



## The Origins of Turkey's "Heterodox" Transition to Neoliberalism: The Özal Decade and Beyond

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### Abstract

*This article examines the origins of Turkey's neoliberal transformation in world-historical perspective by highlighting interactions between the crisis of U.S. hegemony, social and political movements in Turkey, and Turgut Özal's political career as the architect of the country's neoliberal reforms. I argue that Turkey's neoliberal transition during the "Özal Decade (1980-1989/1993)" was not primarily related to resolving the profitability crisis of the existing national bourgeoisie (Istanbul-based industrial bourgeoisie) or reconstituting class power in favor of this segment of capital. The Turkish neoliberal project was more concerned with establishing a stable political-economic environment that would help Turkey's political society reassert its hegemony over civil society and allow for the penetration of the changing interests of the world-hegemonic power in the region. Because of these social and geopolitical concerns, Turkey's neoliberal reforms (1) contributed to the development of an alternative/rival segment of national bourgeoisie which had the potential to co-opt radicalized Islamic movements, (2) aimed at creating a large middle class society (instead of shrinking it), (3) utilized populist attempts at redistribution to lower segments of society to co-opt the grievances and anger of the masses. As a paradoxical consequence of these dynamics, income inequality decreased during Turkey's transition to neoliberalism. Neoliberal reforms in the post-Özal period – with similar "heterodox" features – resurrected and further deepened during "the Erdoğan decade" (2002-present) although Erdoğan did not share a single aspect of Özal's professional career as a neoliberal technocrat.*

**Keywords:** Neoliberalism, Turkey, Özal decade, Erdoğan decade, world-system biography, U.S. hegemony



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There is a critical literature which explains the rise of neoliberalism as an attempt by the bourgeoisie to countervail the real or perceived threats of the post-war order (van der Pijl 1993; Overbeek and van der Pijl 1993) and to overcome the profitability crisis of the late 1960s and the 1970s by restoring class power in favor of capital (Dumenil and Levy 2004 2011; Harvey 2005a, 2005b). Using this perspective, many scholars have interpreted the rise of neoliberalism as a global counter-attack against the gains of developmentalist regimes, working classes and the Left. These scholars believe that “the overall dynamics of capitalism under neoliberalism, both nationally and internationally, [are] determined by new class objectives that worked to the benefit of the highest income brackets, capitalist owners, and upper fractions of management” (Dumenil and Levy 2011:8). Consequently, this literature tends to list a fixed set of consequences of neoliberal reforms, including a strengthening of the capitalist class, a shrinking of the middle and lower classes, and a rapid increase in income inequality (Steger and Roy 2010; Hanieh 2013).

Although these perspectives help debunk the myth that neoliberalism serves the general interest of society, they offer too uniform an explanation for a wide variety of neoliberal transformations which does not correspond to the uneven development of capitalism across space and time. Many of these perspectives not only reduce the political-economic interests of capital to the economic interests of the “highest income brackets”—a perspective which ignores the coexistence of (and rivalry between) different segments of the bourgeoisie—but they also provide an extremely ambiguous answer to the question: *whose* crisis is neoliberalism trying to solve? This ambiguity occurs because many critical scholars do not differentiate between particular crises faced by capitalists in various countries at the *national level* and the general crisis of U.S.-centered world-hegemony at the *world-systemic level*. While these crises at two different levels are not independent from each other, they do *not* necessarily imply an overlap of solutions and consequences that are identical across space-time.

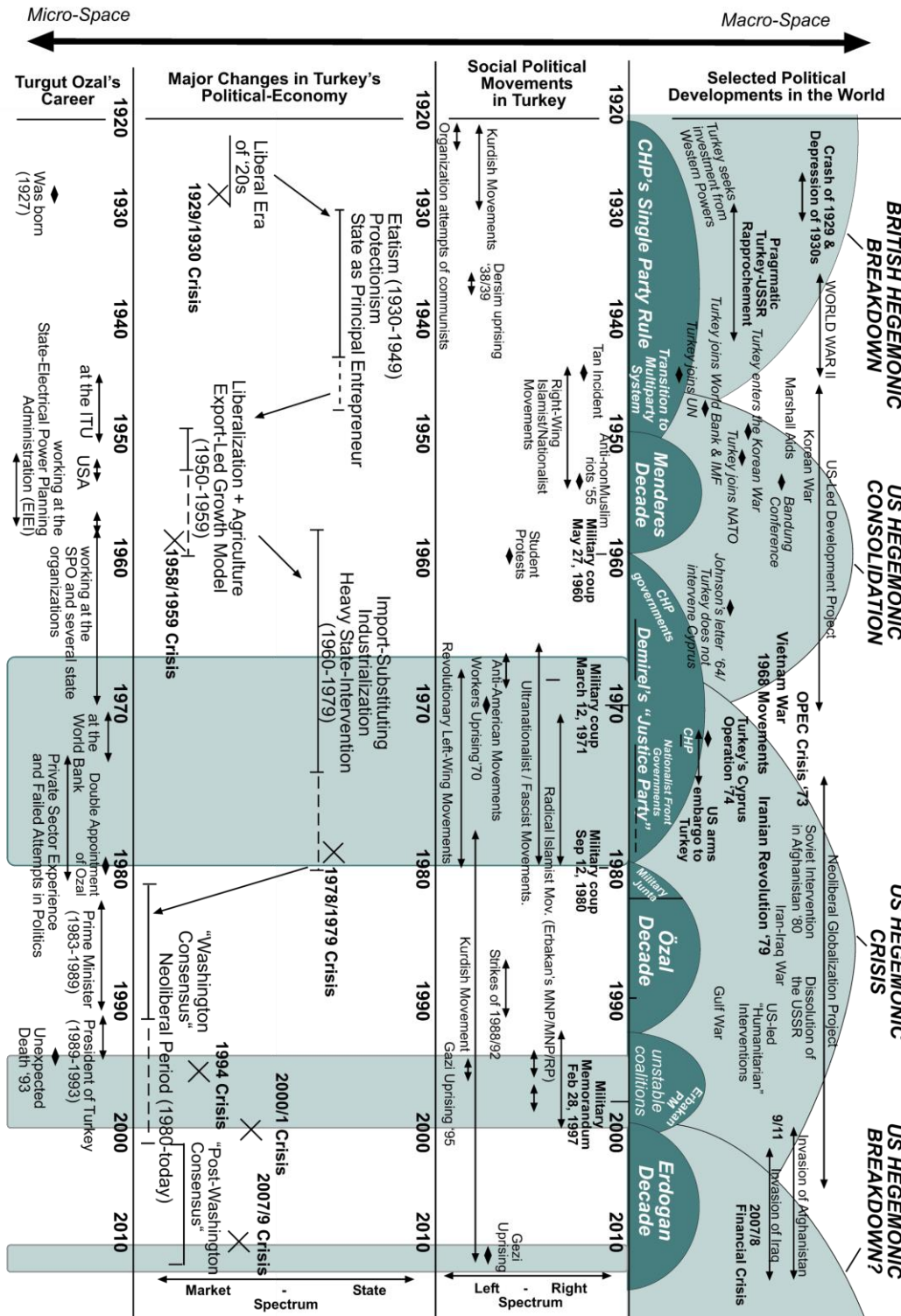
For one thing, the crisis of U.S. hegemony at the *world-systemic level* is not merely an economic crisis but also a geopolitical and social one. Hence, policies that U.S. experts “recommend” to overcome the world-hegemonic crisis may include social and geopolitical concerns that may not directly correspond to a unidirectional wealth transfer from lower and middle classes to those within “highest income brackets.” If social and geopolitical concerns are present, instead of accruing to the benefits of *existing* bourgeois classes, neoliberal policies may (1) contribute to the development of alternative/rival segments of a national bourgeoisie, (2) aim at creating a large middle class society (instead of shrinking it), (3) coexist with *populist* attempts of redistribution to lower segments of society to co-opt the grievances and anger of the masses, and (4) at the most extreme cases, they may even paradoxically reduce income inequality as

well. I argue that Turkey's transition to neoliberalism in the post-1980 period encompasses all of these “anomalous” features.

