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THE STRATEGIC CHOICE BETWEEN MONEY AND PRODUCTIVE CAPITAL IN THE INTERNATIONALIZATION OF TURKEY'S HOLDING COMPANIES

Association for Heterodox Economics 8th Annual Conference
Economics, Pluralism, and the Social Sciences, 14-16 July, 2006

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ABSTRACT

While the volume of worldwide financial transactions has increased tremendously since the 1970s, money and productive capital have been addressed as two separate phenomena by the Monthly Review and post-Monetary Keynesian schools. However, in the late capitalized countries, a time-dependent, strategic choice between money and productive capital has been observed. The Turkey case provides empirical evidence for the interconnectedness between money and productive capital in the context of a late capitalized country.

The Turkish capitalism has developed rapidly since the foundation of the Republic in the 1920s. The state-led planned development by the late 1970s paved way to the rise of conglomerates which operate in diversified sectors of the economy. The conglomerates have accelerated their accumulation through the joint control over money, productive and commercial capital. Those capitals have had privileged access to financial resources through the ownership of banks not only during the import substituting industrialization by the late 1970s, but also during the era of so-called trade and financial liberalization in the post 1980 era. The domestically and/or internationally expanding capital

groups have found a shelter in finance and boosted up their profits thanks to the state finance policies of the period. As a result, a limited number of conglomerates have established an immense control on the overall economy due to the integration between money and productive capital.

When the Turkish economy has become more integrated with global accumulation process since the 1980s, the accompanying neo-liberal orientation in macroeconomic policies led to some criticism by the nationalist/developmentalist scholars. The left Keynesian scholars argue that Turkey has become a playground for speculative international money flows and the formation of productive capacity in the country has been neglected. A common emphasis is made on the enforcement by foreign capital and its international institutions such as the IMF. Those "imposed" policies have retarded the development of Turkey and have been in conflict with national interests, the nationalists/developmentalists argue.

However, when the issue is addressed from the point of particular interests (differing interests between fractions of capital) but not national interests, it can be seen that conglomerates have strategically changed their preferences between different forms of capital during the subsequent periods of capital accumulation in Turkey. On this ground, the so-called disarticulation between finance and production during the external financial liberalization of the 1990s was not valid for those capitals that have oriented to financial profits in order to back their surplus value producing activities. Those capitals have extensively benefited from the easy profits in the finance sector in the post 1980 period in order to get prepared for the current transition to the productive capital-based accumulation in Turkey.

The popular juxtaposition between money and productive capital

In popular usage, finance capital has come to be applied to only the growing influence of financial institutions with industrial capital and the wider economy. Financial markets, in a dichotomy with productive capital, are widely seen as an outlet for speculation and rent-seeking. This view has been widely applied in the study of the Turkish economy, particularly by the nationalist/developmentalist school. The juxtaposition of banking and industrial capital and the priority given to industrial capital over banking capital contrasts with Marxist theory that treats money and productive capital as essential elements for the realisation of the total social circuit of capital.

When we look at the Turkish case, the traditional tertiary division of money, commodity and productive capital lacks relevance to the conglomerates that have tended to gain control over these three functions simultaneously. Those capitals have had privileged access to financial resources through the ownership of banks not only during the import substituting industrialization by the late 1970s, but also during the era of so-called trade and financial liberalization in the post 1980 era. The domestically and/or internationally expanding capital groups have found a shelter in finance and boosted up their profits thanks to the state finance policies of the period. As a result, a limited number of conglomerates have established an immense control on the overall economy due to the integration between money and productive capital.

The Rise of Finance Capital in Turkey: The Unified Control of Conglomerates Over the Circuits of Money, Commercial and Industrial Capital

The Turkish capitalism has developed rapidly since the foundation of the Republic in the 1920s. The state-led planned development by the late 1970s paved way to the rise of conglomerates which operate in diversified sectors of the economy. The conglomerates have accelerated their accumulation through the joint control over money, productive and commercial capital (the formation of Finance Capital).

