

# THE EFFECTS OF 2008 FINANCIAL CRISIS ON STATE AND BUSINESSMEN IN TURKEY

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## **Abstract**

*In this study, it will be aimed to analyze the demands announced to public by the organizations of the capitalist groups after 2008 financial crisis which have an organized power in such an extent they developed a collective action and strategy. The commons and differences of the demands of the capitalist organizations in crisis will be analyzed in terms of internationalization of the capital and internal accumulation dynamics. In this study, it will also be aimed to observe the demands of the different capital fractions in Turkey. Therefore it will be explained the demands of capitalist groups and their relations with the state, which have been the main actors of the issues going on for the capitalists in the sense of win-win game. In Turkey, the process of internal capital accumulation and the situation of capital fractions over international capital accumulation can not be understood without having the knowledge of businessmen-state relations in Turkey. In crisis, the measure packages prepared for many sectors such as real sector and employment markets had been a start on the new structural regulations which effects have been still continuing in Turkey.*

**Key Words:** Businessmen, State, 2008 Financial Crisis, Capitalist Organizations, Turkey.

**JEL:** G01, H12, H32, H70.

## **1. INTRODUCTION**

Another polemic came up under the name of overcoming crisis while the effects of 2008 Global Crisis were being discussed in Turkey. The simple question of this polemic which was going on about the damage of the crisis to the capitalist was “Was crisis a threat for the capitalists or an opportunity?”. Basic requests of some large capital groups in the ongoing debate about losers and winners of the crisis, measure package declared/prepared by the government after the crisis and many regulations including *Economical Coordination Committee* jointly established by capital organizations and government representatives added the demands of the capital side to the debate about the crisis in Turkey. After the new demands of the capital, it might be suggested that the most significant crisis in Turkey have been experienced due to the demands of the capital groups’ requests for long term structural adjustments and direct incentives in order to take advantage of the crisis atmosphere (Ercan, 2009a:16). In this point, the fact that crisis is not only an advantage but also a disaster for the capital makes it possible to mention different and singular capitals in competition and collaboration with each other and differentiating interests rather than general capital and its single and common interest. “*Despite the fact that singular capitals mainly have a corner on the values created in the production process, they try to be effective on the reality about the objectivities in common with the conjuncture in each phase of conversion and realization of the reality (Ercan: 2009b, 44)*”.

When the crisis has pressure on the existence conditions, capital's existence conditions are possible with a chain of demands for each individual capital group. It's before and after and its reasons and results will be discussed as far as possible. Places of singular capitals in the international capital cycle and their positions in the process of capital accumulation in Turkey to take place in these places are determinative on the relations with the government particularly in the face of crisis. Collective behaviors of singular capitals defined as capital fraction to the extent that they develop a collective behavior/strategy and have an organized power constitutes different demands against the crisis and these demands means acquisition of new opportunities for some capital groups and one step regression to maintain the current situation for the others.

## **2.EFFECTS OF 2008 CRISIS ON THE RELATION OF CAPITAL FRACTIONS AND STATE**

The approach considering capital fraction as the capital having a "sanction power on political level" (Poulantzas, 2004) suggests that fractions come into existence when they have a considerable effect on political level (Ercan,2009b: 44). Hereat, we perceive many capital organizations through their relations with politics and significance of their demands in the political arena. In this point, politics-economics relation is established as a relation of determination and priority. Considering Poulantzas's definition "capital having a sanction power on political level", the act of implementing an analysis on capital groups determined and directed by the politics in the relation established between the capital organizations and political arena may cause that we perceive economics-politics relation in a reductive attitude. With an eye to Turkey, we may overlook the changing demands of capital groups, willing to take place in the international capital cycle, in their integration to world's capital accumulation when it is said that TUSIAD( Turkish Industrialists and Businessmen Association), MUSİAD (Independent Industrialists and Businessmen's Association) and TOBB (Turkish Union of Chamber and Commodity Exchanges) are fractions due to their different political engagements.We need an analysis which will disclose the financial base of "sanction power" of capital groups having a "sanction power on political level" in the analysis of capital fraction. International cycle of capital and level of its relation with the state, in more precise words, the act of defining capital fraction the level of state intervention's internalization by the capital is quite illuminating. State intervention and capital's internationalization level are effective on the creation of fractions (Gültekin-Karakaş, 2009:51). There are two aspects of the state intervention's effect on the integration of singular capitals to the international capital accumulation. The first one is ensuring movement of labour and common exploitation having absolute surplus value towards the relative surplus value in a distinct way by enabling increase of exploitation limits by means of state intervention (Poulantzas, 2004: 196). Part-time working and vocational training programs introduced by the *Employment Package* included in the measure packages that we will discuss forthcoming parts of the article are labour market regulations aiming at increasing the relative surplus value. Second aspect of the state intervention is the act of increasing profitability by depreciating the fixed capital (Poluntzas,2004: 195). Sub contraction, performance of large infrastructure investments by the state, supporting private sector with new funds are all parts of these regulations.

