitated the internalization of a free market rationale in Turkey. They rescaled the state and changed the state-business relations. The state highlighted the equality of access, competition, and efficiency in favor of business elite through laws and regulations. Parallel to liberalization and financialization processes in the early 1980s, TOKI emerged primarily as a credit institution to accelerate the marketization and commodification of the urban land. Its main purpose was also to increase the involvement of private companies into the housing market as indicated in chapter three.

The Motherland Party owed part of its success in using its economic and political agenda to the military junta. For instance, the military government oppressed any opposition in the society. The reduced wages and agricultural incomes alongside the restrictions on syndical rights helped Özal to apply export-driven economic policies without any remarkable societal response. Similarly, the political ban that took place in 1982 for those who were active politicians before the military coup made the Motherland Party almost unrivaled in the political arena. In other words, the Motherland Party was relatively comfortable in the political arena in the absence of the old, famous and powerful political actors.

On September 6, 1987, a general referendum in Turkey took place to lift the political bans. Although the general elections of 1983 ended the military rule, it was partly democratic because of the ongoing military influence and the political restrictions. As the political ban of old political actors like Süleyman Demirel, Bülent

Ecevit, and Necmettin Erbakan was lifted, they entered the political scene once again. Following the referendum, the Motherland Party decided to make an early election on November 29, 1987. Despite that Motherland Party had more seats in the parliament thanks to the new election system; the party reduced its percentage of votes in comparison to the previous election. Hence, the government experienced democratic pressures in the first election that followed the removal of political bans and that changed party politics.

In this political context, the year of 1989 witnessed influential events that shaped the politics and economy of Turkey through the 1990s and 2000s. First of all, the Motherland Party lost many municipalities in the 1989 local elections, including all of the metropolitan ones. In other words, the political climate of Turkey changed in favor of the opposition, and political pressure on the Motherland Party had increased. The local elections in 1989 demonstrated that the Motherland Party was losing its electoral support and its agenda needs revisions. As a result, the governing party employed the old redistributive political tools to maintain its power. After 1989, the government left its fiscal discipline and austerity programs behind because of the distributional pressures by the worker protests of 1989 in the society. These protests during 1989 pushed the Motherland Party to adopt a more redistributive policy. The period after 1989 was called “return to the populism” (Boratav 2003, p. 374). However, these changes in the economic agenda had unfavorable results. It caused a slowdown in growth and export rates through the 1990s.

Furthermore, the governing party completed the financialization process in Turkey and enacted the decree no. 32 on August 11, 1989. The decree meant the full-scale opening of the capital account and full convertibility of Turkish Lira against the US Dollar. Turgut Özal took the decisions on his own, although the Central Bank did

advise not to do so (Öniş, 2004, p. 123). However, Turkey did not have the necessary regulatory laws and institutions to deal with the liberalization of the capital account in 1989. Instability and fragility based on short-term, speculative capital inflows in the absence of regulatory institutions became chronic problems of Turkish economy through the 1990s.

The liberalization and financialization were parallel to international context as well. Although Turkey was one of the first OECD countries that accepted full convertibility, there was a trend of financialization and liberalization. In line with the Washington consensus, the IMF and World Bank introduced liberal economic policies as developing strategy for the third world countries.

In general, Turkey left protectionist, planned and inward economic policies behind and adopted liberal, export-oriented ones. Boratav called this period as “the revenge of the capital” (Boratav, 2003). Accordingly, the economic policies of 1980s disciplined labor market reduced wages and worsened the income distribution in favor of the capitalists while export promotion and macroeconomic stability policies were supported, especially through exchange rate and direct export subsidies. In comparison to the previous epochs, Turkey witnessed the high export performance, unstable fiscal balances, limited foreign and domestic investment and unequal income distribution (Arıcanlı & Rodrik, 1990).

While the rescaling of state and state-business relations during the first wave of market-driven reforms favored private companies and capitalists, the low-income groups and urban poor still benefited from populist policies based on urban rent that was redistributed through amnesty laws and planning permits (Boratav, 2003, p. 153). The building permits that were given as part of the amnesty laws rose from 40,000 in 1984 to 110,000 in 1987 (Balaban, 2016, p. 25). Nevertheless, the

production of space through neoliberal urbanism, especially the commodification of land in urban and rural areas have not started extensively but state intervention had a significant impact on the housing market. The state fostered the construction industry and initiated a housing boom between 1982 and 1988. The number of new building constructions increased from 54,361 in 1982 to 139,995 in 1988 and the share of construction investments in gross national products rose from 5.2% in 1982 to 7.3% in 1987 (Balaban, 2016, p. 24). The period between 1980 and 1989 witnessed an introduction to neoliberal reforms and urban economy yet the increasing political and economic instabilities prevented further expansion of reforms during the 1990s.

3.3 The turbulent years: 1990 - 2001

The 1990s has witnessed economic and political instabilities. Turkish economy suffered from continuous high inflation, increasing current account deficit, and weak financial institutions during this period. Besides, severe economic crisis and weak political will made the economy unmanageable. According to Boratav, these years had the lowest growth average in the history of Turkish Republic (Boratav 2003, p. 185). On the other hand, the weak coalitions together with newly emerging political actors characterized the political scene of the 1990s. Kurdish question and rising political Islam contributed to political uncertainties that were built on the economic crisis and populist policies, and challenged the status quo.

Considering the volatility and vulnerability, Turkish economy had its boom-and-boost cycles throughout the 1990s. The lack of robust economic institutions prevented governments from implementing a stable economic policy and pursuing the neoliberal reforms in Turkey. As a result, the market-driven reforms of the 1980s

including privatization, deregulation, and depoliticization were interrupted in the 1990s.

The volatile and risky conditions that derived from financial liberalization diminished TOKI's significance in the housing market. On the one hand, increasing interest rates and high inflation made TOKI's credits non-reimbursable, especially for the low and middle-income groups. While the purchasing power of these groups decreased, repayments of credits were increased. On the other hand, increasing the constructions costs and deteriorating the overall economic balance, these instabilities reduced the state capacity to intervene the market as an actor.

After losing local elections in 1989, the Motherland Party lost its majority in the parliament with the general elections in 1991. Süleyman Demirel's, True Path Party (TPP) won the general elections, but they did not have the majority to form a government. Henceforth, weak coalition governments throughout the 1990s could not maintain the market-driven reforms and hindered the process of neoliberalization in Turkey. Increasing populism and economic fluctuations prevented governments from expanding the marketization and commodification. In a similar vein, the neoliberal urban policies were slowed down in the 1990s due to the political and financial problems. The conflict between governments and municipalities also contributed this slowdown following the 1989 local elections. For example, the notorious mayor Bedrettin Dalan who introduced first neoliberal policies in Istanbul was replaced with Necmettin Sözen and the implementation of Motherland Party's urban policies became more difficult.

The coalition governments had difficult times in the economy as well. The first economic crisis of the neoliberal era hit Turkey in 1994 (Öniş, 2010, p. 52). Following the decrease in Turkey's credit rating in January 1994, Turkey had the

currency crisis of 1994. The economy contracted 6%; annual inflation went up to the 150% and the exchange rate against major foreign currencies depreciated by more than half between January and April 1994 (Celasun, 1998).

The governing parties postponed a recovery program and maintained populist policies to succeed in the upcoming local elections. Nevertheless, none of the governing parties, neither True Path nor the Motherland parties, could receive the vote percentage/municipalities that they expected from the elections. While center right and center left lost its votes, 1994 municipal elections were a turning point for the Welfare Party. Although they did not receive the majority of the votes, they won six mayorships out of 15 metropolitan municipalities. Especially mayorship of Istanbul and Ankara transform a marginal political party into a mass political movement (Öniş, 1997).

The 1994 local elections created an opportunity for the development of neoliberal urbanism, especially in the metropolitan cities. For example, Kiptaş that was one of the shareholdings of Istanbul Metropolitan Municipality was established in 1995 and then became one of the important actors in the housing market in Istanbul. It contributed to the commodification of land especially in the outskirts of Istanbul during the late 1990s. It built 17,000 residential units between 1995 and 1999⁵The former president of Kiptaş, Erdoğan Bayraktar worked as TOKI's president between 2002 and 2011 before he served as the Minister of Environment and Urbanization. Alongside with the Justice and Development Party governments, TOKI incorporated Kiptaş's housing model into its neoliberal urban policies (Uşaklıgil, 2014).

⁵ <http://www.erdoganbayraktar.com.tr>

The general elections took place in December 1995. None of the parties had an overall majority of the votes, but the Welfare Party continued its election success by taking 21,38% of national votes in the elections. For the first time, a pro-Islamist party seized power and formed a government in June 1996. Nevertheless, National Security Council took pro-secular decisions against WP's political stance on February 28, 1996, and forced the government to implement its directives. Consequently, the government resigned and the constitutional court closed the Welfare Party. The period was characterized by the coalition governments.

Another aspect of instability apart from coalition governments and political uncertainties was the growing fragility of the global financial market and the frequency of financial crises that took place in the developing world. The world economy experienced the Asian Miracle throughout the 1990s. East Asian Tigers like Thailand, South Korea, Indonesia and China demonstrated a considerable level of growth. The foreign capital inflows all over the world created a bubble economy. Once the crisis began in Thailand in 1997, the investors started to escape from Asia as well as emerging markets like Argentina and Brazil. The contagion effect also hit Russia due to the decrease in demand for raw material in Asia, especially petroleum and capital flight from emerging markets. While Turkish competitiveness was damaged as a result of devaluation in Asian countries, Russian crisis in 1998 exacerbated the economic situation in Turkey (Kazgan, 2005, p. 232). The Asian crisis put an end to the favorable global financial environment in that Turkey benefited from sustained capital inflows during the mid-1990s (Öniş & Alper, 2001, p. 14). After the crisis, international monetary institutions promoted the second wave of market-driven reforms and expanded neoliberalization all over the world once again.

Nevertheless, Turkey could not achieve IMF reforms that were aimed to implement in the stabilization program. The state capacity was not enough to introduce the second wave of reforms in the late 1990s yet. The political uncertainty that derived from upcoming elections contributed the turbulence in the economy in early 1999. In the general elections of April 1999, Bülent Ecevit's Democratic Left Party took 22,18% of national votes in the elections, but it could not achieve an overall majority. He formed a new coalition government together with the Nationalist Movement Party and Motherland Party. Contrary to earlier coalition governments in the 1990s, the new government was a broad-based coalition that gathered center left, nationalist and center-right parties together.

The economic recession that derived from Asian and Russian economic crisis was worsened in late 1999, mainly banking sector that was deeply relied on the external conditions were heavily influenced by the contagion of the crisis. Additionally, two devastating earthquakes that hit the Marmara region, the industrial zone of Turkey affected the economic performance negatively and Turkey made a standby agreement with IMF in December 1999.

The stabilization program aims to combat against high inflation and establish structural reforms to ensure macroeconomic stability (Kazgan, 2005, p. 238). As a result of capital inflow and the favorable fiscal conditions, an economic slowdown in 1999 followed by a growth cycle in 2000. Nevertheless, the cohesion among the coalition parties for political and economic reforms was hard to achieve. They could not agree on privatizations of state economic enterprises and reduction of agricultural subsidies (Öniş & Alper, 2001, p. 18). In this regard, the stabilization program of 1999 could not be fully implemented whereas the budgetary balance continued to deteriorate through populist policies. The debates on privatization and agricultural

subsidies between coalition governments demonstrate how Turkish neoliberalization process was interrupted by weak coalition governments through the 1990s.

As a result, the standby agreement and IMF credits could not fix the economic crisis, but rather it prepared the conditions for the most devastating economic crises of the Turkish Republic. The disappointing inflation rates, high monthly trade deficits, disagreement of the coalition partners over privatizations, an economic crisis in Argentina and investigations into commercial banks led a rapid exit of foreign capital. These speculative sales resulted in November 2000 financial crisis once the domestic banks tried to reduce the-end-of year open positions due to the lack of liquidity (Akyüz & Boratav, 2003, p. 1555). The uncertainty continued due to the rising public debt, high inflation, and currency appreciation.

The political instability that derived from a disagreement between the president and prime minister ended up with a massive flight of foreign capital from Turkish Lira due to confidence lost. The liquidity crisis turned into a currency crisis in which Turkish Lira lost about one-third of its value against the dollar. Nine banks were taken over and transferred to the Saving Deposit Insurance Fund. In this regard, the financial turmoil and banking crisis triggered devastating results in the real economy. The 18th standby agreement stabilized the economy in late 2001, but crisis' influence was long-lasting. As a result, the 2001 economic crisis created the second critical juncture, which enabled the governments to establish a new set of economic policies alongside a new institutional framework.

The stabilization in 1999 and later programs indicated a structural transformation in the Bretton Wood Institutions as well. The dominant paradigm from the late 1980s to late 1990s was the Washington Consensus (WC). It aimed to ensure financial and trade liberalization and free flow of international money in the

developing world, especially after the collapse of the SSCR. As Dani Rodrik underlined, the motto of the Washington Consensus is to “stabilize, privatize and liberalize” (Rodrik, 2006, p. 973). In this neoliberal orthodoxy, market failures/economic crisis were seen as a result of imperfect competition. With the success of East Asian Tigers, the model was implemented all over the World. However, the crises in the developing world demonstrated that expansion of market did not ensure the economic success.

In this context, the post Washington Consensus (PWC) proposed creating effective institutions in order to utilize the market liberalizations, primarily through the regulation of financial market (Öniş & Şenses, 2005; Rodrik, 2006). This new model of governance proposed that states should have transparent and accountable democracy as well as regulatory and effective institutions in order to acquire a successful economic performance. Otherwise, state failures and corruption will lead an economic crisis.

The PWC presents the second wave of market-driven reforms in the world and influenced Turkish neoliberal experience after the twin crises. Accordingly, PWC economic policies highlighted the deregulation, privatization, and depoliticization to prevent economic crisis that is derived from state failures and corruption. Similar to the economic policies of the 1980s, these policies reshaped the role of the state in the economy in favor of business classes. Especially through regulatory agencies and extensive privatizations, a new set of laws and institutions accelerated marketization and commodification processes in Turkey in the 2000s.

Also, the PWC policies are also crucial for the housing market. They started a new period through series of institutional reforms. The mass-housing fund that is an extra-budgetary fund without a parliamentary audit was annulled and the Housing

Secretariat was established as a regulatory agency in 2001. Also, the Property Bank was closed down due to its corrupted banking activities and its housing tasks were transferred to TOKI. Although the influence of PWC economic policies in the housing market was short term, it demonstrates a symbolic juncture.

Within this second wave of market-driven reforms, the neoliberal urbanism was flourished in the next decade. While it developed as an undercurrent in the 1990s, it did not present an overall achievement due to the economic and political instabilities. State involvement in the construction sector remained limited. Yet Turkish contractors' new initiatives in the post-Soviet countries increased their capacity. Although housing market did not expand as it did in the 1980s, this period witnessed the gradual commodification of land in the outskirts of the metropolitan cities.

3.4 From stability to uncertainty: the institutional transformation in Turkish economy

3.4.1 Stability and success: 2002 - 2007

Following the 2001 economic crisis, Kemal Derviş, who was a senior executive working in the World Bank, was invited to Turkey to serve as the minister of economy and Turkey signed on the 18th Stand-by Agreement with the IMF. In this regard, Turkey initiated “the Transition to Strong Economy Program” in May 2001, and significant measures were taken in a quite short period of time. The program imposed a structural transformation that replaced the fixed exchange rate system with free-floating exchange rate regime and reduced public spending to achieve fiscal discipline. For this purpose, cutting agricultural subsidies down, privatization of

SSEs, the establishment of independent regulatory agencies for ensuring market regulations.

