

The Role of International Monetary Fund As An Apparatus of Hegemonic World Order: A Gramscian/Coxian Approach to the Neoliberal Transformation of Turkey¹

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Abstract

The purpose of this paper is to analyse the role of IMF in the making of neoliberal transformation in Turkey. The neoliberalisation of nation-states is a process in which the hegemonic world order critically plays its transnationalising role and international financial organisations are crucially employed in this process. In order to assist the spread of the global capitalist hegemony, nation-states have been enforced to transform their structures by these institutions. In this paper, the transformation of the economic structures of Turkey will be investigated as a case within the enlargement of the global hegemony. The Gramscian and the Coxian theories will be used as method in this research. Within the analysis of economic transformation, the restructuring of Turkish state through transforming employment, privatisation, union activities and the social state will be examined.

Keywords: IMF, Turkish economy, Neoliberalism, Gramsci/Cox

Hegemonik Dünya Düzeninin Bir Aracı Olarak Uluslararası Para Fonu'nun Rolü: Türkiye'nin Neoliberal Dönüşümüne Gramsciye/Coxyen Bir Yaklaşım

Öz

Bu makalenin amacı IMF'nin Türkiye'de neoliberal dönüşümün yapımındaki rolünü analiz etmektir. Ulus-devletlerin neoliberalleşmesi hegemonik dünya düzeninin önemli bir şekilde ulus-üstü rolünü oynadığı ve uluslararası finansal kuruluşlar hayati bir şekilde görevlendirildiği bir süreçtir. Küresel kapitalist hegemonyanın yayılmasına yardım etmek için, ulusal devletler bu kuruluşlar tarafından yapılarını dönüştürmeleri için zorlanmışlardır. Bu çalışmada, Türkiye'nin ekonomik yapısının dönüşümü küresel hegemonyanın genişlemesi bağlamında incelenecektir. Gramsciye ve Coxyen teoriler bu araştırmada metot olarak kullanılacaktır. Ekonomik dönüşümün altında, Türk devletinin istihdamın, özelleştirmenin, sendikal hareketlerin ve sosyal devletin dönüşümü üzerinden incelenecektir.

Anahtar Kelimeler: IMF, Türkiye ekonomisi, Neoliberalizm, Gramsci/Cox

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Introduction

Today's grand narrative (Lyotard 1979) neoliberalism has become a world-wide phenomenon since the 1980s, in the so-called Washington consensus (Williamson 1989) era. Its impact has been observed not only in the West but also in developing countries, which are so called 'the Third World'. There is no doubt that Turkey cannot be accepted as a Western developed country. On the other hand, putting it into the label of Third World could be a mistake because of its historical dynamics such as its early but profound industrialisation. Defining Turkey with the Wallersteinian term (Wallerstein 1976: 465) of 'semi-peripheral country' will be suitable for making more objective and scientific analysis on Turkey as it will be in accordance with its historical specificity.

Basically, this 'semi-peripheral country' has experienced a strong and dramatic transformation process. The process has started in the late 1970s, but the background of the integration of Turkish economy to the Western system could be traced back to the 1950s. Turkey was involved in the Marshall Plan and since then the Turkish economy has become a part of the Western system although it is an under developed economy (Ahmad 1991). The Bretton Woods institutions have played very crucial roles during this transformation process. The root of the construction of neoliberal states can be traced to the Marshall Plan. The Plan brought the centre-right based politics into the domestic politics of the Western Europe during the 1950s and 1960s (Cox 1987: 216).

The integration of Turkish economy to the global economic system has been accelerated after the early 1980s. The structural reforms of 24 January 1980 and the coup d'état of 12 September 1980 played an important role in this process. Despite the effects of internal dynamics, the enforcement of the external powers such as the international financial institutions must be emphasised.

Especially the role of the IMF has been extremely crucial as it has determined the course of the transformation process.

"Theory is always for someone and for some purpose" (Cox 1995: 31). As Robert W. Cox points out here, the mainstream theories of the international system are always shaped in the light of someone's interests. Usually, this "someone" is represented by the dominant classes of the societies. In this paper, the dominant classes will be the focus of the research, therefore it will be established upon the critical theory of the problem-solving theories. There are two main perspectives can be found in Marxist critical theory: neo-Gramscianism and open-Marxism (Bieler et al. 2006). Particularly, neo-Gramscianism will be used in this research in order to demonstrate the hegemonic structure.

In this study, the role of IMF during the ongoing process of the integration of Turkey to the global economic system will be examined. The IMF is accepted as an apparatus of the hegemonic world order.

In the context of the role of the IMF, its influences on the economic structures of Turkey will be investigated. Briefly, the paper is split into three sections. In the first one the historical background of the neoliberalisation of Turkey will be given briefly and the theoretical framework of the neo-Gramscian approach will be drawn. The impact of the IMF on the economic structures will be given in the second section and this section is concentrated in four main sub-sections: increasing unemployment with huge GDP growth, increasing privatisation, increasing de-unionised working life, and the diminishing social state. Finally, a critical overview of the neoliberal transformation on Turkey will be given as a conclusion in the fourth section.

This study relies on a data-set that was collected between 2010 and 2011. Therefore, the analysis of post-crisis developments in the aftermath of the Financial Crash in 2007-2008 are beyond the scope of this research and the impact

of crisis on Turkish economy and the post-crisis developments could be analysed in a further research. This article limits its analysis between 1980 and 2010.

Historical Background

Turkey has been a member of the IMF since 1947 and Turkey received its first financial support from the Fund in 1948 (Evrensel 2004). The first agreement between Turkey and the IMF was set up in 1958. However, this agreement was not a proper stand-by agreement. Including the last stand-by agreement in 2005, nineteen stand-by agreements were signed between Turkey and the IMF. The stand-by agreement of 2001 covered 15.038 million SDR and this was the highest amount was given to Turkey (Soyak et al. 2008).

The relationship has been accelerated since the 1980s. Turkey began to employ the neoliberal reforms under the supervision of the IMF in 1980 (Arpac et al. 2009: 135). On 24 January 1980, a structural stability package was established in the light of the IMF's suggestions. After the coup d'état of 1980, Turkey started to apply neoliberal policies within the IMF and military junta cooperation.

In 1998, a new staff-monitored agreement was signed by Turkey. Within the agreement, a ten-year of supervision started. At the same period, three stand-by agreement were initiated. Turkey's economic and political structure transformed within these agreements. Because of the close relationship of the IMF and Turkey, The Economist described the IMF as the "Turkish Monetary Fund" (The Economist 2007).

Theoretical Framework

The most significant difference of the Gramscian theories from the orthodox Marxism is the Gramscian one is less determinist than the orthodox one. In orthodox Marxism, the base or the infrastructure which is the economic structure of the society always determines

the superstructure which is the political, social, legal and cultural structure of the society. According to Gramsci, sometimes superstructure determines the base (Hobden et al. 2008: 150). This point opens a new window in the Marxist thought.

