Crises in Turkish Capitalism and

Individual Capitals as Invisible Gorgons** of Crises; Some Notes

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I think that, in the analysis which are in the aim of comprehending Turkish capitalism, we – contrary to what Perseus had done – placed the helmet which Hades gave us not on our heads for preventing Giants (gorgons) seeing us, but on preying giants’ heads to make them invisible. Analyzing the development process of Turkish capitalism, the analysis which put the state and external dynamics in the center has special contribution by omitting capital category. In this study, what is wanted from individual capital category is to take out the helmet on giants’ head and make them visible.

Individual capital category is asserted as a representative part of capital in general in Marx. Contrary to the general belief in Marxist literature, not from the point of the third volume but from Grundisse and Capital’s two initial volumes, the concept of individual capital whose conceptual content can be put forward is mostly neglected in Marxist analysis. However, categories which Marxism developed in structural and high abstraction level and structural contradictions of capitalism which is based on commodity production flows into social life by the way of individual capital as a representative part of capital in general and are related with people’s everyday life. In this context, individual capital category is a conceptualization, which enables Marxist analysis to relate between structural and daily parts of capitalism.

In the scope of this study, individual capital category will be added to analysis in the context of crises in Turkey example. That there are contradictions between the accumulation process of individual capitals and capital accumulation at the macro economic level and these contradictions will form a basis to Turkish capitalism. Hereby I have done an analytical division between the accumulation process of decisive individual capitals’ and accumulation process at the macro economic level.

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**Golden winged monsters whose hair is knitted with snakes in Ancient Greek mythology. Perseus uses the magical helmet which he took from Hades in order to hunt one of these monsters; Medusa. This helmet makes Perseus invisible when he wears it. By this way, Perseus would be able to hunt Medusa.
In this frame; crisis of 1950’s, the one experienced through the end of 1970’s, partial crisis process of 1989, and crisis of 1994, 1999-2001 and today’s 2008 crisis will be discussed in the context of accumulation process of large-scaled individual capitals and crisis tendencies which are accelerated by this process. Shortly I argue that the accumulation processes of decisive individual capitals have affected the crises of capitalism in Turkey. Decisive individual capitals concept is surely an abstraction. But after the development of productive capital, it signs large-scaled industrial individual capitals.

By putting forward the contradictions between individual capital accumulation process and capital accumulation process in general what is aimed is to question the social and scientific legitimacy of individual capitals.

First of all, let me start to narrate Perseus’ story with a few words. Perseus was commissioned by his king to kill the giants (gorgons) and bring its head into His presence. However that was a mission impossible since anyone facing the gorgons would turn into a rock and the king himself was quite aware of this fact. Yet Hades gave Perseus a helmet that would make him invisible. In that way, once Perseus put on this helmet he would become invisible and be able to kill the gorgon.

Marx too was deeply touched by Perseus’ story. In the first volume of Kapital, Marx refers to this story. Frankly I must say that I was also inspired by this story.

In this presentation I would like to point out that many studies which focus on the history of capitalist development process in “underdeveloped” countries disregard the significance of large-scaled individual capital and this negligence, unlike Perseus’ story, puts Hades’ helmet on gorgons or in other words individual capitals’ heads, thus make them invisible.

My objective is, by focusing on the role and effects of individual capitals on development process of capitalism, to take off this helmet from the heads of individual capitals and make them visible.

In Turkey the roots of large-scaled individual capitals go back to trade and this is illustrated in table 1.
In Turkey trade-based capital accumulation was obtained through two methods in general. The first one was importation of trade goods and the second one was exportation of agricultural goods. Yet the first one has always been more effective in large capital’s accumulation process.

If we disregard the global economic crisis of the 1930s, it is possible to assert that the process lasting till the mids of 1950s offered a positive conjuncture for the commercial accumulation process of individual capitals. Nonetheless the great depression in the 1930s suspended commercial capital accumulation process in Turkey. That is because during this period capital accumulation was based on selling importee trade goods in domestic market. Year 1929 was at the same time the period Republic started to use its right of disposition on customs. Once the importers who already envisaged that turned to excessive importation, already existing import-export imbalance changed into an unsustainable character. The fact that dominant accumulation process was importation based and the increase in importation and decrease in the prices of agricultural goods and agricultural exportation created a problem in balance of payments and initiated foreign exchange troubles. The vital players in this process were domestic and foreign importer companies and importer tradesmen. That is because accumulation process of these individual capitals’ saving over trade is directed to foreign exchange spending rather than saving. Such character of accumulation brought with itself foreign exchange insufficiency on macro economic level and balance of payments issues. This event was the first crisis of commercial capital accumulation in Turkey. On macro economic level, the State aimed to search for ways to fight against crisis and initiated practices such as quota application and lessening the influence of tradesmen in exportation or in other words in foreign exchange saving. Again this period indicates a stage when land owners and tradesmen started to dispute. This reality points out that the nature of commercial
capital accumulation process of which main subject is tradesman assumed a quality which, as an outcome of global crisis, brought about a crisis on macro economic level. Starting from the second half of the 1930s, the increase in the prices of agricultural goods and betterment in domestic and foreign trade rates in favor of agriculture gave rise to agricultural good exportation once again. This increase continued in the conjuncture formed by Second World War and Korean War. After the Second World War in particular, with the liberalization in importation, a period that witnessed a revitalization of accumulation process based on industrial good importation occurred. In that way commercial capital accumulation process was able to be sustained till the mids of 1950s.