In the 1930s and 1940s, *state involvement in the economy itself took the form of integrating industrial and money capital*: industrial development plans were fulfilled through the creation of a number of state banks. Because of the insufficient level of private capital accumulation and the negative effects of the Great Depression on the economy, the government abandoned its policy of privately driven industrialisation. Consequently, from the 1930s onwards, the state became the driving force in the industrialisation: ‘most industrial plants were set up as state enterprises or, if in private hands, owed their existence to official support and protection’ (Vorhoff 2000, 145). In order to provide credit and to facilitate infrastructural and industrial investments stipulated by economic development plans, state banks were established in specialised sectors. The role of these state banks, therefore, was to orient public savings and foreign credits to national capital accumulation.

During this state-led industrialisation period, the national bourgeoisie was nurtured via state policies, as the young state aimed to take control of trade and proto-industrial production from Turkey’s Greek, Armenian and Jewish minorities. Within this context, today’s largest Turkish conglomerates produced the first capital accumulation in the areas of services, trade and building (Sönmez 1992a, 113). Selling commodities to the state, marketing the products of newly established State Economic Enterprises (SEEs) and building state institutions were the main channels of capital accumulation for the bourgeoisie. Private capital accumulation gathered further momentum during the Second World War years owing to high inflation and scarcity, especially in the areas of trade and agriculture.

Under a nascent bourgeoisie, the integration of the Turkish capitalism into world capitalism accelerated after the Second World War. In the process, economic policy became more liberal. Accompanying this change was an increase in credit opportunities from Western capitalist countries, especially under the Marshall Plan. Rising investments in trade, industry and agriculture brought developments in transportation, mechanisation and urbanisation (Ateş & Eroğlu l999, 261-262). The consequent monetisation of markets and rising credit demand in the expanding economy brought about a *rapid development in private banking in Turkey between 1945 and 1959***.**

Access to cheap credit was the driving force leading industrial and commercial capitals to establish new banks in this period. The large banks of today, such as Yapı Kredi Bank (YKB) (1944), Turkey Garanti Bank (1946), Akbank (1948) and Pamukbank (1955), were established in this period. Thus, Artun (1983, 46) declares that 'the 1940s could be evaluated as the years of formation of the private sector banking of today'. Of these early banks, Akbank represents Turkey's first example of a holding bank controlled by a family conglomerate. Increasing control also over the other early banks was established by today's large conglomerates in the following decades.[1]

Under the ISI policy of the late 1950s onwards, commercial capital, the dominant fraction of capital by then, gradually converted to industrial capital (Ercan 2002a). The rapid accumulation process under the ISI was supported by the state through many mechanisms, such as the protectionist trade regime and a lower exchange rate, credits allocated by state banks and the production of intermediate and capital goods by the SEEs.

Therefore, these leading family conglomerates have prospered under supportive state policies in the name of '*creating'* a national bourgeoisie throughout the history of Turkey. Despite this nationalist focus, however, it must be stressed that close links with TNCs have accelerated their rapid expansions inside and outside Turkey since the early period. Besides gaining control over banks as the financial engines of their rapid accumulation since the 1940s,[2] these conglomerates started local manufacturing investments which replaced imported goods via partnerships with TNCs. Some of these

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[1] The control of the YKB was acquired by Çukurova Group from Doğuş Group in 1979. Çukurova Group, a shareholder during the establishment of Pamukbank, also acquired its total control in the mid-1960s. Hence, in the process, the Çukurova Group gained control over three banks: The YKB, Pamukbank and Selanik Bank. Selanik Bank, which started to operate in 1888, was acquired by the Çukurova Group in 1969. It was later renamed twice (first Uluslararası Endüstri ve Ticaret Bank, then Interbank) and sold to Nergis Group in 1996.