Robert W. Cox applied this point to the international relations realm. There are two kinds of theories in the international relations. The mainstream problem-solving theories such as the neo-realism, and the critical theory (Bieler et al. 2003). According to Cox problem solving theories helps to maintain the existing order (Cox 1995: 35). The main purpose of the critical theory is to attempt constructing the next theory of international political economy (Hoffman 1987). On the other hand, Linklater criticized this theory of Hoffman (Linklater 2000).

"Gramsci's theory provides a relatively universal and complete approach to international relations, one that transcends the current debates dividing the field while preserving the insights of the major traditions, whether 'realist' or 'idealist' whether 'structural' or 'historical' ... Thus, in his commentary on the history of modern Italy, Gramsci is able to treat both the Renaissance state system and politics within the twentieth century state framework and with the same concepts" (Augelli et al. 1993).

Gramsci sought for reasons for why the proletariat revolution erupted in Russia in which the social evolution had not been completed. In orthodox Marxist words, the proletariat revolution must have been realised in industrialised countries such as England or France. Also, Braudel developed a complex, exhaustive and differentiated social anthology for the various regions of the world between the 15th and 18th century. Even though he used a different approach than Gramsci and Marx, he constructed a new way to investigate the environment and limits of the historical transformation. He used the time-space compression model in his approach (Gill 1997a:11).

Conceptualising Gramscian Idea of Hegemony

The word, hegemony, was first used in Ancient Greece. It was used for leader and leadership and also for the superiority of a city-state over other city-states. The concept was first used in the political science by one of the Russian Marxist theorist Georgi Plekhanov. He used the term in order to explain the relationship between Bolsheviks and the proletariat (Walicki 1979:496).

The conventional international relations theories determine the hegemony to the economic and military capabilities of states as a single dimensional approach. On the other hand, the neo-Gramscian theory broadens the domain of the hegemony (Bieler et al. 2004: 87). Within a historical structure, hegemony is compounded on three levels of activity which is called the “dialectical relations of forces”. The social relations of production, forms of state, and world order are the components of the dialectical relations of forces. Within each of these levels of activities, three main elements are bilaterally combined and they constitute the historical structure. This form is called the “dialectical moment of hegemony” and these main elements are ideas, material capabilities, and institutions (Cox 1981: 135-138).

“Relations of production and exchange cannot be left out when theorizing hegemony. For sustainable relations of domination and inequality, the subordinate groups should have material stakes in the system. The dominant groups need to make some concessions” (Tuğal 2009: 30-31).

According to Cox, two main strands can be found over the Gramscian idea of hegemony. The first one is from the debates within the Third International and the second is from the writings of Machiavelli (Cox 1983: 163). Gramsci applied the idea to his theory from the

Third International. The idea that was debated in the Third International is ‘the workers exercised hegemony over the allied classes and dictatorship over enemy classes’. He started to apply this idea to the bourgeoisie. Bourgeoisie has been thought by him as the apparatus of hegemony of the dominant class. When hegemony embraces the bourgeoisie, this phenomenon brings us to a new definition of the state. The effect of the hegemony of leading class over the administrative, executive and coercive mechanisms of government makes the limited definition of the state meaningless. Beyond the limited explanation of the state there are also underpinnings of the political structure in the civil society. As Gramsci points out the church, the educational system, the press and all those institutions are embedded in the society and they help the hegemonic social order in order to affect individuals’ behaviour and thought (Cox 1983: 163-164).

The second strand takes its source from the writings of Machiavelli. In his well-known masterpiece *The Prince*, Machiavelli was focused on the question of founding a new state. Machiavelli was concerned with the supporting social basis for a united Italy, on the other hand Gramsci’s concern was about the supportive social basis against fascism. Gramsci referred to Machiavelli for the composition of the power as a necessary synthesis of consent and coercion. Hegemony rises from this wider definition of power, because it can be said that coercion embodies the hegemony (Cox 1983: 164). As Bieler and Morton illustrate here, in Gramscian terms “the hegemony is understood as an expression of broadly-based consent, manifested in the acceptance of ideas and supported by material resources and institutions” (Bieler et al. 2003).

Passive Revolution, Caesarism and Transformismo

Some of the societies such as England and France has experienced the social revolution and its consequences in new modes of production and social relations. On the contrary, some societies the new industrial class could not succeed to reach the hegemony (Cox 1983: 166). Gramsci called *passive revolution* for the progressive changes in those societies (Gramsci 1971: 105). Briefly, passive revolution refers to historical situation that no radical changes can be observed among the social relations but a new and different social-based power groups come into the ruler position.

Caesarism and *trasformismo* are also involved in the Gramscian analysis. Because both of them are accompanied with passive revolution. The root of *Caesarism* can be found in Marxist term *Bonapartism*. Marx himself denoted *Bonapartism* as a superficial historical analogy (Marx 1963). *Bonapartism* is frequently used in Marxist literature. For instance, Poulantzas identifies *Bonapartism* as a fundamental feature of the capitalist state (Poulantzas 1976). Basically, it refers to authoritative characteristic of the capitalist state under the rule of bourgeoisie. But, Gramsci used the term of *Caesarism* for this context. For him, there are two kinds of *Caesarism*, progressive *Caesarism* and reactionary *Caesarism*. He gives Napoleon I as an example for the first one and Napoleon III for the second one (Cox 1983: 166).

The second accompaniment of the passive revolution is *trasformismo*. *Trasformismo* is an Italian term which mentions a broader coalition of groups and interests that dominated the political arena in Italy before the fascist rule. From a macro perspective, transformism refers to a dominant coalition which embraces more classes and their interests. There are similarities between *trasformismo* and *asabiya*, an Arabic term from writings of Ibn Khaldun. *Asabiya* simply means the

feeling of togetherness in the context of solidarity. This feeling makes the foundation of the state possible. *Asabiya* arises and declines in the course of history (Pasha 1997). Especially, the feeling of togetherness shows so many similarities with *trasformismo*.

Historic Bloc

Gramsci's difference from Marx manifests itself especially in conceptualising historic bloc. Because, historic bloc can be described very briefly as the togetherness of base and superstructure. In this conjunction, there is an interdependence of base and structure. The historic bloc is the harmony of material powers, ideologies and institutions. There must be the existence of a hegemonic social class and it covers a national phenomenon for the construction of an historical bloc. The conscious planned struggle is the source of a new historic bloc (Cox 1983: 187-169). The emergence of a hegemonic world order, so called *pax hegemonica* (Keohane 1984; Gilpin 1987), is based on the successful formation of an international historic bloc. Here, the dominant ideology is accepted by subordinate classes and social forces are the determinant of the articulation of this ideology (Burnham 1991: 76).

