



From Developmentalism to Neoliberalism The Changing Role of the State and The Development of Islamic Business and Finance in Turkey

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Abstract: In this article, my aim is to examine the development of Islamic business (a class of Islamic entrepreneurs and the holding companies based on multi-ownership) and finance (Islamic banking) in Turkey during the 1980s and 1990s. Particularly, I investigate why Islamic business and finance did not emerge until 1980 and what factors played an important role in its emergence in the 1980s. I examine the relationship between the Turkish developmentalism and “state-initiated social engineering” project aimed at modernizing Turkish society through strict secularization policies, to understand why Islamic business and finance did not develop until the 1980s. However, in the 1980s, similar to many countries, Turkey aimed at reducing the role of the state in the national economy through the implementation of neoliberal policies and shifted its political-economy from state-led developmentalism to market-led development. As a result of this transition, Islamic business and finance emerged by taking advantage of the opportunities of financial and political liberalization.

Key Words: Developmentalism, Neoliberalism, State-Initiated Social Engineering, Kemalism, Islamic Entrepreneurs, Islamic Banking

JEL Codes: B00, B29, D72, P16

Introduction

In Turkey, the development of Islamic business and finance (a class of Islamic entrepreneurs, an Islamic banking system and the holding companies based on multiownership) took place in the 1980s. Why did the development of Islamic business and finance arise in the 1980s? In this article, I attempt to understand why Islamic business and finance did not develop until the 1980s and what factors led to the development of Islamic business and finance in the 1980s.

To investigate this question, I examine the relationship between the political-economy of the Turkish state and its impact on the development of Islamic business and finance. I will provide a general historical overview that illustrates the

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© Research Center for Islamic Economics
DOI: 10.26414/tujise.2018.5.1.1-15
TUJISE, 5(1), 2018, 1-15
tujise.org

Submission : 11.08.2017
Revision : 07.11.2017
Acceptance : 24.11.2017
Online First : 31.12.2017



influential role of the state, developmentalist policies and the state-initiated social engineering project in Turkish polity. I then examine Turkey's transition to neoliberal policies in the 1980s and its impact on the emergence of Islamic business and finance. Specifically, my question is how neoliberalism paved the way for the development of Islamic business and finance in Turkey. Thus, I use neoliberal policies as a social change paradigm or an analysis method leading to the development of Islamic business and finance in Turkey in the 1980s and 1990s.

Developmentalism and its Relationship with the State-Initiated Social Engineering

“Developmentalism” was the dominant political-economic paradigm in the developing countries from the end of World War I to the last quarter of the twentieth century (McMichael, 1996; Pieterse, 2010). A large array of developing countries in Eastern Europe, East Asia, the Middle East and Latin America shaped their political and economic policies under the impact of the developmentalist paradigm. Therefore, this paradigm is highly significant to understand the political-economic policies of the developing countries, including Turkey, in the 20th century.

Developmentalism emerged in the late industrializing nations as a reaction to the classical liberal economy, which was largely perceived as a tool of western imperialism over the non-western world. In the developmentalist paradigm, the aim was to establish a self-sufficient industrialized national economy. In contrast to classical liberal economy favoring free markets, in the developmentalist paradigm, the state was the major actor in the construction of the national economy, the maximization of national welfare and the industrialization of the country. Under the impact of this paradigm, the developing countries focused on state-led industrialization policies until the late 1970s. The states established a large array of enterprises for the sake of fast industrialization of the national economy. Besides state-led industrialization, the states also established their own national banks to support the national economies and industrialization. In the developmentalist years, the states also protected the national economy from international competition through strict regulations such as fixed exchange rates, limited foreign investment, strict financial restrictions and tariff protections. Therefore, there was limited global intervention in national economies.

In developmentalist countries, major actors in the economy were not free markets and entrepreneurs, but state enterprises and statesmen including politicians and bureaucrats. However, an entrepreneurial class was also created by the

state in many developing countries. The entrepreneurs built a close relationship with the state and statesmen to be able to flourish their businesses because of the impact of the state over the national economy. Indeed, they were also integrated into the national economic plans through the cooperation of state planning agencies. The protective tariffs of the developing state allowed state-led business groups to enhance their profit and capital accumulation.