According to Öniş, the 2001 economic crisis created an opportunity for increasing state capacity that is essential for the neoliberal restructuring (Öniş, 2009). Emerging market countries that embraced neoliberal reforms in the 1980s suffered from a lack of institutional transformation that is crucial for an outward-oriented competition state. The institutional frameworks of these countries were stuck in an inward-oriented developmentalist state although they replaced the import-substitution model with neoliberal reforms (Öniş, 2009, 411). Turkey was not an exception. The introduction of trade and financial liberalizations in the 1980s were not followed by institutional changes. Following the crisis, the state acquired the necessary power for completing the interrupted economic transformation of the 1980s using the structural reforms. In other words, one could interpret the 2001 crisis as a “critical juncture” that rebuilt the state capacity for the establishment of “competition state” in Turkey (Öniş, 2009). It put an end to the previous institutional framework and encouraged the government to initiate regulatory governance, competition policies, and market openness in Turkey. The new neoliberal set of laws and institutions were “planned” and implemented by the state.

Regarding the stabilization program after 2001, Airaudo, Derviş and et al. states that “the objective of these reforms has been to aimed to build the legal and institutional infrastructure of a modern competitive market economy, where transparency reduces the scope for rent-seeking and corruption and where entrepreneurial spirit can be devoted to production rather than securing privileged access to monopoly positions or state contracts. The reforms also aimed at creating a leaner and more efficient state while strengthening the regulatory capacity of state

institutions and the quality of the social safety net” (Airaudo, Derviş, and et al. 2004, pp. 21-22).

In addition to the economic consequences, the critical juncture of the 2001 crisis caused the governing parties to remain below the threshold in the next election, and the newly emerged JDP came to power in June 2002. The JDP received 34.2% of the votes and held 66% of the parliamentary seats that is enough to form a single-party majority government. Although the JDP inherited political Islam as the main ideology, the party had a more moderate, pro-Western and pro-EU outlook than its predecessors. They were simultaneously Turk, Muslim, and Western (Yavuz, 2003, p. 206).

The JDP’s standing and loyalty to the program after the elections were essential for the institutional transformation. As the governing party, it followed the policies that Kemal Derviş and the 57th government initiated in terms of public budget, fiscal discipline and privatizations as well as the European harmonization packages. In this regard, it was not only IMF but also EU that fostered the transition to a competitive, democratic state, especially legalization of Copenhagen Criteria promoted democratic deepening and the rule of law in Turkey (Öniş, 2009, pp. 417-418).

As part of the Economic Programme of 2001, the Turkish state has undergone a crucial structural transformation, and Turkish economy has experienced a strong and steady period. The program has been implemented until 2008 when Turkey did not want to renew the standby agreement. The successful strategy of the program together with the determination of the government resulted in high growth rate and low inflation in a regulatory institutional framework. In general, central bank independence was established and reinforced; the banking system was restructured;

the debt management regime was improved; fiscal discipline was achieved thanks to reform plans in various policy areas from the public expenditure regime to agricultural subsidies and the social security system” (Öniş & Güven, 2011, p. 590). The neoliberal restructuring also came with privatization, flexible labor markets, flexible exchange rate, fiscal austerity and good governance (Cizre & Yeldan, 2005).

Turkish economy presented an above-average economic performance between 2002 and 2007. The growth rate has been steady and sustainable comparing to the data in the 1990s. Whereas the average growth rate is around 4% between 1991 and 2000 per annum, the government has achieved 6.8% growth between 2002 and 2007 per annum. This above-average economic performance owed to the legal and institutional infrastructure. In this regard, the Central Bank gained full autonomy, and its primary objective was redefined as the price stability. While Turkey suffered from high inflation rates through the 1990s, the average inflation rate declined from 29.5% in 2002 to 8.4% in 2007 (Öniş & Bayram, 2008, p. 14).

Another significant success was in fiscal discipline following the 2001 crisis. The Public Financing and Debt Management Law (Law No. 4749) in 2002 and the Public Financial Management and Control Law (Law No. 5018) in 2003 maintained a comparative framework for risk management and limited the government’s authority in exceeding debt limits that are defined in the annual budgets. It reduced discretionary borrowings and subjected all central government borrowing and guarantees to strict rules (Atiyas, 2012, p. 67).

The stability and structural reforms facilitated foreign direct investments and privatizations. For example, FDI inflows amounted to less than 1 billion dollars before 2004 and reached only US\$2.5 billion in 2004 whereas it rose up to 9.6 billion dollars in 2005. FDI inflows had an increasing tendency and reached to 22 billion

dollars in 2007 (İzmen & Yılmaz, 2009). In a similar vein, the nature of privatizations has changed significantly since 2000, especially after 2004, though privatization took place in the economic agenda starting from the mid-1980s. Parallel to FDIs, privatization revenues rose up to 8 billion dollars annually in 2006 and contributed the reduction of the level of public debt (Atiyas, 2009).

Political developments also contributed the macroeconomic stability as well as increasing FDIs and privatization revenues. After the Helsinki Summit in 1999, the EU Council decided to initiate full accession negotiations without delay on the condition that Turkey met the Copenhagen criteria in 2004 and negotiations were started in October 2005. These reforms enhanced political stability in a domestic level. As a consequence, a favorable environment for economic reforms was flourished between 2002- 2007.

The economic recovery program aimed to liberalize infrastructure industries that are dominated by public monopolies like telecommunication and energy. As a result, regulatory law and agencies were established for deregulation and privatization of infrastructure industries like telecommunication and energy. Telecommunications Authority (later the Information and Communications Technologies Authority, ICTA) was established in 2001, and Türk Telekom was privatized in 2005. Similarly, with the Electricity Market Law (Law No. 4628) in 2001, Energy Market Regulatory Authority (EMRA) was established to control electricity, natural gas, and oil industries. Furthermore, the state renewed the relation with the housing market through the Housing Development Administration (TOKI). However, it has its uniqueness in this schema. I will explain the state-housing market relations and the features of TOKI in the next chapter.

Following the general elections in 2002, the JDP has won landslide victories in the next general and local elections. It consecutively won all the national and local elections in 2004 and 2007 and enjoyed a very comfortable absolute majority in the parliament that allowed them to pass any laws they see fit.

The institutional reforms, political stability, and favorable global environment led a rapid recovery and economic growth between 2002 and 2008. In this context, the construction industry became one of the flagships of the economy. While the average economic growth rate was 6% between 2001 and 2007, the average annual growth rate of GDP share of construction was 11.6% for the period of 2001 and 2007 (Balaban, 2011, p. 29). In this period, an annual number of construction permits increased from 43,430 units in 2002 to 114,204 units in 2006 and 106,659 units in 2007; and the share of construction sector in total employment rose from 4.5% to 5.9% as a result of the housing boom between 2002 and 2008 (Ibid.).

The structural problems in the economy including current deficit and reliance on the flow of foreign hot money fostered the housing boom between 2002 and 2007. Due to the volatility in the Turkish economy, the real estate investments became the primary destination for foreign capital inflows. The increasing internal demand and foreign investments led a housing boom along with the economic recovery (Erenşü & Karaman, 2017, p. 6). While the exchange value of housing started to rise exponentially, the commodification of housing peaked and attracted foreign investors. The foreign direct investments in real estate increased 4,3% annually between 2003 and 2006 (Kuyucu, 2010, p. 128). As Balaban underlines, this housing boom between 2002 and 2007 differs from the previous boom between 1984 and 1987. The rise in the housing market was promoted not only by the domestic demands but also the foreign investment and capital inflows (Balaban, 2011, 29). In

other words, these years witnessed an expansion of neoliberal urbanism as well. As Harvey points out, increasing urban rent and commodification through housing and infrastructure investments fostered the accumulation of capital. The state contributes absorption of the surplus capital through further urbanization and speculation. The capital inflows promote the reproduction of capitalism in relation to urban space (Harvey, 2012).

3.4.2 The uncertainty and recession: 2008 - 2011

Following JDPs overwhelming election victories, Turkish economy and democracy were challenged by the global financial crisis and a deadlock in the EU membership process. Anti-democratic political threats and JDP's overconfidence after elections contributed the deterioration of economic performance as well as democratization. As a result, the second phase of the JDP governments between 2007 and 2011 demonstrated a relative stagnation (Öniş, 2015, p. 23). To overcome this recession, the state has increased its involvement in the market. Along with the exacerbating structural problems, this period shaped by the centralization of power in the hands of government to boost the economy.

The global financial crisis started with a mortgage crisis in the US in 2007. It turned into a banking crisis after the bailouts of financial institutions in 2008 and spread around the world due to the integrated global banking system. In this context, lack of confidence in the financial institutions and fear of new crises led a liquidity shortage in the following years. These unfavorable conditions had a devastating influence on European countries those who need foreign credits because of high current deficits and low productivity, and it triggered the European debt crisis.

Therefore, the global financial crisis deepened and continued until a very limited recovery in 2010.

Turkey was not an exception, and the unfavorable global financial environment influenced its economic performance. Although Turkish authorities claimed that the crisis had no impact on Turkey, the economy slowed down starting from the very beginning of the crisis. Nevertheless, the period between 2008 and 2009 was not a crisis in a conventional sense. Although the growth rate was below 1% in 2008 and the economy contracted 4.7% in 2009, the fiscal deficit, inflation level, and banking system were under control (Öniş, 2012, p. 143).

According to Acemoğlu and Üçer, the global crisis exacerbated the structural problems rather than being the only source of the economic slowdown. In other words, the global turmoil masked the growing problems in the Turkish economy because the economic deterioration started even before the global crisis hit (Acemoğlu & Üçer, 2015). In this context, the global crisis paved the way for more deviation from the early political and economic trajectories. For instance, the government did not renew the standby agreement with IMF in 2008 and weakened the regulations on government spending due to the financial crisis. On the one hand, the amount of public spending was increased. The agricultural subsidies were revitalized, and an overburdening pension system was adopted. On the other hand, regulation and inspection mechanisms were weakened. Exemptions in the Public Financing and Debt Management Law and the Public Procurement Law after 2007 resulted in non-transparent and anti-democratic fiscal budget. In other words, from 2006 onwards, the JDP focused on consolidating its power and expanding its coalitional base while deviating from the classical neoliberal paradigm.

The political developments also contributed economic deterioration. First of all, the EU membership process slowed down by 2006 onward. The relations with Cyprus resulted in the suspension of eight ongoing chapters while a backlash against Turkey in France and Germany complicated the process. The influence of EU's anchor for Turkish institutional reforms and democratization was diminished over time between 2007 and 2011 (Acemoğlu & Üçer, 2015; Öniş, 2012).

The consecutive election victories in 2009, 2010 and 2011 revealed the deleterious effects of overconfidence. Transparency, accountability, and the rule of law were not the priority neither in politics nor economy anymore, and they weakened gradually. Comparing the 2002-2006 period, Turkey had lower growth, lower saving rate, higher current account deficits between 2007 and 2011. In addition, the employment rate reached up to 16% and did not fell into 10% in the following years.

In this context, the JDP consolidated its political power with the constitutional referendum that significantly decreased the possibility of challenges to the JDP government from the military and/or the judiciary, primarily through the amendments regarding the Constitutional Court and the Supreme Board of Judges and Prosecutors (Özbudun, 2014). Similarly, the JDP increased the vote shares by taking nearly half of the national votes in 2011 general elections, and Recep Tayyip Erdoğan became party's unquestioned leader.

Following the 2011 elections, majoritarian tendencies were increasingly influential on both political and economic institutions. Promising political stability in the early years started to turn into a nightmare of all-powerful political authority. The political authority made pressures on independent agencies and used state power to keep its coalitional base together at the expense of transparency and accountability.

In this regard, the reforms after 2011 can be assessed as a part of an increasing populist and majoritarian tendencies.

Starting from the very beginning, the neoliberalization in Turkey witnessed an increasing state involvement that was peaked during the JDP governments. The single party governments and the harmony between the central and local governments augmented the influence of the state over the market. Although neoliberal reforms promised the eventual retreat of the state, the new laws and regulations institutionalized the state intervention in the economy. Besides, instead of low and middle-income groups, business and financial elites who have close ties with the government benefited from this new setting. This institutional transformation of the state and the repeal of redistributive policies exacerbated the situation of the poor. The part traces how the state implemented these market-driven reforms in the housing market, which resulted in the emergence of neoliberal urbanism.

CHAPTER 4

THE HOUSING MARKET AND STATE INTERVENTIONS:

THE GRADUAL RISE OF TOKI

In this chapter, I analyze the housing regime and the state responses to the housing market in Turkey between 1980 and 2001 to illustrate TOKI's institutional development. The role of the state in the housing market has significantly changed during the 1980s. Whereas the period between 1950 and 1980 was characterized by the state's regulatory role, the state started to intervene in the housing market through new laws and agencies after 1980. Having provided an overview about how the role of the state and the state-business relations have evolved in the Turkish context, this part focuses on the specific example of TOKI and its relation with the first wave of market-driven reforms. Starting from the very beginning, TOKI has been part of the production of urban neoliberal space through its involvements in the housing regime. To illustrate the institutional basis, this part analyzes TOKI's founding law and discusses its parliamentary debates. Also, the complementary laws are scrutinized in order to understand housing regimes between 1984 and 1990. This chapter also seeks to answer how and why TOKI did not continue its institutional development during the 1990s.

4.1 Private housing boom and speculation over urban land: the period between 1950 and 1980

Following the Second World War, economic recovery and population growth in Turkey increased urbanization all over the country. The rate of the urban population to total population reached from 25% in 1950 to 43% in 1980 (Keleş, 1993). The

rising urban population led housing and infrastructure problems especially for the big cities like Ankara and Istanbul. In this regard, the state tried to increase its capacity by enacting new laws and regulations but could not meet the requirements of the rapid urbanization efficiently (Tekeli, 2014, pp. 117-118). As a consequence, “individual modes of housing” came into existence, and rather than acting as an investor, the state was involved in the housing market as a regulator (Baharoğlu, 1996; Özdemir, 2011). The period between 1950 and 1980 witnessed a (private) building boom, especially in the big cities (Öncü, 1988, Baharoğlu, 1996).

The “housing miracle” was shaped by the economic strategy of import substitution industrialization (ISI). The state increased the money supply to support domestic producers by keeping interest rates at low levels and subsidizing the worker’s wages while prohibiting the money market to increase industrial investments. Also, the ISI policies triggered massive migrant flows to the metropolitan areas where the significant industrialization took place. As a result, the demand for housing peaked and “housing boom” turned into a speculative boom for urban land (Öncü, 1988; Baharoğlu 1996).

The abolition of the rent control law in 1963 fostered the speculation over urban land. The state avoided to intervene the housing market and paved the way for the private investments. Thanks to the industrialization strategy and state’s regulatory position, the attractiveness of the market rose up, and urban land became a primary channel for accumulation between 1950 and 1980 (Öncü, 1988; Keleş, 2013; Baharoğlu, 1996).

This period of private building boom was dominated by *yapsatçılık* (“build-and-sell” in literal translation or “one-man firms”) and *gecekondu* (“landed overnight” in literal translation or irregular settlements). The build-and-sell model

represented the middle-class' solution for housing problem in the authorized market. The lack of state provision and increasing demand for housing encouraged the individual small contractors to build houses for the middle class. Although cooperative housing contributed the housing supply, their capacity was small. The cooperative housing formed 7.5% of the legal housing market between 1960 and 1980 (Samsunlu, 2007, p. 359).

Another housing regime was irregular settlement. The internal migration boosted the informal housing due to the lack of cheap housing options, especially for working class and urban poor. "The first half of the 1960s 59% of the population in Ankara and 45% in Istanbul lived in irregular settlements whereas these percentages were, respectively, 55% and 70% in the 1980s" (Buğra, 1998, p. 307). The Squatter Housing Law (Law No: 775) in 1996 officially recognized irregular settlements and the state granted an amnesty to the existing irregular settlements through regularizing their status (Buğra, 1998; Tekeli, 2014).