Garanti Bank, on the other hand, after an unresolved struggle between Koç and Sabancı Groups to gain control of the bank, was sold to Doğuş Group in the early 1980s. The struggle between Koç and Sabancı Groups over Garanti Bank in the late 1970s was related to their competition in the automotive industry. Koç Group wanted control of the bank, which then had a large stake in a Sabancı-owned tire company that was becoming a danger to a Koç-dominated tire manufacturer. When the two Groups could not gain a majority stake, they eventually sold their interests in the financial institution. Koç eventually acquired its own bank, Koç Bank, to rival Sabancı Holding's Akbank, one of Turkey's largest commercial banks ("Koc-Sabanci Rivalries Divide Turkish Economy", Turkish Daily News, 8 August 1996, URL: http://www.Turkishdailynews.com/old_editions/08_08_96/feature.htm).

[2] With the exception of İşbank that was founded in the 1920s.

conglomerates had already been representative agencies of the exporter TNCs. Hence, these conglomerates grew to their present size due to the close collaboration with international industrial capital from the very beginning and joint ventures with foreign firms provided their entries and expansions into industry.

Contributing to this rapid accumulation, *the formation of holding companies uniting affiliates in different sectors under the control of a founding family* became the distinctive feature of the ISI period. The model of the multi-functional holding company united commercial, industrial and banking capital for a higher capacity of surplus value production via rising industrial investments. As a result, while only two holding companies were established between 1949 and 1962, the numbers were 39 between 1963 and 1971, and 142 between 1972 and 1979 (Kazgan 1985, 2398). The formation of the holding structure was accelerated by the state through new legislation and development plans during the ISI (See Gültekin-Karakaş 2005). Consequently, while some industrial-commercial capitals tended to have their own banks, some banks expanded their activities to other sectors (Tekeli 1985, 2390-2391).

In this process, as indicated above, '*interlocking ownership of banks and corporations gained further momentum as the nascent private conglomerates began to move into financial markets towards the end of the 1950s'* (Öncü & Gökçe 1991, 106, emphasis added). The state supported the formation of an oligopolistic holding banking structure to accelerate capital accumulation. With a negative real interest rate policy, holding banks collected low-costs deposits and provided cheap financial resources to their holding companies (Kazgan 1985, 2402). Thus, in the 1960s and 1970s, bank ownership became *the conditio sine qua non* of comparative advantage in financial markets (Öncü & Gökçe 1991, 106). Consequently, almost all private deposit banks became subject to the control of certain conglomerates and the ownership of some banks was also transferred between conglomerates in the 1970s.

In the late 1970s, the crisis in the import substituting accumulation, which manifested itself in the form of a FX crisis, led to the transition to the outward-oriented accumulation regime. The large conglomerates, having increased control over domestically-oriented accumulation, faced constraints under the ISI together with the saturation of domestic markets, especially the market for consumer durables. The scarcity of FX was a globally-derived constraint on industry expansion. As Ercan (2002a, 44-46) indicates, the production of surplus value was inherently limited by the dominance of assembling operations in manufacturing industry. These industries could not achieve internationally competitive prices and quality under the heavy protection of the ISI; with insufficient level of exports, Turkey could not earn the needed FX. Moreover, given the dependence of industrial production on imports of necessary inputs, the planned transition to the next phase in the ISI (the production of intermediate and capital goods) required even more FX for their imports.

Hence, in the face of the limits of the ISI, the dominant parts of capital, having made the transition from commercial to industrial capital, wanted to expand their operations internationally. Posed from a national perspective, the export-led accumulation regime after 1980 provided the needed environment for these conglomerates to expand into the rising FX-earning sectors of the 1980s such as tourism, finance, international transportation and foreign trade.[3] From the perspective of the dominant capitals themselves, this was the opportunity to expand. As Sönmez (1992b, 154) states, achieving competitive price and quality in external markets required restructuring in their production.