Even if developing countries aimed at protecting their own economies from the west, developmentalism was a politico-economic project aiming to catch up with the life standards of the western world. Therefore, the paradigm of developmentalism was the corollary of the universalization of the western model. That is, developmentalism was to follow a modernization path through a linear and progressive understanding of development. In this paradigm, modernization and westernization were synonymous (Pieterse, 2010, p. 16); thus, for the sake of development, societies needed to follow a modernization project aiming at the westernization of their own societies. The development could not be achieved only through technology, industrialization and science, but it also required from them to follow the west as a role model. As a result of this understanding, even if the meaning of development was mostly understood as an economic growth, it was closely linked to cultural and political development in many parts of the world (Pieterse, 2010: 6). In general, the developmentalist paradigm was closely associated with the nation-building project and was combined with the modernization of other spheres of social life from political sphere to education (Pieterse, 2010, p. 6). As a result of a linear understanding of development, it was necessary to emancipate from the impact of the dogmas of any faith and clerical authority through the development of reason and science (Pieterse, 2010, p. 27). The state in the developing countries generally struggled for the weakening of the impact of religion on society and the promotion of a positive science through mass education. Developmentalist projects thus turned into “state-initiated social engineering” projects in the developing countries.

According to James C. Scott (1998), there are four shared characteristics of state-initiated social engineering projects: (1) “the administrative ordering of nature and society;” (2) A “high-modernist ideology” and its dedication to progress based on a rational design of social order through science and technology; (3) the presence of an authoritarian state that aims to put a “high-modernist ideology” into practice through state power to shape people and society, and (4) the presence of weak or the lack of civil society. Scott suggests that “high-modernist ideology” is

different from the practice of scientific knowledge because it is an ideology or a faith in science and technology in an uncritical way. State elites particularly put their project into practice in/after difficult times such as war, revolution, and struggle for national liberation because of emergency situations that allow them to mobilize state power. They can easily denounce the previous regime and promote a new regime or their revolutionary design for society by taking advantage of emergency situations. If there is no strong civil society, state elites can easily materialize their social engineering projects by mobilizing state power without any/strong civil resistance. Difficult conditions such as war, revolution and economic crisis could also lead to the weakening of civil society even if there is a powerful civil society to some degree. In the developing world, “high-modernist” planners had a powerful desire for the improvement of the human conditions as a result of faith in progress and reason, which was a shared characteristic of social engineers throughout the world, in/after difficult times such as times of war, national liberalization and economic troubles. According to Scott, when “high-modernist” planners grab power and wealth, they begin to behave like a god. Scott says: “The progenitors of such plans regarded themselves as far smarter and farseeing than they really were and, at the same time, regarded their subjects as far more stupid and incompetent than they really were” (Scott, 1998, p. 343).

After giving this theoretical background about developmentalism and its link with state-initiated social engineering, we can examine the Turkish developmentalism and “state-initiated social engineering” project to understand why Islamic business and finance did not develop until the 1980s. Here my aim is not to examine the emergence of a high-modernist state in Turkey in detail, but to show the obstructive impact of the Turkish developmentalism and the Kemalist high-modernism on the development of Islamic business and finance.

The Kemalist Development Project and the Absence of Islamic Business and Finance

In the late period of the Ottoman Empire, European companies and non-Muslim groups (e.g. Greeks, Armenians and Jews) of the Empire dominated the Ottoman economy. Although non-Muslim businessmen were Ottoman citizens, they were not loyal to the Ottoman Empire because of their strong sense of nationalism (Ahmed, 1977). They were also closely cooperating with the European capital. Therefore, the Committee of Union and Progress (CUP) tried to eliminate the impact of these groups on the economy of the Ottoman Empire in order to create a national

economy based on loyal Turkish businessmen in the late period of the Empire. The CUP encouraged Ottoman bureaucrats and nobles to engage in business activities with the support of the state. Therefore, the CUP was called as “the vanguard of the nascent Turkish bourgeoisie” (Ahmed, 1977).