The Squatter Law in 1996 paved the way for future regulations. The speculative boom in the housing market and the clientelistic nature of urban politics contributed transformation of the irregular settlements into commodities of the land market (Buğra, 1998, p. 311; Baharoğlu, 1996, p. 57). As Gibson and Kocabaş underline, irregular settlements from the late 1960s were part of illegal state-led major infrastructure developments (Gibson & Kocabaş, 2007, p. 180).

In general, the housing market between 1950 and 1980 was characterized by a private housing boom that derived from migratory flows from rural areas to big cities, speculation over urban land, and clientelistic nature of elections in the absence of state intervention to the market. Accordingly, the housing policies saved the day, but it damaged the housing regime in Turkey in the long run (Öncü, 1988, p. 58).

The crisis of ISI economic policies hit the housing regime, and the housing boom came to an end in the early 1980s. On the one hand, housing supply was decreased, as the small contractors could not gain high profits compared to the 1960s and 1970s. The economic crisis eliminated the profitable nature of housing market through lowering the real wages and raising the interest rates. In addition, the housing market reached its natural limits in the late 1970s because the housing boom in the previous three decades depleted the cheap supply of urban land. Consequently, the supply side was not as lucrative as before. On the other hand, the demand for housing also diminished after 1980 due to the real wages and interest rates in the new economic regime. While low and middle-income groups were influenced by the decrease in real wages, high interest rates weakened the attractiveness of urban property for the high-income groups especially urban property lost its power as a primary accumulation method. In this regard, the demand in the housing market declined significantly (Baharoğlu, 1996, p. 50).

4.2 The state intervention and instability: the period between 1980 and 2001

Following the implementation of the stabilization program in 1980, housing sector went through a recession, primarily due to the increasing interest rates. The interim government enacted the first Mass Housing Law (law no. 2487) in 1981 to foster the housing market and meet the housing needs of low and middle-income citizens. For this purpose, a public fund that was planned to receive not less than 5% of the national budget was created. 80% of the fund was spared to the consumers. Long-term credits and low-interest rates were planned to cover construction costs (Baharoğlu, 1996, 50; Samsunlu, 2009, p. 361)

However, the first Mass Housing Law underperformed than it was expected in 1982. The Ministry of Finance transferred lower amount of money than it was specified by the law (only 17 billion TL instead of 44 billion TL, that stood for 1% of the expense budget). In this regard, the budget was not enough to implement the tasks that were assigned by the law (Türel, 1989, p. 142; Samsunlu, 2009, p. 362). Additionally, the increasing interest rates before the banker crisis contributed the recession in the housing market. In the absence of a regulatory agency, competing bankers increased the interest rates to attract more investors. While people preferred investing in the banker's high-interest rates than investing housing market, those who already invested in the market started to liquidate existing houses for the bankers' high return (Türel, 1989, p. 138). Nevertheless, the relative stability supported the housing market during the second half of the 1980s.

Once the interim government formed a new constitution, the legal framework of the political and economic structure in Turkey has changed. The housing market was not an exception. The 1982 constitution defined the right to housing as a duty of the state for each citizen. The new constitution is more inclusive than the 1961 constitution regarding the housing right. Although the state was responsible for meeting the housing needs of only the poor and low-income citizens according to the 1961 constitution, each and every citizen has the right to housing in the 1982 constitution. In articles 56 and 57 of the constitution, everyone has the right to live a healthy, balanced and secure environment and the state shall take measures to meet housing needs in concordance with the environment and characteristics of cities. Nevertheless, the new constitution defines new duties for the state about housing but old housing institutions like Property Bank or Land Office were not able to carry out the new duties in the constitution. Although the interim government passed a mass

housing law in 1981, it failed to meet expectations. In this regard, the civilian government prepared a new mass housing law and established a new institution shortly after the 1983 elections.

Toplu Konut ve Kamu Ortaklığı İdaresi (the Housing Development and Public Participation Administration) was established in 1984 by law no. 2983 (Law on the Encouragement of Savings and Acceleration of Public Investments) and the second mass housing law (law no. 2985) was enacted to solve the housing problem in Turkey. The law not only established the institutional framework for TOKI but also identified its tasks and duties. The administration has been mainly responsible for leading housing and providing credit opportunities. It also created a mass-housing fund outside the regular budget, under the authority of the administration and defined limited supervision over the administration's budget and actions. Also, the state centralized its housing responsibilities under the mass-housing fund. It officially ended the creditor role of the Property Bank and the Social Insurance Institution and transferred the responsibilities of the Squatter Housing Law (law no. 775) to the administration (Türel, 1989, p. 142). As a result, the mass housing law and the administration started to regulate the housing market.

4.3 The parliamentary debates and neoliberal framing of TOKI

It is important to understand TOKI's legal and institutional path in order to analyze its future development. In this regard, the parliamentary debates are helpful to show political and economic underpinnings of the administration from the very beginning. As the historical institutionalism literature points out, the social and historical processes have constructive capabilities and the past decisions have an influence on the future options. The parliamentary debates on the mass housing law can be

classified into three topics. These recurring themes will reveal itself in the future expansion of the Mass Housing Development Administration. In other words, there is a certain path of development in which the features of TOKI from its establishment has its self-reinforcement and inertial stickiness.

First of all, in these debates, it was discussed to what extent the law and the administration served the social housing. Although the first objective of the mass housing law on the parliamentary committee report was to make the low and middle-income groups homeowner (TBMM, 1984a), it was criticized for not giving sufficient support for social housing. During the parliamentary debates, the role of the administration was mostly to provide housing credit and promote a housing regime that is based on private sector together with individual loans and savings. As the Motherland Party group deputy, İsmail Ergül, expressed, the first mass housing law was changed to enable the private sector benefiting from the mass-housing fund:

“Law no 2487, the current Mass Housing Law, [...] was inadequate in terms of solving the housing problem and creation of resources. The law’s framework was limited to public procurements and the credits that will be provided to housing cooperatives. The private sector, which carries the real burden of the construction industry, was neither able to benefit from the opportunities created by this law nor had the chance of accessing to the funds allocated within this scope” (TBMM, 1984b, p. 348)

Another main theme was the lack of audit mechanisms. The Mass Housing and Public Participation Administration was subjected directly to the Prime Ministry, and its budget came from the mass housing fund. The fund was one of the extra-budgetary funds and free from the parliamentary supervision. Also, the mass-housing fund was exempt from the budgetary control of the Audit Court, the general accounting law and the public procurement law due to the article 10 in the mass housing law. As a result, the state institutions could audit neither TOKI’s operations nor its procurements. While the opposition party members criticized this legal

immunity, Vural Arıkan - the Minister of Finance and Customs from the Motherland Party- explained the reason for the lack of supervision as their will to solve problems without facing any impediment.

“One of our colleagues made the metaphor of ‘cooker and lid’ while referring to the draft laws we are working on. I agree. What we are doing is similar to what a pressure cooker does. You know why? A pressure cooker cooks the food faster. We will also solve the problems of our country in a fast manner.” (TBMM, 1984b, 358)

Last but not least, the obscurity in status and authority of the administration was criticized in the parliamentary debates. The administration’s relation with social housing (and its meaning), land development, banking sector, private construction companies and audit mechanisms was not clearly defined in the mass housing law. The governments might exploit this ambiguity for its political interest. In this regard, The Populist Party group deputy, Halit Barış Can, accused the government using the mass-housing credits to save some private construction companies (TBMM, 1984b, p. 350). During the debates, the opposition warned the government against the future consequences of this ambiguity, namely clientelism and corruption. These three institutional legacies also shaped TOKI’s future.

“This draft aims to save some companies who are in a difficult situation. These companies have been going after this law since 1981. The current Mass Housing Law, law no 2487, does not allow the flow of state resources to banks or private companies under the mask of “credits”. The law foresees the procurement of the housing construction following the steps of planning and project preparation. The procurement process is formulated in a different way. It allows you to select the eligible and qualified contractor. That is why neither the government and nor above-mentioned companies are satisfied with this law.” (TBMM, 1984b, p. 350)

The mass housing law and the administration point out a turning point for the state’s role in the housing market. Turkish state had a more active role in regulating housing market and became a significant creditor (and a direct investor after 1989)

(Baharoğlu, 1996, p. 55). Öncü argues that the Housing Development and Public Participation Administration became the largest construction and housing finance agency in the country that control the access to housing and developments in construction within two years of its existence (Öncü, 1988, p. 60).

In addition to the changing role of the state, the 1984 mass housing law demonstrates economic underpinnings of the transformation. The law served the development of housing market in favor of the big construction companies in two ways. On the one hand, it allowed the small contractors to get individual credits and opened the mass housing projects for big construction companies by enabling them to profit from urban land rent (Tekeli, 2012, p. 340). The state started to support through public credits and served the development of housing market in favor of big construction companies rather than providing social housing. On the other hand, the law facilitated land development in the urban areas, especially the outskirts of the city (Kahraman, 2013, p. 35). While the construction sector suffered from the depletion of urban land at the end of the 1970s, the state enabled land development for the housing market to decrease the land prices. As a result, the law made the housing market lucrative again and accelerated the commodification of land.

In this regard, the mass housing fund and the administration were in accord with two sets of objectives. Although they are intertwined with each other, it is better to analyze them separately to show the institutional continuities. Similar to the recurring themes in the parliamentary debates, state involvement in the housing market and complementary laws regarding the neoliberal urbanism constitute an institutional path and reveal itself in the future political choices. State continuously intervened the housing market and provided a basis for the neoliberal urbanism. Hence, the state acted like a midwife of neoliberalism.

While the fund and the administration went hand in hand with neoliberal reforms, they were an integral part of the transformation of the housing regime in Turkey. As Hayrettin Elmas, MP from the Motherland Party, underlined, the mass housing law should not be considered as a separate law but rather should be analyzed within a set of laws (TBMM, 1984b, p. 354). Therefore, the mass housing law is evaluated with the Amnesty Laws (of Irregular Settlements), the Greater City Municipalities Law in 1984 (law no. 3030) and the Land Development Planning and Control Law (law no. 3194) in this part. The government promoted the development of housing market through support for private sector, decentralization, land development and commercialization of irregular settlements.

Before analyzing these laws, focusing on the public participation aspect of the mass housing administration is necessary. The law on the encouragement of savings and acceleration of public investments (Law No. 2983) established the institutional base of the mass housing and privatization together and founded the Mass Housing and Public Participation Administration. The law authorized the administration to issue “revenue sharing certificates,” equity shares and operating rights on public facilities for increasing state revenues in 1984. That is to say, the law encouraged private investments and public-private partnerships aiming to lower public spending and enhanced big companies through privatizations. In a similar vein, the Populist Party (Halkçı Parti) considered the mass housing and public participation laws as complementary to each other (in literal translation “they are like a pan and its lid”) (TBMM, 1984b, p.349). Accordingly, the parliamentary commissions’ reports on the mass housing law (law no. 2985) demonstrated that the

law aimed to encourage the private sector to invest construction sector and increasing public-private partnership due to the lack of public funds (TBMM, 1984a)

The Mass Housing and Public Participation Administration brought state intervention and privatization together although they seem contradictory to each other. Nevertheless, Turkish privatization experience did not end up with retreating states and expanding societies. The liberalization and privatization in Turkey did not necessarily result in a retreat of the state but instead its reorganization or reconstitution (Öniş, 1991, p. 167).

The early enactments show how the Motherland Party government established the housing regime and defined the role of political actors through laws. The Greater City Municipalities Law in 1984 (Law No. 3030) and the Land Development Planning and Control Law in 1985 (Law No. 3194) extended municipal jurisdictions and authority. The municipalities gained authority to land development and greater budgetary autonomy. The government decentralized urban planning through these laws. The municipalities were authorized to draw the plans and the granting of housing approval rights. As a result, there was a significant increase in planned areas, developed land, and housing production in many cities (Türel & Koç, 2015). They facilitated the development of housing market and contributed the increase in the demand for housing.

In a similar vein, the government changed the legal framework of municipal finance to increase the incomes of the local governments and their discretionary powers. The share of municipalities within the national budget gradually increased to from 3.7% in 1983 to 4.6% in 1985, signaling a substantial diversion of resources from the national budget to the local level (Öncü, 1988, p. 60). Nevertheless, these financial improvements did not put an end to municipalities' dependence on the

central government (Bayraktar, 2007), but rather decentralization reforms in the 1980s contributed the policy capacity of the central government (Bayırbağ, 2013, p. 1135).

Starting with the Squatter Law in 1966, the amnesty laws continued enhancing commercialization of land. The mass housing law could not change state response to the irregular settlements between 1980 and 2001. The building permits that were granted by amnesty laws rose from 40,000 in 1984 to 110,000 in 1987 (Balaban, 2013). The government fostered the land development through municipalities as well as the irregular settlements. In other words, the laws were utilized to open urban land for the housing market.

The parliamentary debates on these laws (TBMM, 1984b; TBMM 1985) emphasized the necessity of the state intervention against the rapid urban growth in Turkey. While Turkey suffered from the long-term costs of unplanned urbanization that took place between 1950 and 1980, these laws aim to solve the problems by defining the role of political actors in the housing market. In the parliamentary debates on the greater city municipality law and the land development law, the opposition parties questioned to what extent these laws served the political decentralization. Although municipalities and local authorities increased their power over the housing market, the central government had the upper hand on local governments. For example, the article 9 in the land development law authorizes the Ministry of Public Works and Settlement to take ex-officio decisions bypassing the municipalities. Also, the dissenting opinions in the law proposals had an objection in common. They opposed the lack of supervision over the ministries and municipalities in the housing market. The opposition parties were worried that the

increasing power of central government did not control sufficiently by the transparent and impartial audit mechanisms.

4.4. The expansion of housing market between 1984 and 1990

As a counter-hegemonic expansion in the housing market, the housing cooperatives were boosted by the credit opportunities that were initiated by the mass housing law as well (Türel, 1989, p. 143). The housing credits increased its share within the total bank credits from 2.8% in 1983 to 4.9% in 1984 and 6.9% in 1985 (Baharoğlu, 1996, p. 51). The credits of the mass housing fund had unintended interest subsidies between 1984 and 1989 because fixed mortgage interest rates were lower than the inflation rates (Türel & Koç, 2015). While the law favored the mass housing projects as opposed to the private buildings, housing cooperatives benefited from the credit opportunities more than the big contractors. The law and the administration supported these non-profit, collective solutions to overcome the housing problem of middle-income families and to foster the housing market. The populist tendencies that started from the second half the 1980s contributed the rise of housing cooperatives. Although the first housing cooperative started in 1934, its capacity remained limited until the 1980s. The mass housing law strengthened the cooperatives, and they had its golden years between 1984 and 1990. In 1991, 79% of the housing cooperatives were established between 1983 and 1991 (Berkman and Osmay, 1996, p. 3). The share of housing cooperatives in the total building permits rose up to 35% in 1988 while the share of cooperatives were only 9.78% between 1970 and 1980 (Samsunlu, 2009, p. 359)

The demand for the housing credits within three years exceeded the level that mass-housing fund could meet, eventually resulting in financial difficulties. The

government limited its support for the cooperatives and reorganized the fund in 1988. Its revenues were reduced by 30% in 1988 and 50% in 1989 (Türel, 1989, p. 151). The shrinking budget and the increasing cost of constructions, and high inflations weakened the mass housing fund. Nevertheless, the cooperatives continued to constitute around 20% of the total building permits through the 1990s until the mass-housing fund was abolished in 2001 (Samsunlu, 2009, p. 359).

Following the local elections in 1989, the governing party lost all the metropolitan municipalities to the opposition parties. Once the metropolitan municipalities were empowered with extensive authority over the urban land, a conflict of interest emerged between central and local governments. This incompatibility of the local and central governments throughout the 1990s prevented governments from utilizing the mass housing and public participation administration efficiently.