During the mids of 1950s, a new crisis on macro economic level emerged inevitably due to the facts that individual capitals depending on industrial good-based importation was away from foreign exchange spending accumulation process and a structure providing its own foreign exchange and when such realities were combined with the fact that this positive conjuncture of agricultural goods terminated, a crisis occurred. In terms of Turkey capitalism, this had been the second crisis of commercial capital accumulation process. Foreign exchange spending quality of individual capitals’ accumulation process was again brought to agenda balance of payments and foreign exchange issues on macro economic level.

At the same time in Turkey this crisis enabled the transition to industrial capital accumulation process.

<table>
<thead>
<tr>
<th>Foundation Years</th>
<th>Rate %</th>
</tr>
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<tbody>
<tr>
<td>— 1900</td>
<td>10.46</td>
</tr>
<tr>
<td>1901–1910</td>
<td>-</td>
</tr>
<tr>
<td>1911–1920</td>
<td>2.26</td>
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<tr>
<td>1921–1930</td>
<td>3.22</td>
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<tr>
<td>1931–1940</td>
<td>5.40</td>
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<tr>
<td>1941–1950</td>
<td>13.42</td>
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<tr>
<td>1951–1960</td>
<td>40.54</td>
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<tr>
<td>1961–1969</td>
<td>24.70</td>
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</tbody>
</table>

Source: Soral, 1974, p.30
The restrictions that emerged with crisis, starting from the mids of 1950s, brought with themselves the production of goods like agriculture based weaving and food and also consumer goods appealing to the demands of high income level groups. In this transformation, importation restrictions appear to be the most active effect. Transition from trade based accumulation process to industry based accumulation process was accelerated with the application of import substitution policies.

The favorable conditions of this period, which were then away from competing in foreign markets, were provided thanks to the import substitution economy policies. Industry oriented individual capitals were manufacturing for domestic market and they were protected and supported with high customs barriers and promotions. It is possible to claim that industry oriented individual capitals in such a structure obtained a fast saving and high profits with foreign partners. This relation created a desirable atmosphere for international capital and at the same time formed and facilitated the transition process from trade to industrialism. It may be asserted that modern industrialists solved the problem of rising in such an atmosphere. Individual capitals which, prior to the 1960s, earned savings by selling importee industry goods to domestic market and thus established a market, after the 1960s, manufactured by themselves for these markets. It should be noted right here that this production was mostly based on montage. Yet it should also be underlined that this process of fast saving and high profit contained in itself crisis inclinations.

The nature of this accumulation process based on inward oriented manufacturing individual capitals necessitated importation of intermediate goods and raw material to sustain production. In other words, importation was not restricted but simply transformed. For the sustainability of individual capitals’ accumulation process, on macro economic level foreign exchange income was required. That is because the incomes of domestic market oriented individual capitals were in TL(Turkish Lira) while its expenditures were in foreign exchange. In parts agricultural good exportation and partially allocation of laborers’ foreign exchanges to individual capitals enabled a period for foreign exchange acquisition of individual capitals; yet towards the ends of 1970s these opportunities were greatly lost. Foreign exchange spending nature of individual capitals’ accumulation process once again brought with itself a crisis that emerged with the balance of payments and foreign exchange issues on macro economic level. When this process united with the global crisis of the 1970s it became really hard for individual capitals to gain foreign exchange income and since production was
dependent upon importation, it almost ceased. On the whole, this accumulation process stiffened the sustainability of Turkey’s economy.

As a result 1) domestic manufacturing in return for TL yet 2) foreign exchange based individual capital accumulation process to provide intermediate goods and raw material required to sustain manufacture reached to point that no longer was able to continue at the end of the 1970s. This process that meant for individual capitals a long process of high profit and fast saving prepared the macro economy crisis during the ends of 1970s. At the end of 1970s, Turkey’s economy went through the worst crisis ever. This may be considered as the first great crisis of industrialization in Turkey. Industrialization crisis would inevitably bring with itself increasing class conflict and labor movements. The alliance of this fight with the left wing created an anti-system movement. This movement could not be suppressed till September 12 Military coup.