Since the early 1980s, neoliberalism has been existed as the dominant ideology. Because, after the collapse of Bretton Woods system the transnational capital class has been employing the principles of a strong liberalisation process in the international political economy realm. "In sum, neoliberalism is understood as the hegemonic project of an emerging transnational historic bloc with the transnational capitalist class as its leading class fraction" (Robinson et al. 2000).

International Organisations as the Apparatus of the Hegemonic World Order

Cox accepts the international organisations as the mechanisms of the hegemonic world order. He demonstrates

five features of international organisations which express the hegemonic role of them.

“(1) they embody the rules which facilitate the expansion of hegemonic world orders; (2) they are themselves the product of the hegemonic world order; (3) they ideologically legitimate the norms of the world order; (4) they co-opt the elites from peripheral countries and (5) they absorb counter-hegemonic ideas” (Cox 1983: 172).

Within the first feature, as well as they assist the expansion of hegemonic world order, they allow the adaptations to be made by subordinated interests. Due to the fact that, this feature harmonises national policies in the interests of hegemonic world order. Among the second one, it can be claimed that the rules of the international organizations are initiated by the leader of the hegemonic world order. Here, there is a hierarchy of powers which are used via these organisations within the inter-state structure of hegemony. Voting system of the IMF can be given as an example (Cox 1983: 172). “Within international organizations there is now some evidence of disenchantment with majoritarianism although it is difficult to discern a consistent alternative strategy” (Cox 1996: 344). Among the third one, the international organisations work for establishing of the legitimacy of the world hegemony at the national level. They organise orientations for the benefits of the dominant social and economic powers. Within the fourth point, *trasformismo* steps in. The collaboration of international organisations and the internal hegemonic powers leads us to the importance of the passive revolution. Modernisation has been used as a tool by the international organisations to realise this collaboration. It can be also asserted that to some extent, there is cooperation between international financial organisations and NGOs (Paterson 2009: 42). Finally, above the fifth point, the collaboration or *trasformismo* absorbs the counter-

hegemonic ideas as a pillow. This challenge helps the hegemonic doctrine to be a permanent phenomenon (Cox 1983: 172-173).

Multilateralism

In Coxian way of thinking, the ‘world order’ and ‘multilateralism’ are two juxtaposed and interrelated terms. He drew a framework that these two concepts are characterised by the classical ‘structure and agency’ comparison. For him, as well as multilateralism can be thought in the framework of the historical structure of the world order, it can be also understood as an active force shaping that order (Ünay 2010).

The Impact of International Monetary Fund on Turkish Political Economy

The relationship between Turkey and the IMF has started in 1958. But in the post-1980s era, the IMF began to intervene to the Turkish economy more intensively. As Yeldan (2009) points out the Bretton Woods institutions have become the real governors of Turkey especially since the 1980s. The IMF’s involvement can be observed in many aspects. For example, the Turkish economy was shifted from agriculture sector to industry sector in the post 1980s period. The GDP of Turkey increased from \$93 billion in 1979 to \$ 203 billion in 1997. The share of industry in the GDP rose from 26% to 32% in the same period whereas the share of agriculture dramatically decreased from 23% to 16%. As well as the foreign capital, the IMF played a key role in the industrialisation of the economy (Cam 2002: 93).

One of the other main policy changes in Turkey in the post 1980s period is the replacement of the import substitution with the export substitution policy. The pressure of the IMF standby and the stabilisation package can be observed in that process. The role of the military regime which came into power with a coup d’état on September 1980 is also

important. This policy change has been established with the hands of the cooperation between the IMF and the military junta as an example of *trasformismo* (Cam 2002: 92). “The IMF was set up to provide time and money to countries with balance of payment deficits in order that they could make the kind of adjustment that would bring their economies back into payment equilibrium and avoid the sharp deflationary consequences of an automatic gold standard” (Cox 1987: 255).

The involvement of the IMF has been accelerated especially after the staff monitoring agreement was signed. After the Asian Financial Crisis in 1997, the IMF started to apply deeper and more intense monitoring on Turkish economy. Also, they started to institutionalize their activities in Turkey. Thus, an agreement of staff monitoring programme was signed by the IMF and Turkish government in 1998. At the same time, the Turkish bourgeoisie wanted to be sure about the position of Turkey that being a part of the ‘emerging markets’. Their aspiration forced governments to employ some reforms that realize the neoliberal transition of Turkey. On the other hand, that initiative can be described as the elimination of the gains of the working class. Some of these gains are as old as the Republic. That initiative was done with the collaboration of transnational capital and domestic bourgeoisie (BSB 2007: 2).

As Cox (1983: 172) points out, international organizations cooperate with the elites from peripheral countries in the manner of *trasformismo*. This collaboration of the IMF and the domestic bourgeoisie can be given as an example for Cox’s point.

Within the staff monitoring programme, Turkey held a new position in the international political economic division of labour that was accepted with the condition of neoliberal transformation of political and economic structure of Turkey under the supervision and monitoring of international financial organization such as

the IMF, the World Bank, and the WTO. The features of that position can be summarised as follows: to provide high financial profit to the both transnational and domestic financial capital and issue a guarantee on unlimited liberalization of financial capital movements, to provide cheap workforce for transnational capital with the deregulation and flexibilisation of labour market, to strengthen the tendency of consumption of imported products, to privatize the public sector and to commercialise the public services such as higher education with increasing fees, and to enervate the power of the state in the decision making process of economic, political and strategic issues with the discourse of ‘good governance’. Actually, these points can be accepted as global phenomenon. Since these points have been imposed to peripheral and semi-peripheral countries by the capital classes of core countries (BSB 2007: 3).

The twin crisis in Turkey erupted on November 2000 and February 2001 due to the Exchange-rate based disinflation programme which was led and engineered by the IMF (Yeldan 2009). “Thus, the IMF-led disinflation programme which was initiated in 2000, has left the economy defenceless against a speculative run and a ‘sudden stop’ because it dismantled all the tools of stabilisation and monetary control over the Central Bank” (Cizre et al. 2002). During the crisis, the rate of unemployment above the labouring class rose by 2% in 2001 and 3% in 2002 (Yeldan 2009). The IMF provided financial assistance of \$20.4 billion between 1999 and 2003. It shows the degree of involvement of the IMF in Turkish economy during the post Washington Consensus era. In order to satisfy the IMF demands, Turkish governments implemented variable orthodox strategies such as raising the interest rates and targeting an overvalued exchange rate. They are also forced to establish a contradictory fiscal policy. These demands of the IMF can be counted as reducing subsidies to agriculture, and privatizing and reducing

the role of public sector in economic activity (Yeldan 2009).