In the 1980s and 1990s, the state took some measures to loosen the integration of industrial and banking capital and to bring the European Union (EU) banking standards to the sector. However, the financial deregulation measures of the post-1980 period did not displace or undermine the pivotal role of the Turkish banking sector in the allocation of financial resources. Owing to the relative backwardness of capital markets and the wide activities of banks in these markets, holding banking continued to be highly attractive to conglomerates. In addition, the lucrative state-debt-finance in the 1990s increased the appetite of individual capitalists to enter banking as all private banks became the beneficiaries of the associated arbitrage gains and float income. The state borrowing, mainly from the banking sector, became a source of protectionism mainly for FC in the post-1980 era. The state indebtness channelled money capital to FC and other benefactor large scale industrial/commercial capital in a period when they sought to internationalise their accumulation.[4]

Yet, given that those conglomerates 'were very important at the domestic scale but insignificant at the international scale' (Tekeli & Menteş 1982, 262), collaboration with international capital continued to be a key to accelerate global expansion.[5] In this process, a limited number of family conglomerates established control over the economy and they have been surrounded by a sea of small scale firms (Ercan 2002a, 32). [6]

[3] The overwhelming majority of the Foreign Trade Companies operating in this period were set up by large holding companies and they captured the main share of foreign trade incentives (see Buğra 1994, 183).

[4] For more information on state borrowing policy see Ekinci (1996), Gürler (1998).

[5] For example, to compensate for its backwardness in foreign partnerships compared to Koç Group, Sabancı Group gathered more foreign partners after 1980 (Sönmez 1992b, 158).

[6] Along with trade liberalisation and export promoting policies, the *financial system was deregulated and gradually integrated into global financial markets.* The end of the inward-looking process of capital accumulation under the protection of the state also necessitated a structural change in its financial system. Hence, *to meet increasing capital needs of the bourgeoisie in the transition to the outward-oriented accumulation, capital, money and FX markets were developed by the state*. In this process, the elimination of control on interest rates provided a wider deposit base for banking. In addition, gradual removal of restrictions on FX transactions during the 1980s and finally on capital movements in 1989 (with decree no. 32) allowed the free international flow of funds. Thus, banks became the central agent in *the domestically mediated external borrowing* of the state over the following decade.

Overall, the development of a national banking sector and the building of close links between banking and industrial/commercial capital under a state guidance have enhanced capital accumulation in Turkey. During the ISI period, a limited number of family conglomerates established control over the domestic circuit of capital by organising themselves in the form of holding companies. In this process, the proliferation of holding banking accelerated those individual capitals' conversion from commercial to industrial capital. These conglomerates, together with newcomer ones, continued to be sheltered by their participation in finance during the trade and financial 'liberalisation' of the post-1980 era, as the state socialised the costs/risks of their outward orientation. [7] In this period, the control over banking capital was a crucial determinant in terms of which parts of capital would solidify their positions within Turkish capital during its recent restructuring (See Gültekin-Karakaş 2005).

The Nationalist / Developmentalist Approach

Central to the developmentalist agenda is that the state must ensure that finance is directed towards productive, not 'circulatory' or 'speculative' uses. The nationalism that attaches to developmentalism sees the flow of foreign capital into Turkey as a drain on the economy and at the core of its economic crises. As such, the IMF is posed as the source of the problem, rather than the solution.

According to the nationalist/developmentalist scholars, the state has failed to protect Turkey form speculative attacks of international finance capital. Moreover, the argument develops, Turkey was systematically thrown into debt by the advanced capitalist countries so that interest payments could be extracted. After the Latin American debt crisis, Turkey, with some other developing countries, was integrated into 'the depressed international monetary system' as '*a borrowing economy'* and the export-led strategy adopted after 1980 was to provide regular debt service (Artun 1987).