In this regard, the governments endeavored to consolidate the control of the Housing Development and Public Participation Administration over the housing market starting from 1989. While the government tightened the credit conditions, the administration started to undertake housing production, especially for the low-cost income groups. From 1989 onward, the state became a direct investor as well as a creditor (Baharoğlu, 1996). Although its production remained in low quantities throughout the 1990s, the categorical change is crucial to the administration's institutional history.

Similarly, after the local elections, the government implemented a "housing and land certificate" models to overcome the local governments' authority and transfer the land rent directly to the central budget (Tekeli, 2010, p. 154). The model aimed at introducing an equity-sharing model to the housing market. The model was

presented as a solution for low and middle-income groups' housing problem yet it was abolished due to the lack of demand. Whereas the model aimed to centralize the housing market under the Mass Housing and Public Participation Administration through bypassing local governments, it tried to complete the commodification of housing through (fictitious) certificates. Consequently, the driving force behind the transformation was increasing the central authority and completing neoliberal transformation parallel to the financial revolution in 1989.

In 1990, TOKI attained its original institutional structure. The Housing Development and Public Participation Administration were separated into Housing Development Administration (TOKI) and Public Participation Administration through decree-laws no. 412 and 414. As a result, two significant institutions in Turkish economy were created. Both Public Participation Administration (later named as Privatization Administration) and the Housing Development Administration have played a crucial role in neoliberal transformation in Turkey.

4.5 Turbulent years in the housing market and the institutional design

Nevertheless, the Housing Development Administration lost its independence over the mass-housing fund in the budget in the fiscal year of 1993. The fund became part of the government budget afterward, and TOKI lost its initial financial power. Consequently, the reductions in the institutional capacity, together with the 1994 economic crisis and political instabilities, decreased TOKI's productivity and efficiency after 1992. As an example, the mass housing fund financed around 1,100,000 dwelling units between 1984 and 2002 in total yet 885,638 out of 1,100,000 dwelling units were supported between 1984 and 1992 (Samsunlu, 2007, p. 361). The government was aware that TOKI lost its initial momentum and

implemented new solutions to increase its capacity. For example, TOKI made agreements with municipalities for future partnerships on housing production in 1992. The Mass Housing Saving System was introduced to overcome the limited financial resources⁶ in 1995. These attempts aim to increase TOKI's capacity through local partnerships and private savings, but they were not effective.

As Ziya Öniş argues, the 1990s experienced lack of state capacity to complete the neoliberal reforms (Öniş, 2009). Following the initial political reforms after the military government, the lack of state capacity was revealed by the 1989 local elections. In this context, the government attempted to control housing market through new laws and regulations but could not succeed. The deteriorating economy and the resurgence of redistributive policies due to the political pressures contributed to the failure of these attempts. The “housing and land certificate” models, partnership with local governments and the mass housing saving system tried to enable the state to continue the neoliberal transformation of the housing market. They aimed to foster the commodification of housing and the integration with the banking system but they were failed due to the lack of state capacity.

Nevertheless, TOKI experienced one of the most stable years between 1992 and 1997 under the presidency of Yiğit Gülöksüz. He was an exceptional figure in the TOKI's history. Despite the fiscal and institutional limitations, he managed the resources efficiently and completed mass housing projects successfully. Under his presidency, TOKI focused on social projects as a direct investor, presented solutions to irregular settlements, conducted earthquake housing reconstruction projects and organized HABITAT II in Istanbul successfully. Gülöksüz stayed in position during six different coalition governments and resigned in 1997. Although the limited

⁶ 11.07.1995 and 22340 Official Gazette

financial resources and lack of state capacity prevented TOKI from increasing the number of housing projects, Gülöksüz accomplished to improve the quality of them.

In 1998, the second mass-housing initiative was announced, following the first one in 1984. The 55th government planned to triple the mass-housing fund from 12 trillion TL to 55 trillion TL to build 126.000 houses in 1998. Regarding the second mass housing initiative, the Minister of State, Refaeddin Şahin, emphasized the creditor role of TOKI, transparent procurements, and meticulous supervision.⁷ However, political and financial instability prevented governments utilizing TOKI in the late 1990s and early 2000s.

The period between 1998 and 2001 had series of economic crisis in Turkey following the Asian and Russian crises in 1997. While the austerity measures that were taken by the government limited the public funds, the housing supply and demand were also decreased. When the land (speculation) was not as lucrative as the banking sector, a housing recession hit the market similar to the impact of interest rates on the housing market in the banker crisis (Türel, 1989). The deposit guarantees that were implemented to revive the financial sector after 1994 and lack of state supervision led the banks to take more risk. As a result, the banking sector became extremely risky but profitable, and 22 banks were transferred to the SDIF between 1997 and 2002 (Kazgan, 2002, p. 249)

In this context, the economic and political instabilities increased the revenues from both interest rates and exchange rate fluctuations. The high-interest rates for savers opened a new avenue for private savings, which decreased the attractiveness of investing in the housing (Baharoğlu, 1996, p. 50). The biggest 500 companies gained more from the interest rates than their own business in 1999 (Boratav, 2003,

⁷ <http://www.hurriyet.com.tr/126-bin-konuta-55-trilyon-kredi-39003788>
<http://www.hurriyet.com.tr/26-milyon-taksitle-10-yil-vadeli-konut-39021783>

p. 197). In a similar vein, the ratio of fiscal revenues to net profits before tax among these firms increased from about 33 percent in 1990 to 219 percent in 1999 (Yeldan, 2001, p. 156). In other words, the big capitalists took advantage of the instabilities in the late 1990s and maximized their profits from the finance capital rather than the housing market.

The 2001 economic crises forced the government to take some austerity measures. As a result, it abolished the mass-housing fund by law no. 4684. TOKI lost a large part of its financial resources and became dependent on the government budget. Similarly, TOKI lost its political/ bureaucratic importance and was placed under the newly established Housing Undersecretariat in 2001 by law no. 4698. As a result, the administration became inert and ineffective after 2001.

The housing regime and the state involvement between 1981 and 2001 differ from the previous ones. TOKI started to intervene in the housing market directly first as a creditor then as an investor. Nevertheless, its involvement did not prioritize the social housing projects but it promoted the housing market in favor of the high-income groups. Although the government party identified TOKI's primary objective as supporting low and middle-income groups in the parliamentary debates, TOKI could not reach these groups as much as the government proposed. For example, monthly payments of housing cooperatives were high when the salaries of the low-income groups were taken into consideration (Türel, 1989). On the other hand, TOKI was better in fostering the development of housing market. Despite the budgetary limitations, TOKI financed around 1,100,000 dwelling units between 1984 and 2001 and built 43,145 houses as a direct investor. In a word, TOKI did not accomplish social housing, but instead it focused on the development of housing market during this period.

CHAPTER 5

THE DEEPENING OF NEOLIBERAL TRANSFORMATION: THE HOUSING BOOM THROUGH STATE INTERVENTION

This chapter demonstrates how laws increased state capacity and enabled the government to continue the neoliberal transformation of the housing market in Turkey. In this process, the government centralized its power and made TOKI an omnipotent actor in the housing market. Although the second wave of market liberalization between 2002 and 2012 was abrupt and violent, the transformation of the housing regime was built in the institutional framework that was established primarily between 1984 and 1989. In this regard, this chapter illustrates the institutional configurations of a neoliberal leviathan through enabling laws and regulations. While the administration is extraordinarily powerful and enormously ambiguous today, it preserved the founding ideology and followed a path dependent development. Focusing on continuities and divergence, this part explores TOKI's expansion in the housing market through six themes: the authority over land development, social housing, relations with the private sector, urban transformation projects, lack of supervision and increasing role of state involvement.

5.1 Resurrecting Frankenstein: the legal empowerment after 2001

After the economic crisis in the early 2000s, the government implemented “The Transition to Strong Economy Program” in 2001. One of the objectives of the program was to achieve fiscal discipline and budget unity. For this purpose, a new public financial management law was imposed, and the public funds were reorganized for transparent fiscal policy. In this context, the mass housing fund was

also repealed by law no. 4684. While the fund was the primary source of income for the administration, its influence was insufficient after becoming part of the government budget. Promising a transformation in the housing market, the law decreased the administration's funding and made the housing administration idle.

The same law transferred the greater part of the Property Bank's (*Emlak Bankası*) real assets to TOKI due to its bankruptcy in the 2001 economic crisis. The Property Bank was one of the oldest housing institutions in the Turkish Republic. Nevertheless, the corruption in its banking activities throughout the 1990s led its closure by the Banking Regulation and Supervision Agency in 2001. The Property Bank's 1.2 billion TL worth property was transferred to TOKI (TBMM, 2008b, p. 134). As a result, TOKI enriched its property portfolio in 2001, and latent power of this property transfer was used efficiently after JDP came into power.

Following the repeal of mass housing fund, the government established a new regulatory agency for the housing market by law no. 4698 in 2001: the Housing Undersecretariat. It brought TOKI and Urban Land Office (*Arsa Ofisi*) together under its bureaucratic framework. As the commission reports of the law indicate, the Undersecretariat had High Housing Council (*Konut Yüksek Kurulu*) and Housing Executive Board (*Konut İcra Kurulu*) to facilitate the coordination, administration, and supervision of the housing market in line with the stabilization program. As a result, TOKI was placed in a different financial and bureaucratic framework than before.

The period following the economic crisis enabled the government to increase state capacity through laws and regulations (Öniş, 2009). The intensity of the economic crisis and incentives from the European Union and IMF created a critical juncture that helped the government to establish a new set of institutions. For

example, the abolition of the mass housing fund by the government was in line with the stabilization program. During the parliamentary debate on this issue, Murat Akin (MP from True Path Party) asserted that these regulations were already being discussed for a long time but they were implemented only after the stabilization program (TBMM, 2001, p. 144). In other words, the crisis created an opportunity to continue the neoliberal transformation that was interrupted throughout the 1990s. When the JDP came into power as the single-party government in 2002, they were able to enhance this transformation. The promise of democratization, lack of redistributive policies and JDP's commitment to the newly established robust institutional framework enabled JDP to deepen the neoliberal transformation further.

Nevertheless, the new institutional framework for housing regime was not favorable for the neoliberal expansion that was based on urban land. As stated above, the JDP government had the necessary state capacity to change the housing market and started to reshape the role of the state in housing regime of Turkey. In this regard, "the government passed 78 laws and 10 by-laws, consisting 198 legal arrangements that are entirely or partially concerning the production of built environment between 2002 and 2007" (Balaban, 2012, p. 30). Accordingly, these legal arrangements were attempts to deregulate the market and contributed to over-expansion of the housing market (Ibid.).

The period between 2002 and 2007 showed a significant success although the market shrunk in 2008 and 2009 due to the global turmoil. As the Figure 10 shows, the building permits started to increase from 161,000 dwelling units in 2002 to 600,000 in 2006, while it remained around 500,000 dwelling units in 2007 and 2008. The housing market continued to rally in 2010 and the building permits rose up to 900,000 units with the influence of the recovery (TUIK, 2018). Similarly, the

number of newly established construction firms more than doubled between 2003 and 2007 and the share of private sector ascended about 90% in total share (Balaban, 2012, p. 29; Türel & Koç, 2015). The legal reorganization including TOKI's institutional empowerment, economic growth and favorable global conditions contributed the substantial growth in the housing market starting from 2002.

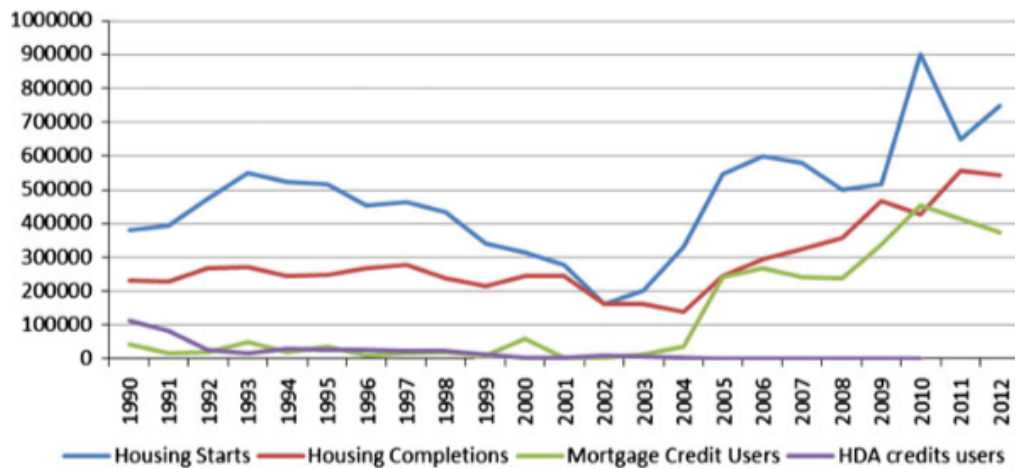


Figure 10 Housing starts, completions and the number of the mortgage credit users. Mortgage credit users refer to the number of people with outstanding credit debts at the end of the year for the 1990–1996 period; and the number of new mortgage credit users in the years after 1996. (Türel & Koç, 2015, p. 15)

Taking this background into consideration, the next part will focus on the resurrection of TOKI after the law no. 4966 in 2003 and its expansion through legal amendments. This law allows TOKI to acquire new modalities as well as to improve the existing ones. TOKI increased its capacity in land development and accelerated the construction of social housing projects, urban transformation as well as revenue sharing projects and privatizations.

5.2 The Institutional Empowerment of TOKI

Starting from 2003, the government reorganized TOKI and centralized state power through significant institutional changes. The law no. 4966 provided a basis for

TOKI's evolution. It abolished the Housing Undersecretariat together with its regulatory units, the High Housing Council and Housing Executive Board in 2003. In other words, the government removed the regulatory agency in the housing market that was established in 2001 and turned TOKI into its old institutional framework; but provided it with new capabilities.

The law no. 4966 defined new duties and responsibilities for TOKI whose organizational structure was formed in 1984. Its budget and authority to initiate housing projects were enhanced with the new law. Henceforth, the administration was authorized to acquire any public land free of charge for its projects. The article in the amendment increased TOKI's authority over the public land. The law also enabled TOKI to sell the public land that is acquired free of charge. In this context, the expanding power over the public land increased TOKI's capacity in building social housing. The decrease in cost of the land alongside its increasing budget encouraged TOKI to build more social housing units. The government aimed to build 250,000 housing units between 2003 and 2007 in the JDP's Emergency Action Plan for Housing and Urbanization.

Additionally, the administration has been able to establish construction companies or become a partner with the already established ones; to develop housing, and infrastructure projects with national and foreign partners, and to implement profit-oriented projects to generate financial resources. These deregulations redefined state-business relations in the housing market. On the one hand, TOKI started to establish partnerships with the private sector and share the revenue of these partnerships. On the other hand, TOKI was transformed into a semi-private company that can benefit from various public resources, primarily from public properties without any costs incurred. For example, the law enabled the

creation of the biggest real estate investment trust in Turkey, Emlak Konut REIT (*Emlak Konut GYO*) that demonstrates the importance of TOKI's affiliates and subsidiaries in the housing market.

As Figure 11 demonstrates, TOKI's income has been increased radically after 2003. The amendments including public-private partnerships and land privatization boosted TOKI's total income.