When internationalization and internalization mechanisms are considered as the coordination of capital map, operation of capital and embodiment of this operation in singular capitals come into existence by conversion of capital to an organized power in a particular conjuncture (Ercan, 2009b: 44). Constitution of this organized power is determined differently from the functions of the capital. It would be wrong to analyze capital fractions

considering the difference between industrial, commercial and financial capital and say that each capital function is a capital fraction, however, dominance of different political powers in the chambers of commerce and industry indicates prominence of capital function. While persons from MUSIAD are more dominant in the executive board members of the Istanbul Chamber of Commerce<sup>1</sup>, there are persons close to TUSIAD in executive board of Istanbul Chamber of Industry.<sup>2</sup> This organized power established by the capital is an inconsistent collaboration composed of the different capitals and demands in the state of power block. The fact that recent executive boards of the commerce and industry chambers consist of the persons close to two different capital groups is important for political sanction power to correspond to the demands of capital groups which are an important part of power block and for different blocks to take place in different capital organizations.

Which fractions in Turkey can be distinguished in terms of their roles in the accumulation? With the current macro economic program, new incentives in the financing of industry brings new measures increasing efficiency and improving production technology. These measures have a negative effect on the exporter/industrialist profile created by the previous "high interest low exchange rate" policy with the financing of export with hot money in bank-industrialist relation. It is expected that the competition between interest and exchange fronts maintained before the crisis among industrialists and bankers in Turkey will take a new shape in accordance with the new rules established after the crisis. Indicator of this change is the differentiating needs of the new period. Dominance of relative surplus value rather than absolute surplus value in capital accumulation, or in economic terms, "closure of abundant and cheap money period" causes results in the demand of provision of relative value with "high value-added industrialism". Innovation in industrial production have started to supersede import dependent production and it have become possible to mention high labour efficiency, that is, increase of relative surplus value production by qualifying labour force by means of lifelong education instead of unskilled labour.

Industrial policy, which is advised by Istanbul Chamber of Commerce to the industrialist in Turkey and shaped by high value-added industrialism, conforms to the new needs of capital accumulation. As specified by Küçük, Chairman of ISO, "*when global competition environment is examined, it is seen that we have no chance for a competition depending on cheap cost and especially cheap labour force. Turkey's target should be transition to a production structure having high added-value and based on special information and skill and industrial policies should be designed accordingly (Küçük, 2013)*". Besides, high interest low exchange rate policy got in danger with the bankruptcy of many international banks after the crisis and this period ended. "*Period of abundant and cheap money expired: Banks included in the syndications of Turkish banks like Forts, Dexia, Citibank, Societe Generale are on the rack. ...Turkish companies and banks should bear more serious costs for their short term loans to be returned in a short time.*"

<sup>\*</sup>There are persons from MUSIAD in the executive board of ITO: Şekib Avdagiç-Founder and Member of MUSIAD, Mehmet Develioğlu-Deputy General Director, Member of ASKON, İsrail Kuralay-Old member of the executive board of MUSIAD.

<sup>†</sup> There are persons close to TUSIAD in the executive board of ISO: Turgay Durak ( KOÇ automotive board), Bülent Savaş ( BRISA).

Enabling "high value-added industrialism"<sup>\*\*</sup> and "steady growth" rather than enabling high interest rates and entrance of foreign capital the country are among the targets in the new period. Providing the goods to be exported with a high value-added and innovation-based structure and getting to new markets with new products reminds the necessity of raising bar for the industrialists (Çağlayan, 2009:29). For the employers, the target should be to increase competitive power and a growth model based on industrial export should be adopted (Çağlayan, 2011:7).

However, one of the most significant problems created by the crisis for the industrialists is the problem of financing debts. Total short term loans of financing and real sector institutions was 40 billion dollars in 2003 and became 172 billion dollars in the first quarter of 2008 by increasing about four times more than the previous (Ekinçi, 2 October 2008). In the point where industrialists need to make more external loan to return their debts, the problems revealing in financing production brings another issue to the agenda for understanding the crisis over accumulation: Constitution and effects of the crisis, named as finance crisis, influence mainly the real sector and activity area of productive (industrial) capital.