Although the CUP was not able to materialize its goal because of the collapse of the Ottoman Empire after World War I, the founding fathers of Modern Turkey continued similar policies and implemented nationalist economic policies to weaken the impact of European countries and non-Muslims over the Turkish economy. They aimed to create a homogenous, solidaristic, and self-sufficient national economy (Agartan, 2009, p. 56). Even if there were some liberal tendencies in the early years of the Republic, the idea of economic liberalism was mostly seen as a tool of western imperialism. Therefore, similar to many developing countries, developmentalist policies were the main characteristics of the Turkish economy until the 1980s even if there were some liberal policies in the 1950s. The basic idea was that the backwardness of the country could be eliminated only through statist policies, particularly state-led industrialization. The state was thus involved in almost all kinds of economic activities; it founded new enterprises in many sectors, particularly heavy industrial sectors and established banks to support the national economy.

The Turkish developmentalism was not only a mere economic project, but also part of a bigger project, which was the creation of a new modern nation through the westernization of Turkish society in an authoritarian way (İnsel, 1996, p. 19). Therefore, Turkey’s development struggle cannot be understood without taking into account the Kemalist modernization as a social engineering project. The Kemalist elites not only struggled for the industrialization of the country, but also attempted to shape Turkish society in accordance with the Kemalist ideology, which was a high-modernist ideology shaped under the impact of positivist ideas, because of the idea that the reason for the backwardness of the Islamic world, particularly the Ottoman Empire, was the social and cultural structure that was shaped by Islam. They were able to put their modernization project into practice without any serious resistance in the lack of a strong civil society after the independence war of the country. The Kemalist elites were the proponents of a strong state (Heper & Keyman, 1988, p. 260) to increase their capacity to control the economy and to secure the future of the Kemalist social engineering project aiming at the westernization of the country through strict political and cultural secularization. The presence of a strong state did not allow the emergence of a powerful civil society and civil resistance to the Kemalist social engineering project.

The state elites also encouraged loyal people, particularly bureaucrats and politicians, to involve in business activities to manufacture a national bourgeoisie in the early years of Modern Turkey. Therefore, a close relationship with the ruling party (Republican People's Party) was an important way to do business. It was also very difficult to differentiate politicians and high level bureaucrats from businessmen (Keyder, 1987, p. 105). The state (and the state banks) provided the loyal businessmen with cheap credit, tax exemptions, import allocations, state contracts, investment permits (Keyder, 1987, p. 105-106). Thus, the state was the major actor in the manufacturing of the national bourgeoisie in Turkey.

The state-led bourgeoisie integrated into national economic development plans and worked together to shape their policies. While the state was the main actor in the heavy industrial sectors such as steelmaking, mining and chemical industry, the state-led bourgeoisie mostly focused on light industrial products such as household equipment, food and construction. The importation of many goods which were domestically produced was forbidden until the 1980s. An overvalued exchange rate policy also obstructed exportation (Cokgezen, 2000, p. 529; Okyar, 1979, p. 343). Thus, the basic characteristic of this period was the lack of competition. Under the heavy-state protection, the state-led capitalists, who mostly focused on the domestic market, were able to sell their products at high prices in domestic markets (Ergil, 1975, p. 141).

For the Turkish bourgeoisie, it was necessary to have a close and secure relationship with the ruling elites to be successful in the business in presence of the state-centric policies (Buğra, 1994, p. 5). Their success depended on close ties with the state elite. For example, Vehbi Koç and Hacı Ömer Sabancı, the founders of two major conglomerates of Turkey, had close relationships with state elite. In the one-party period of Turkey, Vehbi Koç's close contacts with state elite provided government contracts. Sakıp Sabancı, the son of Hacı Ömer Sabancı, stated that his father had a close relationship with two groups: Bankers and military officers (Buğra, 1994, p. 85). Thus, having a close relationship with state elite was the general characteristic of the Turkish bourgeoisie and played an important role in their growth (Buğra, 1994, p. 78).

As a result of the state protection and support, the state-led capitalists became an important economic actor over time in the Turkish economy. They also established their own business association, "the Turkish Industrialists and Businessmen Association" (TÜSİAD), in 1971. There was a mutual interest between the state elite and the members of TÜSİAD. While the state established a loyal

bourgeoisie class as a means of economic development, the state-led bourgeoisie were supporters of the Kemalist modernization project of the new Republic. The bourgeoisie class thus turned into a means for the hegemony of the Kemalist elite and became the civil army of the state (Öncü, 1980, pp. 462-463).