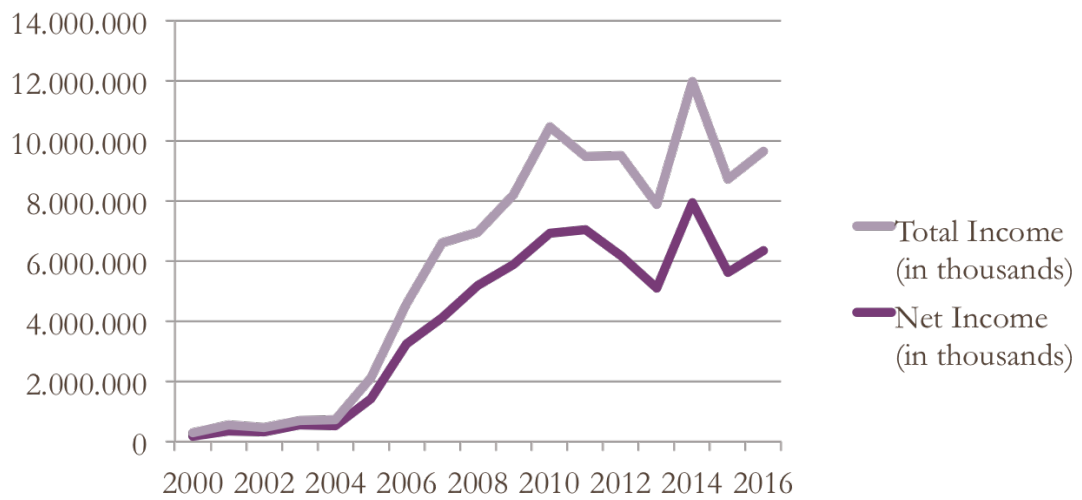


Figure 11 TOKI's total and net income

Source: [TBMM, 2008b, p. 132; TBMM, 2010b, p. 201; Sayıştay, 2013, p. III; Sayıştay, 2017, p. II]

Also, the law no. 4966 increased TOKI's creditor responsibilities and enabled TOKI to finance urban transformation projects as well as the protection and renovation projects of the historic site and traditional architecture. TOKI started to involve in the urban transformation and renovation projects. While TOKI stood as a creditor in the first phase, it became a direct contractor or partner of these projects in its institutional aggrandizement.

5.2.1 Increasing authority over land development

Following the enactment of law no. 4966, the government passed series of amendments to increase TOKI's authority over land development. These legal rearrangements led an effective commodification land and acceleration of construction based neoliberal economy. In this sense, TOKI's empowerment continued with the abolition of other public institutions in the housing market. Absorbing all other state agencies, the Mass Housing Development Administration became the sole state actor in the housing market.

Previously, TOKI did not have a direct access to the public land. Rather, the administration was in coordination with governorships to determine the mass housing areas. These lands could be expropriated through the Land Office when necessary. The law no. 4966 altered the administration's capacity of acquiring public land. However, the institutional empowerment after 2003 turned TOKI into an actor that have direct control over the public lands.

The Urban Land Office was abrogated in 2004 by law no. 5273 and its rights and duties were transferred to TOKI. Also, 64,5 million square meters of property that was controlled by the Office was added into TOKI's portfolio (TOKI, 2011, p. 20). The law no 5273 changed the name of the previous law no. 1164 as the Land Production and Assessment Law and enabled TOKI to acquire public land from the Directorate General of National Property (*Milli Emlak Genel Müdürlüğü*) either free of charge or in return of the property's current market value. As Table 1 and Table 2 shows these legal amendments gave a crucial momentum to TOKI, especially in the early years of expansion. TOKI acquired around 100 million square meters area free of charge between 2005 and 2008 (Milli Emlak Genel Müdürlüğü, 2009, p. 154). Unfortunately, the Directorate General of National Property did not publish the data

after 2010 for the land TOKI acquired in return the property's current market value within the scope of the law and 2013 for the land that TOKI acquired free of charge in accordance with law no. 1164.

Table 1 The land that TOKI acquired from the Directorate General of National Property in return of the property's current market value within the scope of the law no. 1164

Year	Number of Land	Land Price (TL)	Land Area (m2)
2005	56	1.100.000	1.100.000
2006	1034	23.511.702	3.162.218
2007	388	11.648.944	2.079.287
2008	464	4.662.755	8.773.999
2009	145	8.855.399	972.272
2010	94	9.290.786	615.509

Source: the Directorate General of National Property (The data collected from the annual reports between 2005 and 2010)

Table 2 The land that TOKI acquired from the Directorate General of National Property free of charge within the scope of the law no. 1164

Year	Number of Land	Land Price (TL)	Land Area (m2)
2005	511	277.904.553	20.551.086
2006	726	1.227.296.810	40.103.533
2007	475	1.558.641.788	17.723.788
2008	727	1.439.327.669	30.783.339
2009	940	190.928.977	7.661.405
2010	550	323.776.173	14.072.782
2011	361	NA	4.623.122
2012	47	NA	998.277
2013	119	NA	9.499.612

Source: the Directorate General of National Property (The data collected from the annual reports between 2005 and 2013)

After the transfer of the right and duties of Urban Land Office, TOKI's income has increased dramatically after 2004. As the figure 12 shows, TOKI became an

important tool for the privatization of public land. The income for land sale was around 1.5 % of TOKI's total income in 2003 whereas it jumped to 54% in 2004 and 33% in 2005 (TBMM, 2008b, p. 279).

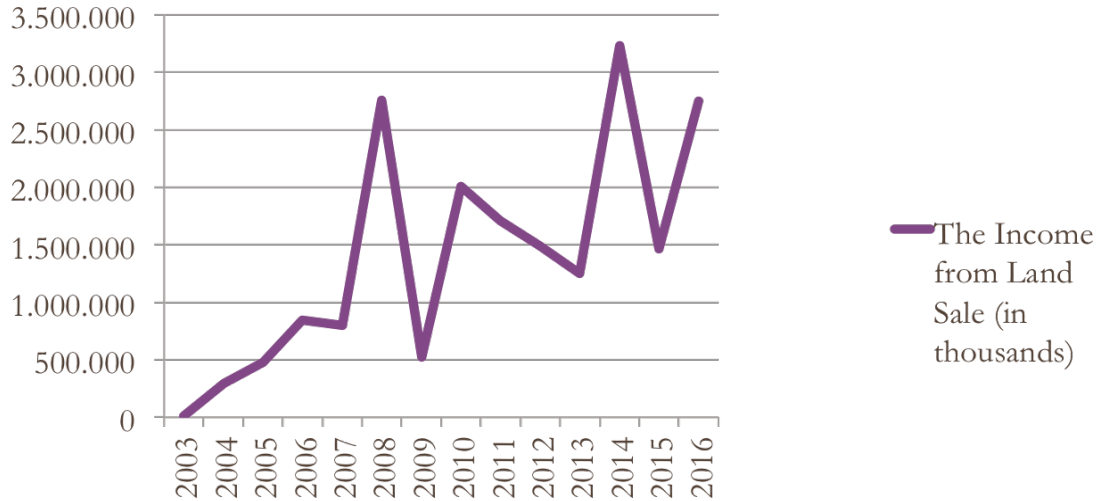


Figure 12 TOKI's income from the land sale
Source: [TBMM, 2010a, p. 211; Sayıştay, 2013, p. III; Sayıştay, 2017, p. II]

During the parliamentary debates, Ali Osman Salı -from the Justice and Development Party- presented the expansion of TOKI as a solution for the coordination and taking-action problems in the rapid urbanization (TBMM, 2004, p. 228). Accordingly, the transferred task and duties regarding the land production enabled TOKI to turn public land into a property and boosted the housing market. In a word, the government increased TOKI's institutional capacity to facilitate the commodification of land. The opposition party supported the early empowerment of TOKI as well. Akif Hamza Çebi -MP from RPP- did not problematize the close of the Land Office and the expansion of TOKI. He appreciated the efforts to centralize the state power and even stated that such efforts were insufficient (Ibid., p. 233). Rather, they criticized the closure of the Land Office by focusing on the human capital aspects rather than its capabilities and land portfolio. In a word, TOKI's

increasing authority over land development did not face with a critical opposition in the early years of JDP government and this neoliberal consensus accelerated the commodification of land as discussed later in this chapter.

In 2007, the government continued to expand TOKI in the housing market with the law no. 5609 and transferred the task and duties of the Ministry of Public Works and Housing pertaining the irregular settlements to TOKI. The amendment increased TOKI's institutional capacity by increasing its authority over irregular settlements and facilitating land allocation to TOKI. It enabled TOKI to acquire public land from the Directorate General of National Property. As Figure 13 illustrates, TOKI received 6,128,568 square meters public land free of charge between 2007 and 2013 within the scope of law no 5609 (MEGM, 2008, p. 118; MEGM, 2009, p. 107; MEGM, 2010, p. 86 MEGM, 2011, p. 103; MEGM, 2012, p. 98; MEGM, 2013, p. 78; MEGM, 2014, p. 105)). Unfortunately, the directorate does not provide any data after 2013.

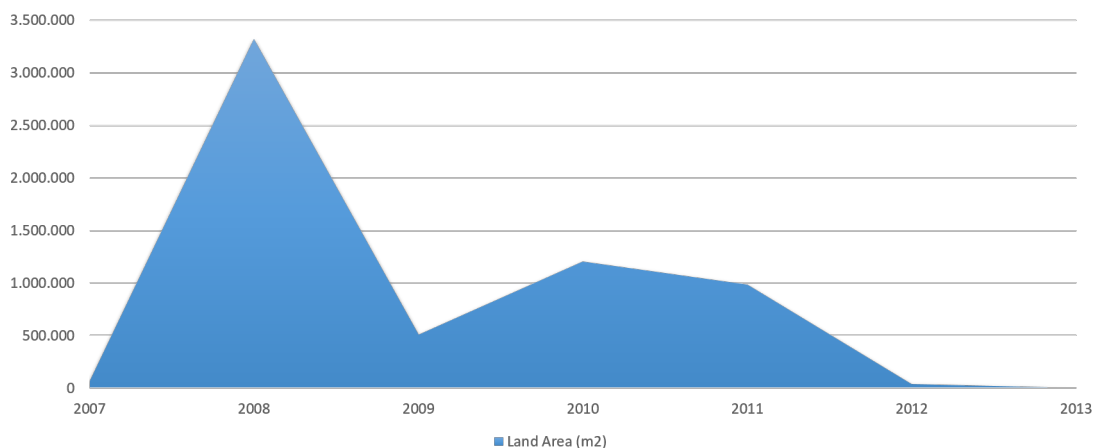


Figure 13 The Land Area within the scope of the law no 5609
Data from the Directorate General of National Property
Source: the Directorate General of National Property (The data is compiled from the annual reports between 2007 and 2013)

The political and economic context had a significant impact on the housing market, especially after 2007. On the one hand, the ruling party won general elections and the constitutional referendum with a clear majority in 2007. The consecutive election victories and increasing vote shares strengthened the government party's power. On the other hand, the 2008 world financial crisis ended favorable economic conditions, primarily for the developing countries and the recession spread all over the world. Dependent on foreign credits, the developing countries had difficulties in repayment of their debts. In this context, JDP further deepened its reforms to stimulate the housing market. Nevertheless, the deepening of the market reforms employed neither deliberative nor transparent mechanisms.

In 2008, TOKI was authorized to prepare and modify urban master plans by law no. 5793. Accordingly, it is no longer possible for local authorities to refuse the plan that TOKI offers but they have the right to change it within three months. Otherwise, the zoning plan that was prepared by TOKI was approved *ex-officio*. In other words, the law allowed TOKI to bypass the local authorities, especially the municipalities. This law extended the rights and responsibilities that were acquired by TOKI in 2004 after the abolition of Property Bank. Previously, TOKI was authorized to make the zoning plans for the mass housing projects within its property portfolio. Yet the new law enabled TOKI to develop projects in anywhere. Also, this law allowed the collaboration between TOKI and the ministries in the construction projects like hospitals, schools, and financial centers. Although the popular support led JDP to reduce the public expenditure, the economic recession forced the government to increase public spending. Starting from 2008, TOKI built new public buildings all over Turkey. These Keynesian interventions aimed to spur the housing market.

In 2009, the government reformed the forest law (Law no. 6831) and accelerated the commodification of land. It made possible to sell land that was previously classified as forest (2B Lands). The government aimed to open the outskirts of the big cities to the housing market. In other words, the land development spread to the forests that are near to the urban centers after the historical sites and “obsolescent areas” in the city center. The government implemented neoliberal transformation at any cost and increased TOKI’s property portfolio.

As part of the centralization of the housing regime, the Ministry of Environment and Urbanization was established in 2011. The ministry holds extensive zoning and planning authority that is able to override the municipal plans, especially for the urban transformation projects. Along with TOKI, the ministry strengthened the central government and enabled rapid urbanization possible (Kuyucu, 2017).

Similar to the law no. 5793, the government consolidated its power over zoning plans and land development by the law no. 6306 in 2012, the law of Transformation of Areas under Disaster Risk. While the government surpassed any local authority with law no. 5793, the new law enabled TOKI not to be stopped by administrative courts. Once the housing unit is reported as risky, TOKI acquired the right for urgent expropriation and the courts do not decide for suspicion of execution. During the parliamentary debate, Haluk Eyidoğan called this law as “bulldozer law” that fosters “demolish and built” practices in the housing market in the name of urban transformation (TBMM, 2012, p. 321).

The centralization was so intense that TOKI was even able to develop and undertake the project and to evaluate and price the land that is to be purchased on its own. In this sense, TOKI acted as “both a policy maker, a regulator and a service

provider” (Atiyas, 2012, p. 77). In a word, it became an omnipotent Frankenstein of the housing market by absorbing or surpassing all the other institutions and the abovementioned law no. 6306 increased TOKI’s authority over land development extensively.

5.2.2 Social Housing

Another recurring theme in the path dependent development of TOKI is social housing. Governments have utilized social housing as a tool for legitimizing the violent or corrupted nature of neoliberal transformation.

In 2003, the government declared a housing mobilization (*konut seferberliği*) to make low-income groups homeowners within few years. For this purpose, the law no. 4966 encourages TOKI to build social housing as a direct contractor rather than a creditor. The increasing authority over land development increased TOKI’s capacity as a direct contractor. TOKI’s social housing projects jumped from 4,500 housing units in 2003 to 100,000 in 2007 and 120,000 in 2008 whereas the annual average social housing production is 57,000 housing units between 2003 and 2016 (TBMM, 2010a, p. 211; Sayıştay, 2013, p. III; Sayıştay, 2017, p. II). (See Figure 14)

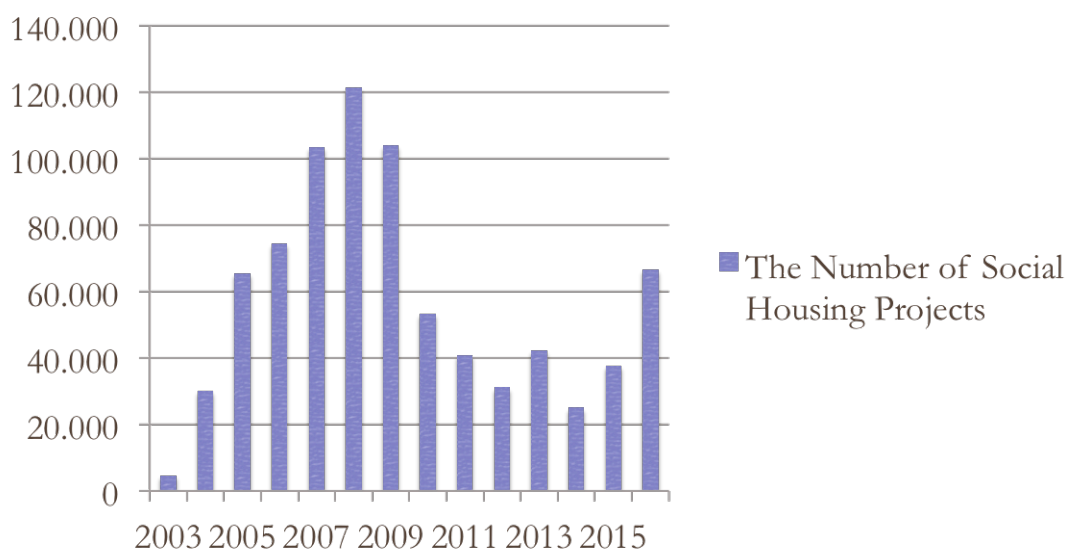


Figure 14 TOKI’s Social Housing Projects Production

Source: [TBMM, 2010a, p. 211; Sayıştay, 2013, p. III; Sayıştay, 2017, p. II]

Nevertheless, the government uses TOKI's social housing units to legitimize the commodification of land and establishment of neoliberal urbanism. The social housing constructions led to a negligence of the over-centralization and empowerment of the institution. The new budgetary schema by the law 4966 proposed that TOKI may develop luxury projects and make private partnerships to create resources for the social housing projects. In other words, TOKI was depicted as Robin Hood and government exploited this "taking from the rich to give to the poor" discourse.