### **3.POSITION OF TURKISH BUSINESSMEN IN ACCUMULATION IN 2000S:DYNAMIC AND PRIMARY SAVERS**

In the face of crisis, "capital in general" may be perceived as an inconsistent power union having common and differentiated demands in the sense of capital accumulation consisting of singular capitals. There are some general acceptances about internal contradictions and differences of capital power in Turkey. One of them is the general meaning of conflict/competition of TUSIAD-MUSIAD. Considering the main parameter of the competition between both capital organizations as capital accumulation, it should be evaluated how much internationalization level of capital accumulation and capital groups represented by both capital organizations interiorize the regulating interventions of the state. There are two main regulators determining the internationalization level in the constitution of capital fractions in Turkish economy. These regulators, "anchors" in economic terms, are the anchors of EU and IMF. Capital organizations support both anchors on a different level with the new market searches in the internationalization mechanism.

*"2001 crisis was a crisis of Turkey's integration to world economy. The crisis in 2008 was/is a crisis giving way to that the capital in Turkey can get stronger and fulfill the requirements to dominate in the region (Ercan, 2010)."*

When we examine the transformation commenced with 2008 crisis, we see that loan structure has changed and non-bank financial instruments have been applied much more. By the diffusion of relative surplus value production, productivity in industry has increased and export-oriented production has moved from consumption materials to investment materials. In this process, transformation of industry to *"high value-added production structure and global player status is aimed ( ISO, 2011: 37)"*.

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<sup>\*\*</sup> Steady growth refers to the growth continuing for at least 5 years in constant and reasonable numbers. (Küçük, 2013).

Change of industry's structure comes into question with 2008 crisis. In this context, the question "Are holdings more advantageous than the capital groups specialized in the area of industrial capital in the point of overcoming the problem of financing with their banks?" comes to mind in the financing of industry. It will be difficult to determine for which holdings the crisis is an opportunity and for which it is destruction without making an important separation within financial capital. We should consider whether the distinction made in 2001 crisis between primary savers dependant on financial protectionism, growing through loan with government debt securities and liquidated in the crisis period and dynamic savers included in international capital cycle "*moving from absolute surplus value to relative surplus value*" (Gültekin-Karakaş, 2009) is still valid. We see that Koç, Sabancı, Tefken, Doğuş groups and TÜSIAD, TOBB, TURKKONFED (Turkish Enterprise and Business Confederation) representing these groups are dynamic savers. Dynamic savers will present an important distinction between themselves and others with their "*accumulation capacities and intends*", just as Ersin Özince, Executive Board Chairman of İş Bank. "*We are straight bankers. They did not save us with the money supplied from IMF. ... We overcame the crisis not with external aids but with our own resources. ... The late Turgut Özal had said "sell your villas and invest capital to your companies". We did that. We sold all properties of our members including lodging buildings. We are mostly joint-stock companies open to exchange. We did not arouse pity for the crisis as in other countries, hide behind this crisis and demanded state guarantee (Vatan Newspaper, 30 May 2009)*".

Dynamic savers are "straight bankers" with the words of Ersin Özince. "The act of selling villas" of dynamic savers is an indicator for that they have the sense of investing for capital accumulation and they do not need "external aid" and "to be saved by the state" and shows that the dynamic savers has an accumulation sense different from the primary savers. But, sense of accumulation is not independent from state and international capital accumulation. We will discuss the meaning of economic measure packages and new regulations after the crisis for "savers" and the fact that the aid requested from the state will not only remove the destruction caused by the crisis, but also strengthen the capital groups.

#### **4.STRATEGY OF CAPITAL CLASS AFTER THE CRISIS: CHAIN OF DEMANDS**

Following the declaration of new capital-oriented incentive system and regulations by the state after the crisis, stability and growth have started to be questioned and new opportunities launched for the capital groups have not been questioned that much. Distribution of these opportunities is not considered so troublesome with the provision of economical measures developed in parallel with the demands of capital. The place where the demands of the capital were revealed is the first meeting of the *Economical Coordination Committee* convened on 21 October 2008. Bureaucrats from State Planning Organization (DTP) and Ministry of Treasury and Finance took place in the meeting participated by chairmen of Turkish Union of Chambers and Commodity Exchanges (TOBB), Independent Industrialists and Businessmen's Association (MUSIAD), Turkish Exporters Assembly (TIM) and Union of Participation Banks and also chairmen of Capital Markets Board (CMB), Banking Regulation and Supervision Agency (BRSA) and Central Bank. It may be observed upon the demands of "maintaining the structural adjustment reforms and establishing a new incentive system" that the result of the meeting is the emphasis on turning the crisis to an opportunity. It may be understood that there is an implicit agreement between TOBB, TUSIAD and MUSIAD in relation to EU and structural adjustment reforms when decisions taken in the meeting are evaluated in terms of IMF and EU anchors.