However, those who were not loyal to the ideals of the new Republic were not supported by the state because it was necessary to take the control of the national economy to be able to maintain the Kemalist hegemony (Keyder, 1987, p. 106). Moreover, the state-initiated development projects also aimed at hindering the development of opposed groups, which could be a threat to the Kemalist project. As a result of the huge role of the state in the economy, the state did not permit the emergence of an independent bourgeois class however capital accumulation was out of the control of the state (Erdoğan, 2005, p. 39). As Ayşe Buğra points out, the Kemalist elite were not keen about small size enterprises, shop keepers or *the esnaf* because of their adherence to religious and conservative values (Buğra, 1994, p. 240). They were perceived as a threat to the modernization and secularization of the country. However, the state was in favor of secular and large business groups. The discrimination of the state against the small size enterprises or *the esnaf* shaped the attitude of Islamic entrepreneurs to the Kemalist state and its official ideology (Adas, 2003, p. 39).

As a result of the state-led development under the impact of the developmentalist paradigm and its amalgamation with the Kemalist social engineering project, the development of Islamic business and finance was not possible. For the Kemalist elite, the development of an Islamic economy could be a threat to the modernization and secularization process. Therefore, the founding fathers of Modern Turkey believed that liberal democracy and policies could be a potential source of danger for the state's development strategies and that liberal policies were a mean to weaken Kemalist project. In a liberal atmosphere, Islamic or opposed groups could increase their activities and financial sources within society. However, the state-led development provided the state elite with the control over not only the economy, but also Turkish society.

From Developmentalism to Neoliberalism: The Diminishing Role of the State in the National Economy

There was a shift in development policies all over the world from a “developmentalist paradigm” to a new paradigm, which is called “post-developmentalism,” “neoliberalism,” or “the globalization project,” which emerged in the late 1970s because

of the failure of the developmentalist project. While the developmentalist project was constructed in the framework of the nation-state, the post-developmental paradigm has been constructed in the context of global markets. Although the defenders of the globalization project argue that neoliberal policies are the inevitable consequence of the globalization process, it is different from the globalization process, which is the increase of the interaction between people, because it is not a new process in the world history. The world has been getting smaller for a long time; therefore, there is not a necessary relationship between the globalization process and the globalization project. However, the globalization process has been turned into a political-economic project promoting the necessity of the restructuring of the states and economies all over the world in accordance with neoliberal economic policies by the global financial elite and international bureaucrats since the late 1970s (McMichael, 1996, p. 27) .

Under the impact of the globalization project or neoliberalism, the meaning of development has been redefined; the World Bank's World Development Report published in 1980 defines development as "participation in the world market" (Hogvelt, 1985). Under the impact of the global financial institutions, the developing countries began to implement neoliberal policies, which led to the reformulation of the role of the state. Nation-states were no longer aiming to pursue national development projects for their own societies, but they aimed to become part of the global economy. The state, which was the major institution of the developmentalist project, has lost its constructive role in the development and modernization of the countries because of neoliberal policies that pursue the minimization of the state capacities in the regulation of national economic growth (McMichael, 1996, p. 42). A new formulation of the state under the impact of the neoliberal policies led to the decrease of the capacity of the state in shaping the national economies and supporting some privileged groups. The states do not pursue developmentalist policies, but "they position themselves in the global economy" (McMichael, 1996, p. 26). While the nation-states were the main agent of the development project, they limited their roles and turned into the means of the globalization project. They imposed the imperatives of the globalization project on their own populations and began to privatize state enterprises.

As Ong (2006) argues, neoliberalism as a new mode of political optimization reshapes the relationship between the governing and the governed, knowledge and power, and sovereignty and territoriality. Neoliberalism suggests that solutions to social and economic problems are not political, but technical because the aim is to optimize gover-

nment activities. A mode of “governing through freedom” and limited state for freedom became a dominant discourse all over the world. Neoliberalism as an art of governing observes populations to be free, self-managing, and self-enterprising in every sphere of daily life such as health care, education, bureaucracy, and so on. Thus, individuals are encouraged to be “entrepreneur of himself or herself” (Ong, 2006, p. 14).