The state is criticised since it has not protected the national economy from speculative attacks of international finance capital and so has not served to the long-term development interests of the country by neglecting productive capital formation. As a result, the analyses remain in a national economy concept damaged by international capital. For example, Yeldan advocates (2001, 22-23) that international finance capital transforms national economies to speculative arbitrage markets by

[7] The Turkish experience shows that the financial liberalisation process and accompanying state finance policies brought about different implications for divisions of capital. Crucially, they played an important role in the historical formation of the hegemonic fraction of capital. Accompanying the financial liberalisation process, large conglomerates which formed FC used their rising control over the use of financial resources for international expansion. However, mostly small-to-medium scale capitals faced rising costs of funds and more limited access to bank credit. All aspects, therefore, contributed to the rising centralisation and concentration of capital.

preventing the use of interest and exchange rate means for an independent development strategy and concludes the end of developmental state. In this context, the IMF stabilisation and structural reform programs are seen as part of a larger project defining Turkey's role in the NIDL as a peripheral economy (Yeldan 2002, 12).

This discourse overlooks the fact that state intervention in financial markets in the last two decades has set up conditions for internationalised accumulation mainly on behalf of large Turkish conglomerates and instead criticises it, since it served rentier type of accumulation (Yeldan 2000, 2001a; Boratav & Yeldan 2001). Therefore, the counterposition between the banking and industrial capital precludes seeing the role of the state borrowing policy in channelling money capital to certain capital groups accumulating both financially and industrially. As a result, 'productive sphere' that includes small/medium and large scale capitalists accumulating at domestic and/or international levels becomes a homogeneous unity as if all are affected similarly from the process.

The disagreement that this paper has with the nationalist/developmentalist approach goes to the fundamental categories of this approach: that Turkey as a unit can be seen to occupy a particular spot in the global economy, that there is a single 'national interest', and that all 'Turkish' capital is seen to be determined by this aggregated position. The alternative perspective developed in this paper contends that the interests of different parts of capital vary, according to how they integrate into the global accumulation processes.

Hence the basic point of divergence of this paper from the nationalist/developmentalist approach is whether it is useful to conceive of Turkey as a discrete economy with a discrete set of interests occupying a discrete (and exploited) position in the world economy. The proposition of this paper is that this depiction is not analytically verified – a point that shows through in the difficulty that the nationalist approach has in explaining 'Turkish' capital that is flourishing in the current era. This part of Turkish capital must be dismissed as 'comprador', and in some deep sense traitorous.

While competition and relations among capitals are increasingly organized as intertwined global networks, macroeconomic performances of countries do not coincide with individual performances of capitals (Ercan 2003a, 616, 651). As rising global expansion of capital has been increasingly fragmenting distinct national economies, the demand by nationalists for an independent, nationally integrated, state-led development strategy loses its material basis that is the national form of capital: 'The partial confinement of capital to national sites ─ the national form of capital ─ has been a changing phenomenon, declining in scope with the development of the forces of production' (Yaghmaian 1998, 247). We can no longer operate with a simple differentiation of 'Turkish' and 'international' capital (except as a statement about historical origins) because Turkish capital is itself becoming 'international'. The transformation of Turkey may in some senses be 'imposed' by the IMF, but, more broadly, it is the expression of the aspirations of 'Turkish' capital for global expansion, and the Turkish state and the IMF trying to give order to that expansion.

Addressing the issue from the point of particular interests (differing interests between fractions of capital) but not national interests allows developing a different explanation. It can be seen that conglomerates have strategically changed their preferences between different forms of capital during the subsequent periods of capital accumulation in Turkey. On this ground, the so-called disarticulation between finance and production during the external financial liberalization of the 1990s was not valid for those capitals that have oriented to financial profits in order to back their surplus value producing activities. Those capitals have extensively benefited from the easy profits in the finance sector in the post 1980 period in order to get prepared for the current transition to the productive capital-based accumulation in Turkey.

The Need to Refocus Accumulation (the late 1990s)

After exploiting low real wages as the basis of the export orientation of the industry in the post-1980 period, *Turkish capital needed enhanced mechanisation and higher-value added production if it was to achieve a higher level of capitalist development.* Given the concentration and competitiveness in low-technology manufacturing sectors,[8] the Turkish economy diverged from the Organisation for Economic Cooperation and Development (OECD) average trend which is towards high technology-based production and export (Saygılı 2003, 53). The State Planning Organisation (SPO) pointed out that the Turkish economy was far short of the technological transformation needed for a healthy long-run growth (Saygılı 2003, 26).