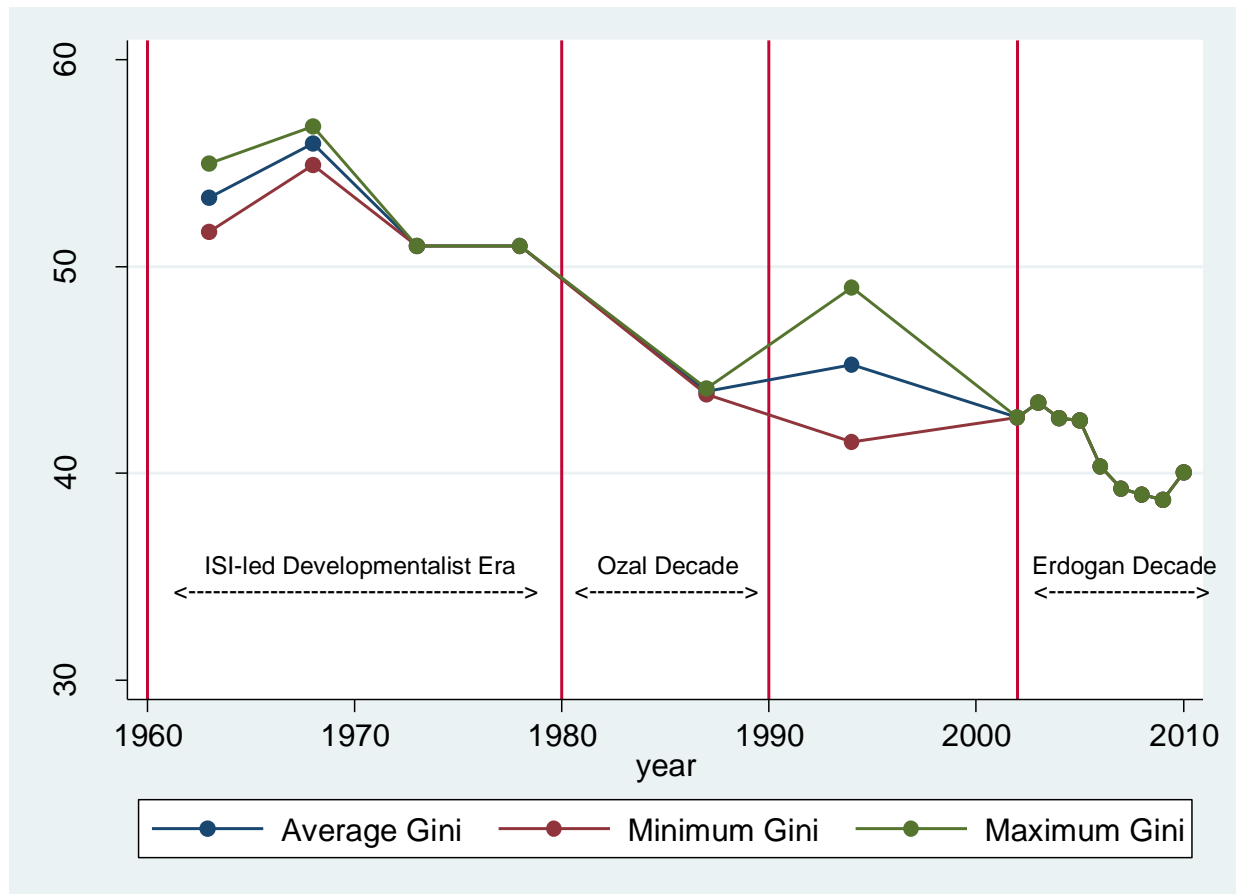
To explain how these seeming anomalies can take place under neoliberalism, I use world-system biography as a methodological tool to examine Turkey's transition to neoliberalism under the “Özal Decade” (1980-1989/93). Turgut Özal (1927-1993) was the main architect of this transition and the most influential figure in Turkish politics in the 1980s and the early 1990s. A world-system biography of Özal also helps us critique another universalizing argument regarding the diffusion and spread of neoliberalism worldwide. There is a growing literature suggesting that U.S.-trained neoliberal technocrats have played a prominent role in pushing forward neoliberal reforms, especially in the global south (Williamson and Haggard 1994; Kolko 1997; Babb 2001). Following in the footsteps of John Meyer's work on global diffusion processes, some of these explanations argue that these technocrats have played a critical role in unidirectional diffusion, imitation, and adoption of shared professional culture, institutional norms, and technocratic policy commitments associated with the neoliberal paradigm (Babb 2001). The analysis provided in this paper, however, shows that the role of domestic technocrats in the making of neoliberal regimes cannot be properly understood without understanding their formation in a broader world-historical context. Moreover, what enabled these political entrepreneurs to become architects of neoliberal regimes was not their professional training alone but—more importantly—their embeddedness within key domestic and global networks that helped them penetrate into economic, political and social spheres. This provided an ability to negotiate and reconcile the interests of the world hegemonic bloc (including their economic institutions such as IMF, World Bank) with the interests of the domestic, local elite groups, organizations and movements.

This article examines the origins of Turkey's neoliberal transformation in world-historical perspective by highlighting key interactions between the rise and crisis of U.S. hegemony, the historical trajectory of political-economic developments in Turkey, and events that shaped Özal's political career and his decisions. As Figure 1 shows, this multilayered analysis simultaneously deals with the three distinct temporalities identified by Fernand Braudel—the *longue durée*, the *conjuncture*, and the event-time (*histoire événementielle*)—and interconnections between three distinct spatialities: a macro-space encompassing the world-system, a meso-space focusing to a particular region of the world-economy and a micro-space of an individual.

**Figure 1: World-Systemic Transformations, Political Economy and Social Movements in Turkey, and Key Events Related to Özal's Career 5**



In light of these multilevel temporal-spatial interactions, I put forward two main arguments. First, I argue that Turkey's neoliberal transition of the 1980s was *not* primarily related to resolving the crisis of the *existing* Turkish bourgeoisie or reconstituting class power in favor of this segment of capital. The Istanbul-based industrial bourgeoisie—the strongest of which were established during Turkey's *étatist* era—was the main beneficiary of import substitution industrialization (ISI) policies of the 1960s and 1970s. Likewise, Turkey's transition to neoliberalism was *not* an assault on social democratic forces that took control of the state either. Architects of the neoliberal transition—first and foremost Turgut Özal himself—were part of the same cohort of center-right wing technocrats, politicians, and bureaucrats who were in charge of coordinating ISI-led developmentalist policies in previous decades. Instead, Turkey's transition to neoliberalism was primarily focused on sustaining Turkey's political alignment with the declining world-hegemonic power: the United States. In late 1970s, the rise of extreme left wing, radical Islamist, and neo-fascist movements started to paralyze Turkish *political society* and to create structural opportunities for the success of anti-American and anti-systemic movements. This was a manifestation of a hegemonic crisis at two levels. Turkish *political society* was losing its hegemony over its *civil society* at the national level, and consequently the United States was losing its hegemony over Turkey at the world-systemic level. The unexpected success of the 1979 Iranian revolution, escalation of anti-American sentiments in the Middle East region as a whole, and increasing rivalry with the USSR pushed the United States to win back Turkey—as a strategic ally and a NATO power in the Middle East—to its side. Hence the priority of the Turkish neoliberal project—designed by an unusual World Bank, IMF and OECD alliance—was to establish a stable political-economic environment which would help Turkey's *political society* reassert its hegemony over *civil society* and allow for the penetration of the changing interests of the world-hegemonic power in the region. This could not have been possible with the use of brute force alone or a redistribution of wealth from middle and lower classes to the highest income clusters. Instead, attempts by the United States to reassert its hegemony in Turkey and the Middle East coincided with attempts to co-opt radicalized segments of Turkish civil society in line with the interests of the world-hegemonic bloc. This hegemonic co-optation went side by side with (1) policies that helped create a new segment of the Turkish bourgeoisie—the “Islamic bourgeoisie”—by opening paths of capital accumulation to the sections of the Turkish petty-bourgeoisie who had been excluded and marginalized by ISI policies (such as the Anatolian-based small and medium scale merchant capitalists and petty-bourgeoisie which established the backbone of radical Islamic movements), (2) attempts to create a large middle class consumer society, and (3) a new form of populism which included a pragmatic redistribution to lower segments of the society. As a paradoxical consequence of these dynamics, income inequality started to decrease during Turkey's transition to neoliberalism (see Figure 2).