Neoliberalism in Turkey and the Development of Islamic Business and Finance

Similar to many developing countries, Turkey began to implement neoliberal policies in the 1980s under the rule of Turgut Özal, *who was a dedicated conservative-liberal politician*. As a result of neoliberal policies, the Turkish economy experienced a major shift from protectionism to a free market economy in line with the desire of neoliberal globalization. The aim of the state was no longer to protect the Turkish economy from foreigners, but to open the national market to international competition and the privatization of the state enterprises. Neoliberal policies also led to the growth of an export-oriented economy; therefore, Turkey experienced an export boom because of its integration into the globalized world.

On the other hand, there was also a strong resistance to the implementation of neoliberal policies. The Kemalist elite resisted the minimization of the role of the state for the continuity of the Kemalist project. The state-led businessmen represented by TÜSİAD, also did not support the liberalization of the Turkish economy (Agartan, 2009, p. 118). For them, it was difficult to adapt their economic activities to an export-oriented free market economy (Agartan, 2009, p. 119); therefore, they struggled for the continuation of the state protection against foreign investments. However, Özal’s policies represented a turning point in the state’s policies and led to the shift from a statist mentality to a neoliberal mentality in Turkey. In a liberal state, as Ong (2006) points out, people do not expect the state to find a solution for their economic problems; but, they need to adapt to liberal policies to survive in a free market economy. Thus, one of the most important consequences of the neoliberalization of the Turkish economy was the decline of the protective role of the state in the development policies for the country.

The Emergence of an Islamic Entrepreneurial Class

The state under the rule of Turgut Özal urged an entrepreneurial spirit and encouraged citizens to involve in entrepreneurial activities not only in Turkey, but also all over the world. The state also began to grant tax exemptions for exportations to

encourage businessmen. The birthplace of the new entrepreneurial spirit and a new wave of exportation were conservative Anatolian cities such as Kayseri, Konya, and Gaziantep. These cities experienced enormous economic growth and turned into trade and industrial centers in the 1980s. Conservative entrepreneurs began to turn their small-size family enterprises into large conglomerates as a result of their export-oriented businesses in order to become global players in manufacturing and trading. Hence, traditional shop keepers or *the esnaf* could be regarded as the origin of newly-emerged conservative entrepreneurs, they were different from *the esnaf* in terms of their business activities and ambitions. In contrast to the traditional businessmen who possessed a small shop or workshop, newly-emerged conservative entrepreneurs had an ambition to enhance their businesses through risk taking and entrepreneurial spirit, and were able to fulfill the requirements of competitive global markets such as institutionalization, rational calculation and openness to innovativeness.

Conservative entrepreneurs established their own business association, “the Association of Independent Industrialists and Businessmen” (MÜSİAD) in the year 1990. MÜSİAD has played a very active role in organizing conservative businessmen and its influence has gradually increased in the Turkish economy. A large number of the members of MÜSİAD are the owners of small and medium size companies which were established after 1980 (Atasoy, 2008; Buğra, 1998) some of which grew into large holding companies over time. These companies work in almost all economic sectors; but, the largest sectors are textile and construction. These companies are generally export oriented; thus, they have benefited from neoliberal capitalism and increased their wealth in the globalized world because of their export-oriented business. The members of MÜSİAD have a lot of partners throughout the World. Therefore, MÜSİAD has branches in many countries including Germany, Netherlands, England, Austria, Belarus, Denmark, France, Romania, Belgium, South Africa, Australia, the United States, China, Pakistan, Malaysia, Indonesia, Singapore, Egypt, Sudan, Jordan, Saudi Arabia, Iran, Bangladesh, Nigeria, and Bosnia. MÜSİAD provides numerous services and opportunities to its members to expand their benefits in the global markets. For example, it organizes business trips to many countries; publishes brochures and journals which evaluate general economic conditions and informs its members of new opportunities. Thus, MÜSİAD is not only a representative of Islamic entrepreneurs, but also an important agent which plays an important role in the integration of conservative entrepreneurs into the competitive global markets and world economy by decreasing the information cost.

Table 1**Dates of incorporation of MÜSİAD and TÜSİAD companies**

Years	MÜSİAD		TÜSİAD	
	Number of Companies	%	Number of Companies	%
Before 1950	28	1,6	15	5,0
1950-1959	42	2,4	32	10,6
1960-1969	85	4,8	56	18,6
1970-1979	283	16,1	107	35,5
1980-1989	739	42,1	85	28,2
After 1990	579	33,0	6	2,0
Total	1756	100,0	301	100,0

Source: MÜSİAD Catalogue of 1995 (in Buğra, 1998, p. 525); TÜSİAD Catalogue of 1991 (in Cokgezen, 2000, p. 531).