Since the AKP came into power, it can be assumed that there is a consensus between the IMF and the AKP on the reform process. In 2005, the new standby agreement was signed by them which would continue up to 2008. However, as Yeldan (2009) asserts beyond the official declaration of the agreement, the structural adjustment programme embodies more radical arrangements in restructuring the political and social life as a whole. Yeldan also points out two fundamental points of post-crisis growth of Turkey. First, the growth has been driven by a massive inflow of foreign finance capital. Second, the growth has a jobless characteristic (Yeldan 2009).

The neoliberal transformation of Turkey was demonstrated as a successful example of the structural adjustment programmes in the context of sustainable growth by the IMF in the early 1980s. On the other hand, continual devaluation, persistent unemployment and decreasing real wages must be highlighted as well. Also, declining investments in both public and private industries have shown a persistent decrease. Thus, it is fair to assert that the neoliberal transformation of Turkey has failed to make a positive contribution to industrial development of Turkey since the early 1980s. Because the integration of Turkey to the global capitalism has been shaped through the international trade (Aydin 2005: 48). As well as other the IMF-led governments, the AKP aspires to control wages, curtail unions and restrict strikes as well. During the AKP rule, real wages has kept declining, unemployment ratio has increased and the number of people who live below the poverty line has risen. On the other hand, the Gini coefficient of inequality has decreased because of the improvements in the informal labour sector (Tuğal 2007: 22).

Öniş criticises the IMF action in the crisis era with its failure to provide an adequate

mix of conditions and incentives for programme implementation (Öniş 2006: 252). “At the turn of the millennium, the neoliberal orthodoxy juxtaposed a new set of conditionality as part of its hegemonic agenda on the developing world: privatization, flexible labor markets, financial deregulation, central bank independence, flexible exchange rate regimes, and fiscal austerity” (Yeldan 2006: 193).

In the following subtitles, the role of IMF on the Turkish economy is going to be investigated as: jobless growth and the temporary employment, privatisation, deunionisation and the collapse of social state.

Jobless Growth and the Temporary Employment

Turkey has become one of the top growing economy after the financial crisis of 2001. This fact has been presented by the IMF as “Turkey's economic performance is at its strongest in a generation” (IMF 2005). Especially, the IMF has emphasized the increase of labour productivity. According to the IMF, the main reasons of that increase are the efforts of Turkey on the integration with the global economy and liberalization of financial activities. On the other hand, even though there was a noticeable increase in labour productivity the real wage earnings decreased (BSB 2006: 20-21). Turkey succeeded to reach higher rates of growth, on the other hand per capita incomes have been still at low levels (Öniş 2006: 243). One of the fundamental feature of the post-crisis growth of Turkey is persistent unemployment. Open unemployment increased from 6.5% to 10.3% between 2000 and 2002. Although there has been a rapid growth performance across the industry and services sector, the performance of the growth of employment has been insignificant. For instance, between 2002 and the end of 2006 the average rate of growth in real GDP was 7.5%. Whereas, the average rate

of change in employment was only 0.8% at the same period. As it can be seen on the graphic 1, during the same period growth in GDP was always positive, on the other hand across these 20 quarters, the employment growth was negative in half of quarters (Yeldan 2009).

As well as the average rate of employment growth, labour participation rate has declined since 1999. The labour participation rate was almost 53% in 1999. On the other hand, it decreased to 48% by the 2006 (Yeldan 2009). Also, unemployment increased at the same period. In 1997, the unemployment rate was around 11% (ILO 1998), whereas it rapidly increased to more than 17% in the end of 2006 (Yeldan 2009).

Temporary employment is another feature of the neoliberal transition. The shifting of employment structure from secured jobs to temporary jobs is not only a phenomenon in Turkey. Since the early 1980s, many countries in the world has witnessed this shift. For example, between 1985 and 1997 temporary employment increased from 5 percent to 8 percent in the UK, from 4 percent to 12 percent in Italy, and from 6 percent to 13 percent in France. In the same period, it increased from 5 percent to 14 percent in Turkey (Cam 2002: 94).

Temporary employment system was applied in two different forms by the pro-market governments. One of them is working with contract and the other one is the *tacheron* system. Since the mid-1980s Turkish state has employed the white-collar workers in the public sector via contract work system. Then, it has started to cover blue-collar workers. Therefore, between 1985 and 1997, the total number of workers that have been employed with the contract work system increased from twenty thousand to half a million (Cam 2002: 95).

In the *tacheron* system, workers are employed from a mediating job agent in the name of hiring. The system works without any official contract therefore

employees do not have any chance to proof they are employees. The situation of *tacheron* workers are worse than the employees that work with a contract. First of all, their social and economic rights are deprived. Although it is extralegal because it conflicts with the Social Security Code and provisions of ILO which were accepted by Turkey in 1960, these workers cannot benefit from the social security programme (Cam 2002: 95).

There is also one more point should be given in this context that shows the increasing labour exploitation. After the establishment of IMF monitoring agreement in 1998, the difference between labour productivity and real wages have begun to increase in the Turkish manufacturing industry. As it can be seen in the graphic 2, the labour productivity per hour worked rose almost 60 percent in between 2000 and 2006, whereas real wage earnings per labour employed (per hour) decreased 20 percent at the same period (Yeldan 2009).

As a result of the improvements on the financial sector and the efforts on the settlement of the free market economy led the capital to flee to the commercial and the financial sectors rather than remaining in the productive sector (Aydin 2005: 46).

“Investment in manufacturing has been largely abandoned both by the public and private sectors. At the beginning of the 1980s, the Turkish bourgeoisie abandoned its aim of development based on integrated industrialisation on account of the realisation that the international finance institutions (IFIs) would not support such a policy nor would they give the green light for the much-needed foreign loans to run their businesses” (Aydin 2005: 47).

Briefly, by the end of the 2005, 10 percent of unemployment, relatively lower real income and 50.1 percent unregistered employment was observed in Turkey under the structural adjustment programmes and flexible labour market applications (BSB 2006: 22). Even though there were high

rates of growth, especially the increase in employment was not parallel with it. Specifically, after the IMF monitoring agreement, unemployment ratio rapidly increased. Additionally, a new phenomenon has risen under the supervision of IMF. Temporary employment has erupted in two different ways as follows: working with contract and *tacheron* system. There is also one more fact which demonstrates the rise in labour exploitation that is the growing difference of labour productivity and real wages. Finally, the inflow of capital from productive industry to finance and commerce should be pointed out as well. Despite these facts are given from Turkey, increasing underemployment has been a world-wide phenomenon in the Washington consensus era.

“The allocation of labour was distorted (massive underemployment, hoarding of labour and factors of production). The system simply did not provide the goods and services that people either wanted or needed. In Habermasian terms, this represented a deep rationality crisis of a social system premised upon, as it were, the perfect computation of social needs and economic activity” (Gill 1991: 67-68).