**Figure 2:** Income Inequality in Turkey, 1960-2010

Source: Author's compilation.<sup>1</sup>

Secondly, I argue that Turgut Özal's role in Turkey's transition to neoliberalism cannot be reduced to his professional training as a neoliberal technocrat. There were many other U.S.-trained technocrats or economists at the World Bank who had a better understanding of neoclassical economics during Turkey's neoliberal transformation in the late 1970s and the early 1980s. What was distinctive about Özal was his position as a power broker who took multiple and ambiguous roles in global financial institutions, national government, business, and other

<sup>1</sup> It is difficult to find reliable measures of Gini estimations over time using similar methodology and definitions. For a balanced picture, the figure above shows the average, maximum and minimum national Gini estimations using most available data for this period. Gini for 1963 can be found in SPO and UN (1981) databases; 1968 can be found in UN (1981), Bulutay et al. (1971), Fields (1989), Jain (1975), Lecaillon et al. (1984); 1973 can be found in SPO, UN (1981) and Fields (1989); 1987 can be found in State Institute of Statistics (1987). For 1994, in addition to World Bank sources, I used SIS calculations, which were higher than World Bank estimations. The World Bank value for 1994 is 41.53, the minimum estimation in the figure whereas SIS calculation is 49. Gini coefficient figures from 1987 to 2010 can be found in World Bank database. Also see Yeldan (2000). The results are consistent with OECD (2011).

civil society organizations including religious, nationalist and liberal political groups. These efforts were critical in realigning Turkey with the declining world-hegemonic power by co-opting the radicalized segments of the society and privileging a new section of the economic elite, which might otherwise have presented an anti-systemic threat.

I conclude by discussing how Turkey in the post-Özal period – with similar “heterodox” features – resurrected and further deepened neoliberal transformation during “the Erdoğan decade” (2002-present) although Erdoğan did not share a single aspect of Özal’s professional career as a neoliberal technocrat. The Erdoğan period also brings to light some of the inherent contradictions (and limitations) of the attempts by the world-hegemonic power to coopt radicalized segments of the society during periods of intensified hegemonic crisis.

### **The Rise of U.S. World Hegemony and the Özal of the “Development Project”**

From the beginning, the U.S.-led “development project” was very much related to geopolitical concerns, especially to the attempts by the United States to contain the influence of the Soviet Union. Together with the disastrous experience of the return to self-regulating markets in the inter-war period, these economic and geopolitical concerns pushed the new world-hegemonic power to implement a number of development assistance projects from 1945 onwards (Brett 1985:106-107; McMichael 2012:42). The United States also pioneered an international framework of aid through the establishment of multilateral organizations such as the World Bank and the IMF in 1944, which pursued an organized strategy to promote nationally managed economic growth that favored industrialization and state-led planning in Third World countries.

These macro-level transformations of the post-war era decisively ended the pragmatic Turkish-USSR *rapprochement* of the inter-war period. While the Turkey-USSR relationship started to become more contentious, the Turkey-U.S. relationship began its honeymoon. In 1945, Turkey decided to abandon its single party system and both the CHP (Republican People’s Party) and the newly established center-right wing opposition party—the DP (Democratic Party)—started to compete with each other to liberalize and restructure the economy along the suggestions of the United States and Bretton Woods organizations. Unlike many other Third World countries which tried to avoid taking sides in the struggle between the United States and the USSR, Turkish political actors of the era proudly took the side of the United States (Ersel *et al.* 2002:280; Ahmad 1993:119). Turkey quickly became a member of these multilateral institutions in a U.S.-centered world-hegemonic order; joining the United Nations in 1945 and the World Bank and the IMF in 1947. In 1950, Turkey became the second country after the

United States to answer the UN call to fight in the Korean War. As a consequence, Turkey managed to become a NATO member in 1952. Moreover,

[O]nce Turkey was allowed into NATO in February 1952, she began “to champion the cause of the West where ever she could.” In the Balkans, Turkey tried to link Yugoslavia to the West, and away from non-alignment, signing the Treaty of Ankara with Athens and Belgrade on 28 February 1952. In the Arab world, engaged in national struggles against Western imperialism, Ankara sided with the imperialist powers. It supported the British in Egypt and the French in North Africa. In the struggle between Prime Minister Mossedeq and the Anglo-Iranian Oil Company, Ankara's sympathies were with the oil company. Not surprisingly, Turkey came to be seen as the West's surrogate in the region, attempting to maintain Western domination through a new system of alliances (Ahmad 1993:119).

In 1955, the Turkish foreign minister Fatin Rüştü Zorlu even went to the Bandung Conference to convince its participants to align with the U.S.-led Western bloc (Ersel *et al.* 2002:280). These gestures, of course, were not ignored by the United States. From 1945 onwards, U.S. policy-makers also did their best to sustain Turkey's loyalty through offering generous military aid and development assistance. In a couple of years, through the Truman Doctrine and the Marshall Plan, Turkey received \$350 million in bilateral aid and credit from the U.S., which was almost equal to Turkey's balance of payments deficit at the time (Ersel *et al.* 2002:131; Yerasimos 2005:178-183). Not surprisingly, from 1945 to the early 1970s, Turkish political society rarely deviated from the political and economic suggestions of the United States.

In the social sphere, Turkey's alignment with the United States and restructuring of its economy in line with the U.S.-led development project went hand in hand with an anti-communist and anti-left sentiment. On December 4, 1945, for instance, students, Islamists and *Turanist* nationalists—numbering around 20 thousand—started looting Istanbul's left-wing newspapers, publishing houses and bookstores shouting “death to the communists!” and “Down with Russia”. This red-baiting riot—known as the *Tan Incident*—was the first political activity in which Turgut Özal participated as a student (Çölaşan 1989:13; Doğan 1994:16). Curiously, together with Turgut Özal, many other would-be right wing presidents, prime ministers of Turkey in the following decades—including Süleyman Demirel and Necmettin Erbakan—proudly participated in these anti-left riots (see Çandar 2013:30; Doğan 1994:16-17).



Turgut Özal belonged to a new generation of engineers who came to Istanbul from peripheral regions in Anatolia to receive a university education with state scholarship. He was born to a conservative and religious middle-class family in Malatya, an eastern city of Anatolia, in 1927. His father, Mehmet Siddık Bey, was a civil servant in a state bank and his mother, Hafize Hanım, was an elementary school teacher of partial Kurdish origin. After graduating from high school in 1945, Özal succeeded in university entrance examinations and was admitted to the prestigious Istanbul Technical University (ITU) with state scholarship to study electrical engineering (Çölaşan 1989:13; Doğan 1994:15; Acar 2002:64).

This particular *conjuncture* of world history—the beginning of the Cold War, Turkey's realignment with the United States, and the fusion of anti-left, nationalist and Islamist sentiments among a particular segment of youth—deeply affected many ITU engineering students like Turgut Özal, Suleyman Demirel, Necmettin Erbakan, Korkut Özal (call them “the ITU boys” if you like) who later became the leaders of various wings of the Turkish right from 1960s to 1990s. These students secretly practiced Islam in Arabic, used the small *mescit* in the university as a hub to meet with other politically active conservative students (Özal 1994:88), and some were likely influenced by a *Naksibendi* sheikh named Abdülaziz Efendi (Birand and Yalçın 2001:22; Taşkın 2012:66). Many of them also saw the newly established Democratic Party as their voice and managed to establish close relationships with DP leader Adnan Menderes himself. Furthermore, while maintaining a distinct sense of nationalism, Necmettin Erbakan aside, all of them had a deep admiration for the United States.

Turgut Özal belonged to the first class of engineers who travelled to the United States for state-sponsored education (Çandar 2013:30). “An admiration for America was observed in Özal similar to those engineers who were granted scholarships to be sent to the United States after the war” (Cemal 1989:113; Taşkın 2012:66-67). Özal’s experience in the United States at the height of its world-hegemonic power “had a profound and long-standing influence on his personality, world view and political thought. American society's technological development, glittering lifestyle of consumption and opulence along with its emphasis on freedom, individualism, and mobility provided the basics of his model of development for Turkey as well as for his personal, professional, and political life” (Acar 2002:164; also see Abramowitz 2013:39). In a later interview, Özal expressed his initial feelings in the United States:

The year after I graduated, in 1952, they sent me to the United States. [...] In 1952, I was an electrical engineer. I saw airlines [in the United States]. Can you believe that in 1952, there was no inter-city energy system in Turkey. All cities were isolated from each other... [...] When you see [the Americans], you feel pathetic. They are such an advanced

society... They have everything. They had TVs at the time but we did not have. Of course, then, you feel sad and wonder how come we will catch up with this civilization (Doğan 1994:24).