MÜSİAD is generally considered as an alternative to the secular businessman association (TÜSİAD) (Atasoy, 2008; Buğra, 1998; Keyman & Koyuncu, 2005). These two business associations represent the hegemonic struggles between the Kemalist elite and the Islamic elite in terms of economic models and their relationship with the state (Buğra, 1998, p. 522). While TÜSİAD is a secular association which had a close relationship with the state elite, the members of MÜSİAD had weak ties with the state elite until 2000s. As Table 1 shows, 71% of TÜSİAD members were established before the 1980s whereas 75% of MÜSİAD members emerged after 1980. This table also shows that there were some conservative businessmen and business groups which emerged before the 1980s. However, neoliberal times of the 1980s were the breakpoint in the development of conservative businessmen as an effective and powerful class in the defense and representation of Islamic ethics and values in the Turkish economy. In terms of geographical distribution, as Table 2 shows, while 88% of TÜSİAD companies were located in three biggest cities (i.e., Istanbul, Ankara, and İzmir), particularly in Istanbul (68% TÜSİAD members) (Cokgezen, 2000: 531), MÜSİAD companies dispersed throughout Anatolian cities. Even if Istanbul had the highest number of MÜSİAD companies, there were a remarkable number of MÜSİAD companies located in Anatolian cities (72% of MÜSİAD members), particularly in the conservative cities of Anatolia such

as Konya, Kayseri, Bursa, Denizli, and Gaziantep. The statistical data (Table 1 and Table 2) helps us draw the conclusion that a large number of Islamic businesses emerged in the 1980s and 1990s in the conservative cities of Anatolia. While the developmentalist paradigm and its articulation with the Kemalist social engineering project hindered the development of a class of Islamic businessmen until the 1980s in Turkey, the shift from state-led developmentalism to market-led development allowed the emergence and development of Islamic entrepreneurs as one of the major actors in the Turkish economy.

Table 2

Geographical Distribution of MÜSİAD and TÜSİAD Member Companies

Cities	MÜSİAD		TÜSİAD	
	Number of Companies	%	Number of Companies	%
Ankara	175	10,2	24	5,1
Bursa	99	5,8	5	1,1
Denizli	75	4,4	0	0
Gaziantep	61	3,6	0	0
İstanbul	488	28,4	323	68,3
İzmir	114	6,6	61	12,9
Kayseri	112	6,5	0	0
Kocaeli	89	5,2	4	0,8
Konya	153	8,9	17	3,6
Other Cities	351	20,4	39	8,2
Total	1717	100	473	100

Source: MÜSİAD Catalogue of 1995 (in Buğra, 1998, p. 530); TÜSİAD Catalogue of 1989 (in Buğra, 1998, p. 527).

The Emergence of Islamic Banks

Another important development in the neoliberal times of 1980s was the emergence of an Islamic banking system in the 1980s. Although the Islamic banking system emerged in the 1960s and institutionalized in the 1970s in the Islamic world, parti-

cularly in the Gulf countries, it appeared in Turkey in the mid-1980s. In the 1980s, Turgut Özal aimed to ease the flow of the Gulf capital into the Turkish economy during the neoliberal times. As a result of Özal's endeavors, the financial groups of the Gulf countries began to invest in the Islamic banking system in Turkey. In 1985, two Islamic banks, Al-Baraka Finance and Faisal Finance, were established in Turkey with help of the Saudi capital. Then, the Kuwait Finance House established an interest-free bank (the Kuveyt-Turk Finance) in 1989. Turkish business groups also began to establish their own Islamic banks in the 1990s. In the recent years, state-owned banks (e.i., Ziraat Bank and Vakıf Bank) also began establishing their own Islamic banks (Ziraat Katılım Bankası and Vakıf Katılım Bankası). In today's Turkey, there are five Islamic banks: Kuwait-Turk, Al-Baraka Finans, Türkiye Finans, Ziraat Katılım, and Vakıf Katılım.