It should be kept in mind that all the given facts from Turkey has occurred with the hands of a collaboration of internal and external powers. In neo-Gramscian words, the *trasformismo* that consists of governments of Turkey and the international financial organisations achieved this transformation together.

Privatisation

The role of the IMF as a supreme hegemonic power of the world order is very crucial in that process. The privatization initiatives in developing countries can be considered as the imposition of the international financial organizations such as the IMF. Those international organizations utilize the privatization as a part of conditionality for

money lending (Bortolli et al. 2003).

“During the 1980s, a hyper-liberal form of capitalism gained ascendancy, spreading from America and Britain over much of the world. It was characterized by a liberating of the private sector from state intervention. This particular relationship of state to society has been propagated by the institutions of the world economy such as the IMF and the World Bank in the countries of Africa and Latin America caught in a debt trap. It was embraced by countries of the former Soviet bloc as the fast track to capitalism” (Cox 1995: 37).

The Bretton Woods system had been transformed during the 1970s. Turkey applied this shift in 1980 with the establishment of the structural adjustment programme of January 1980. However, as Saad- Filho (2005: 118) asserts “[b]oth Washington consensus and post-Washington consensus are highly conservative in fiscal and monetary policy, and support free trade, privatization, liberalisation and deregulation”.

In the post-1980 period Turkey has experienced a massive privatisation process. No doubt, there is strong international coercion over Turkey for privatisation of the state-oriented enterprises within the IMF and the EU conditionality. On the other hand, the position of the internal dynamics should be included to this coercion in this context. As privatisation is a hegemonic process, the role of the symbolic class (Zizek 2001) or classes should be emphasised. Here, the alliance of these classes which cooperate with the international coercion can be pointed out.

Privatization can be thought as a hegemonic process in Turkey. Because, an alliance of different social forces can be observed in this process. Market-oriented capital groups, mainstream media, national bureaucracies and government officials are the main social forces that are involved in this period (Şahin 2010: 483). A cooperation of social forces in the light of the privatization process can be observed

in the neoliberalisation of Turkey. The main purpose of these social forces is to create consent among the society for the privatisation of state-oriented enterprises. The shift in the global economic system has changed the perspectives of capital groups in Turkey as well as it changed the global system. First of all, they expanded their market. TÜSİAD (Turkish Industrialists and Businessmen Association) has become internationally competitive. State intervention in the economy was considered inefficient and there was a strong demand of state reform. This state reform simply refers to privatization. Privatization was also thought as an important advertisement in order to draw an attention for foreign direct investment. The expectations of capital groups from the foreign direct investment motivated them to encourage it. These expectations can be counted as the introduction and application of modern and high technologies and new forms of industrial organization, the creation of new jobs, and improved skills in the Turkish workforce. Foreign capital investment generally concentrated on four main sectors as follows: retailing, distribution and generation of electricity, banking, and telecommunication. Due to this inflow, foreign capital has become a part of the hegemonic process in Turkey (Şahin 2010: 485- 486). According to the European Commission Progress Report, in 2006, foreign direct investment inflows increased to 4.9 percent of the GDP (European Commission Progress Report 2007: 31).

The role of mainstream media in the privatization process was also very vital. In order to shaping the public opinion, mainstream media emphasised the state oriented enterprises as unproductive enterprises and indicated their management as unskilled. They highlighted the importance of privatization as a part of good governance in order to increase the productivity of enterprises, encourage the competition, and employing a good opportunity for the economic integration

with the EU (Şahin 2010: 488 - 489). On the other hand, the majority of privatization in Turkey was focused on the most efficient state enterprises (Karataş 1990: 13). Privatization was presented as a necessary, convenient and inevitable policy apparatus in order to accomplish the liberalization of the economy. Also, this presentation assisted to the domination of privatization to a hegemonic position in Turkey (Yalman 2002).

During the late 1990s and 2000s, the integration of Turkey to the EU has become an important point in order to shape the public opinion. Aspiration of Turkish people to be a part of the EU community prompted the mainstream media to use these ‘magic’ words in order to make people accepted the policies of the government. Due to the fact that, the privatization process has been considered by the public opinion as a key which opens the door of acceptance to the EU.

The AKP came into power on November 2002. Although the policy of privatization of public companies began in 1984, the privatization process has been exacerbated under the rule of AKP within the IMF- based crisis management strategies and the EU membership process. According to the web site of the Prime Ministry Privatization Administration 188 public companies were completely privatized from 1985 to 2009 (Atasoy 2009: 112). As a market-oriented party, the AKP strongly supports privatization. In their Emergency Action Plan, the AKP was announced their assessment on the privatization as the role of the state should be restricted in basic fields such as education, health, justice, and security. Therefore, the AKP has become a part of the *historic bloc* in addition to capital groups and mainstream media (Şahin 2010: 489).

On 18 May of 2003, the AKP established the Turkish Privatization Strategy Plan. Politicians, academics, bureaucrats, representatives of business associations,

stock exchanges, banks, and domestic and foreign consulting companies were participated in the preparation process of plan (Şahin 2010: 489). The AKP tried to find a wider consensus for this plan. This situation brings *trasformismo* in. As Gramsci asserted, *trasformismo* is the widest possible coalition of interests (Gramsci 1971). Even though it could be wider and trade unions were excluded in that coalition, non-capital groups such as politicians and bureaucrats were included.

During the AKP government, a large amount of state-oriented enterprises was privatized. According to Şahin (2010: 489), more than 70 percent of all privatization had been completed since the mid-1980s in Turkey under the AKP rule.

The role of AKP in the privatization process can be explained with Gramscian term of *trasformismo* and historical bloc. First of all, the AKP can be denoted as a “coalition party”. Even though it is an Islamic rooted party, the AKP came into power with the discourse of embracement of variety of tendencies. “Coalition party” means here, being a party that to enlarge the base more than a usual catch- all party. That was really unusual for a country that had been experienced multi party coalition governments and strong separation of tendencies among the political parties and parliament for more than ten years. On November 2002, when the AKP came into power, their populist discourse has been embracing a variety of movements from orthodox Islamists to Western liberal leftists, from Kurdish rebels to Turkish nationalists. Due to the fact that, Atasoy describes the AKP as the “Turkish Third Way” as it established a new social contract. “In building a cross-class coalition the AKP has reframed an Islamic moral stance to fit a ‘Third Way’ party image” (Atasoy 2009: 109).

In order to establish this embracement, the AKP has used the prospective EU membership as a mediating tool. There was a great consensus among the people in Turkey on the EU membership in the

early 2000s. The liberalization of Turkish economy is one of the conditionality of the EU. Thus, the EU strongly supports privatization of state oriented enterprises. The EU conditionality cannot be thought without the IMF. Both international organizations and their conditionality were demonstrated as vital in order to strengthen the economy (Şahin 2010: 490). The EU and the IMF supports motivated the AKP to privatize them. Therefore, the consent of people for the AKP government canalized to privatization process. Apart from some leftist trade unions and extreme orthodox Communist parties, there was no mass objection for the privatization. All in all, the widest coalition of the political scene which is called *trasformismo* by Gramsci, canalized people’s consent to the acceptance of privatization of state oriented enterprises.