*“With an eye to the final declaration from the meeting, it is seen that demands of the capital are diversifying the incentive instruments for supporting real sector; establishing and developing alternative export markets; advancing and concluding the works in scope of revision of bureaucratic transactions and transaction costs in the production process. The demands of capital are also carrying out the work for increasing the efficiency of market inspection and supervision; maintaining structural reforms; sustaining the relations with European Union in a strong attitude in accordance with the National Program to be carried into effect. The structural reforms are facilitating access to foreign financing means and providing source diversity; evaluating reduction of the burdens on financial transactions in frame of budget means (Zaman Newspaper, October 22 , 2008).”*

TUSIAD presents its demand of internationalization of the capital group it represents with its insistence on the issue of making an agreement with IMF. For TUSIAD, delay of structural reforms decreases the competitive power of the capital against crisis however functional transformation of the state against crisis may increase the competitive power of the capital upon the fulfillment of financial rule in scope of the agreement to be made with IMF. The demand for autonomy of Revenue Administration comes into prominence when we evaluate the most basic transformation demand about the function of state. In Yalçındağ's opinion, in case that fully independent revenue administration is not established *“...tax base will weaken, Turkish competitive power will be destroyed on national and international level and attraction of investment environment will be fade away for domestic and foreign investors (Radikal Newspaper, April 20, 2009).”*

Another demand of TUSIAD for eliminating all kinds of obstacles which will *“destroy the Turkish competitive power on national and international level and remove the attraction of investment environment for domestic and foreign investors”* is preparation of a new Commerce Law. Bankrupt of companies and obstacles to the mergers of companies restrict the internationalization of the capital and so a new Commercial Law is needed. Dominating statuses of capital fraction represented by TUSIAD has been strengthened upon the fulfillment of TUSIAD's demand for tax reform and provision of the most important competition advantage in terms of structural adjustment with taxes. Tax reductions experienced in industry implies the regulating role of the state as one of the most important interventions after the crisis. Three-month tax deduction in SCT (Special Consumption Tax) in automotive and AVT ( Added Value Tax) in house sales devoted to real sector on which the crisis had the biggest effect and price reductions in new tariffs in natural gas to be used in industry reveals the "tax advantage" behind the "tax audit" (Ergüder, 2009:81). To sum up, demands of TUSIAD are stand-by agreement with IMF, structural demands, new Turkish Commercial Law, 5 percent deduction in employment tax and autonomy of revenue administration. IMF anchor is determinant in fulfilling the demands. TUSIAD represents the capital groups willing to move on with IMF. As specified by the Arzuhan Doğan Yalçındağ, who was the Chairman of TUSIAD in 2008 Crisis. *“External investment circles have always regarded an external anchor: EU anchor, IMF anchor. If we had established financial rule 4-5 years ago and increased the tradition, a different situation might have occurred” (Anka new agency, June 19, 2009).*The legal changes to be made in the areas regulating company strategies like Commercial Law are included in the most basic demands in the internationalization of the capital. According to the Commercial Law, *“It will be possible that Turkish companies speaking the language of international market and in line for being global actors will be subject to international regulations rather than national regulations; that new financial sheets will be established in supervision mechanism; that regulators auditing in accordance with the tax principals in Turkey will start to apply an audit in compliance with the market norms; that the system in which the bankrupt traders undertake the all responsibilities will be changed with the regulation enabling foundation of one-person*

*companies; that Turkish companies will be able take place among the reliable partnerships needed by the EU countries (ISO, 2011:36)".*

Distinction between MUSIAD and TUSIAD was experienced over the question how to finance the current deficit after the crisis. Here, IMF anchor, one of the economic anchors, steps in. MUSIAD represents small and medium scale enterprises and exporters consisting exchange side. One of the differences between TUSIAD and MUSIAD is about the markets to be entered. MUSIAD, in sum, supports that interest is kept on low levels, incentive system is developed for the SMEs (Small and Medium Size Enterprise) in export-oriented sectors, investments in energy and technology are increased and new markets, particularly Gulf countries, are entered.