The major aim of an Islamic banking system is to provide Muslims with financial services in accordance with Islamic norms and Qur'anic principles. Before the emergence of Islamic banks, religious people did not invest their savings in conventional banks because of the prohibition of interest in Islam and kept their wealth away from capital flow (Atasoy, 2003-2004). However, after the establishment of the Islamic banks, many practicing Muslims have deposited their money in the interest-free Islamic banks. Thus, conservative entrepreneurs who are involved in business activities are able to utilize the Islamic capital. The growth of Islamic entrepreneurs has paralleled the growth of the Islamic banks in Turkey. In this way, the wealth of practicing Muslims has begun to flow to Islamic entrepreneurs. Therefore, these banks have an important role in the accumulation of capital for Islamic entrepreneurs (Atasoy, 2008) and have led Islamic companies to flourish in the Turkish and global economy. The share of Islamic banking in the financial sector was 0.8% in 1986, 3.7% in 1999, and 5.2 % in 2015 in terms of funding.

On the other hand, even if conservative entrepreneurs wished to utilize a business loan from conventional banks, it was difficult to obtain enough funding for many of them until recent times because conventional banks generally belonged to the state or the state-led business groups. The state banks were under the control of political authorities who had close ties with the state-led bourgeoisie. For example, small firms utilized only 2.7 % of bank credits, including state banks, in 1974 because banks mostly supported the large business groups (Atasoy, 2005, p.117). Therefore, conservative entrepreneurs who could not take a business loan from a commercial bank and those who did not want to involve in any business activities that included interest did business with the Islamic banks.

Islamic Holding Companies

The Islamic banks were not able to meet the needs of conservative businessmen in terms of funding. Therefore, conservative entrepreneurs those who were not able to utilize business loans focused on alternative ways of finding secure capital for their investments and began to utilize the savings of Turkish migrant workers in Europe in the 1980s and 1990s. They collected millions of dollars from Turkish overseas workers and invested the capital all over the world, particularly in Turkey. Thus, conservative and religious Turkish workers in Europe were also an important factor in the growth of Islamic entrepreneurs (Ozcan & Cokgezen, 2003).

Turkish workers began to migrate to European countries, particularly Germany, in the early 1960s. The number of migrants kept increasing until 1970s. While the number of Turkish workers was 13,000 in 1962, it became 800,000 in 1974 (Keyder, 1987). Today, there are approximately 5 million Turkish workers in Europe. Their impact on the Turkish economy has been highly considerable since the 1960s because of the flow of the savings of overseas workers into the Turkish economy. In the 1960s and 1970s, state-centric projects were put into practice to utilize the savings of the migrants. In the 1970s, the state utilized their savings to facilitate the national economic growth. Hence, "Anatolian holding companies" were established by the State Planning Organization (Ozcan & Cokgezen, 2003). Thousands of migrants invested their savings in these holdings to gain good returns. In the mid-1970s, there were 322 workers' companies based on multiownership in Turkey (Ozcan & Cokgezen, 2003: 2068). A large number of them had more than 100 shareholders (Ozcan & Cokgezen, 2003: 2068). They worked in collaboration with the state and state banks. The choice of investment and its place were directed by the Turkish government via the State Planning Organization. The companies and factories were mostly located in the hometowns of the migrants for the sake of local development. Their places were mostly far away from industrial and commercial centers. Therefore, investment decisions were not made through rational choices and calculations. Also, the capabilities of the investors were not enough to manage a company. As a result, these companies went bankrupt; and the state had to purchase these companies (Ozcan & Cokgezen, 2003). As one can notice, the state was very active in the administration of the national economy and of the savings of the migrant workers. The state also aimed at manufacturing an entrepreneurial class from workers in the 1970s.

In the 1980s and 1990s, conservative entrepreneurs began to mobilize the savings of the Turkish migrant workers in Europe by establishing holding companies

