Marx, Capitalist Development, and the Turkish Crisis of 2001

Melda Yaman-Öztürk

Turkey faced a severe economic crisis in 2001. This was an important moment, which marked serious transformations in the capitalist accumulation process. Two kinds of contradictory relations, on the one hand between labour and capital, and on the other hand within the capitalist class itself, were restructured and new institutional and legal regulations were realized.

It must be emphasized that these transformations were not independent from the capitalist world economy in general. In fact, Turkish case was the last one in a series of large scale crises which materialized in the 'lately capitalistized' countries during and after 1990s: Mexico in 1994, Asian countries in 1997-98, Russia and Brazil in 1998-99, Argentina and Turkey in 2001. However, in this paper I will focus on the Turkish case only, in the hope to offer some new perspectives about the relationship of crises and (especially 'late') capitalist development.

I use the term 'lately capitalist-ized countries' (which is different from Ernest Mandel's 'late capitalism') instead of the more common 'developing countries'. This may seem unusual, since we are not accustomed to using the concept of 'capitalist' as a verb. Here it signifies the process in which a society 'becomes' capitalist, i.e. the capitalist relations of production are established, and in the meantime, predominates. By stating the 'lateness' of this process, I want to shift the emphasis to the temporal plane and to eliminate the value-loaded differences such as developed/developing/under-developed. The time lag caused these second group of countries to 'become' capitalist (that is, to realize the capitalist transformation) in the context of an already established, hierarchically structured and uneven world capitalism. Needless to say, their position was at the bottom, or close to the bottom, end of the hierarchy from the start.

Another reason for this usage is the need to emphasize that countries like Turkey are also capitalist. The concept of 'development' does not make a clear reference to the (capitalist) relations of production, which is at the heart of the point. However, what gives the 'capitalist' attribute to the late capitalistization process is the fact that the basic dynamics of capitalist production predominates, sooner or later. Marx's frequently quoted sentences in the Preface to the first edition of *Capital*, which tells that "The country that is more developed industrially only shows, to the less developed, the image of its own future", expresses this determination (Marx, 1990: 91). With these words, which were heavily critisized later as an example of the 'determinist view of history' and as implying the presupposition that social development follows the same path in all countries, Marx was, in fact, pointing to the necessary dynamics of *capitalist production*. To Marx, it was *not* "a question of the *higher or lower degree* of development of social antagonisms that spring from the natural laws of capitalist production". What was important was "these *laws themselves*, of these tendencies winning their way themselves out with iron necessity" (1990: 90-91, emphases added). Hence, he was telling not that all the capitalist development experiences would follow the same path, but that, the dynamics of capitalist production would necessarily present themselves in the experience of capitalistization. Any country which started the process of capitalist development would, necessarily, become subject to the basic dynamics of capitalist production (Yaman-Öztürk, 2006: 85).

In sum, with the term 'lately capitalistized countries', I intend to express, on the one hand, the *late* attendance of these countries to the capitalist relations of production, and on the other hand, the *capitalist* attribute gained in this process.

Since late capitalistization processes are also experiences of *capitalist* development, the basic tendencies of accumulation exist: the organic composition of capital tends to increase, there is the concentration and centralization of capital, social classes peculiar to capitalist production has been formed and they are in constant struggle. The state has taken shape and transformed through the contradictions between and within classes, contradictions which has crystallized in the process.

On the other hand, especially at the earlier phases of the process, there are the specificities of *late* capitalistization: although capitalist rationals are penetrating into many areas of social life, the importance of agricultural production, which is mostly characterized by pre-capitalist relations, still continues. Industrial production is weak and concentrated in the production of consumption goods. Since the production of means of production is not enough, these are mostly imported from other, capitalist countries.

In those countries which have realized the capitalist transformation in earlier periods, the production of consumption goods and the production of means of production generally proceeds together. Indeed, the production of means of production is the sector which provides the real motive and specificity to capitalist production. This difference of late capitalistized countries, that is, the importation of means of production from outside since the beginning, provides a clue to understand the crises of this type of capitalist production.

Since the production process depends on the importation of means of production, money-capital in the form of foreign exchange becomes a significant requirement. With the development of industrial production, the need and hence the import of the means of production has increased. However, since the sources of money-capital are limited, money-capital in the form of foreign exchange necessary for importation has been provided from the international financial system. With the dependence of production to imported means of production on the one hand, and the extraordinary dimensions of international debt on the other, it can be understood why these latecomers have been open to the effects and determinations of the earlier capitalistized countries.