Turkey had specialised in labour- and resource-intensive sectors through increasing flexibility of labour markets during the post-1980 export orientation period (Köse & Öncü 2000, 84). However, the Eighth Five Year Development Plan Foreign Direct Investment Commission (SPO 2000, 5) argued that, in attracting FDI, relative cheapness of labour was losing its importance as labour costs comprised such a low share (10-15%) of total costs. Moreover, Turkey was losing its edge on absolute surplus value because primitive accumulation conditions in former Soviet Bloc countries offered a fresh source of cheap labour for global capital. Also, after 2005, quotas in textile and clothing industry, which constitutes the core of the Turkish manufacturing industry's production and export,[9] were be

[8] Saygılı (2003) showed that in 1990-1997 period, low technology sectors, with an increasing trend, achieved the highest share of 40% in Turkish manufacturing industry production, value added and investments. Among these sectors, food-beverages-tobacco and textile-clothing sectors constituted the highest share in production and value added, 36% and 32% respectively. Yet, high-technology sectors had a share of only 4.5% in production and 5.5% in value-added (p.14). In terms of share in manufacturing industry's export, high technology sectors raised their share from 2.46% in 1989 to only 7.53% in 2000 (p.46).

[9] Textile and clothing industry had a share of 21.5% in the manufacturing industry's production in 2002 and 36.2% in the export. It also provides more than one third of employment in this industry (SPO 2004, 22-23).

removed. This means that producers in Turkey would soon face fierce competition from low wage countries such as China. Thereby, traditional industrial sectors of Turkey were being forced to improve their competitiveness by moving into much higher quality segments which require advanced design and marketing skills.

The SPO (2004, 23) points to financial incapability and the widespread existence of SMEs [10] as the main weakness of the industry to this end. Besides such need for change in traditional sectors, a structural transformation was increasingly required to increase the shares of high technology-based sectors in the manufacturing industry's production and export. All these developments heralded further deteriorating conditions for labour that was already used as the primary basis of the outward orientation in the post-1980 period. The passing of a new labour law in 2003 (which is discussed in Chapter 5) supports this argument.

Therefore, as finance protectionism fulfilled the mission of accumulating money capital at the hands of those capitals who were in need of further internationalisation, the Turkish state has recently redefined the industrial policy for a higher level of capitalist development. With the Eighth Five Year Development Plan (2001-2005), higher competitiveness and productivity of the manufacturing industry in the face of increasing global competition was projected (SPO 2004). For such a transformation in the export structure in line with the world trends, the SPO (2003, 46) proposed 'policies ensuring a transition of the industrial structure from consumer goods, raw material and labour intensive goods towards information and technology intensive goods and increasing market share by creating new technologies'.[11] This implies that capital accumulation be reoriented to productivity growth. For labour, this shift means a focus on higher skilled, higher value-added production (in Marxist terms, the production of relative surplus value). Yet the transition towards productivity growth does not mean a lessening significance of the extraction of absolute surplus value for capital. Rather, the ongoing restructuring in Turkish capitalism is based on the intensification of both absolute and relative surplus value production.

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[10] The share of SMEs with up to 250 employees in 2000 is 99.6% of total number of establishments, 63.8% in total employment and 36% in value added (SPO 2003, 37).

[11] At the current stage of capital accumulation, the state projects to implement new policies to nurture industrial capitalists. To this end, among many components of the new industry policy of the Turkish state, which the SPO (2003) declared, ongoing privatisation of SEEs forms one of the mechanisms that reinforce the dominance of the bourgeoisie by whom more than 80% of production and about 95% of gross fixed investment is realized in the manufacturing industry, as the SPO (2003, 36) notes. In addition to the continual withdrawal of the state from industrial sector, public sector investments will be intensified mainly on economic and social infrastructure in order 'to direct public and private sector resources into rational and complementary investment areas' (SPO 2003, 45). As well, new regulations have been introduced to attract FDI into Turkey. Also, the state will enhance its role in supporting strategic sectors and their orientation to global markets along with policies increasing global competitiveness of SMEs.