Historical bloc is the second Gramscian term that can be applied to the role of AKP in the privatization process. As Cox points out, there will be no historic bloc without the existence of a hegemonic social class. Here, the alliance of capital groups, media, bureaucracy and government can be accepted as a wider hegemonic social class. Also, the position of AKP could be assumed as a harmony of structure and superstructure. It is a superstructure because it is the incarnated politics and the social dynamics; it is a structure because it is rooted in the domestic economy.

To sum up, a strong international pressure over Turkey can be observed on employing privatisation policies. The IMF and the EU are the key elements here. Also, the internal powers played important roles in this context. In order to create consent for the privatisations an alliance of social forces acted in the process. The AKP used its wider structure to realise the privatisation. Also, aspire of the Turkish people to join the EU is also used for it. But, the results of the privatisation cannot be seen as only positively. The increasing unemployment is also a result of the privatisation process.

“The cutting back of the state on the whole speeded up the process of impoverishment as it meant increased unemployment as a result of privatization, and ensuing rationalisation and a lower standard of living as a result of the cuts in social welfare provisions” (Aydın, 2005: 45).

Deunionisation

1980 is a milestone in the history of trade unions in Turkey. Before 1980, it can be claimed that trade unions were relatively powerful. Also, the neoliberal paradigm put the argument further than this and it demonstrates the trade unions were ‘extremely powerful’ in the pre-1980s period. But, the highest level of the union density in Turkey which was observed in 1979, was still no more than 27 percent of all employers. On the other hand, deunionisation is not only a phenomenon in Turkey, but also worldwide. The rise of deunionisation can be observed all around world in the neoliberal era. For instance, in the UK the union density among the wage and salary earners declined from 58 percent to 32 percent, in the USA from 33 percent to 14 percent and in Malaysia from 31 percent to 13 percent in ten years between 1985 and 1995. (Cam 2002:97).

In Turkey, this phenomenon realized faster than the rest. The density of the unions plunged to 9.5 percent by 1985. The most fundamental reason of this dramatic fall is the existence of the military junta. The military junta reconstructed the economy via export-orientation lines, restricted union activities and cut down on wages (Keyder, 1987). The military regime closed down and banned the DİSK (*Devrimci İşçi Sendikaları Konfederasyonu*, the Revolutionary Workers Union Confederation) which was one of the strongest trade union before the coup d’état. They also restricted union activities with the Unionisation Act of 1982. Within the law, white-collar workers were excluded from participating in union activities in both private and public sectors (Cam 2002: 97).

Even though the state restricted union activities and banned left wing trade unions, an Islamic trade union called HAK-İŞ was established under the supervision of government in 1983. The reason that it was organized is to embrace the working class in the name of the Islam. Therefore, with strengthening an Islamic trade union, the popularity of conflict-oriented unionism would decline. Today, it can be easily observed that pro-Islamic employers do not tolerate their workers joining secular trade unions (Cam 2002: 97-98).

The intervention of military junta against the leftist movements cannot be thought as a coincidence. The reason that the highest level of union density in the history of Turkey was realized in 1979 is the existence of strong leftist movements in the 1960s and 1970s. The constitution of 1961 which can be accepted as the most politically libertarian constitution of the history of Turkish constitutionalism, established a free political and social environment that people participate to the politics. Therefore, especially workers and students found a good opportunity to make themselves heard by people. Also, they were represented in the parliament. In 1965, TİP (*Türkiye İşçi Partisi*, the Workers Party of Turkey) obtained 15 seats in the parliament. It can be claimed that the 1960s were the golden years of the left in Turkey. But starting with the amendments in the constitution in the early 1970s and continued with the military coup of 1980, the left wing had become a target of interventions from the state and the capital class.

An economic stabilization package was established at 24th January 1980. Within the package, a massive liberalization adjustment was manifested. Devaluation of Turkish Lira and acceptance of a floating rate policy, abatement of the import and enhancement of the export, reduction of public sector in the economy, increasing of the interest ratio, liberalization of foreign currencies and incentive of foreign direct investment were included in that package.

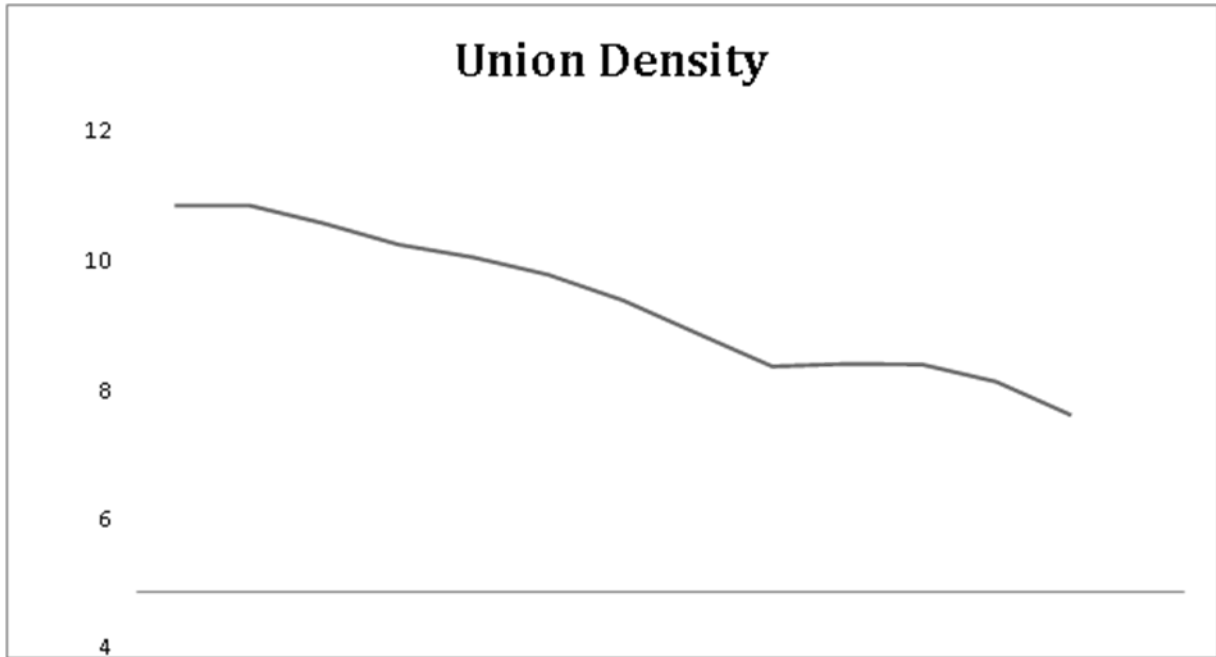
Undoubtedly, as well as the other stability packages, this package was rooted from the IMF. One year prior the establishment of package, at 25th January 1979, after they had received the vote of confidence from the parliament, the Süleyman Demirel government sent a letter of intent to the IMF. Within the letter of intent, the government guaranteed to apply devaluation for Turkish Lira and limitation on the increases on salaries, and to accept the conditions of the IMF about the credits of the Turkish Central Bank (Uysal 2004: 76-78). This package can be accepted as an impact against the rights and gains of working class which they had obtained during the last two decades before 1980. Macro-economically, the situation of working class has become transnationally influential and in a negative way. The political impact came on September of the same year. Working class has lost the right of representing themselves. Conflict base unionism has become a dangerous way to emancipate the situation of working class. Union density has not reached level of the 1970s again. Even in 1997, union density was still half of the %27 level of 1979 (Cam 2002: 98).

