Beyond Neoliberalism and Capital Accumulation Theory: Evidence Learning from Turkey’s Economy

Arif Darmawan, Mehmet Şişman
1 Department of Economics Development, University of Lampung, Indonesia
2 Department of Finance and International Economics, Marmara University, Turkey
Corresponding author: arif.darmawan@feb.unila.ac.id

Abstract
Neoliberalism is both a body of economic theory and a policy stance. The neoliberal theory claims that a largely unregulated capitalist system ("a free market economy") embodies the ideal of free individual choice and achieves optimum economic performance.

The phase of “embedded liberalism” was succeeded by an era of embedded neoliberalism in which the contradictions of global capitalism were veiled by the hegemonic ideology of individual freedom and prosperity in the nineteenth century. The conditions for a capitalist economy in Turkey were established in the 1920s within the republican political system, which supported the development of national economic capability for capitalist accumulation—albeit with strict government planning of the budget and control over the private sector and foreign trade and investment. After 1980, neoliberal economic reform weakened the statist system and, particularly since 2001, transformed Turkey into a transnational state better suited to the demands of a global economy.

This paper tries to identify and find the link between neoliberalism and capital accumulation theory based on learning about Turkey’s economy before and after the crisis. We found that the outcome of neoliberal restructuring experiments depends crucially on pre-existing and changing power structures and relations in the course of state transformations. Thus, Turkey shifted to a neo-liberal model through voluntary choice but as an inevitable and forced outcome of a major balance of payments crisis associated with the exhaustion of the import-substitution model of industrialization.

Keywords: Capital Accumulation, Neoliberalism, Turkey’s Economy

Introduction
For over three decades, countries worldwide have been coping, more or less effectively, with pressures to establish a market-based economy. Transformations in the current age of neoliberalism challenge the Fordist growth models of the post-World War II era and put an end to Keynesian economic policies in both industrialized and late developing countries. The end of the Bretton Woods international financial architecture and the oil price revolutions in the 1970s set the stage for the translation of neoclassical ideas into the economic policies known as “Reaganomics” and “Thatcherism” in the 1980s and into the discourses and practices of the International Financial Institutions (IFIs). The phase of “embedded liberalism” (Ruggie, 1982) was succeeded by an era of embedded neoliberalism in which the contradictions of global capitalism are veiled by the hegemonic ideology of individual freedom and prosperity, reminiscent of the first “Age of Capital” (Hobsbawm, 1975) in the nineteenth century.

The Turkish experience with neoliberalism started in the 1980s in response to the crisis of the inward-oriented capital accumulation strategies that prevailed in the late 1970s. The main drive behind the shift to neoliberal policies was the need for large-scale domestic capital groups to create surplus value through further integration with the world market (Ercan, 2000a). With the response of the state and international financial institutions, these capital groups were influential in restructuring the Turkish economy along neoliberal lines. The conditions for a capitalist economy in Turkey were established in the 1920s within the republican political system, which supported the development of national economic capability for capital accumulation—albeit with strict

government planning of the budget and controls over the private sector and foreign trade and investment (Ercan and Oğuz, 2007). 

The new economic measures on January 24th, 1980, and the military coup of September 12th, 1980, were important turning points. The earlier phase of neoliberalism was based on export promotion and wage suppression. This phase reached its limits in the late 1980s when the export drive lost momentum, and a new wave of labor protests led to a substantial wage increase. After 1980, neoliberal economic reform weakened the statist system and, particularly since 2001, transformed into a transnational state better suited to the demand of a global economy. 

The Turkish economy is now linked to the global economy via transnational production forms such as subcontracting, outsourcing, mergers, and acquisitions, while a growing Turkish capitalist class has been integrating with an international capitalist class and a new socio-economic class has emerged on the basis of consumerism (Ekman, 2009). However, Turkey’s economic and social structures have many enduring characteristics inconsistent with capitalist globalization, such as family-run businesses, bazaars, and strong kinship, friendship, and neighborhood support networks. 

Capital Accumulation Theory
Following a basic theoretical understanding of primitive accumulation and accumulation by dispossession, the article addresses key ideological aspects of news media content and media structures concerning the accumulation processes by dispossession. The immanent driving force of capitalism is the endless accumulation of capital, a process where capital is accumulated for the sake of accumulation, or as Marx (1867, 1990) put it, “accumulation for accumulation’s sake, production for production’s sake”. The very basic formula of capital accumulation, outlined by Marx (1885, 1992) in the second volume of Capital, draws on how capital is circulated through several key phases:

\[ M - C (Lp/Mp) \rightarrow P (v/c) \rightarrow C' - M' \]

To put it simply – the accumulation of capital is obtained by the circulation of capital, where money (M) is transformed into commodities (C) by the purchase of labor power (Lp) and means of production (Mp). To secure accumulation, the money needs to be greater at the end of the process than at the beginning, which means that the value of the produced commodity is higher than that of the items used as inputs. In the production process, the value of labor power and the means of production take the form of productive capital (P) when attached to the produced commodity. The value of labor force (v) equals the costs of the labor power bought (wages), and the value form of means of production (c) equals the cost of the standards used (constant capital). So, surplus value is generated when the commodity is sold at a higher price than the costs of production, which is made possible by surplus labor (unpaid labor time). So, what creates surplus value is the amount of labor time that is not paid for by the capitalists.

---


When the produced commodity (C') is sold, capital once again enters the process of circulation in the form of (new) money (M'), and; the process of capital accumulation is thereby maintained (Marx 1867, 1990; Harvey, 1982, 2006; Fuchs, 2011) 8.