Post crisis demands of TOBB (Turkish Union of Chambers and Commodity Exchange), having the highest number of members among Turkey's capital organizations and thus representing many capital groups, became more apparent with its campaigns carried out in public. TOBB expressed many times that the most important political demand against the crisis is the need for "new constitution". This demand was also embraced by TUSIAD, one of the most important representatives of dynamic savers and a new and civil constitution proposal was prepared in 2011. Can Paker, a member of TUSIAD, specify this constitution "*constitutions and related laws legislated until today are all government-oriented. They are about state's strength and protection. The new constitution should aim at strengthening the civil society and protecting the individual (Radikal Newspaper, April 18, 2011)*". Accordingly, the new and "civil constitution" should have a "civil" understanding which will contribute to democratization, turn relations with EU and IMF not to a government but to a state policy and include capital's chain of demands.

"Don't lock yourself in the house, go out to market" campaign carried out to increase the domestic demand in the recession period experienced after the crisis indicates that TOBB, having an economy such that company corporations decreased in the rate of 21 percent according to the numbers in August 2009, needed to increasing domestic demand increase in order to overcome the recession. Campaign is such as to increase the domestic demand and support the psychological expectations. This expectation is to pay the cost of the crisis by providing support from large sections of the public and creating a perception that the crisis is not only of the capital but also of all society and the cost will be paid together. With this campaign, TOBB also needed to emphasize the importance of participation in the market economy. This need also aims to eliminate the "capital hostility" which may be caused by the destruction created by the crisis on public. In sum, three main demands of TOBB for the crisis are as follows: First group demands are measures for increasing domestic demand. These measures aim to support tax deductions and low income groups and "Don't lock yourself in the house, go out to market" campaign has been organized for this purpose. Second group demands are measures for providing financing of companies' section and defend sense of new accumulation against transferring the sources to treasury rather than companies and support investment funds. The last demand is the provision of financial discipline and reference point of this demand is the preparation of a medium-term economic program. TOBB requests that democratization with the new constitution demand within political developments, EU membership and negotiations with IMF in liberalism and structural reforms in general are a part of state policy rather than government policy. Demands of TOBB was announced in the final declaration issued after the meeting held by TURKKONFED on 21 April 2009 and the demands for "New constitution, Turkish Commercial Law and IMF-supported macro economic program" became prominent (TURKKONFED, April 22, 2009).

## 5. DEMANDS OF INDUSTRIALISTS AND EXPORTERS

Evaluating the crisis, the former Chairman of Aegean Exporter Unions Mete Uğuz says “*The crisis did not touch slightly; it swept all over the sector. However nobody wants to express this. They know that the banks will not grant loans when they say that. Hence we admit the expression that the crisis touched slightly (Uğuz, 24<sup>th</sup> January 2010).*”

The crisis returned to a tense process between the banks and industrialists because of financing problem for the industrialists rather than a chance. The expectation of the industrialist from the state is that the new regulative measures be taken regarding banking and the way of being “real” and dynamic saver instead of “exaggerative”. Industrialists lobbying for exchange rate particularly the capital groups manufacturing in exporting sectors put and emphasis on a legal regulation encouraging a new incentive system and company merges. Among the resolutions taken in a meeting evaluating the crisis in BEYSAD (Union of Sub Industrialists of White Appliances) having 110 member companies, there are demands of loan and financing problem between the industry and banks such as reducing the pressure of banks over the firms and recalling the loans granted by assuring the deposits and solutions for internal dynamics of the cost increase resulting in losing the price advantage in exportation. Among them, the demands for adjusting the interest and exchange rate have become essential (Referans Newspaper, 14<sup>th</sup> January 2009).

Turkish Exporters Assembly (TIM) supports a new production oriented industrial program and increase in the sources of Export Import Bank. Exporters prepared *Exporters’ Measure Program* calling for the state to its duty after the crisis. The program has two essential prosperities. The first one is that the incentive is requested from the state. Providence of discount of 25% in public input costs only for the year 2009 is included in the program. The other one is that the inventory be taken for industrialism with high added value and necessary needs be determined: It may be possible “*to meet the difficulties in reaching the sector data by taking real inventories of the industry (Referans Newspaper, 14<sup>th</sup> January 2009).*”

There is a new emphasis on the demands of the industrialists: “The most important factor to evaluate the status of “shining star” well for this time is a strong economy and industry” (Istanbul Chamber of Industry, 2011). The emphasis “The strong industry means strong economy” of the Chairman of Istanbul Chamber of Industry reveals the need for organization on three steps. The first step is to be in *European Enterprise Network* (EEN) and the creation of new chances for SMEs with brand new researches and projects. There have been essential developments in these projects concerning R&D, technology development and innovation. The second step is the cooperation of industry and university. As the chairman of Istanbul Chamber of Industry said, “*the cooperation of industry and university; university and industry having the same agenda items*” are regarded as substantial (Istanbul Chamber of Industry, 2011: 37).