Even though the general discourse of the transformation has been liberalisation, as Aydın points out “...the relationship between the bourgeoisie and the working class was far from *liberal*” (Aydın 2005: 52)³. The military junta came in to power with the coup d'état of 12 September 1980, and also the structural reform of 24 January 1980 was established. As a result of them, the labour market of Turkey was disciplined with an extra-economic coercion. For instance, the military junta and its processor the government that under the influence of junta applied several institutional changes on the labour market with the consultation of some Turkish businessmen's associations such as the TOBB and the TİSK (Aydın 2005: 52-53).

The role of the IMF in deunionisation process of Turkey can be seen within the neoliberal paradigm. Through its conditionality, Turkish governments applied several programs to restrict the union activities. Also, the position of international coercion is important in this context. The transnationalisation and liberalisation of capital forced national governments to create flexible labour markets to attract them. “Since it is virtually impossible to stop these changes the trade unions must learn to keep up with them. This includes new technologies, economic internationalisation, liberalisation of trade and capital movements, the shrinking sovereignty of nation states, and increasing the influence of international organizations on national economies” (Erdoğan 2010: 79).

³ Original emphasis.

Figure 1: Union Density in Turkey since 2000



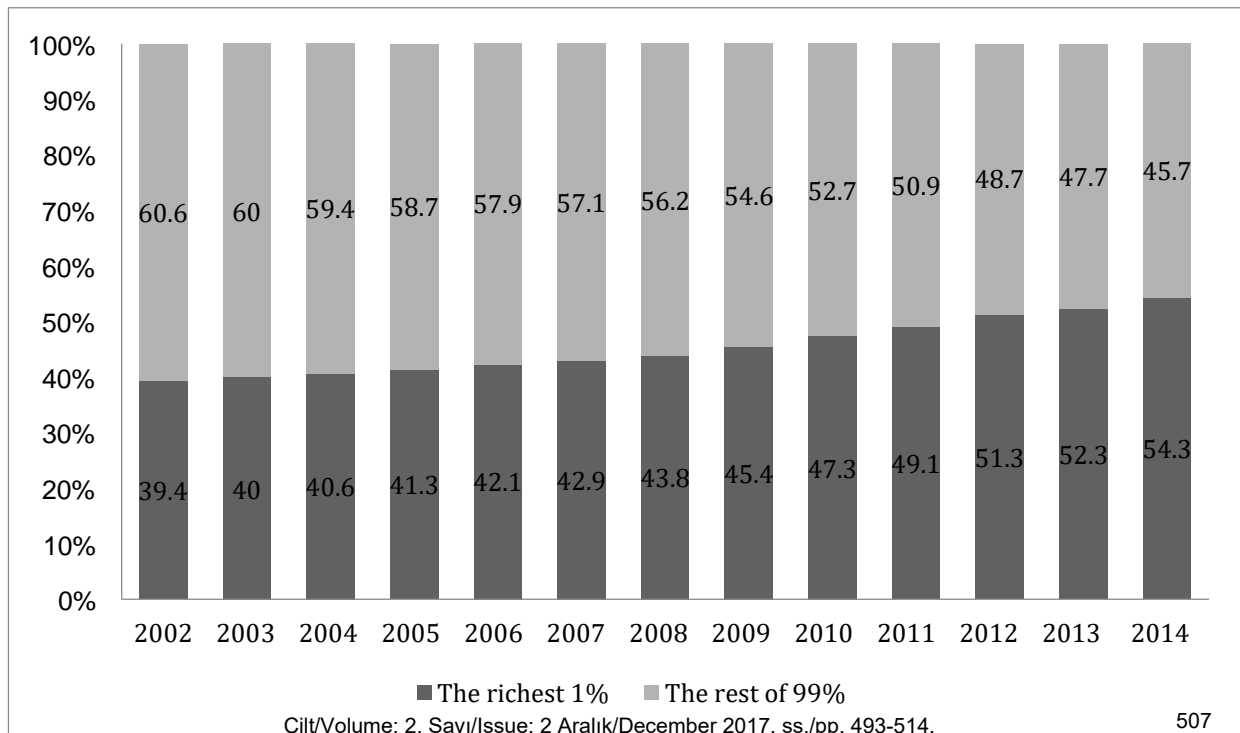
(Source: <https://stats.oecd.org>)

The Collapse of the Social State

A massive transformation in the social security system was generated by AKP government in the direction of recommendation of the IMF and the World Bank in 2006. Within the ‘reform’ package of social security, a number of laws were abolished and a new social security system was established. Here, the crucial point is that the government has not explained the

resources for the new system. Also, the actuarial accounts of the new system have been unknown. Therefore, the gains of non-capital groups on the social security rights have been at stake. Even though it conflicts with the constitution, the new system downgrades the situation of people who benefits from the social security (BSB 2007: 52-53).

Figure 2: The Wealth-share of the Richest 1% and Other 99% (Source: Güney 2015)



This reform cannot be thought without the framework of the IMF monitoring agreement which was signed in 1998. In accordance with the agreement a structural adjustment programme was set up in 2005. The social security reform was one of the fundamental components of the programme. Within the programme, the reform of social security was defined as a condition of credit agreement of the IMF and in order to guarantee it the government declared the reform as a main subject of the efforts on persistent improvement of public finance (BSB 2007: 53). This transformation can be accepted as the collapse of the social state. Because it downgrades the gains of subordinate classes that have been obtained since the 1960s in the manner of social state.

A Critical Analysis of Neoliberal Transformation of Turkey as a Conclusion

“The history of international economic institution building after the Second World War traces the victory of the liberal internationalists over the proponents of state capitalism” (Cox 1987: 214). The role of international organisations in the liberal and neoliberal era has become increasingly important due to their duties on the spread of the hegemony especially, whilst the Thatcherism, Reaganism and Özalism were in power respectively in the UK, the USA and Turkey.