TOKI claims that the administration built 467,000 out of 550,000 social housing units between 2003 and 2012 and only 15% of TOKI's constructions are defined as the resource development implementation (Sayıştay, 2012, p. VII). However, TOKI's housing investments have concentrated mostly on the cities that have high development level. TOKI especially ignored eastern cities despite the existing housing deficit. The investments that are clustered in the metropolitan cities like Ankara, İstanbul, Bursa, and İzmir demonstrate that TOKI seeks the urban rent rather than the common good (Akın & Özdemir, 2010, p. 304). Also, there are discussions on whether TOKI's social housing units are suitable for the needs of the targeted population in terms of monthly payments and their habitable space. In this context, state intervention in the housing sector did not achieve to support low and middle-income groups despite the political discourse.

During the debates, whenever the opposition members accused the government party of corruption through TOKI's operations, JDP members proposed the number of housing units that are built by TOKI for the low and middle-income groups against the allegations each and every time. Building for the poor normalizes

the violent and bulldozer nature of neoliberal urbanism. In other words, the government legitimizes its unlawful actions by building houses for the poor.

TOKI's approach to the low and middle-income groups has not changed substantially between 1984 and 2012. From the very beginning, TOKI's main aim has been to provide housing for the poor and low-income groups. In the parliamentary debates of the amnesty law no. 3366 in 1988, Mustafa Gökbel, MP from the Social Democratic Populist Party, stated that Minister of Finance Adnan Kahveci called the mass housing fund as Robin Hood Fund (TBMM, 1987, p. 278). In other words, TOKI's operations were legitimized by a "taking from the rich to give to the poor" discourse. Similarly, TOKI's effectiveness was questioned for the poor and low-income groups during the debates of founding law no. 2985. The opposition members stated that the law does not define mass housing clearly and demanded that the targeted groups have to be included in the law. Also, similar discussions about the effectiveness of the housing credits took place throughout the 1980s and 1990s. Accordingly, the down payments of the housing credits during the 1990s were higher than the monthly salary of a manual worker (Baharoğlu, 1996). The increasing cost of constructions and the economic instabilities made the housing credits non-affordable for the low-income groups throughout the 1980s and 1990s.

5.2.3 Public-Private Relations

The third recurrent theme in TOKI's institutional expansion is its relations with the private sector. Although the governments use the discourse of providing housing for the poor and low-income groups, the laws and regulations always boost the housing market in favor of private sector. The empowerment of TOKI increases the state contribution housing market as well as private sectors dependency on the state.

The increasing authority over land development allows TOKI to alter the public-private relations in the housing market. Thanks to these new duties and responsibilities, TOKI's financial model has changed to generate its own resources. The law no. 4966 redefines the state-business relations in the housing market. TOKI started to privatize public land and establish partnerships with private sector. Utilizing the social housing projects as a legitimizing tool, TOKI became the midwife of neoliberalization.

Following the abolition of the Urban Land Office, TOKI fostered the revenue sharing model that is based on its land development capabilities as well as the land sales. In revenue sharing model, TOKI provides public land from its portfolio to a private contractor who is responsible for the entire cost of financing the investment and profit of the project is shared between the administration and the contractor (TOKI, 2011, p. 52). The annual average of the revenue sharing housing production is 4,750 housing units between 2003 and 2016 (TBMM, 2008b, p. 132; Sayıştay, 2013, p. III; Sayıştay, 2016, p. II). To compare the social housing and luxury housing units, TOKI made a procurement of a social housing project that consists of 678 housing units in Esenler, Istanbul by around 15 million TL in 2005 whereas it made another procurement of revenue sharing luxury projects that include 682 housing units in Bahçeşehir by around 119 million TL in 2005.⁸

Together with the legal restructuring in the housing market, TOKI's institutional empowerment opened the public sources to the private sector to facilitate the development of housing market. As consequence, the share of the private sector in total increased from 70% in 2000 to approximately 90% in 2011 (Türel & Koç, 2015). The legal changes after 2008 fostered the commodification of

⁸ <http://www.toki.gov.tr/proje-tipine-gore-uygulamalar>. Accessed on April 7, 2018.

urban land through transformation projects, privatization of state buildings and developing the previously forested land. While the private sector benefited from the market development, this transformation took place at the expense of the dislocation of the poor and socially excluded groups.

In a word, parallel to the debate on social housing, TOKI's founding purpose showed an institutional continuity in its relation with the private sector between 1984 and 2012. As discussed in the previous chapter, the legal enactments sought the development of housing market and targeted private investments. The Motherland Party changed the mass housing law that was passed in 1981 to enable the private sector applying for the housing credits. The examination of statistics showed that the state intervention raises the productivity and profitability in the housing market, especially between 1984 and 1987 and between 2002 and 2007 (Balaban, 2016). One can assume that the private business and high-income groups benefited most from this booming while the state has difficulties in solving the housing problems of the low-income groups.

Apart from these enactments, the ambiguities in TOKI's legal framework allowed governments to exploit the laws in favor of the private sector. Accordingly, the strategic utilization and manipulation of ambiguous laws are used in the reproduction of property relations by the government and lead a property transfer in the housing market (Kuyucu, 2014, p. 611). The ambiguities in the founding law of 1984 enabled TOKI to control the housing market. The opposition parties warned of the ambiguities in the founding law in 1984. For example, Ülkü Söylemezoğlu, MP from the Nationalist Democracy Party, stated that the government created a significant fund but did not explain who, how, and where the resources will be used (TBMM, 1984b, p. 355). Similarly, Onural Şeref Bozkurt, MP from the Populist

Party, criticized the administration due to the ambiguity in its status, responsibilities and audit process (TBMM, 1984b, p. 400). The empowerment of TOKI resulted from these gaps in the legal framework. Starting as a creditor, TOKI became housing constructor, land broker, and regulatory agency in the construction market and participated in various projects from urban transformation to stadiums and financial centers. For instance, when the opposition party members asked the government about TOKI's increasing authority during the parliamentary debates in 2008, Nurettin Canikli, MP from the Justice and Development Party, claimed that they did not give TOKI an extra power in land development and TOKI used this authorization for years (TBMM, 2008a, p. 50). As Kuyucu points out, TOKI exploited these ambiguities to institutionalize the property relations and deepened the existing inequalities especially through urban transformation projects (Kuyucu, 2014).

Nevertheless, the urban rent that derived from the expansion of neoliberalism was not distributed equally among the private firms. The governments have utilized TOKI as a tool for clientelist tendencies between 1984 and 2012. For example, while Halit Barış Can, MP from the Populist Party, listed the possible corruptions that were derived from the mass housing fund in 1984 (TBMM, 1984b), Yaşar Ağyüz, MP from the Republican People's Party, claimed that he had a procurement list that includes 1.7 billion TL valued corruption in 2008 (TBMM, 2008, p. 37) during the parliamentary debates. Similarly, Buğra and Savaşkan exemplify these clientelist relations through the rise of Kuzu Group in the housing market. Thanks to the close relation with the government, Kuzu Group undertook urban transformation and revenue sharing projects with TOKI. The relation between TOKI and Kuzu Groups was so close that the revenue from TOKI's procurement was around 400 million dollar (Buğra & Savaşkan, 2014, p. 151). In other words, the government utilized

TOKI in favor of business classes who have personal connections with the governing party. In the import-substituting economy, the state did not remove the “rents” but rather safeguard the neutral and/or acceptable conditions for its distribution. Yet, the experience in the second half of the 1980s showed that new state bureaucracy led arbitrariness in rent creation and realization, primarily based on personal connections (Boratav, Türel, & Yeldan, 1996).

During the debates of law no. 5609, Kemal Kılıçdaroğlu, MP from the RPP, makes corruption allegations about TOKI’s revenue sharing projects based on the data he collected from the Supreme Auditing Board. Accordingly, TOKI assessed treasury lands on that the ‘revenue-sharing projects’ are built in order to reduce the expenditure of the projects and increase the revenue. Following the sale of a treasury land in Ataşehir that is valued and sold by 3.5 million TL in 2003, the land is assessed as 7.3 million TL by another expertise firm, Vakıf Ekspertize. In the same speech, he argues that luxury housing units that were built by TOKI in Çayyolu, Ankara are understated (as 149 m²) in their construction plan to benefit the exemption of value added tax although they are sold as 180 m² (Ibid., pp. 612-615). Similarly, in the parliamentary committee on public enterprises, Haydar Akar, MP from the RPP, stated that TOKI sold a treasury land in Halkalı, İstanbul for an amount of 17.7 million TL. After three months, the private company that bought the treasury land from TOKI sold the same property to 208 million TL to another firm (TBMM, 2016, p. 25).

As the parliamentary debates show, the state business relations in Turkey are open to corruption and clientelist relations. While state favors private sector to spur the housing market in general, some groups in the business elite have closer relations with the state and they benefit more than others.

5.2.4 Urban transformation

As Keyder states, the moral economy of housing came to an end in the 2000s due to the “conflicts of interests between the new sources of demand for land” (Keyder, 2005, p. 130). Accordingly, the change in the housing regime derived from the capitalist logic that was adopted by the politicians who previously implemented populist developmentalism. Henceforth, the land became a commodity that is sold by the state to the private firms for its fiscal needs in line with globalization (Ibid.). The role of laws and regulations has also changed during this period. While amnesty laws were employed as post hoc rationalizations of land appropriations in the previous period, they have been used as “enabling mechanisms” for land production and further commodification of land in the post-2000s (Türem, 2017). The transition to a fully commodified housing market that was fostered by the newly emerged powerful actors like large developers, real estate investment trusts led the transformation of these illegal housing areas (Kuyucu & Ünsal, 2010, p. 5).

The political reflection of this transformation was revealed in the 57th government program that promised to punish those who allow the irregular settlements. Although they could not achieve to criminalize the irregular settlements, it was significant to see the change in the state’s response. In this context, especially after the 1999 earthquake, JDP government also stood against the irregular settlements. In JDP’s government program, the first three articles under the housing and urbanization title were about the irregular settlements. It stated that the government would not allow irregular settlements, and rehabilitate the existing ones.

As a result, one of the apparent divergences in TOKI’s path dependent development was its increasing contribution in the irregular settlements. The law no.

1966 introduced TOKI's creditor role in urban transformation and historical renewal projects. Nevertheless, TOKI's direct role in urban transformation projects started with the law concerning the North Ankara Urban Transformation (law no. 5104). The law defined the legal basis for the urban transformation projects in 2004, for the first time. The government authorized TOKI together with Ankara Metropolitan Municipality, the Ministry of Public Works and Settlement for the project.

Additionally, the government passed a criminal code (law no. 5237) in 2004 that punish those who build illegal housing units and those who allow them. In other words, the law criminalizes not only the individuals who build illegal settlements but also those who provide public service for the irregular settlements. In contrast to the Motherland Party governments sought a solution for irregular settlements through to amnesty laws between 1984-1990, JDP altered the state's stance against the irregular settlements and legitimized its actions by claiming the social housing opportunities that were implemented by TOKI for low and middle-income groups.

The parliamentary debates on the law no. 5237 also illustrate this transformation against the irregular settlements. The Republican People's Party members did not criticize the role in punishing role of the state as a punisher or the lack of an alternative solution for the urban poor but rather objected to the procedures of the amendments. Previously, the opposition party was also against the criminalization of irregular settlement. Mustafa Gökbel, MP from the Social Democratic Populist Party, stated in the parliamentary debates during the amnesty law (no. 3366) in 1988:

“Gecekondu question can be resolved neither with abrupt palliative means nor with the police force. Unless proper urban policies are developed [...] it is impossible to prevent the establishment of new gecekondu.” (TBMM, 1987, p. 277)

In the urban transformation projects, TOKI started as a partner of the local authorities, then it became a direct contractor and the most influential actor in the urban transformation. In parallel to the TOKI's reorganization, the government enacted a series of laws regarding the municipalities after the local elections of 2004. It utilized the election victory to consolidate neoliberal transformation as well as the political authority. While these deregulations in the housing market strengthened the local authorities, they increased TOKI's power within the housing market. The government increased the authority of the municipalities, primarily by the law no. 5216 in 2004 and law no. 5393 in 2005. These laws enhanced the municipal authority in land development within a greater physical space and encouraged them to establish a partnership with private companies. Also, the law no. 5216 enabled TOKI to obtain mass housing production authority from the municipalities and expand its role. More importantly, they authorized municipalities, in cooperation with TOKI, to designate, plan and implement urban transformation for the first time (Bartu Candan & Kolluoğlu, 2008, p. 13; Kuyucu, 2014, p. 615).

Similarly, the law of Preservation by Renovation and Utilization by Revitalizing of Deteriorated Immovable Historical and Cultural Properties (law no. 5366) allows municipalities and special provincial administrations to develop the urban transformation and renewal project in cooperation with TOKI in 2005. Through these laws, municipalities became the primary decision-makers in urban transformation projects, and TOKI was their main partner. As a consequence, the empowered state institutions enhanced the commodification of the urban land through the renewal of the "historical and natural 'protection zones and the derelict' and 'obsolescent' areas" for the high-income groups in the housing market (Kuyucu

& Ünsal, 2010). While the land prices (fictitiously) increased in value, the low-income groups were expelled to the outskirts of the city.

The parliamentary debates demonstrate the neoliberal urbanism behind the amendment. Nusret Bayraktar, MP from JDP, underlines the importance of branding cities, especially Istanbul. Accordingly, renovation projects increase the value of historical sites while they protect the original structure. He gives the example of the neighborhood around Tarlabası and Galata Tower to illustrate the increasing demand for branding of Istanbul through renovation projects:

“It is important to preserve the essential characteristics [of the buildings]. Tarlabası in İstanbul for instance... When you search Turkey on the internet, one of the first things you see is Galata Tower. Yet, this tower is surrounded by buildings [which are in decay] that are facing the same problems [pertaining to renovation]” (TBMM, 2005a, p. 60)

In this context, the changing response to the irregular settlements is an extraordinary expansion of the state power. Previously, the state integrated the illegal housing into the market through the amnesty laws to increase the commercialization of land. The concern for losing votes and the conflicts between local and central governments prevented governments to take measures against the irregular settlements. Once the state had enough capacity to intervene directly in the illegal housing, the governments replaced the amnesty laws with urban transformation projects to control the property relations and the process of commodification. Starting from the criminalization of irregular settlements, the state changed its stance against the irregular settlements and started to develop urban transformation projects through municipality laws.

In 2007, the law no. 5609 transferred the task and duties on the irregular settlements of the Ministry of Public Works and Housing to TOKI. The law enabled TOKI to determine irregular settlements areas and to decide on urgent expropriation

for the *gecekondus*. The people who live in these areas lost their rights unless they agree with the state and pay the adequate pay within a month.

In a similar vein, the law of Transformation of Areas under Disaster Risk (no. 6306) consolidated TOKI's authority over urban transformation projects in 2012. TOKI and the Ministry of Environment and Urbanization became able to carry out urban transformation projects all over Turkey based on the assumed disaster risk. The law allowed TOKI to bypass all other public decision makers involved in urban transformations such as the municipalities or local residents and to control the entire process. It has the right to appropriation if the parties do not agree upon the conditions.