The third step is vocational training. Vocational Training Institution of Istanbul Chamber of Industry Union is substantial for the vocational training. The project of *Skills 10*, the aim of which is to meet the needs of the industry for the intermediate staff, is a substantial step for vocational training. The project, defined as “the fact that employers have qualified workforce without any cost in case they inform their demands” (Istanbul Chamber of Industry, 2011: 20) is enforced by the Ministry of Labour and Social Security, Turkish Union of Chambers and Commodity Exchanges, the Ministry of National Education, Turkish Union of Chambers and Commodity Exchanges University of Economy and Technology, Turkish

Employment Agency and the Prime Ministry. The project defined as “to be pioneer in vocational training” (Istanbul Chamber of Industry, 2011:38) aims to open vocational courses in many districts of Turkey under the curriculum and supervision of chambers of industry and to provide the trainers to be employed in the workplaces which are members of Turkish Union of Chambers and Commodity Exchanges and chambers of industry. This process “aims to increase the factor of human, the only factor to form the whole competition difference, namely qualified workforce in a world where the global competition increases, this competition is degraded to the enterprises and the goods made in China are displayed in Shopping Malls. Project aims to increase both the labour force and competition (Istanbul Chamber of Industry, 2011:22). The competition power between the companies will be increased in the project the employment undertaking of which is defined to be 90%, with the fact that the need for qualified labour force increasing in the industry accumulation is met by the state.

The aim to promote the university-industry cooperation will be fulfilled with the labour force analysis of Turkish Union of Chambers and Commodity Exchanges University of Economy and Technology (Istanbul Chamber of Industry, 2011:38). Public-private partnership is provided with both full authorization of chambers of industry in the financing and management of vocational training and university support. The equipment of 111 Vocational Schools in 81 provinces has been renewed within the project and 90 million TL was spent for this purpose (Istanbul Chamber of Industry, 2011:23).

Moreover, the project is established on an insurance incentive system: The private enterprises having the chance to benefit from the employer insurance premium that could be prolonged for 4.5 years in the omnibus bill shall have the chance to work flexibility and to share the insurance incentives and their costs with the state. *“For example, the state covers the insurance premium for 2 years and for the young between 18-29 and the women with all ages. If the person has been employed in the field that he is educated namely if he has passed this project and graduated from a vocational school, the state covers the employer insurance premium share for additional one year for that person. This duration could be prolonged for 4 years for the graduate of Vocational High School and for additional 6 months in case of demand from Turkish Employment Agency (Istanbul Chamber of Industry, 2011: 39).”*

As Nuri Tuna, Vice Chairman of Board of Istanbul Chamber of Industry said, *“the aims of the industrialists should be “high rated but robust and sustainable growth. One of the most important conditions for such growth infrastructure is improvement of investment and production surrounding and support for competition power” (Istanbul Chamber of Industry, 2011:34). But the most important deficiency is stated to be the competition power in terms of industrialists. The emphasis on the deficiency of the competition power in the expression of “in the strategy of the years 2011-2014, we lack in competition power only in the industrial aim based on the stated information and technology and dense and qualified labour force with high added value” is essential in terms of high energy costs and need for the reorganization of the commercial activities. The expectation of the industrialists concerning an important reform in tax structure which is effective on the omnibus bill which organize the public credits and costs shows the change in the instruments of the intervention of the state in 2008 not the opportunities. In this expectation, the necessity for a reward mechanism for the taxpayers who pays the public credits on a timely basis shows that a state organization which is regulatory for the competition factor is placed in the demands of the industrialists (Istanbul Chamber of Industry, 2011:35).”*

## 6. CHANGING FUNCTION OF STATE

The changing function of state with the demands of the capital specifies the boundaries of the state intervention and types of the intervention. The question “*which groups of the capital and which types of the internationalization are supported by specific state intervention*” (Gültekin-Karakaş, 2009) has been gaining importance after the crisis period.