Marx’s theory of capital accumulation is highly complex and detailed (the whole second volume of Capital is an outline of the trials of capital accumulation), but it’s still possible to simplify it in this manner without losing too much of its inner nature. Under ordinary circumstances, capital accumulation is secured through expanded reproduction. In reproduction, not only commodities and surplus value are reproduced, but the whole relationship between capital and labor – between capitalists and wage laborers (Marx, 1990) 9. Since surplus value relies on the exploitative relation between capital and the labor force, the circulation of capital is ultimately the reproduction of exploited wage labor by capitalists. The commodity labor power (Lp) is subordinated to absolute or relative exploitation processes. The former refers to the extension of each worker’s time, and the latter to the intensification of the labor process (Mosco, 2009) 10.

The circulation of capital is an ongoing process, and given the inner contradictions of accumulation, capitalism eventually faces a systemic crisis. The historical Marxist debates over what type of crises capitalism is undergoing tend to shift. Luxemburg (1913) 11 stresses the problems of under-consumption to explain systemic crises, but under-consumption is hardly a sufficient explanation of the crises within capitalism today. Harvey argues that capitalism is currently facing an over-accumulation turmoil because we are experiencing a situation “when both surplus capital and labor exist, but there is no way to bring them together” (Harvey, 2006) 12. The over-accumulation crisis manifests itself when superfluous commodities, money, and effective capacity form simultaneously with a surplus of labor power but a lack of “profitable opportunities” for capital expansion (Harvey, 2003) 13.

Turkey’s Economic System
Turkey has been articulating with a global capitalist system in many ways, particularly in the economic reform undertaken since the 1980s but with its roots in the economic approach established from the foundation of the Turkish Republic 14. The Turkish Republic was established in parallel with two processes occurring on an international scale: the economic conjuncture before and after the World Economic Crisis in 1929; and the socialist experiments of neighboring states. In the process, Turkey was less influenced by socialism, despite geographical, political, and intellectual affinities, than capitalism as an economic system.

In the last decades of the Ottoman Empire, the governing class, with its military-bureaucratic viewpoint, believed that an economy based on capitalist accumulation...
would result in a powerful national economy, and this view was kept in the age of the Republic of Turkey. But, Turkey suffered from a lack of entrepreneurial and labor classes, a suitable legal system, etc. As a result, many reforms were made to promote economic development: a legal design based on liberalism and private property; the establishment of ministries, chambers of industry and trade, research institutions, and so on; building of an extensive transportation network; and support for private capital accumulation (Yalcinkaya, 2009). However, a development strategy based on private property and entrepreneurship did not succeed due to the world economic crisis and unfavorable domestic social and economic circumstances. As a result, in the 1930s, statism emerged as a pragmatic approach to growing and modernizing the economy. While there was an ideological debate on statism, Ataturk explained the concept as it applied to Turkey. The statism of Turkey is not a system adopted from the ideations that socialists assert. This is a system deriving from the needs of Turkey. Statism means prioritizing private entrepreneurship and becoming responsible for the country's economy. The state wants to realize all things that private entrepreneurs did not know.

Given this framework, the Turkish economic system was neither capitalist nor collectivist. Capitalist and collective principles were hybridized and this eclectic model was formed from Ataturk’s view, which did not accept the absolute ascendancy of private or public property. However, under this model, the significance and size of the private sector increased intrinsically as the economy developed.

Industrial plans based on the principle of statism were made in the 1930s with the establishment of state economic enterprises. State planning has continued based on Five Year Development Plans ever since. However, the principle of statism has weakened since 1980 under neoliberal economic reforms such as the deregulation of foreign trade in 1980, the founding of a Capital Market Board in 1982, the opening of the Istanbul Stock Exchange in 1985, and the deregulation of the currency regime in 1989, which have opened up physical and financial capital flows. Moreover, state economic enterprises, fundamental institutions in the statist system, have been privatized in the context of neoliberal reform. This free market ideology is rationalized in terms of the Washington Consensus along with the collapse of socialist states.

Conclusion

Due to the development of capitalism, the articulation of the capital accumulation process in the periphery with the global total social circuit of capital takes an unequal form. At the same time, the capital accumulation process forms the total social circuit of capital. Successfully transitioning to a neoliberal development model requires strong and effective leadership for several reasons. Turkey shifted to a neo-liberal model through voluntary choice but as an inevitable and forced outcome of a major balance of payments crisis associated with the exhaustion of the import-substitution model of industrialization.

The predominance of state characterizes state liberalist economic orders, in this institutional setting, lack the proper organizational resources to counter state power and are tied to the politico-bureaucratic elites through corporatist mechanisms and relationships. In Turkey’s economic case, Turkey has been articulating with a global capitalist system in many ways, particularly in the financial reform undertaken since the 1980s but with its roots in the economic approach established from the foundation of the Turkish Republic. Thus, Marx’s theory of original accumulation provides an understanding of new forms of exploitation by appropriating intellectual assets in

---

production, distribution, and consumption, like Turkey’s economy way to do.

Therefore, the outcome of neoliberal restructuring experiments depends crucially on pre-existing and changing power structures and relations in the course of state transformations. These recent changes must be framed within a historical-institutional explanation of where these power structures and change dynamics come from. Based on arguments concerning the politics of economies link to the emergence and erosion of Turkey’s economic capitalist model.

References


———. The Limits to Capital Harvey. London:

Verso, 1982.