based on multiownership. They sold the shares of their holding companies for the accumulation of capital. They therefore developed close ties with conservative Turkish migrant workers and utilized Islamic discourse to sell their holding shares. They were mostly established in the conservative towns of Anatolia such as Konya, Yozgat and Kayseri. Some of these holdings such as Kombassan and Yimpaş turned into large conglomerates doing business in many countries. For example, the Kombassan Holding invested in many sectors such as construction, textiles, energy, food, etc. The founder of Kombassan, Haşim Bayram, was a chemistry teacher in a high school in Konya. He had some projects, but could not find any financial resources in the 1980s. One of his student's fathers helped him establish the Kombassan Holding in 1989. Then, Haşim Bayram developed close ties with migrant workers and collected their savings to enhance his business. Thus, Kombassan became a giant conglomerate in a short time. There was no reliable data on the number of shareholders, but it was about 30 thousand in the mid-90s and employed about 8 thousand people (Ozcan & Cokgezen, 2003, p. 2072). Many people believed that the Kombassan was an economic miracle, and therefore invested their savings into the Kombassan. Another well-known example was the Yimpaş Holding founded by Dursun Uyar in 1982 in the city of Yozgat. He was also a high school teacher in Yozgat. Yimpaş also mobilized the savings of conservative people in Turkey and Europe and became a large conglomerate by using them. Yimpaş had also about 10 thousand employees and 30 thousand shareholders in 1997 (Ozcan & Cokgezen, 2003, p. 2072).

According to the owners of the holding companies, those who invest their money into these companies not only made investment, but also helped the Islamization of Turkish society. Thus, thousands of workers in Europe invested their savings in these companies such as Kombassan and Yimpaş. The holding companies collected large investment funds from conservative workers in Europe until the February 28 coup of 1997, which was a soft military coup against Islamic movements, and the financial crisis of 2001. The collected amount reached billions of DM in the 1990s. For example, in 1990, Turkish overseas workers in Germany invested 2 billion DM into the Kombassan Holding (Adas, 2003, p. 84).

In this system, those who invest their savings into these holdings got shares of these holding companies and were considered one of the owners of the holding company. These companies also had annual meetings in order to inform their shareholders. The founders of the holding companies were generally elected to the administration of the company by shareholders in the annual meetings. There were

thousands of depositors; and the profit was shared among shareholders in accordance with the percentage of their shares. It was also possible to lose savings, but depositors began to take good returns in a short time because the annual profit of these holdings generally was very high (Ozcan & Cokgezen, 2003, p. 2071).

In the 1980s and early 1990s, there was no a major problem between depositors and the holding companies (Ozcan & Cokgezen, 2003) because of a trustworthy relationship between depositors and the holdings. However, there was also no a legal framework that regulated these holdings. These holdings were based on trust between depositors and the administration of the holdings; the source of the trust was Islamic morality. The number of these holdings mushroomed in a short time and reached approximately 200 holding companies; and some of them began to abuse the system. They collected the savings of people, but did not make any investment. Some of them got involved in irrational investments to grow their businesses quickly. Therefore, many of them collapsed in the late 1990s and a large number of depositors lost their savings.

Besides the internal complications and problems of the system, during the February 28 process, the holdings experienced serious difficulties in their business. The Kemalist state elite put pressure on people to not do business with Islamic companies and to not purchase any of their products. The Turkish media, secular business groups, and trade unions also supported the February 28 coup. Newspapers published the list of Islamic companies. The state also began to investigate these companies in order to pressurize them. Thus, people alienated from these companies after the February 28 takeover. They could not overcome their financial difficulties and many holdings went bankrupt. Some of these companies are still active in the Turkish economy, but not popular because people do not trust them. Nevertheless, the importance of these holdings for the concern of this article is that these holdings played an important role in the emergence of Islamic business in the 1980s and 1990s by using the opportunities of neoliberalization of Turkey.

Conclusion

Although there were different policies, the developmentalist paradigm, which encouraged the state to be the fundamental driving force of economic development, was the basic characteristic of the politico-economic policies of the developing countries including Turkey in the 20th century. After the foundation of Modern Turkey, the state elite also carried out a “state-initiated social engineering” project aiming at the modernization of the country through strict secularization

policies. Developmentalist policies and its articulation with the Kemalist social engineering project provided the Turkish state and political authorities with enormous opportunities of designing Turkish society in accordance with their own social engineering projects until the 1980s. Thus, state-led development, state favoritism toward secular business groups, and the Kemalist repression toward Islamic groups and movements did not allow the development of Islamic business and finance in Turkey. However, in the 1980s, there was a shift in the political-economy of Turkey from developmentalism to neoliberalism. This can also be identified as a shift from state-led development to market led-development. It led to the demise of the strong state and the developmentalist projects. As a result of the diminishing role of the state, Islamic business and finance emerged in the free atmosphere of neoliberal policies.

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