The formula for "catching up," of course, was to be provided by "this civilization" and its Bretton Woods institutions. According to U.S. experts and Bretton Woods institutions, what developing countries initially needed was (1) rationalization of agriculture and the infrastructural development to prepare the preconditions for industrial take-off, (2) state-planned industrialization policies, often in pursuit of import substitution, and (3) an international framework of aid which would make take-off possible and act as an external anchor.

Özal's and Demirel's early careers illustrate that post-War Turkey closely followed these suggestions. In the early 1950s, while the Menderes government "rationalized" Turkish agriculture thanks to Marshall Plan aid, Özal and Demirel worked in state organizations contributing to infrastructural development. Both of them started at the State Electrical Power Planning Administration conducting electrification projects. In a short while, Demirel began working on irrigation systems and dam construction. In 1954, he was appointed Head of the Department of Dams, and in 1955 he became the Director General of the State Hydraulic Works. After the 1958 fiscal and balance of payments crisis, World Bank and Organization for European Economic Cooperation (OEEC) experts urged Menderes to establish 5-year development plans and impose control over public spending and allocation of foreign exchange (Keyder 1987:135; Yerasimos 2005:223). In response, the Menderes government appointed Özal and Demirel - together with another ITU engineer, Saim Evizi - to a board responsible for preparing the 2-year State Investment Plan (Doğan 1994:22; Çölaşan 1989:132). This board became the nucleus of the State Planning Organization (SPO) to be established after the May 27, 1960 *coup d'etat*.

Although the military regime hanged Prime Minister Menderes with two of his ministers in the 1960 coup, they ended up institutionalizing the political-economic changes that Menderes had already launched. The military junta, for instance, established the SPO responsible for establishing five-year development plans and an ISI policy already begun in embryonic form in the late DP era (Keyder 1987:145). After the coup, Demirel took the lead in filling in the political vacuum created by the absence of the DP. In 1964, he became the chair of the newly established Justice Party and acted as the prime minister from 1965 to the 1971 coup. After becoming prime minister, Demirel appointed Özal as an advisor and the under-secretary of the SPO (Öniş 2004:115). Throughout the 1960s, these conservative, pro-American, center-right figures who had worked for the Menderes government, first and foremost Demirel and Özal, played a crucial role in the implementation of ISI developmentalist policies in the 1960s.

As the careers of both Demirel and Özal suggest, there was a curious element of continuity between the liberal, export-oriented, agricultural development strategy of the Menderes decade (1950-1959) and the ISI-led developmentalism of the 1960s. This is still under-recognized in Turkish historiography. Conventional explanations tend to see the rise of ISI-led developmentalism as a reaction to (and almost the dialectical opposite of) the policies of the Menderes Decade. More accurately, as Özal's trajectory highlights, these were two phases of the same policy package produced in line with the U.S.-led development project whereby the liberal policies of the former decade prepared the preconditions of the latter. The agrarian enclosures of the 1950s—made possible by tractors and other agricultural technology imported by Marshall aid and credits—dispossessed a mass of villagers from their lands, created a massive wave of migration to large cities, and helped create a large reserve army suitable for industrialization (Keyder 1987: 138). These same policies also helped create a new domestic bourgeoisie, which established businesses and achieved significant capital accumulation during the 1950s (Keyder 1987:137; Buğra 1994; Yerasimos 2005:401-403; Kazgan 2002:98). Both elements were the *sine quo non* for the ISI development push that took shape in the 1960s. As early as 1951, the World Bank explained the rationale for recommending agricultural development in Turkey “not as an alternative to [...] industrialization” but as a precondition for “the release of men for industrial work” and creation of “additional economic resources, which provide the basis for [...] industrial development” (World Bank 1951:2).

Curiously, developmentalist policies of the 1960s also continued the heritage of the Menderes decade by further deepening the polarization between the rich and the poor. Under the command of center-right wing technocrats and politicians, ISI developmentalism in Turkey did not decrease income inequality through a successful redistribution of wealth and income. On the contrary, these policies helped a big bourgeoisie prosper and concentrate capital at unprecedented levels. Partnerships of large corporations with foreign capital brokered by the SPO created a sort of “triple alliance” which ousted smaller local enterprises, especially an Anatolian-based petty-bourgeoisie. Furthermore, the big bourgeoisie's industrial expansion absorbed only a minority of the masses who migrated to cities (creating a form of labor aristocracy with higher wages and broader set of rights) and excluded a majority of workers who gradually clustered in the peripheral regions of urban cities and established shanty-towns known as *geceköndü*. From 1963 to 1968, the top 20 percent of the Turkish population increased their share of national wealth from 57 percent to 60 percent, while the lowest 20 percent fell from 4.5 percent down to 3 percent (see Table 1; Yeldan 2000; Silber and Ozmucur 2000).

**Table 1.** Size of Distribution of National Income In Turkey (% of Income)

	SPO (1963)	Bulutay et al. (1968)	SPO (1973)	SIS (1987)
Highest 20 percent	0.570	0.600	0.565	0.499
Fourth 20 percent	0.185	0.200	0.195	0.211
Third 20 percent	0.115	0.100	0.125	0.141
Second 20 percent	0.085	0.070	0.080	0.096
Lowest 20 percent	0.045	0.030	0.035	0.063

**Source:** Yeldan's (2000) compilation. SPO(1973); Bulutay et al. (1971); SIS (1987)

### Crisis of U.S. Hegemony and the Rise of the Neoliberal Globalization Project

The escalation of class struggle in Turkey, starting in the mid-1960s, was not necessarily related to the empowerment of labor *vis-a-vis* capital due to a progressive redistribution of wealth, but rather to increasing inequality, worsening conditions of the Turkish proletariat and radicalization of the working class. In the 1965 elections, the socialist Workers Party of Turkey (*TİP*) managed to attract 3% of the votes in the national elections and won 15 seats in the parliament. In 1967, a group of unions broke away from the U.S.-modeled pro-government union confederation *Türk-İş*—established in 1952 based on the recommendations of Marshall Plan representatives (see Ersel *et al.* 2002:208-209)—and formed the Confederation of Revolutionary Trade Unions (*DİSK*). When the government tried to put administrative obstacles before *DİSK*, a wave of worker unrest occurred which peaked on 15-16 June 1970 and paralyzed the entire Istanbul-Kocaeli region.

This escalation of Turkish social unrest was not independent from broader level social discontent in the world. Starting with the late 1960s, it was apparent that something was wrong with the U.S.-centered capitalist world economy (Arrighi 1994:300-301). The looming crisis of U.S. world hegemony coincided with a rapid escalation of worldwide social unrest (Arrighi *et al.* 1989:105; Silver and Slater 1999). Especially in semi-peripheral countries, emerging social movements contained strong anti-American sentiments and anti-systemic tendencies. Turkey was not an exception. In addition to rising labor unrest, this period witnessed the radicalization of the youth movement and the rise of radical and revolutionary organizations. In 1965, several university student associations were brought together under the umbrella of a federation, *Fikir Kulipleri Federasyonu (FKF)*, which formed the backbone of anti-American youth movements in 1967-68. FKF-organized students and revolutionary youth movement boycotted classes, occupied universities, supported strikes by factory workers and land occupations by landless

peasants, protested U.S. imperialism, and gradually began to emulate Latin American-styled urban guerilla strategies. After 1968, the radicalization of youth movements transcended the parliamentary horizon of *TİP*. Between 1970 and 1972, a number of revolutionary organizations (i.e. THKO, THKP-C and TKP-ML) were established.

The rise of anti-American left-wing movements went hand in hand with radicalization of right-wing Turkish movements. Associations for the Struggle against Communism, paramilitary fascist organizations, and anti-communist Islamist movements rapidly flourished in particular areas of Turkey. On February 16, 1969, clashes between these two sides came to a peak when leftist students rallying to protest the U.S. Sixth Fleet's arrival to Turkey were attacked by Islamic and ultra-nationalist militants. The event became known as “Bloody Sunday,” and proved a harbinger for conflicts in the coming years. In this period, Özal followed a clear anticommunist line. Interestingly, he often justified his position from the perspective of “development.” For instance, in 1972, when the founding members of the THKO, Deniz Gezmiş, Hüseyin İnan and Yusuf Aslan, were to be executed, Özal sent a letter to *Tercüman* newspaper supporting the executions and criticizing the anti-U.S. attitude of the student/youth movement. He wrote:

Don't we realize better what these communists - who hang posters on the İTÜ walls showing the caricature of the Bosphorus Bridge side by side with the United States Sixth Fleet with a subtext “the bridge and its watchdog” - are trying to do? This passing year has not only shown their disloyalty and treason but also their hostile attitude against all superhuman efforts for development of Turkey in passing years. ... [W]ill we give another chance to those who try to destroy Turkey by showing mercy? Of course, Turkey will never be a communist country. But what I am most afraid is that if we show mercy, we might lose our chance to gain back all years we lost in the pursuit of development (cf Dündar 2012).