In countries like Turkey, the crisis springs from the basic contradictions of capital accumulation. However, it takes shape with the limitations caused by the late capitalistization process and the uneven relation with international capital. The form of the crisis, which is generally a foreign exchange crisis or financial crisis, shows the position of Turkey in the unequal and hierarchically structured capitalist world, and also, the effects of the international capital movements. It can be said that, since international capital seeks valorisation as money-capital, and because of debt repayment problems on the one side, and the problems associated with the conversion of imaginary values into real values on the other, crises take the form of money or financial crisis today. The Mexican crisis of 1994 and the crises in East Asia in 1997-98 came out as financial crises, like the Turkish case in 2001.

The restructuring of capital relations in the post-crisis period enables us to understand the transformations 'within structure' of the accumulation process, and the changing class relations. Moreover, recourse to the IMF in the post-crisis period for debt repayments and for the costs of restructuring, together with some promises in exchange for new credits, is another indication of the unequal relationship between international capital and late capitalistized countries.

Marx and Crisis

Marx describes crises as 'moments' in which the most important contradictions of capitalist production come out in the most dramatic fashion. Crises are immanent in the capital accumulation process. Marx does not have a special analysis for crises, however, and the analysis of capital accumulation implies the analysis of crises.

Crisis means, at first, that accumulation has become unsustainable. In its ever expanding motion, capital utilizes the possibilities for profit in the given conditions to the end. Accumulation continues with its basic, 'in-built' contradictions. The contradiction in the capitalist production "consists in the fact that the capitalist mode of production tends towards an absolute development of the productive forces irrespective of value and the surplus-value this contains, and even irrespective of the social relations within which capitalist production takes place; while on the other hand its purpose is to maintain the existing capital value and to valorize it to the utmost extent possible" (Marx, 1991: 357-358).

When these contradictions become a serious barrier to profits, crisis becomes inevitable. As the production of surplus-value and its reflow to the production process come across difficulties in the given conditions, tensions increase and accumulation becomes unsustainable. Crisis comes out with bankruptcies, unemployment, recession, disruption of financial values and, in contemporary conditions, as a financial crisis. It is important to distinguish the dynamics of the crisis and the realized form of it. *The basic mechanism of crisis is to be found in the contradictions of capital accumulation; its form of coming out is, however, over-production of commodities, fall in the rate of profit, slowdown in growth*.

The basic tendency which determines all these problems is the tendency of capital to increase surplus-value without any limit and to expand infinitely. This motion of capital finds expression in the 'tendency of capital for over-accumulation'. By its nature, capital "posits a *barrier* to labour and value-creation, in contradiction to its tendency to expand them boundlessly. And in as much as it posits a barrier *specific* to itself, and on the other side equally drives over and beyond *every* barrier, it is the living contradiction" (Marx, 1993: 421).

The way out of the crisis is determined by the struggle between labour and capital, and between capitals. With crisis, capital asks for a restructuring, including economic, political and institutional regulations which reshape the labour-capital relations and the relations within capital itself. On the labour-capital relations side, a restructuring of the conditions of production and appropriation of surplus-value is brought, in order to increase surplus-value and the command of capital over labour. And within capital, the battle for sharing surplus-value intensifies; capital becomes devalorised, smaller and weaker capitals change hands. Capitals which are not productive enough are eliminated, and also, new production techniques to improve productivity are put into practice. While more profitable conditions for production are created, the centralization and concentration tendencies of capital also gain strength. Hence, the crisis has a dialectical function: on the one side, it is a concrete result of the contradictions of capital; on the other, it is a means for temporarily and partly overcoming these contradictions.

In lately capitalistized countries, contradictions become ripe and crisis potentials develop with the process of accumulation. For the analysis of crises in these countries, specificities of late capitalistization should be taken into consideration. While the dynamics of capital accumulation develop, there are also some specific determinations. In each phase of the circuit of capital, disruptions may occur which spring from the internal contradictions of accumulation *and* shaped by the specificities of these countries, which may, in the end, create a potential for crisis. Hence, crises in these countries result from the contradictory dynamics of the accumulation process within them. But this accumulation process goes on in the context of a complex relationship with international capital. International capital becomes a part of the reproduction process in these countries, by direct investments, or by providing money-capital, intermadiate goods, means of production etc. This multi-dimensional relation with international capital causes the crises to take the form of 'debt crisis' or 'foreign exchange crisis'.

2001 Crisis

The turn of the millenium marked a new phase for the capitalist accumulation process in Turkey. In this new era, capitalist relations became dominant in all aspects of social life. A new financial system was constructed, industrial production developed in order to produce means of production, and also, privatization reached a level that all the primary needs, from education to health, were commodified. This process accelerated with the restructuring of capital after the 2001 crisis.

It is impossible to understand the causes of this crisis without looking at the past twenty years, since Turkey had faced another deep crisis in 1979. The crisis of 2001 was the result of the transformation process that started in 1980, right after that. The main elements that we must take into account to understand the 2001 crisis are: 1979 crisis, restructuring processes following it (together with the military coup in 1980), structural and institutional reforms and financial infrastructural establishments in the 1980's and 1990's.