Foreign exchange trouble introduced demanding exportation oriented politics led by capital. And in Turkey’s economy after 1980, import substitution strategy gave place to exportation oriented accumulation strategy.

What should be particularly noted is that in Turkey, 1980’s transformation was a demand of especially large capital but moreover it was a necessity more than a demand. To make this expression more clear, individual capitals’ accumulation process caused just as it was in the mids of 1950s, a capital accumulation crisis on macro economic level and the troubles confronted with in this macro economic level accumulation process gave way to a non-willing or demanding movement in accumulation process of individual capitals. In the end, this situation remerged as a will or demand but as of its pre-experienced nature, it was a systemic necessity. For individual capitals this necessity was providing money capital, foreign exchange money capital in particular.

On such a ground the interests were set free and exportation was put on the agenda with 1980’s. The objective was to provide credit to individual capitals by increasing deposit money of accumulative interest rates and to solve foreign exchange problem with rising exportation. For that purpose, in addition to already known methods, what matters for us is that TL was devalued or in other words through devaluation orientation to export and demand for foreign exchange money capital were opened.
Orientation to export was a class search for solving the already existing problem of capital. Orientation to export had critical political-class outcomes and problems. To orient towards exportation, it was a requisite to possess a cost structure able to compete in international arena. The most obvious implication of it was to reduce laborer wages in real terms. In that way the costs would be restricted. As regards individual capitals, the solution package was approved on January 24, 1980. However it was not until the military coup that in such a resentful and opposing atmosphere, these decisions could be put into practice. As narrated by several capitalists, it was through September 12 Military coup that January 24 decisions could be enacted.

This process which aimed to solve foreign exchange problem through exportation started to hold back with the arrival of 1987. The limits within the capital’s capacity to gain its own foreign exchange brought a significant exportation decrease for individual capitals starting from the ends of 1980s till 1990 and even 1994.

![Figure 1: Export Increase Rate in Large-Scaled Industrial Capitals % (Dollar) 1984-2007](source: Compiled from 500 Biggest Industrial Business Researches, Istanbul Industry Chambers)
Within this context, post-1989 process is particularly noteworthy. And due to its general characteristics it still continues today. Against this constriction experienced with 1989 foreign exchange money capital problem of individual capitals was met by, in addition to exportation 1) discounting importation 2) acquisition of foreign exchange directly from the international finance movements or in other words liberalization of capital movements. Its mechanism, which is commonly worded today, valued TL-devalued foreign exchange rate and high interest rate policy application was initiated in 1989. This process always revived current deficit- foreign trade deficit problems that constituted the base of crisis in years 1994, 1999-2001 and 2008 or in other words providing individual capital accumulation processes created conditions that the emergence of interval crisis on macro level. It means that after 1989, valued TL policy which comforted individual capital accumulation process exposed a pro-importation structure since it discounted importation. This importation based production and importation increase enabled by exportation structure carried foreign trade balance on macro economic level to unsustainable points. Years prior to 1994, 2001 and 2008 were, as indicated in the table below, years when foreign trade deficit reached to maximum. And these years were followed by crisis years. In those years devaluation was applied on macro economy and foreign trade balances were reconstructed but this circle was continuing as the accumulation conditions of individual capital which depended on importation based production and exporting, valued TL, high interest application.

At the same time the companies’ exportation oriented production activities helped them to suffer relatively less from these crisis periods and particularly crisis of 1994 and 2001 yet this problem occurred in this particular crisis. The companies which oriented their production to increasing exportation cannot, by increasing their exportation, free themselves from the crisis due to the global nature of this particular crisis. That is why in almost everywhere a revitalization of domestic market is on the mouths.

Moreover this process appears as a period when manufacturing is increased via foreign loans. Global liquidity excess and high interest rates in Turkey support individual capital accumulation process whereas at the same time accelerates their foreign loans and in the end the debts of individual capitals increasingly grow.
In other words individual capitals’ accumulation processes’ importation and loan based exportation and manufacturing structure once again bring forward crisis inclination in Turkey’s capitalism but this time in relation with global crisis. Foreign trade balances constituting the base of our detections after 1980 and the graphic of TL value and individual capitals’ debt ratios are given below.

**Figure 2: Foreign Rate Balance, million dollar**

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0 10000 20000 30000 40000 50000 60000
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**Figure 3: Turkish Lira’a Value, Real Effective Foreign Exchange Rate Index**

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0 20 40 60 80 100 120 140 160 180 200
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Figure 4: Foreign Exchange Position in Industrial Firm, (Negative) (million dollar)