Until the late 1960s and the early 1970s, right-wing movements had not expressed any explicit discontent with a pro-U.S. standing, yet thereafter a fragmentation within right-wing social movements also emerged. The radical Islamist movement represented by Erbakan took the lead by following an explicitly anti-communist, anti-American, and anti-republican path. Further escalation of social discontent and class conflict, growing anti-American sentiment, and the emergence of radical left and right wing movements that openly rejected Kemalism infuriated the armed forces and prepared the social background for a military coup. On March 12, 1971,

generals acting on behalf of the Turkish Armed Forces presented a memorandum to President Sunay, threatening to take over the state if the Demirel government—which could no longer maintain political stability—refused to resign. Together with the resignation of the Demirel government, Turgut Özal also left his position as the under-secretary of the SPO.

### **Emergence of a Power Broker in the Aftermath of the 1971 Coup**

The day after his resignation, Özal left Turkey and started to work at the World Bank in Washington, DC. This move was possible because of a particular type of social capital Özal accumulated during his SPO posting. When he was SPO head, Özal managed to establish close relations with key figures of global financial institutions. A close look at his biographies illustrates how he accommodated and entertained visiting experts from the IMF, OEEC/OECD and the World Bank. Özal himself frequently participated in the meetings of Bretton Woods institutions. Even when he was not invited, he managed to “arrange” ID cards that would help him meet prominent figures within global financial circles (Çölaşan 1989:57). His acquaintance with Robert McNamara turned out to be critical for his placement in the World Bank in the aftermath of the 1971 coup.

Özal's experience in the World Bank was a turning point in his career. His ideas about political-economic transformation in Turkey “developed” during his tenure there between 1971 and 1973. He was in the kitchen of world political economy during a critical era – the incipient phase of the neoliberal regulatory experiment (see Brenner *et al.* 2010:213) - when new development recipes were being readied for promotion worldwide. Just before the implementation of the first neoliberal experiment in Chile - that started with Pinochet's *coup* against the Allende regime on September 11, 1973 - Özal had already begun defending the basic principles of the political-economic ideology later known as neoliberalism. While working at the Bank, he wrote up an approximately 30-page letter explaining his new perspective for the development of Turkey and sent it to close associates including Demirel and his younger brother Korkut Özal, a follower of Erbakan's Islamist movement (Tümtürk 2002; Doğan 1994:32-33). This letter explained the necessity of liberalization, deregulation and implementation of large-scale privatization to save Turkey from its political and economic crises.

Özal was not a Chicago Boy. There were many other Turkish economists at the World Bank who had a better understanding of and faith in neoclassical/neoliberal economics. Özal was something else. He represented the emergence of a new kind of power broker who took multiple and ambiguous roles in government, business, and other civil society organizations to pursue their interests. He had a foot in multiple camps encompassing Turkish civil and political societies. He was close to religious communities, to nationalist groups, to liberals, to leading

business circles and to many political leaders. He did not hesitate to offer positions within the institutions he commanded or the resources under his control. In 1967, he even caused a political scandal when a newspaper reported that thanks to Özal, the SPO was full of religious communities, the *takunyalılar*, who performed prayers in its corridors during work hours and collectively went to Friday sermons (Çölaşan 1989:43-44). Simultaneously, rumor had it that Özal was redistributing state money to leading businesses on a patronage basis (Çölaşan 1989:44-45). Overall, he had managed to convert his experience at the SPO into a particular form of social capital which could later be converted into political capital, in the pursuit of which he was extremely successful.

After returning from the United States in 1973, Özal further consolidated his relations with diverse sections of civil society. His penetration into business circles was particularly impressive. He first started to work at Sabancı Holding as a general coordinator, and later he became the chairman, member of board of directors and chief general manager of private companies including Çelik Endüstri, Çemsan, Çetaş, Parsan, Esaş, Burtrak (Doğan 1994:33) and a partner of companies such as SILM, Ege Metal Sanayi and Ozban Otomotiv ve Metal Ticaret (Çölaşan 1989:106). In the automobile sector, Turgut Özal also worked as a representative of a Japanese automotive firm (Doğan 1994:33-34). In 1976, he became a member of the nationally strong employers union for the metalworking industry, becoming union chair in a few years. His increasing influence in business circles helped him create a dense network within TÜSİAD (Turkish Industrialists' and Businessmen's Association) which represented the Istanbul-based industrial bourgeoisie.

In the same period, "Özal renewed his contacts with the Islamist communities, particularly with that of *Naksibendi* Brotherhood's *Iskenderpaşa Dergahi*. [...] He also became involved in the establishment and administration of such religious foundations as the *Ilmi Yayma Vakfı* and *Milli Kültür Vakfı*" (Acar 2002:165). With the help of his brother Korkut, he got to know the new figures of Erbakan's Islamist-oriented Nationalist Salvation Party (MSP) as well. Meanwhile, Özal disseminated his new "development" model to diverse sections of the Islamist and nationalist circles, including the *Aydınlar Ocağı* (Tümtürk 2002; Doğan 1994:32-33).

In the course of the 1970s, Özal also tried to enter into Turkish politics, but here he was extremely unsuccessful. As a supremely pragmatic politician, he was nearly indifferent to existing ideological fragmentation in the Turkish right, and could ally himself easily with ultra-nationalists, Islamists, or secular center-right parties. Actually, he tried all of them. First he tried with the ultra-nationalist Nationalist Action Party (MHP). In 1975, the MHP considered Özal for a possible candidate in the elections for congress but they decided to go with another candidate. In the 1977 general elections, Özal's initial preference was Demirel's *Justice Party*, but Demirel did not ask him to join. Hence, that year Özal tried his chance with the MSP led by Erbakan.

Özal's brother Korkut was an MP in his party who served as Minister of Agricultural Affairs in the 1974 and 1975 governments and became the Minister of the Interior after the 1977 elections. In the 1977 elections, Turgut Özal also became the MSP candidate for the parliament from Izmir, but he was not elected. His close relationship with the Justice Party and its leader Süleyman Demirel - who served as the prime minister during the 1975-77, 1977-78 and 1979-80 periods - continued during the 1970s. But even Demirel was hesitant to put forward Özal as a candidate from the Justice Party. From the perspective of the late 1970s, he was an unsuccessful politician.

### **Escalation of Crises and the Impossible Rise of a Failed Politician**

Everything changed, however, with the confluence of multiple crises in the late 1970s. The global economic crisis of the 1970s - which started to become more visible after the '73 OPEC crisis - hit Turkey first in 1977 and more decisively in 1979. This was felt via a strong balance of payment crisis originating from the current account. Turkey's external debts increased from \$3 billion (11.6% of its GDP) to \$15 billion (21.8% of its GDP) from 1973 to 1980. Annual inflation in consumer prices fluctuated between 10% and 20% in the first half of the 1970s and rose to approximately 60% in 1979. From 1977 to 1980, GDP per capita - in constant 2005 U.S. dollars - fell in absolute terms from \$4,025 to \$3,700. From 1977 onwards, various Turkish governments tried to negotiate with the IMF on successive stand-by agreements, but everyone knew that implementation of an IMF austerity program would be political suicide. None of the existing political leaders had the will or the capacity to implement the IMF austerity program during a radicalized social and political climate characterized by increasing social unrest and anti-American sentiments.

The IMF did not have much confidence in the Turkish government's capacity to implement the necessary reforms either, and not without reason. The 1971 coup was not successful in containing or suppressing social-political unrest, and from 1971 onwards, Turkish *political society* almost completely lost control over *civil society*. In civil-war-like conditions of the 1970s, existing political parties lost their ability to govern. During this decade, it was a big success if a government managed to stay in power longer than a year.