*“The fact specifying the point of view in Turkey is not the interventionism and protectionism itself. What specifies the entrepreneurship environment is rather the ambiguity regarding the rights and privileges granted to specific sectors having important roles in defining the attitudes of business world (Buğra, 1994:154).”*

In this determination of Buğra, it is the ambiguity that immediate and extraordinary measures formed in defining of the coordinates of the businessmen, resulting in property transfer between the capitals and instruments such as tax, emerging in 1930s in the development process of the capitalism in Turkey. The advantages that holding companies having a substantially important tax advantage could spread the profits and costs among its companies after 1980 and the affiliates are exempted from the profits in the taxation of the holding companies that provide the affiliates increase their accumulations by transferring to the head company are effective (Buğra, 1994:260). The institutionalization of the family owned companies has formed their wealth within the relation of state and private sector in a country having shareholders with a history of not more than 100 years.

*“The dependence sense of the state against market based alternative power sources and private entrepreneurs may have affected the preferences of the state authorities regarding the support of some companies managed by dependable authorities so as to fulfill the economic functions in various fields( Buğra, 1994:264).”* Historical process in the relation of state and businessman in Turkey is formed with the desire of the state that it control the uneasy point of view against businessmen with political connections. This leads to new unearned incomes and formation of a business world complied to be shared by the state in terms of risks.

The crisis initiated an old discussion again concerning the state intervention and incentives. In this discussion, free market economy in which the state intervention is limited has been substituted by the perception of a changing state. The state, the functions of which have been changing is referred with the imputation/stigmatization of “capitalist communist state” (Referans Newspaper, 7<sup>th</sup> April 2009) and this reference belongs to the change/transformation in the state function. In this new phase, “*although the public area is limited against the society, the state is claimed to be both capitalist and communist with its ‘interventions’. The state makes regular and expropriating interventions for the capital such as expropriation of the banks because of the crisis, saving the bankrupting major companies, state’s being partner to the insurance and mortgage companies, revealing the donation program (Referans Newspaper, 7<sup>th</sup> April 2009).*”

It is known that the state makes interventions in order to continue the capital accumulation process and has increased these interventions in the recent years. But what is the mechanism of state intervention? As we have discussed before, increasing of the exploitation boundaries and decreasing the value of the fixed capital are the two basic ways of these mechanism. Increasing of the exploitation boundaries is formed with spreading of the relative plus value in the exploitation of plus value. State intervention concerning the increase in the relative plus value is realized by *Employment Program* in the crisis measures.

The matters such as incentive of partial work in the program, sector incentives with forward and backward connections, vocational training and effective use of the unemployed compensation are the matters increasing the labour productivity so they are the interventions increasing the relative plus value production. *The Employment Program* not only increases the labour productivity but also transfers the labour costs from the employer to the state. Governmental representative Nazım Ekren states that “*they have reduced the burden over the employer at the rate of 5% and they will continue to pay the full burden of the employer for the first year of three years for incentive of employment among women and the young particularly the ones who are 18-25 years old (Cihan News Agency, 29<sup>th</sup> April 2009)*”. Another intervention of the state is for the organic composition of the capital. The decrease in the profit rates gains speed in the crisis period through the change on the organic composition of the capital which is the development law of the capital. The fixed is needed to lose value so as to reverse this trend. This can be provided by taking the capital from the private property and exploiting it. This is provided by continuation of the production of plus value through public enterprises. Most public enterprises providing infrastructure services gives opportunity to transfer the plus value to other parts of the capital by transferring the fixed capital investment cost from the private sector to the state (Poluntzas, 2004:195).

Three basic properties of the omnibus bill, stated to be the most comprehensive reorganization of the Republic history (ISO, March 2011:4) are remarkable: The employer of the insured to be employed as of 31<sup>st</sup> December 2015 shall be supported by state in terms of insurance premium. The surplus workers working in the permanent staff of Special Provincial Directorates could be employed in the needy local authorities through appointment. And finally, the contracted personnel could establish union and shall be forbidden to go on strike and to make propagandas on this matter (Çağlayan, 2011: 42).

The omnibus bill has undertaken the socialization function of the costs of the crisis. This function has been stated by the Chairman of Istanbul Chamber of Commerce, Tanıl Küçük: “*This application is a surely a substantial opportunity for the enterprises defaulting on taxes and premiums because of the damage of the global crisis. With this opportunity, crisis victims enterprises could have sigh of relief (ISO, March 2011:4).*”

The organic composition of the capital is changed through state intervention with *Real Sector Program* revealed after crisis and new incentive system, company organization and loan guarantee fund and it is possible for the state to make intervention to the process with funds, incentives and new legal regulations in case the profit rates decrease. Economic measure programs are substantial in terms of incentives. Some of them are the decreasing of VAT collected due to the housing sale in the Real Sector program from 18 percent to 8 percent for three months, discount in the Special Consumption Tax collected from the vehicles for three months, making the night tariff used in industry widespread, discount in Special Consumption Tax enforced for the white appliances for 3 months.