“Finally, this order is further sustained by institutions such as the Organisation for Economic Cooperation and Development (OECD), the International Monetary Fund (IMF) and the World Bank, which contribute to the spread of neo-liberal economic ideas” (Bieler 2000: 25).

The neoliberal creed (Arrighi 2007: 353) has begun to be implemented in Turkey in the early 1980s. Within the global paradigm, the economic, political and social structure of Turkey has been posed in a transformation process. With taking its source from the embedded liberalism (Ruggie 1982), this transformation process can be described as the

construction of the embedded neoliberalism. The most significant feature of this process can be observed as the transnationalisation (Bina et al. 1991) and “overaccumulation of capital” (Clarke 1988). Due to the fact that, the process has downgraded the situation of the working class.

According to Bieler, Lindberg and Pillay the reason that neoliberalism have become a dominant paradigm in the last thirty years is not about its quality. On the contrary, the reason is its own material structure. This structure assisted to the spread of neoliberalism through the international organisations such as the IMF, the WTO and the World Bank as well as the increasingly powerful forms of state such as the United States and Britain (Bieler et al. 2008:7).

In order to create a consumption society, the global capitalism has imposed some reforms in Turkey. Instead of consumption society, a term from Karl Polanyi’s works can be used here, ‘the market society’ (Polanyi 1944). The institutional framework of the global capitalism was drawn by internationally- oriented capital groups, liberal statesmen, and their allied powers in the second half of the twentieth century. This collaboration can be described as a transnational historic bloc (Rupert 2000: 154). Within this fact, it can be assumed that, Turkey’s new duty in the Washington consensus era is to provide a liberalised financial environment and cheap workforce for the transnational capital (BSB 2007: 5).

“Transnational financial networks are particularly well developed, and links between commercial banks, central banks, the IMF and the World Bank are illustrated in a number of international forums – the Bank of International Settlements, for example” (Gill et al. 1993). Within the leading universities, international organisations such as the IMF and the World Bank, and economic ministries from particular countries have advertised the neoliberalism in the context of efficiency

of free markets. This advertisement has created the framework of the mainstream economic theory during the last thirty years (Lapavitsas 2005: 30). This group of institutions can be accepted as *trasformismo*, because, as it is clear, there is a collaboration of external and internal powers in this context.

Politically, the neoliberal globalisation was constructed via the triumph of the New Right paradigm. Also, the mobilisation of the democratic forces played an important role in this context (Colas 2005: 79). No doubt, the domestic dynamics of Turkey played key roles in the process. On the other hand, the source of the transformation was external, rather than internal (Soyak et al 2008).

In the economic perspective, the high rates of growth in the GDP of Turkey can be observed especially in the post-crisis era under the IMF staff-monitored agreement. On the contrary, this growth did not bring an increase in employment. Therefore, Yeldan (2009) describes this fact as jobless growth. Also, labour participation decreased at the same period. An inflow from productive industries to finance and commerce can be accepted as another economic feature of the process as well (Aydın 2005: 51).

Furthermore, there is an inverse ratio between labour productivity and real wages. During the process, whilst the labour productivity increased, real wages decreased. This fact shows us the rising labour exploitative tendency of the neoliberal transformation. This fact is also a world-wide phenomenon. For instance, in the manufacturing industry of the United States, between 1950 and 1980, both labour productivity and real wages increased with almost same amounts. However, after 1980 to the present, while labour productivity has still increased, real wages has been almost as same as the 1980s (Yeldan 2009). Despite the macro-economic figures, a transformation in the mode of employment has been observed as well. Working with contract, and

tacheron system have been arisen as new modes of employment in the manner of temporary employment (Cam 2002: 95).

Privatisation has rapidly increased in Turkey during the Washington consensus era. Although the main motivation of the privatisation process is the international coercion including the IMF, an alliance of domestic social forces can be seen in it (Şahin 2010: 483). Government's position in this alliance is extremely important. Because the AKP is a coalition party that embraces diverse of tendencies. Also, it used the prospective EU membership as a tool to create consent among people for privatisation (Atasoy 2009: 109).

"The IMF and the World Bank structural adjustment programmes imposed upon indebted Southern countries invariably require social force engineering of the adopting regimes, and a change in labour market and industrial relations structures and policies in order to increase exportable surpluses designed to service sovereign debt" (Harrod 1997: 115).

Turkey can be included in this description as well. Deunionisation is one of the other feature of the neoliberal transformation. After 1980, the union density decreased in Turkey. The military junta banned conflict-based left-wing unions such as DİSK. On the other hand, they also supported Islamic-oriented unions (Cam 2002: 97-98). Also, it should be highlighted that, establishment of a flexible labour market was mentioned in the letter of intents that was given by military junta-based government to the IMF in 1980. The social state characteristic of Turkey and the gains of people who benefit from the social security system has been at stake among the transformation process. An IMF-led reform plan has been initiated by the AKP in order to stabilise the public finance (BSB 2007: 52-53). Above all this economic transformation process, it can be claimed that difference between richness and poverty has grown during the whole process. For instance, even though Turkey is a member of G-20 and it is the 15th

largest economy of the world (The World Bank 2010), Turkey's ranking is 83th in the Human Development Index in 2010 (UNDP 2010). In the context of state transformation from the nation-state to the neoliberal one, the sovereignty of the Turkish state bypassed to the international organisations. Today, national development policies of the developing countries, as a whole, are more tightly constrained by the regulations formulated and imposed by international organisations such as the IMF (Wade 2003: 621). As Cox points out "[a] post-hegemonic world order would no longer be the global reach of one particular form of civilisation. It would contain a plurality of visions of world order" (Cox 1995: 43). The internationalisation of the state extremely important for the neoliberal system. The system is supported by the functions of state apparatuses. Especially, officials of the national ministries and institutions which are connected to the global economic system via internationalisation of the state (Bieler 2000: 25).

To sum up, in order to reach their aims, the global capitalist hegemony works with the bourgeoisie of the national states in the name of *trasformismo*. Here, the progressive movements of the societies should take a responsibility that was given by Stephen Gill. "Beyond resistance, what the left and other progressive forces need to do is to reconsider their criteria of action and of political agency and how to synthesise and channel the potentials for resistance into a creative political project that has a new form of the modern prince as its mobilising myth" (Gill, 1997b).

The impact of neoliberal restructuring on the Turkish economy cannot be limited to its economic aspect. This study was limited to the impacts on the economic structure however the political impacts of neoliberal restructuring marks another crucial development in Turkish political economy. The rise of political Islam and authoritarian state form can be given examples of for political outcomes of neoliberal restructuring. However, this is beyond the

scope of this study and it requires further research and further data collection. The scope of this study can be expanded within that context.

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