Likewise, the United States was gradually losing its influence over Turkey. Escalation of class conflict and the rise of extreme-left and right wing movements polarized the existing political structure by pressuring domestic political actors to deviate from the recommendations of the world-hegemonic power. This deviation first became explicit in 1974 when the Turkish military invaded Northern Cyprus against the will of the United States. In response to the Cyprus Operation, the U.S. Congress imposed an embargo on arms sales to Turkey and a political crisis between the United States and Turkey started. These tensions were not over when the 1978/9



economic crisis erupted. In 1978, while negotiating with the IMF, Prime Minister Ecevit visited the Soviet Union and signed a political cooperation document between Ankara and Moscow. According to Ecevit, “Turkey was shouldering an unfairly large burden of NATO and was over-dependent on the United States” (Hale 2013:117). These statements were explicitly linked to the unfolding crisis of U.S. hegemony on a world-scale.

The unexpected success of the 1979 Iranian revolution forced the United States to turn its full attention to Turkey. In a couple of months, American newspapers were full of Iran-Turkey comparisons, stressing the similarities between two countries (e.g. escalation of social-political turmoil, increase in poverty, politicization of the ghettos, rise of both left-wing and Islamist political extremists with a commitment to anti-imperialism or anti-Americanism) and the necessity for providing Turkey with economic aid so that it does not become the next Iran. General Alexander Haig, Supreme NATO Commander in Europe, warned that Turkey could be lost to NATO in a matter of weeks if nothing was done soon (Chicago Tribune 1979:B2). Suddenly, Turkey's economic problems were discussed in reference to geopolitics: how to avoid “losing” Turkey like Iran, or the urgent necessity to replace Iranian spy bases (Samuelson 1979).

Actually, both the United States and Bretton Woods institutions were inclined to provide all necessary support for Turkey if they could find someone trustworthy in Turkish *political society* who could take necessary steps to realign Turkey within the world-hegemonic bloc. Özal was the perfect candidate for such a task. In 1979, when Demirel became the prime minister again, he knew what he needed to do. He appointed Özal as the undersecretary of the prime ministry *and* as the acting head of the SPO. This double appointment was quite unusual at the time, but Turgut Özal himself had demanded this exceptional position to avoid any interference from the state bureaucracy. Özal's initial task was to prepare an economic reform package to stabilize the economy with the extreme austerity conditions the IMF asked for. This package became the “January 24, 1980 austerity program,” and established the economic preconditions for a transition to neoliberalism. Özal's devaluation of Turkish lira against the dollar was much “sharper than even what the IMF had asked for or expected” (Ahmad 1993:178).

If economic preconditions of Turkey's transition to neoliberalism were created by Özal through the “January 24 austerity program,” its political preconditions were prepared by Turkish military officers through the September 12 *coup d'etat*. The 1980 *coup*—by far the most brutal coup in the modern Turkish history—aimed at providing political stability by crushing all existing revolutionary movements including communist movements and a rising Kurdish secessionist movement. The coup also targeted radical right-wing movements. One key event that triggered the *coup* was a mass demonstration of Islamic groups in Konya—encouraged by the 1979 Revolution in Iran—protestors demanded *sharia* and refused to sing the Turkish national anthem (Zürcher 2003:268-269). After the coup, all existing political parties were

banned, all civic associations (that could be related to politics) were shut down, and nearly all left wing and radical political organizations were crushed.

### **Neoliberalism as Reassertion of Hegemony: A Political Economy of the Özal Decade (1980-1989)**

Unlike the Chilean transition to neoliberalism in the aftermath of the September 11, 1973 coup, in Turkey the relationship between the military junta and economic reformers was a highly contentious one. The junta leaders never trusted Özal, who still preserved his links with the *Naksibendi* communities. Nor did Özal trust the military leaders who had executed Menderes in the 1960 coup. Still however, the National Security Council (military junta) appointed Özal as the deputy prime minister responsible for the economy, and a close associate of Özal - Kaya Erdem - as the finance minister. Right after the coup, influential business circles - including the "emperor" of the big bourgeoisie, Vehbi Koç - asked Kenan Evren (the junta leader) to keep Özal at the command of the economy (Taşkın 2012:68; Boratav 2007). It turns out that these demands were parallel to the demands of the IMF, World Bank and the White House (Ahmad 1993:183, 189).

Despite existing contentions, the 1980 military coup and the Özal's reforms were mutually reinforcing. While the coup aimed "to provide the period of tranquility Özal was seeking, marked by an absence of politics and dissent in all forms" (Ahmad 1993:178-179), Özal's economic reforms included a number of features that aimed to provide long-term social and political stability by coopting radicalized segments of the society and realigning them with the world-hegemonic bloc. It was these differing methods used in pursuit of hegemonic co-optation which gave a "heterodox" character to neoliberalism in Turkey.

First of all, instead of merely restoring class power in favor of İstanbul-based industrial bourgeoisie, Özal's reforms also helped develop a new, Anatolian-based capital group often labeled as the "Islamic bourgeoisie" by Turkish social scientists (Kazgan 2002; Yavuz 2006; Yavuz 2009; Öniş 1997). While this Anatolian-based petty-bourgeoisie was among the losers of the ISI developmentalist era, neoliberalism provided them with ample opportunities for capital accumulation (Yavuz 2009:52). During the Özal decade, these domestic entrepreneurs intensified business activities and small and medium-size enterprises spread to various parts of Anatolia. In the 1980s, there was a "profound take-off in the volume and depth of Islamic business activity, a process that clearly received significant boost from the major inflows of Saudi capital arriving in the country to take advantage of the new opportunities provided by the liberal economic environment, notably in the financial sphere" (Öniş 1997:758). By the 1990s, private

entrepreneurship transcended the boundaries of major cities such as Istanbul, Izmir and Ankara and had spread to many cities such as Çorum, Denizli, Kayseri, Gaziantep, Bursa, Konya or Eskişehir, which became the new manufacturing zones of Turkey (Kazgan 2002:293-294). At the same time, some of these businesses rose above the status of small and medium size enterprises, accumulated capital to a degree that challenged the older and larger bourgeoisie, engaged in transnational trade, and became known as “Anatolian Tigers.” They formed a new business organization called “The Independent Industrialists and Businessmen's Association” (*MÜSİAD*) which became the rival of the *TÜSİAD* of the big bourgeoisie.

Meanwhile the ideological orientations of these entrepreneurs were radically transformed. In the late 1960s and 1970s, these small businessmen and shop-keepers had been an important constituency of Erbakan's Islamist MSP (Öniş 1997:757), the main radical anti-American wing of the Islamic right. During the Özal decade, however, these entrepreneurs gradually embraced the new economic ideologies of the hegemonic power (i.e. globalization, free-trade, a minimal state). Özal's Motherland Party managed to attract the votes of Anatolian-based petty-bourgeoisie (conservative merchants, businessmen and intellectuals) that had previously supported Erbakan's MSP and reconciled their interests with those of the secular, Istanbul-based bourgeoisie (see Taşkın 2013:26-27) as well as the United States. Put differently, Özal's neoliberal policies helped a segment of an anti-systemic movement to realign itself in accordance with the interests of the U.S. hegemonic power. Cooptation of Islamic movements was also key for combatting communism and pacifying the rising Kurdish secessionist movement.

Secondly, instead of shrinking the middle classes, Turkey's transition to neoliberalism under Özal was curiously interested in creating a large middle-class society. For Özal, long-run social and political stability was depended on creation of large middle-classes (middle pillars [*Orta direk*], as he put it). His reforms promoted the emergence of new entrepreneurs as well as the creation of a large consumer society. A flexible accumulation system, dismantling of the bureaucratic rigidities of the *étatist* era, and an abundance of labor reserves created a climate of *enrichissez-vous* (“enrich yourselves”) for would-be entrepreneurs. Likewise, the lifting of import restrictions helped American and Japanese goods enter into the domestic market and led to an unprecedented consumer-boom. Even those whose wealth did not increase in real terms went on a buying spree thanks to a very extensive system of hire purchase, installment sales and credits (Zürcher, 2003:308; also see Taşkın 2013:25-27, 61-67).