As Figure 12 demonstrates, the number of housing units in the urban transformation projects that TOKI implemented jumped from 3315 in 2004 to above 10,000 in 2005 and 14,000 in 2006 due to the amendments on the municipality law whereas the law no. 6306 in 2012 boosted the numbers to around 10,000 in 2012 and 16.000 in 2013.

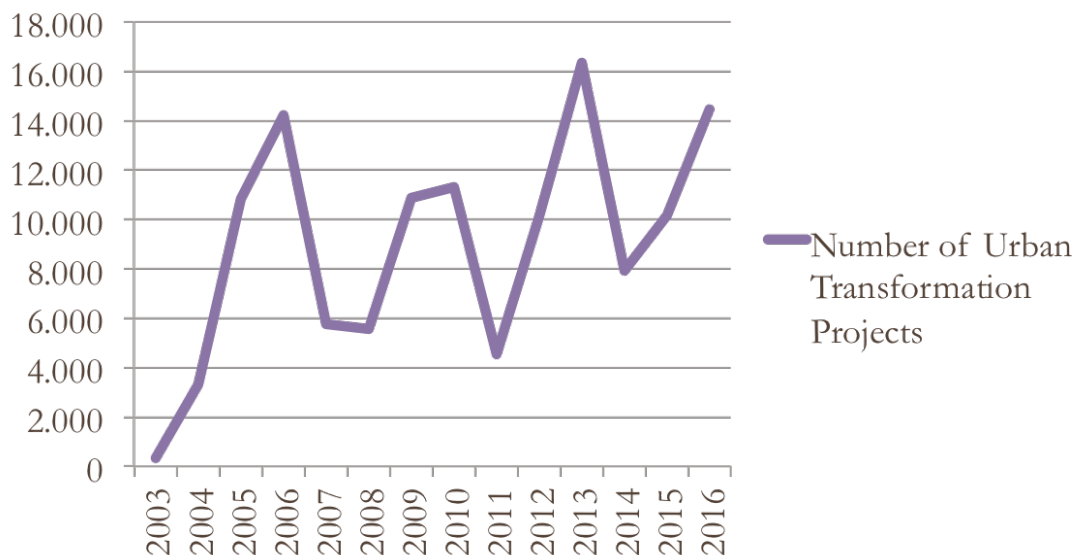


Figure 15 TOKI's Urban Transformation projects production
Source: [TBMM, 2010a, p. 211; Sayıştay, 2013, p. III; Sayıştay, 2017, p. III]

During the parliamentary debates, Ali Kemal Kumkuoğlu -MP from the RPP- reminds that the prime minister called the irregular settlements as tumors of the big cities and those who live these settlements as the occupant (TBMM, 2007b, p. 573). Similarly, Aydın Şengül, MP from the JDP, made the same disease/tumor analogy for the irregular settlements.

“Dear colleagues, our cities are in decay, our cities are unattractive. I guess both the government and opposition agree on this. Every minute counts. We need to improve the conditions in our cities as soon as possible. Disease-spreading cells have been emerging. The exit points of the cities are congested, and their development is prevented. This resulted in a significant chaos” (TBMM, 2012, p. 332).

As the parliamentary debates illustrate, increasing urban transformation and urban gentrification projects go hand in hand with the governments’ discontent against the irregular settlements.

5.2.5 Lack of supervision and legal immunity

The Mass Housing Development Administration has had a legal immunity starting from the very beginning. The founding law made the TOKI immune to the supervision of the independent state institutions. The Motherland Party government established the mass-housing fund out of the general budget to increase its control over the fund. For this purpose, the article 10 in the mass housing law left TOKI out from the budgetary control of Audit Court, the general accounting law and the public procurement law in 1984. Instead, another prime ministerial organization, the Supreme Auditing Board had the authority to audit TOKI. Since then, the opposition parties criticized lack of audit mechanisms in the parliamentary debates. In 1984, Ömer Kuşhan, MP from Populist Party, warned the ruling party that if an ill-

intentioned government seizes the power, it might exploit this inspection deficiency of TOKI (TBMM, 1984b, p. 393).

Nevertheless, the Post-Washington economic policies reshaped the audit mechanisms over TOKI. The JDP government included TOKI into the general budget and granted supervision by the audit court in 2003 (law No. 5018) in line with the stabilization program that proposed a new public management law for transparent fiscal policy for all economic activity of the governments. The period lasted for almost two years, and the government defined TOKI within the special budget category in 2005. Once again, it became exempt from the audit by the law no. 5436. Therefore, the administration did not depend on the rules of the general budget.

Parallel to these developments, TOKI was delegated to the authority of prime ministry once again in 2004, and it became responsible to directly the prime minister. As a result, the administration is audited by the High Audit Board under the prime ministry. Yet the board is not independent, and its supervision was limited. In other words, with its highly centralized and mighty power in the housing market, TOKI was not controlled by independent audit mechanisms and stood as an exception during the first term of the JDP government after 2005. In this regard, Mustafa Özyürek, MP from Republican People's Party, underlined the importance of accountability for state institutions that spend public funds and remarked the irregularities in the selection of contractors and allocation of public land in the parliamentary debates. Also, he objected the exemption of TOKI by pointing out its huge budget and corruption allegations about the administration in the parliamentary discussions (TBMM, 2005a, p. 590). The centralization increased efficiency and coordination in the housing market but the lack of supervision started to lead exploitation of this exclusive authority in favor of private companies.

When TOKI acquires more power in the housing market, the lack of supervision became a greater problem. Kamer Genç, independent MP, claimed that the Prime Ministry exploits the inspection deficiency and used TOKI as a clientelistic tool. Hence, he called this as the pillage of the public land (TBMM, 2008a, p. 33). Furthermore, TOKI's exemption from public procurement law was extended in 2011. Previously, public procurement law did not control public housing projects but the government extended the exemption from public procurement law to all of TOKI's construction projects in 2011.

The law no. 6306 increased the legal immunity to another level. Once TOKI declares a housing unit as a risky area for an assumed disaster, there is no independent objection authority and even the administrative court is not able to grant a motion for stay of execution. During the parliamentary debates, the opposition party members criticized the lack of supervision and legal immunity while the government party members legitimize the law through disaster risk. As Erol Kaya, MP from the JDP, stated:

“Unless you bring a restriction on the legal obstacles (on the condition the rights of the citizens will be protected), it is likely -that we will continue this process that we started back in 1939 earthquake- without accomplishing anything in the next 100 years.” (TBMM, 2012, p. 303)

As the parliamentary debates elucidate, the government want to take decisions and implement projects immediately to benefit the urban rent and sustain the construction based neoliberal economy. Legal immunity of TOKI ensures an unimpeded development of neoliberal urbanism. In this context, a major continuity in the institutional expansion of TOKI has been the lack of sufficient supervision. The arbitrariness and lack of supervision is almost an institutional feature of TOKI. It has been never transparent and accountable institution.

5.2.6 Increasing role of the state and the establishment of neoliberal urbanism

The empowerment of the Mass Housing Development Administration was accompanied by a broader change in the housing sector. The state was gradually involved in the market and initiated a set of reforms. As mentioned previously, the inadequate state capacity prevented governments to complete the transformation in the housing market. Nevertheless, following the 2001 economic crisis, there was a critical juncture in that Turkey increases its state capacity and completes the necessary institutional reforms (Öniş, 2009). While Turkish state initiated a set of reforms during the 1980s, they were not completed until the 2000s. In a similar vein, the housing market transformation started after the military intervention but the state did not have enough capacity to deepen the change in the housing regime.

The state involvement in the housing market was completed through a neoliberal consensus over the neoliberal urbanism, regulations on local governments, privatizations and financial institutions after 2001. These reforms illustrate the state capacity and its relation with the transformation of housing regime in cooperation with TOKI.

5.2.6.1 Establishment of neoliberal consensus

The parliamentary debates between 2003 and 2006 demonstrate the neoliberal consensus and lack of a critical opposition. The debates until 2007 did not present a strong protest against the institutional empowerment of TOKI and the establishment of neoliberal urbanism. Although the Motherland Party governments had a neoliberal ideational framework including marketization, privatization, and deregulation between 1984 and 1991, the opposition parties have a strong critical tone in the

parliamentary debates. Nevertheless, the early years of JDP government witnessed a neoliberal consensus, especially in terms of the housing market.

In the debates of law no. 4966 in 2003, Akif Hamza Çebi, MP from Republican People's Party, criticized the government for not including the regulations that turned public land into a property/lot and not providing an adequate credit system for the housing system (TBMM, 2003, p. 604). In a word, he advocates further commodification of land and financialization of housing market through TOKI.

“The draft law does not include necessary and sufficient regulations that ensure the transformation of the public land portfolio into a property/lot. The law makes no interventions and regulations in this regard and proposes new regulations taking the existing system and structure as the basis.” (TBMM, 2003, p. 604)

While Çebi opposes to TOKI's contractor role in the housing market, he favors its market-oriented involvement as a regulatory institution. In the same speech, he expresses his discontents regarding the housing cooperatives and stated that they should be replaced by the TOKI's operations. In addition, he underlines the defects of TOKI's public procurements but did not mention the lack of inspection of the administration. (Ibid., pp. 605-606). The RPP's discourse fosters the marketization of the housing sector.

During the debates on the law no. 5366, the law of Preservation by Renovation and Utilization by Revitalizing of Deteriorated Immovable Historical and Cultural Properties in 2005, the opposition party did not also criticize the neoliberal logic behind the law. The coalition over neoliberal urbanism presented itself during debates. Erdal Karademir -MP from the RPP- stated that “the Republican People's Party is not a group that is against the urban transformation law, and perhaps we are more willing than you (referring the JDP)” (TBMM 2005b, p. 55). In other words,

the JDP government did not face a serious opposition in the expansion of neoliberal urbanism, especially in its early years.

In most cases, the opposition party criticized mostly not the content of the laws but rather their procedures. For example, during the debates of the criminalization of irregular settlements in 2004, the RPP members did not criticize the punishing role of the state or the lack of an alternative solution for the urban poor but rather objected to the procedures of the amendments. Similarly, the parliamentary debates for the law no. 5273 regarding the abolition of the Land Office were interrupted by the procedural disagreements on the multiple voting that took place in the previous sessions. In a similar vein, the parliamentary debates of the law regarding the sale of property to the foreigners was about nationalist feelings about sales of homeland in 2007, while neither government nor the opposition underlined the urban rent and the neoliberal urban policies.

Ironically, Mehmet Yıldırım, MP from the Republican People's Party, uses the phrase of "one needs space when alive and faith in the afterlife" (*dünyada mekân, ahirette iman*) in 2004 that is commonly used by the Motherland Party members of parliament in the debates of the law no. 2985 (TBMM, 2004, p. 255). Not presenting a critical stance but sharing the market-oriented logic with the government, the opposition party contributed the establishment of a neoliberal consensus in Turkey.

Interestingly, as a coincidence or overinterpretation, the opposition party members between 2002 and 2006 preferred to use the phrase of "separate opinion" (*ayrışık oy*) in the commission reports when they are against the amendment although the previous and following terms used "dissenting opinion" (*muhalefet şerhi*) in their disagreements. While separate opinion as a term may refer to a

different justification for the same solution, dissenting opinion proposes a completely different solution.

The neoliberal consensus and lack of critical opposition promoted the empowerment of TOKI as well as the establishment of neoliberal urbanism in the early years of JDP governments, especially between 2003 and 2006.

5.2.6.2 The legal amendments regarding the local governments

Increasing state capacity after 2001 was accompanied by the municipality laws. The laws regarding the local government in 2004 and 2005 (law no 5216 and 5393) expanded the authority of municipalities over the urban land primarily through zoning plans. Henceforth, the land development rights and responsibilities of local governments started to include urban transformation projects.

Nevertheless, this capacity increase was a part of gradual centralization instead of decentralization. The following laws regarding the zoning plans enhanced the authority of TOKI and the ministries as opposed to the municipalities. In 2008, the law no. 5793 authorized TOKI to prepare and modify urban master plans and in 2012, the law no. 6306 enabled the central authority to surpass all local actors in the transformation. These new laws made TOKI the sole decision-maker in the land development and urban transformation projects. As a consequence, the central government facilitates the expansion of the market without any delay.

This transformation was fostered by the political harmony between local and central governments. While TOKI made protocols with 135 local governments for urban transformation projects between 2005 and 2009 (Kuyucu, 2010, p. 126), the law no. 5366, the law of Preservation by Renovation and Utilization by Revitalizing of Deteriorated Immovable Historical and Cultural Properties is a good

demonstration of the harmony between central and local governments. During the debates, the opposition party members call this law as a bespoke arrangement (*sipariş/ısmarlama yasa*) that is prepared on the demand of the certain municipalities. Accordingly, some of the JDP municipalities like Beyoğlu and Fatih requested the government to reorganize these restoration legislations. The opposition members criticize the lack of procedural necessities and careless preparation of the law but they are missing the coalition of local and central government over the neoliberal urbanization. The law demonstrates the harmony between central government and municipalities and their influence on the urban transformation. As opposed the discordance between central and local governments throughout the 1990s, the JDP's harmony increased its capacity for urban transformation.

Previously, the greater city municipality law in 1984 and the land development law in 1985 increased the transformation of the housing market. While the municipalities facilitate the land development and planning permission process, TOKI financed the private sector to boost the market in the 1980s. Once the weak coalitions took the government and the different parties started to hold the local and central governments, lack of state capacity inhibited the expansion of the market. Also, the conflict between local and central governments prevented further cooperation between TOKI and municipalities. For example, TOKI made agreements with municipalities on the new housing projects but they could not achieve to implement these projects.

5.2.6.3 Privatizations and financial regulations

In addition to the laws regarding local government, the privatization laws went hand in hand with the housing market regulations. The state actors after 1980 have

considered privatizations and involvement in the housing market as a tool for creating funds and stimulating the market. For this purpose, the mass housing fund and public participation fund was established within the same administration. Nevertheless, the mass housing administration could not implement privatizations efficiently. For example, the Motherland Party passed two laws that enable foreigners to buy real estate in Turkey in 1984 and 1986 (law no. 3029 and law no. 3298) yet the Constitutional Court repealed these regulations soon after their enactment.

On the other hand, the reorganization of TOKI in 2003 allowed TOKI to establish public-private partnerships and to privatize the treasury land through revenue sharing model. TOKI acted like a second privatization agency in Turkey and foster private sector through these the privatizations (Sönmez, 2011). It holds the biggest real estate investment trust, Emlak REIT and promotes the market through partnerships and privatizations. Similarly, JDP government achieved the commodification of land continued with a series of reforms in the real estate market. The government integrated the foreign customers to the housing market and granted them the right to acquire landed property in Turkey in 2005 (law no. 5444). Although another law regarding the sale of real estate to foreigners was passed in 2003 (law no. 4916), it was annulled by the Constitutional Court in 2005. Parallel to the Motherland Party's attempt to sell property to foreigners, the JDP also enacted the second law. While the constitutional court rejected the Motherland Party's second attempt on the property sales in 1986, the constitution court accepted JDP's second law with minor revisions in 2005. In a word, the increased state capacity accelerated the market-oriented economic reforms. As a result, the liberalization of the housing market is completed by the law no 5444 and the increasing sales contributed the

speculation in the housing sector. For example, the value of a property that belongs to the General Directorate of Highways in Zincirlikuyu was estimated as 150,000\$ in 2001 and the property was sold to 800.000\$ in 2007.

Similarly, a set of financial regulations supported the housing market development. The mass housing fund started as a housing credit system but it lost its importance after 1989. The government tried to implement housing and land certificate system in the early 1990s to increase the demand for the housing market. Also, TOKI initiated the mass housing saving system to integrate the low and middle-income class into the market. Both practices could not succeed due to the lack of demand. On the contrary, the government after 2003 has been very influential in financial reforms as well. It enhanced the housing credit system in 2005 to promote the housing market. The housing credits reached up to 4.7% of the gross national product in 2007 (Kuyucu, 2010, p. 128). Then, the government established mortgage system in Turkey and encouraged the domestic demand in 2007 (law no. 5582).