The state brought into the question that the industry is supported by the funds in terms of using the accumulation strategy for exportation as an incentive other than tax system. It can be said that a substantial amount of fund could be formed by increasing 500 million Turkish Liras of the capital of Eximbank and fund raising of 75 million Turkish Liras from the budget to Small and Medium Industry Development Organization fund. Medium Termed Program for 3 years, which is one of the most important economic documents of the state in case of crisis and provides substantial data for preparing budget, is preparing the general route for post-crisis period between the years 2009-2012. This route is especially a program that meets

the demands such as Autonomous Revenue Administration of “Turkish Industrialists’ and Businessmen Association”; financial rule of IMF and tax easement in merges. Continuance with IMF with which “Turkish Union of Chamber and Commodity Exchanges” and industrial organizations have become partners and giving treasury based loans for SMEs consist of “industrialism with high added value” namely the trend of increase in the production of relative plus value. The aim of fulfilling the development through private sector will be initiated to be enforced when the public infrastructure investments have initiated to enforce the models increasing the participation of the private sector (Ministry of Finance, 2009:15). The regulation that forms the institution of reorganization of the company debts through conciliation by making amendments in Law of Execution and Bankruptcy and reorganization of the debts by capital companies’ making conciliation with the creditors and continuance of their activities in 9. *Development Plan* is able to solve the problems that the industrialists have had in financing. The state makes the regulation in accordance with the demand of the changing state, the function of the capital. It is aware that it has to establish the economic institutions independent from the politics have taken many supportive measures such as tax to support the capital accumulation for exportation and incentive funds and change the indebtedness mechanism so as to solve the financial problem of the industrialists. Legal regulations that enable to go to international arbitration have been made to increase the foreign investment and to assure the investors. Decreasing the income and corporate tax rates for simplification and enforcement of the tax system, constriction of exemption and release, enforcement of the special consumption tax, concluding of the different taxation enforcements over the investment instruments, making regulations concerning abolishment of the investment discount at the end of a transition period of 3 years, making discounts in income tax and value added tax in some sectors by benefitting from the improvements in public finance, decreasing the agency costs over the financial sector and reorganization of Revenue Administration are the indications of financial organization consistent with the demands of the capital (DPT, 2006:18).

### **CONCLUSION: IS THE CRISIS A CHANCE OR DESTRUCTION?**

The year 2009 would be the year “to make the crisis a chance” as Rahmi Koç has said. Although the crisis means destruction, damage, collapse and closure, it was referred as “chance”, “construction of future” and “new investments” in Turkey. The growing companies during the crisis are Hisarlar Group, requesting to meet 75 African companies so as to receive the distributorship of multi tractor with Turkar brand, with which they plan to manufacture 300 tractors, Sarar Group which will mostly focus on Islamic countries and the sale of scarves, Alfemo Group, meeting with Morocco in North Africa and aiming to get in the market of South Africa, TAT Group exporting into 80 countries in 5 continents and considering to get in West Africa, Carlo Potti Group exporting into Middle East and Africa markets in men’s wear. New situation in North Africa and Middle East in 2011 after the crisis resulted in loss for the investments that many Turkish industrialists consider a resolution of the crisis. Ford Otomotiv Sanayi, Mercedes Benz Türk, Oyak Renault, Honda Turkey, Türk Traktör ve Ziraat Makineleri have been in the first 50 companies to have profit most in accordance with the report of “500 Major Industry Institutions of Turkey” of ISO and Ford Otomotiv, TOFAŞ, Oyak-Renault, Mercedes Benz Türk, BMC Sanayi ve Ticaret have been in the list of “The first 50 Companies to Employ Most”.

The business world is making the crisis a chance by exploring the world’s least known regions with the opportunities of the capital accumulations internationalized during the crisis. This period is calling the state for duty with the incentives programs, tax easements, funds

formed with new measure programs. The productive capital is placing the industrialism perception with high added value by increasing the labour productivity by employing qualified, educated workers with lower wages together with the less qualified workers with flexible in production process and without benefits. The losers of the crisis are primary savers, the ones who couldn't transit from absolute plus value to relative plus value and the ones who have not got into a new market. However the major losers are the labourers with fewer benefits against the capitalists with 10.4 percent decrease in employment, 14.2 percent in working hours, 8.5 percent in wages.

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