This conscious interest in creating a stronger middle class society was also evident in Özal's initial privatization attempts. Privatization campaigns in 1987 “displayed specially made photographs and films depicting typical representatives of lower-income and middle-income groups, with the following statement by Özal as a caption: ‘This is the first time in this country that our people are offered such an opportunity! Now, all of my citizens can have a share in

Turkey's riches, by holding capital ownership and getting their share from profits” (Ilkin 1994:81). This was not merely populist propaganda. Özal’s privatization program was not a form of “shock therapy” aimed at catapulting a few individuals into the *Fortune* list of world's wealthiest people overnight by transferring state economic enterprises, as was the case of Mexico in 1992 and elsewhere (see Harvey 2005a:17). It initially targeted the participation of middle-income populations and small investors. Thus the privatization program was conducted via the capital market, and the pace and scale of privatization attempts were determined according to the size of existing capital markets. It was a gradualist program: “[This] emphasis of divestiture via the capital market was also consistent with the government’s political objective of incorporating a significant portion of middle-income population into the privatization process, thereby helping to extend property ownership to wider segments of the society as part of its program of 'popular capitalism’” (Öniş 1998:154). In 1988, for instance, the shares of TELETAŞ (a telecommunications company) sold via 4,822 branch banks to 41,695 shareholders, an impressive number. Because of the small size of the domestic capital market in the 1980s and early 1990s (Ilkin 1994:81), however, this policy could not continue. This is one reason why the privatization of state enterprises seemed as if they were “more talked about than done” (Anderson 2011:441) during the Özal decade compared to the Erdoğan decade.

A third feature of neoliberalism during the Özal Decade related to domestic political co-optation was its coexistence with a new form of populism. Of course, clientalistic/ patronage politics aimed at buying the votes of the masses through diverse types of rewards, gifts, redistributions targeting the most disadvantaged/most contentious segments of the society were not new in Turkish politics. However, neoliberal ideology hitherto associated these kinds of rent-seeking behaviors with politics under ISI-led developmentalism (Öniş 2004:126). In Turkey, populism reemerged under the neoliberalism of Özal, who knew very well that (1) the emerging social unrest in the late 1970s was heavily supported by working classes, (2) the costs of neoliberal reforms would disproportionately be carried by them, hence (3) he needed to “buy” the votes and the consent of these masses to stay in power and to contain their discontent. In this pursuit, Özal extensively relied on a vast system of “funds” outside the control of the Assembly and the bureaucracy for governmental expenditure. According to many scholars, these funds were a system of “legalized corruption” (Oyan and Aydin 1987; Ahmad 1993:191). In addition to populist attempts at pragmatic redistribution through funds like the “poor fund,” Özal also distributed construction licenses through *gecekondu affi* (shantytown amnesty), and allowed *gecekondu* dwellers to build more stories in their houses. These funds and redistributions not only helped reduce reproduction costs of laborers and kept wages as low as possible for capital, but also helped Özal stay in power during elections.

These examples illustrate that neoliberalism in Turkey was not primarily preoccupied with a redistribution of class power in favor of the big bourgeoisie. Indeed, if such redistribution was the aim of neoliberalism under Özal, it was unsuccessful. In the 1978-1979 period, when laborers had the highest real wages of their history, industrialists had a share of 29% in the overall capital accumulation. In 1988, during the height of Özal's neoliberal agenda, this share declined to 16% (Boratav 2006:162). The change of the share of different income clusters across years shows that the highest 20 percent of the population commanded over 56.5% of national income in 1973, which fell to 49.9% in 1987. All other income groups, however, managed to increase their share of national income in the same period (see Table 1). Curiously, the same trend continued in the post-Özal period. As Table 2 below illustrates, during the later periods of neoliberalism, income share held by the top 10% of the population decreased from a value of 0.353 in 1987 to a value of 0.336 in 2002, and it further fell to 0.290 in 2009. According to a recent OECD study, Turkey had the lowest annual increase (0.1 percent) in the household income of the top decile among OECD countries from the mid-1980s to late 2000s (OECD 2011:23).

**Table 2:** Size of Distribution of National Income in Turkey (% of Income)

	ILO(1987)	ILO(1994)	ILO(2002)	ILO(2009)
Highest 10 percent	0.353	0.324	0.336	0.290
Fourth 20 percent	0.203	0.216	0.211	0.226
Third 20 percent	0.140	0.148	0.145	0.158
Second 20 percent	0.098	0.103	0.099	0.108
Lowest 10 percent	0.024	0.023	0.023	0.022

**Source:** ILO Database (available at <http://laborsta.ilo.org>)

The decrease in the economic share of top income brackets in Turkey during the neoliberal era affected overall income inequality measures. Looking at the income distribution from the 1960s to today, we can see that during Turkey's transition to neoliberalism income inequality declined. Figure 2 already showed that the Gini coefficient—which fluctuated between 0.50 and 0.56 between 1960s and 1970s—fell to an interval of 0.40-0.50 during the Özal decade and further fell below the 0.40 level during the Erdoğan decade. According to a recent OECD (2011) study, Turkey and Greece are the only two countries among the OECD countries where inequality decreased from 1985 to present.

### **Özal and After: The Accidental Death and Curious Resurrection of a Neoliberal (Project)**

During the Özal decade, Turkey did not deviate at all from the political trajectory of the United States (Aral 2001). This realignment was so strong that with the rise of U.S. operations in the Middle East, Turkey's neoliberal economic agenda gradually disappeared and pro-U.S. liberals suddenly shifted their interest from "free trade" to "geopolitics." Özal's last years as President (1989-1993) clearly demonstrated that Turkey was willing to play a role as the hegemonic power's "watchdog" in the region. When U.S. imperialist ambitions came to the fore after the dissolution of the USSR, Özal did not raise any objections to the U.S. motives. On the contrary, he marketed these ambitions as "an opportunity to recover the Mosul and Kirkuk regions of northern Iraq for Turkey. [...] Even before the outbreak of the 1990-91 Gulf War, Özal told CNN that the U.S. commander in Incirlik [U.S. military base in Turkey] could have used the air base whenever they wanted" (Aral 2001:79). Such commitments made by Özal - without consulting the top generals - created discontent within the military, and led the Chief of the General Staff to resign in December 1990.

Likewise, when the United States realized the necessity to contain Kurdish threats in the Middle East (which exist in Iraq, Turkey, Syria and Iran) to reassert its influence in the region, Özal started to mention the Kurdish identity of his (grand)mother. Until that time, mentioning the words "Kurds" or "Kurdish" in public was generally regarded as breaking a taboo in Turkish society (Kramer 2000:37). Suddenly, in 1991, draconian laws against the use of Kurdish language were partially loosened and celebration of the Newroz was made "formally" legal (Aral 2001; Acar 2002:176). In this new era, Özal began to discuss the possibility of a "democratic solution" of the Kurdish problem to undercut the popular support enjoyed by the PKK. While taking initial steps toward loosening Turkey's policy of denial of the existence of a Kurdish ethnic identity (Çandar 2013:33; Ataman 2002), Özal initiated a rapid rapprochement with Iraqi Kurds (Ersel *et al.* 2002b:361). After bilateral talks, Talabani's Patriotic Union of Kurdistan (PUK) and Barzani's Kurdistan Democratic Party (KDP) established contact offices in Ankara (Çandar 2013:33). When the PKK declared its first-ever ceasefire in March 1993, it became apparent that they were also tuning their ears to "democratic opening" messages of the Turkish statesmen and nurturing hopes for a democratic solution to the Kurdish problem.

One month after the PKK's declaration of ceasefire, on 17 April 1993, Turgut Özal suddenly died of a heart attack— a matter still of ongoing controversy in Turkish politics. Many suspect an assassination such as one attempted in 1988. After his death, a vicious cycle in the economic and political arena emerged. Economic catastrophes of the 1990s and early 2000s were largely the consequences of the neoliberal reform strategy applied during the Özal decade.

Especially after a full-scale opening of the capital account in 1989, economic growth rapidly decreased, inflation dramatically took off and the economy started to face successive crises in 1994, 2000, and 2001. In this period, further implementation of neoliberal reforms was put on the back burner.

In the political sphere, the close relationship between the United States and Turkey proved to be over-dependent on Özal himself, who bypassed bureaucracy and parliaments to “get things done” whenever necessary (Abramowitz 2013:38; Öniş 2004). In his absence, Turkish political society - once again - started to move away from “recommendations” coming out of Washington DC. The Kurdish democratic opening process was at once terminated. The ceasefire ended and Turkey entered into the bloodiest era in the history of Kurdish problem. Unstable coalitions became the rule again and a number of left and right wing anti-systemic forces started to regain power. As the Kurdish insurgency came to a peak, left-wing movements in Turkey started to show signals of recovery as symbolized by the Gazi uprising of 1995 and major May Day demonstrations in 1996.