In order to achieve *a productive capital-based accumulation*, the banking sector had to be transformed accordingly. Crucially, the need for the integration of the Turkish financial system into global markets was rooted in the global integration need by Turkish productive capital, consistent with Bina and Yaghmaian (1998, 259). To orient industrial production towards mechanisation and high-tech sectors, funds have to be placed increasingly into fixed capital investments. Having more access to domestic and global funds is not only needed for extended reproduction of circuits of FC, but also by the whole corporate sector.[12] This need explains the leading role in banking reform which was played by the conglomerates whose banks survived to follow a long-term banking policy without state finance protectionism.[13]

For the bourgeoisie, this end has meant an adjustment for capital in general, and for FC in particular to a new accumulation regime in which profits are to be derived through international competitiveness. The shift has created some 'losers' within capital as one fraction of FC was excluded from finance and, in the process, lost its capacity to accumulate in other sectors to varying degrees. On the 'winners' side, however, the leading fraction of FC has strengthened its position by overriding its dysfunctional members. The state stepped in to oversee the change in the reproduction of accumulation on behalf of the leading fraction of FC that has been dominant, but not able to transform its accumulation regime by itself.

Those conglomerates took advantage of the control over money capital particularly during the outward orientation in accumulation in the post-1980 era. However, in order to achieve the return of invested money capital as more money, money capital must enter the production process for the creation of surplus value. This point becomes crucial in the analysis of FC in Turkey. With their different patterns of accumulation, conglomerates forming FC displayed divergences in terms of where they capture surplus value in the total circuit of capital. This variation provided the material basis for the divisions within FC. Some conglomerates used their controls over banking capital to capture a higher share in the redistribution of surplus value via state mediation; some oriented themselves towards achieving absolute surplus value (low wage low productivity) producing activities; some others channelled money capital for the production of absolute and relative surplus value (high productivity) with a more long-run-viable accumulation basis. The different stances in accumulation, with various forms of global integration, determined which conglomerates would decline and which ones would solidify their positions during the recent restructuring within Turkish capital.

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[12] See the statement by Alternatifbank General Director Murat Arığ in Kenan Şanlı, "Abank Kurumsalla Tasarruf Yaptı", Finansal Forum, 24 March 2003.

[13] The rise of SMEs as an important market segment in the new banking era is linked to this overall change, as well.

Moreover, although the unified control over money, industrial and commercial capital has been used to fuel accumulation by those conglomerates, the form of this merging was challenged by the pressures some parts of FC in the 1990s felt to internationalise. That is because this form of integration which is contingent upon state-based rents turned out to be an obstacle under the fiscal crisis of the state and needed to be reconfigured in order to facilitate the global advancement of accumulation.

Since the late 1990s, the state (and IMF) have sought to mediate the divisions within capital while at the same time transforming the process of capital accumulation away from state dependence and towards global integration. From this perspective, the banking reform becomes part of a comprehensive restructuring of capital accumulation in Turkey under the supervision of the state and the IMF. The social security reform, the elimination of state subsidies in the farm sector, the deregulation of the energy and telecommunication sectors, the taxation and public finance reform, privatisation and international arbitration, etc. have been various facets of this restructuring. In this process, residuals of the welfare state have been liquidated and labour markets have been made further flexible so that conditions of accumulation have been adjusted to the rules of global competition. For 'domestic' capital, this shifted the source of profit from state-based financial rents to the requirements of productivity growth. Overall, this restructuring process, which has been driven by the requirements of capital accumulation itself, has had transforming effects on fractions of capital and via these effects it has been laying foundations for a new capital accumulation regime in Turkey.