During the parliamentary debates, Bülent Baratalı –MP from the RPP- stated that government announced the mortgage law as a new hope for low-income families to acquire housing and the media uses the phrase the law of “being a homeowner by paying rent-level credit payments” (*kira öder gibi ev sahibi olmak*) after the prime minister used it (TBMM, 2007a, p. 206). In these debates, several opposition members ask Abdüllatif Şener, the Minister of State and the Deputy Prime Minister whether the low and middle-income families benefited the mortgage law. He admits that it is not realistic to claim that those who will have difficulty in repayment can benefit this law and buy a house (Ibid., p. 201). In a word, the government misinterprets the law intentionally to manipulated public opinion. Also, he underlines

the relation between the housing market and the financial system. Accordingly, Şener argues that another advantage of the mortgage system is its contribution to Turkish stock market. The housing credits turn into mortgage-backed securities in the stock market and increase the trading size of the market (TBMM, 2007b, p. 112). As David Harvey points out, the finance capital promotes the reproduction of capitalism in relation to urban space and it helps further speculation and absorption of surplus capital (Harvey, 2012). In other words, the government completed the neoliberal urbanism that it initiated by the transformation of TOKI. The development of housing market increased the demand for the urban land and facilitated the speculative boom in which the use value of housing units was replaced by the exchange value.

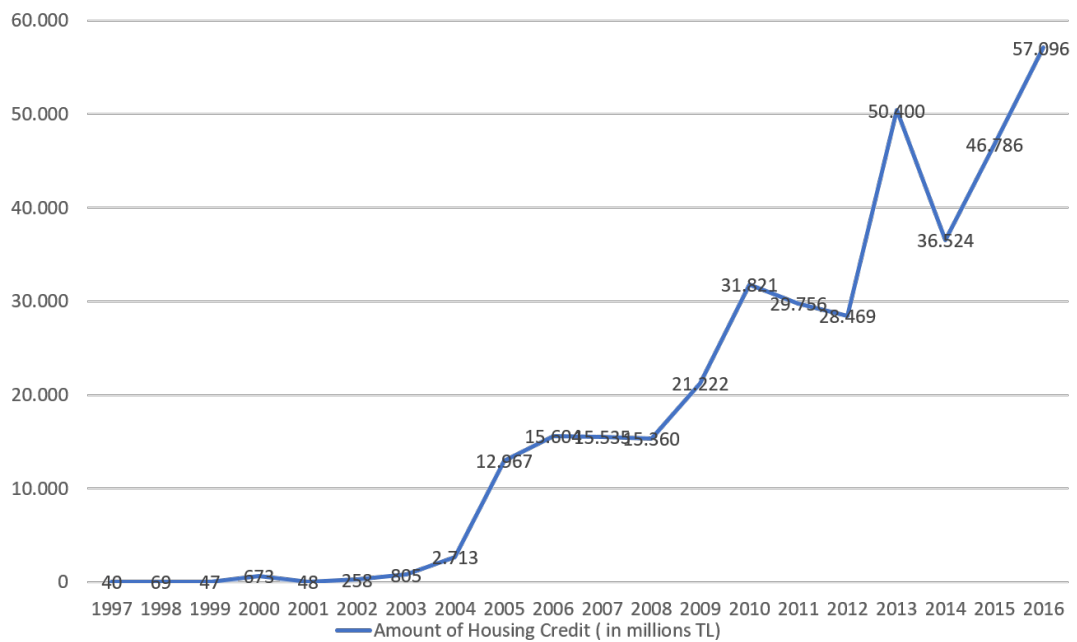


Figure 16 The amount of housing credits (in millions)

Source: The Bank Association of Turkey⁹

⁹ Retrieved from The Bank Association of Turkey, 2018 April, 7
<https://www.tbb.org.tr/tr/bankacilik/banka-ve-sektor-bilgileri/istatistiki-raporlar/59>

In conclusion, TOKI had a path dependent development that was established on the founding principles of 1984. The central governments controlled the housing market and expanded the neoliberal transformation through laws and regulations. TOKI's involvement in the housing market deepened through above-mentioned recurring themes between 1984 and 2012.

CHAPTER 6

CONCLUSION

This study illustrates TOKI's institutional development in relation to the housing market and neoliberal transformation in Turkey. It proposed that TOKI demonstrates a continuous and path dependent institutional trajectory between 1984 and 2012 in terms. The founding law and the status of the administration had the potential to transform TOKI into an omnipotent actor in the housing market. In this regard, JDP governments have revealed this potential that was founded by the Motherland Party. While the administration is extraordinarily powerful and enormously ambiguous today, it preserved the founding ideology and followed a path dependent development. As a result, TOKI deepened its influence on the housing market through six recurring themes: the increasing authority over land development, the social housing, relation with the private sector, urban transformation, lack of supervision and the establishment of neoliberal urbanism through complimentary laws and regulations framework.

Neoliberalization in Turkey does not accompany with the withering away of the state. Instead, it leads to the remaking and redeployment of the state institutions. The military intervention and the 1982 constitution altered the legal and institutional framework in relation to the state-society and state-business relations in Turkey. In this context, the state started to intervene in the housing market with the establishment of TOKI in 1984 under the marketization and liberalization policies in the 1980s.

Another critical juncture, the twin crisis, enabled Turkish state deepened market reforms through the second wave of regulatory wave of neoliberalism. State capacity

has increased and a new set of institutions came into existence. Similarly, state involvement in the housing sector has increased but this time with new modalities, especially after 2003. Therefore, an active participation of the state in the urban economy did not change categorically but increased quantitatively. The state's direct involvement in the market constitutes TOKI's main building block in neoliberal urbanism in Turkey.

In this sense, the urban policies provide a fruitful basis to trace the neoliberalization process in Turkey. Contrary to the previous period between 1950 and 1980, the state started to intervene in the housing market in the 1980s. The new constitution made Turkish state responsible for taking measures to meet housing needs of each and every citizen. As a result, the regulatory state of the previous period was replaced by the state's direct involvement in the housing production through the mass housing fund and Mass Housing and Public Participation Administration in 1984. Henceforth, the state became able to take measures to meet housing needs, control the rules and regulations of the construction industry and give subsidies in line with the founding law no. 2985.

The state involvement in the housing market expanded gradually. Once Turkey increased its state capacity following the 2001 economic crisis, the 59th government reorganized the task and duties of the administration in line with law no. 4966 and TOKI rallied once again. It expanded its role in privatizations, expropriations, and public-private partnerships. Instead of housing credits, the administration has promoted housing market especially through land development and public-private partnerships. Similarly, its role in expropriations has deepened after 2008 and 2012 and augmented through urban transformation projects.

Focusing on the institutional path of TOKI, this thesis is a demonstrative case on how laws and institutional continuities/ruptures interact with neoliberalization in Turkey. While the evolution of political and economic framework is built on legacies of inherited institutions that shaped the future trajectories, studying TOKI aims to depict the “actually existing neoliberalism” in Turkey. A close examination TOKI’s institutional path elucidates the context-specific and path-dependent transformation of the neoliberal economy. In a word, the institutional history of TOKI presents the neoliberal urbanism *a la Turca*.

TOKI and its expansion illustrate how state promotes the private sector and act as a midwife of neoliberalism. Defining an enabling legal framework and new modalities, governments strengthened TOKI to foster a construction based neoliberal economy. In this sense, TOKI’s involvement in the housing market is inherently capitalist. As Lefebvre and Harvey point out, state intervention in the urban planning and urban economy is necessary for the survival of capitalism. TOKI’s primary aim is to stimulate the market, promote land speculation, and render the urban rent in favor of private firms.

In the Turkish experience, single party dominance together with the harmony between local and central governments created a fertile ground for passing laws and their implementations. Majoritarianism accelerated commodification of land and turned TOKI becomes an effective facilitator in the Turkish context. As the parliamentary debates show, neoliberal consensus and lack of critical opposition contributed the development of neoliberal urbanism, especially in the early years of JDP governments.

In this context, the thesis explores TOKI’s institutional path in relation with six recurrent themes in the institutional aggrandizement including the increasing

authority over land development, the social housing, relation with the private sector, urban transformation, lack of supervision and the establishment of neoliberal urbanism through complimentary laws and regulations framework.

The first chapter introduces TOKI and illustrates how TOKI's involvement has changed through time. While TOKI started as a creditor, its role in the housing market expanded after 2003. Increasing authority over land development facilitated TOKI's involvement in the housing market through different modalities. On the one hand, TOKI provides housing for poor low and middle-income groups. The social housing units also include disaster housing, agricultural village, and urban transformation projects. In most cases, TOKI also builds the social facilities around the housing projects.

On the other hand, TOKI establishes public-private partnerships and privatize public land. Public-private partnerships resulted in revenue sharing housing projects. TOKI's affiliates and subsidiaries promoted these profit-seeking projects and enabled TOKI to act as a semi-private company. Considering these new capabilities, TOKI's field of operations and number of construction increased through time, especially after 2003.

The second chapter investigates the genesis of TOKI's establishment and its institutional expansion in relation to the political and economic context. The relative stability during the second half of the 1980s and the 2000s accelerated TOKI institutional development whereas political and economic crisis in the 1990s prevented TOKI from further expansion. Establishing after the military intervention, TOKI gained a momentum after 2001 economic crisis. The increasing state capacity following the economic crisis and the 2002 general elections opened an opportunity

for TOKI in the housing market. The legal and institutional restructuring in the Turkish economy promoted TOKI's institutional aggrandizement.

The third and fourth chapters explore the empowerment of TOKI between 1984 and 2012. While the administration was established as a creditor and had limited authority over the land development, the legal and institutional reorganization of TOKI increased its authority over public land and land development in 2003. Absorbing the other state institutions in the housing market, TOKI gained an extensive land portfolio as well as extensive right on land developments. Since then, TOKI increased its capacity to build social housing. Although TOKI has been called as Robin Hood from the very beginning, its capacity increased extensively and became more visible. Nevertheless, the social housing is used to legitimize the violent neoliberal transformation. The governments continue to legitimize privatizations, corruptions, and unlawful evacuation of irregular settlements through social housing discourse.

Similarly, increasing authority over land development facilitated the relations with the private sector. While the mass-housing fund was formed in order to meet the needs of the private sector in 1984, TOKI started to establish public-private partnerships and privatize treasury land in favor of the private sector. These two mechanisms transferred public land into private projects and promoted the construction based neoliberal economy after 2003. The affiliations and subsidies turn TOKI into a semi-private institution in the housing market. Also, lack of supervision over TOKI contributes unimpeded commodification of land. The Mass Housing Development Administration has had a legal immunity starting from the very beginning. Yet, the increasing capabilities with a legal immunity after 2003 turned TOKI into a bulldozer with close state-business relations.

Urban transformation, on the other hand, is one of the apparent divergences in TOKI's path dependent development. Previously, governments use amnesty laws to cope with irregular settlements. Nevertheless, the JDP government criminalized the irregular settlements and started to apply urban transformation projects in the irregular settlement areas. These projects evacuate the irregular settlements force the excluded groups to live in the outskirts of the city. In a word, they contribute the commodification of land and urban gentrification.

Last but not least, the establishment of neoliberal urbanism through complementary laws is another recurrent theme in the path dependent development of TOKI. The empowerment of the Mass Housing Development Administration went hand in hand with a broader change in the housing sector. The expansion of TOKI was accompanied by (limited) decentralization, financialization, and marketization. While local actors accelerate the commodification of urban land, financialization and marketization increase the speculation over urban land and foster the construction based neoliberal economy.

All these reforms created a framework where laws empowering TOKI could easily be passed and different modalities can emerge which ended in contributing to the deepening of neoliberalization, commodification of land and booming housing market.

APPENDIX

THE LEGAL FRAMEWORK OF TOKI'S LEGAL EXPANSION

The Name and the Number of the Law	Summary of Its Influence	Year	Publication date in the <i>Official Gazette</i> of the Republic of Turkey & No.
Law No. 2985 - Mass Housing Law	The establishment of the Mass Housing and Public Participation Administration	1984	17.03.1984 No: 18344
Law No. 3030 - Greater City Municipalities Law	The Establishment of Metropolitan Municipalities in Turkey	1984	09.07.1984 No: 18453
Law No. 3194 - Land Development Planning and Control Law	The extension of zoning plans authority of Municipality	1985	09.05.1985 No: 18749
Law No.3290 - The Amendment to Law No. 2981	Amnesty Law	1985	07.06.1986 No: 19130
Law No. 3366 - The Amendment to Law No. 3290 and Law No. 2981	Amnesty Law	1986	26.05.1987 No: 19471
Law No. 3414 - The Amendment to the Irregular Settlement Law No. 775	Amnesty Law	1988	11.03.1988 No: 19751
Decree-law no. 412	The Establishment of the Mass Housing Development Administration as a separate institutional unity	1990	10.04.1990 No: 20488
Law No. 4684 - The Amendment to Some Laws and Decree-Law	The abolishment of the mass housing fund and the Property Bank	2001	03.07.2001 No: 24451
Law No. 4698 - The Establishment of Housing Secretariat and The Amendment to Land Office Law	The establishment of Housing Undersecretariat and transfer of TOKI and Land Office under the Housing Secretariat	2001	07.07.2001 No: 24455
Law No. 4966 - The Amendment to Some Laws and to the Duties of Public Work and Settlement	Abolishment of Housing Undersecretariat and reorganization of TOKI in 2003	2003	07.08.2003 No: 25192
Law No. 5018 - The Public Finance Management and Control Law	The law granted Parliamentary Supervision for TOKI	2004	24.12.2003 No: 25326

The Name and the Number of the Law	Summary of Its Influence	Year	Publication date in the <i>Official Gazette</i> of the Republic of Turkey & No.
Law No. 5237 - Criminal Code	Criminalization of Irregular Settlements	2004	12.10.2004 No: 25611
Law No. 5216 - Greater Municipality Law	Greater Municipality Law	2004	23.07.2004 No: 25531
Law No. 5436 - The Amendment to The Public Finance Management and Control Law	The law exempted TOKI of the parliamentary supervision	2005	24.12.2005 No: 26033
Law No. 5393 - Municipality Law	Municipality Law	2005	13.07.2005 No: 25874
Law No 5366 - Preservation by Renovation and Utilization by Revitalizing of Deteriorated Immovable Historical and Cultural Properties	TOKI was authorized to make zoning plans in coordination with municipalities	2005	05.07.2005 No: 25866
Law No. 5444 - The Amendment to the Land Register Law	The law allowed the foreigners to buy Real Estate Sale	2005	07.01.2006 No: 26046
Law No 5582 - The Amendment to the Housing Finance System	The law made Mortgage credit system possible in Turkish banking system	2007	06.03.2007 No: 26454
Law No 5609 - The Amendment to the Irregular Housing Law No. 775	The law transferred the rights and responsibilities of the Ministry of Public Works and Settlements to TOKI	2007	28.03.2007 No: 26476
Law No. 5793 - Amending some Laws and Decree Laws	TOKI was authorized to prepare and modify the urban master plan and it is no longer possible for local authorities to refuse the plan that TOKI offers	2008	06.08.2008 No: 26959
Law No. 6831 - Forest Law	The law allows public authorities to sell 2B lands	2008	08.09.1956 No: 9402
Decree-law no 648	The Establishment of Environment and Urbanization Ministry	2011	17.08.2011 No: 28028
Law no 6306 - The Law on Transformation of Areas under Disaster Risk	TOKI consolidated its power over zoning plans and the new law enabled TOKI not to be stopped by administrative courts.	2012	08.03.1954 No: 8652

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