Industrial production had been mostly based on consumption goods in Turkey in the 1970's. Production of means of production was low, so these were imported. Although money-capital was an important requirement, resources were limited. There was a relatively large current account deficit for the economy as a whole. While this accumulation process had been very profitable for a while, it reached its own limits at the middle of 1970's, in terms of domestic market and of profits. Some capital groups (called 'holdings' in Turkey), which had made considerable accumulation in the meantime, needed to pass to an export oriented production and to internationalize further in order to direct the accumulation process to an advanced level.

At that time, a transition from production of consumption goods to production of means of production had started. But the picture hadn't changed: means of production for the production of means of production had to be imported. Besides, that production required much more complex production techniques and wider production units. So, the money-capital requirement had been aggravated.

In order to achieve this transition, it was necessary to solve two basic issues: first, the -then very active- labour struggle had to be suspended in order to compete in international markets; and second, the way and the form of the internationalization of capital had to be developed, domestic capital had to be provided with money-capital, that is, financial institutions connected to international capital had to be constructed.

While the military coup solved the first 'problem' in favor of capital, commercial and financial liberalization of the 1980's, introduced under IMF programs, was the initial step for the second one. Capital groups were also provided with export incentives in this period. Financial liberalization led to two important developments: first, it provided money-capital for capital groups, and second, it opened a channel for international capital to flow.

In the 1990's, financial infrastructure was strengthened. Deposits of banks were augmented, number of banks were increased, new financial instruments were introduced. As a result, centralization and concentration of money-capital accelerated. In this period, struggle within capital for the distribution of surplus-value took place in the financial sphere. Industrial production slowed down, and with rising unemployment in the 90's, labour struggle was not very effective throughout the whole 20-year period, except for very short intervals.

At that time, interest rates were very high, around a hundred percent. It was a very profitable period for money-capital, domestic or international. But, it was clear that this bourgeois festival couldn't last long. Profits were squeezed, and the accumulation process became unsustainable again. 2001 crisis was the result.

Transformations that took place in Turkey were never independent from the capitalist world economy. After the crisis of 1970's in the western capitalist countries, Keynesian economic policies were abandoned and neo-liberal policies were introduced. In this transition, employee benefits were constrained and privatization was accelerated. Capital began to seek for new places where it could be valorised as money-capital. Since that time, new economic policies had been imposed to all capitalist countries, in our context to lately capitalistized countries. This coincided with the search of the Turkish bourgeoisie for a way out of its own crisis.

Turkish crisis of 2001 was similar to the ones which occurred in Mexico, Argentina, South Asia in the 1990's and after. In all cases, IMF became the main actor for debt restructurings and new credits, provided resources in exchange for stabilization programs. It developed structural reform plans covering a wide range of areas, including reform of the banking system, ending government support for private companies, opening product and capital markets, changing labor laws and corporate governance rules, eliminating subsidies for various products, etc (Feldstein, 2002: 19). World Bank, which provided new loans was also a part of this process.

The IMF program that was introduced at the beginning of 2000's in Turkey had an effect on the crisis. By fixing the exchange rate, the program caused a speculative attack on the foreign exchange in October 2000, resulting in a banking crisis.

However, the main crisis started in February 2001. In a short period, a huge amount of money-capital, nearly 4 billion dollars, left Turkey (Kazgan, 2005: 244). We can see the importance of the crisis by looking at the macro-economic indicators: GDP decreased by 9.4 percent, 50.000 firms were closed in first five months, and unemployment figure reached to 1.8 million, that is, nearly 20 percent (Kazgan, 2005: 247).

After the crisis, a new program ("Strengthening the Turkish Economy-Turkey's Transition Program") was introduced. This new program addressed the two main issues of chronic inflation and high public debt, with tight monetary and fiscal policies backed up by structural reforms. The program envisioned 'structural reforms' in banking, government budgets, competition and efficiency, foreign direct investments, social security system and a complete restructuring of capital relations started. The burden was on the working class again, with the new Labour Law which passed in 2003. Internationalization of capital accelerated, with 60 billion dollars of FDI since 2001, very large as compared to the total 10 billion in the whole 1975-2000 period. Moreover, outward FDI from Turkey also reached record high levels, with 10 billion dollars since 2000, again very large as compared to the 2 billion in the 1980-1998 period.

Conclusion

It must be said that the crisis Turkey faced is a capitalist crisis. Determining factors of the crisis can be found in the dynamics of capitalist accumulation and the pecularities of it caused by its 'lateness'. In order to grasp the meaning of crisis, we must take account the period preceding it, and also the restructuring processes of capital after the crisis.

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