At the other end of the political spectrum, in the mid-1990s ultra-nationalist movements – which were also crushed after the 1980 coup – gained considerable electoral success. Yet none of the existing center-right parties managed to attract the conservative-Islamist segments of the society, as Özal had done. These segments started to support Erbakan. Erbakan's radical Islamic movement soon came to power and Erbakan became the prime-minister in 1996. Erbakan's call to turn away from the influence of Western powers and his discontent with core principles of the Turkish republic (e.g. secularism) made not only the United States but also the Turkish military forces extremely nervous. In 1997, a military memorandum forced prime-minister Erbakan to step down and the Constitutional Court banned him from politics.

### **Tragedy, then Farce: Turkish Neoliberal Experience in the Context of World Hegemonic Crisis**

Although Özal's neoliberal reforms were postponed in the 1990s, the project was reborn with the 2001 establishment of the Justice and Development Party (Adalet ve Kalkınma Partisi, AKP), which has since left a decisive mark in Turkish politics. At the turn of the century, a reformist section within Erbakan's Welfare Party with close links to the rising Anatolian-based “Islamic bourgeoisie” abandoned Erbakan's party. This segment established the AKP as a center-right conservative party advocating liberal market economy, globalization, export-oriented growth strategy, and integration into the European Union. Just after the disastrous 2001 economic crisis, the AKP won a sweeping victory, gaining 34.26% of the votes and a two-third majority of seats in the 2002 parliament. In 2007 and 2011 general elections, the AKP further increased its votes

(to 46.58% and 49.83% respectively) and became the only party in Turkish history to form three successive majority governments along with an increase in the overall electoral vote share.

After coming to power in 2002, the AKP commenced the unfinished businesses of the Özal decade in every aspect from ambitious privatization initiatives to the "Kurdish/democratic opening" project. Erdoğan's neoliberal policies also replicated the economic "anomalies" of the Özal decade in almost every aspect, but in a more extreme and explicit manner. The Islamic bourgeoisie, which started to flourish during the Özal decade, became *the* prime rival of the Istanbul-based (now financial) bourgeoisie during the Erdoğan decade. Diverse forms of middle classes continued to grow, more advanced neo-populist redistributions targeting the poorest and the most contentious segments of the society were implemented (see Önis 2012:141), and income inequality continued to decrease (see Figure 2, Table 2; also Günçavdı and Bayar 2011). For many scholars, the similarities between Özal and Erdoğan were so evident that they summarized the relationship as "Two Men, One Story" (Heper 2013). Erdoğan and other prominent members of the AKP also reinforced this perception by continuously highlighting that they adhered to the same ideology as Özal (Taşkın 2012). From his clientelistic networks to corruption scandals, from his Machiavellist pragmatism to one-man-party politics, many of his critics also saw in Erdoğan a new, and upgraded, Özal.

I do not have space here to provide a full-fledged comparison of these two leaders and their political reforms. Yet, to bring back the theoretical emphasis of this paper, it is important to underscore that these two men were not the same at all. In many ways, Erdoğan's political career was the opposite of Özal's. His political horizon was not influenced by an admiration of the United States. He did not receive a foreign technocratic training. His life trajectory never intersected with American financial circles. Until the turn of the century, with an anti-American standing and an anti-free market attitude, Erdoğan was a follower of Erbakan's radical Islamist path, far more resembling an "anti-systemic" movement. It is not a coincidence that, even after 2002, the U.S. leaders did not know or trust Erdoğan as much as they knew and trusted Özal (Abramowitz 2013:37-38).

This being the case, how did these two leaders with life careers and political horizons almost antithetical to each other end up pursuing a similar set of political and economic policies when they came in power? The analysis presented in this paper suggests that the seeming similarities (and some of the differences) between the Özal and the Erdoğan lie not in the personalities, ideologies, educations or professional trainings of these figures but in the circumstances and relationships created by the complex interconnection between the world-systemic pressures (e.g. crisis of the U.S. world-hegemony) and various domestic-local level societal forces (e.g. escalation of anti-systemic movements, class struggle from below).



I argued that the historical trajectory of U.S. world-hegemony (especially its crisis) and growing social and political unrest, divisions and instabilities in Turkey and the Middle East (linked to the crisis of the U.S. world hegemony) played a key role in creating the initial conditions for the rise of Özal as the neoliberal architect of Turkey. Özal's neoliberalism did not emerge as an economic policy merely aiming to transfer wealth to the top income brackets but as part of a wide range of social, political and economic policies aiming at resolving the twin crises of U.S. hegemony and Turkish political society by containing various contentious movements and realigning Turkey within the sphere of influence of the declining hegemonic power. For this reason, Özal's neoliberalism included many policies which attempted to co-opt and pacify radicalized segments of socially centrifugal forces which could otherwise have become anti-systemic forces by opening paths of capital accumulation (i.e Islamic bourgeoisie), creating new middle classes, and implementing populist redistribution to the working classes. These policies decreased income inequality and gave a seemingly anomalous feature to the Turkish neoliberal experience.

At present, these crises have not been resolved either at the world-systemic or at the national level, but rather have deepened. Hence it is not surprising that the Erdoğan decade has also been shaped by similar kinds of economic and political policies which Özal pursued. But Erdoğan (and his policies) also differ from Özal (and his policies) in key aspects. This is not surprising either. After all, escalation of anti-systemic threats at the turn of the century, the September 11 incident, U.S. military involvement in the Middle East through the "War on Terror," growing power of political Islam, further strengthening of the Islamic bourgeoisie, and the deepening of the Kurdish problem especially in the aftermath of the 2003 invasion of Iraq created a considerably different environment in the 2000s compared to the 1980s. During the early phases of U.S. hegemonic crisis in the early 1980s, with the help of global financial institutions and a military coup, a pragmatic center-right figure (and formerly failed politician) like Özal could still be very effective. But in the 2000s, a deepening of these multilayered crises required a more sincere co-optation of the civil society from within, hence a deeper embeddedness within domestic societal forces. This is probably why, during the second period, political co-optation resembled more of a "passive revolution" (Tugal 2009) as illustrated by the emergence of the pro-Western/pro-American AKP out from Erbakan's more Islamist oriented movement.

Deeper embeddedness in domestic societal forces, however, is a double-edged sword. On the one hand it has more potential for pacifying social and political discontent and realigning contentious groups with the interests of the declining hegemonic power and its political and financial institutions. On the other hand, it increases the degree of autonomy of these leaders from the interests of the world-hegemonic bloc and makes these leaders or political groups more

unpredictable. Hence, there is a fundamental contradiction in world-hegemons' attempts at cooptation during periods of hegemonic crisis. In these periods, they are compelled to establish contentious alliances with political leaders or groups they cannot easily control.

It is not difficult to see how this contradiction played out at the turn of the century in the context of Turkish politics. Although they did not know or trust Erdoğan as they knew Özal, the United States took the risk and became the primary supporter of Erdoğan's AKP. Islamic movements very close to the United States (such as the Fethullah Gülen Movement) and many prominent pro-U.S. businessmen played a key role in the establishment of this contentious alliance. At least until late 2008, the United States promoted Erdoğan as a champion of democracy. In this period Erdoğan also proved to be a useful ally for Washington, who was loyal to the U.S. interests in the region. During the Erdoğan era, AKP did its best to reinforce the image that political Islam and global capitalism are not incompatible, followed the IMF and World Bank suggestions and the post-Washington consensus without much trouble, tried to contain the Kurdish threat in the region by (re)launching the "Kurdish/democratic opening process," helped the U.S. armed forces and NATO in various military operations in North Africa and Middle East when necessary, and gladly played the role of a regional leader and a negotiator between the United States and many Middle Eastern countries.

In comparison to Özal (who preserved close links with the global financial institutions, Istanbul-based business elite as well as various Islamist, nationalist and other conservative networks), however, Erdoğan (who is more embedded into emergent domestic and regional Islamic movements, organizations and networks that further rose in the 1990s) turned out to be far more unpredictable for the United States in political affairs. As illustrated by his dramatic walkout from the World Economic Forum at Davos, his continuous support for Hamas, or his turning a blind eye the crossing of ISIS militants freely over the Turkish border (coupled with his foot-dragging over letting Kurdish fighters enter) during the siege of Kobane, Erdoğan does not always act in accordance with the interests and suggestions of the United States. From the perspective of this article, this unpredictability is not independent from the further deepening of the crisis of the U.S.-led world-hegemony. On the contrary it is a symptom and manifestation that the capacity of the former world-hegemon to generate consent has rapidly been diminishing.

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