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Turkey

# That sinking feeling

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**The current economic crisis in Turkey, which broke out in mid-February, has manifested itself in a deep financial crisis, leading to a devaluation of almost 100% and a significant recession, accompanied by numerous bankruptcies and redundancies. It is estimated that the average income per inhabitant fell from US\$3,200 to close to US\$2,000 within a few days.**

[<https://internationalviewpoint.org/IMG/jpg/turkey4.jpg>]

Police battle protesters

While this is an IMF-generated financial and monetary crisis and classic enough in its way, it has a good number of Turkish particularities.

First, it should be noted that there is (comparatively) very much less foreign capital in Turkey than in East Asia or Latin America: less than a US\$1 billion. There are then internal structural and conjunctural factors that have shaken the fragile equilibrium of the Turkish economy, subjected for more than a year to an austerity policy dictated by the IMF with the aim of reducing the rate of inflation (which had effectively fallen from 70% to 20%).

In the background of this crisis was a confrontation between two sectors of Turkish capital, which has sharpened over the last decade. In one camp, the traditional big industrial bourgeoisie, which defends a line of 'modernisation' of the economic apparatus (privatisation, deregulation, overhaul of social security, quasi-suppression of subsidies to agriculture, and so on) and structural political reforms - a certain 'democratisation' conforming to the "Copenhagen criteria" - with the aim of joining the EU. In the other, the mafiosi, underground economy and rentier sectors, who have greatly enriched themselves in the last years.

Over the last decade the public debt has come to swallow up nearly all the state budget and the debt stock has reached 70% of Gross Domestic Product (GDP - national income). Servicing the debt devours nearly 95% of state receipts (against 30% some 10 years ago). Moreover, the deficit of the public banks now amounts to 18% of GDP.

This system of permanent internal indebtedness has been financed by a foreign debt that has almost tripled in a few years (it now stands at more than US\$100 billion) and a supplementary indirect tax on workers in the form of a chronic inflation of 70%. It is this system that is now bankrupt.

## Boom

During the 1980s, a period dominated by president *Ä*-zal, economic restructuring and the foreign debt (connected to the commercial gains made during the Iran-Iraq war) had allowed the realisation of important infrastructure investments which accompanied a veritable boom in certain sectors (road and air transport, telecommunications, textiles, construction, banks, energy, media, audiovisual, domestic electrical appliances, big distribution, and so on).

Turkish capitalists had even begun to win some foreign contracts, above all in the Balkans, the former USSR and some Arab countries.

Some traditional sectors of "contraband" (notably tobacco, alcohol, and so on) having been liberalised, important clandestine or criminal sectors were able to take root, thus laundering 'legally' the capital they had unlawfully

accumulated in previous years.

Those close to president Erdoğan also profited from all this to fill their pockets (through bribes and public contracts) and corruption became generalised throughout the state apparatus, on an unprecedented scale.

With the 1990s, the era of president Demirel, indebtedness accelerated and the president's cronies continued to enrich themselves, but with investment reduced, with several recessions and two serious monetary crises (1994 and 1997).

## Clientelism

To 'crony capitalism' was added an unrestrained clientelism, which also served to defuse social discontent. In the course of a decade half a dozen political parties (social democrats, liberals, nationalists, Islamists) succeeded each other in power, at municipal and national level, each taking their turn at pillaging the public purse.

The army took the lion's share, with the financing of the war against the PKK (Kurdish Workers Party) and significant purchases of modern weaponry. New criminal sectors (linked to the police, to certain sectors of the army and to feudal Kurdish lords) have emerged with the war in the southeast (trafficking in weapons and drugs), as well as a vast parallel economic sector, encouraged by the state because of its dynamism (notably in the area of foreign trade).

Thus a very particular system has been created, which is at the origin of the current crisis. The public banks controlled by the politicians have distributed advantageous credits pell-mell to the corrupt bosses in their entourage; with this 'capital' these latter have pocketed public contracts, purchased enterprises and above all acquired privatised banks.

With the money from these banks, they have financed their affairs and have filled their pockets (sometimes emptying the coffers, as in the case of Demirel's nephew!), notably by borrowing state money through buying Treasury bonds at exorbitant rates of interest (more than 50%, indeed 70%) and then profiting from the advantageous exchange rate of the dollar to change the capital accumulated into dollars and reinvesting it abroad. The money thus 'evaporated' is estimated at more than US\$200 billion, or the equivalent of the GDP!

These sectors pay neither taxes nor social charges: all the weight of the public receipts falls on the wage earners (deductions at source and high VAT), as well as on the holdings of the traditional big bourgeoisie.

These latter (who, it should be said, have also profited from the system) have begun to complain of "unfair competition". Moreover, the "Susurluk scandal", four years ago, revealed the links of the mafia, far right and police, as well as their involvement in numerous assassinations of left personalities or Kurdish nationalists, provoking in reaction an important popular mobilisation (the campaign for "a minute of darkness to obtain clarity").

The army have also begun to worry about the dangers of social drift, but above all about the bankruptcy of the public finances, which imperils their important and costly projects of modernisation.

The 'system' is, moreover, in ill health: the small private banks and the public banks have begun to crash, the politicians doing everything possible to cover up this situation, for fear of a new financial crisis.

Clientelism has also reached its limits: all the political parties have lost their electoral base, the two biggest parties gaining only 22% and 18% at the last elections (1999). Today in the polls no party nationally receives more than a 10% approval rating!

## Change of approach

A change of approach had then become inevitable. The big employers have imposed on the current government a new economic programme of "struggle against inflation" and of 'restructuring'. Moreover, a "clean hands" (anti-corruption) operation has been launched by the state higher-ups.

With the departure of Demirel from the presidency and his replacement by Sezer, the "honest, democratic little judge", several corrupt bosses have been arrested for embezzlement (including a number of bankers, former ministers or big employers close to Demirel and even the boss of the second biggest media group in the country). Others are in the firing line, notably the pals of the leaders of the current coalition or the opposition!

However, all this happens on the basis of total political uncertainty and instability. The big bourgeoisie, which is alone in having an overall programme, does not have the means to apply it. Its own political personnel resists it: the politicians certainly have to implement it, but they do so with ill grace, fiercely resisting measures of restructuring (which would lead to the loss of their economic prerogatives) and trying to spare the bosses who are close to them (for fear that the scandals will finally drag them down too).

The military are in complete agreement with the economic policy, but very much less enthusiastic on the programme of "democratisation", which is nonetheless an indispensable corollary to European political integration.

As for the workers, they certainly support operation "clean hands", although with little confidence in it being carried through to the end, but they are obviously much more lukewarm on the austerity policy, of which they will be once more the victims! Moreover, plunged into the everyday fight for survival, the most deprived layers of the population (small peasantry, unemployed and urban residents, provincial petty bourgeoisie) stopped expecting any 'rational' policy at the national scale a long time ago: the majority of them do whatever they can to eke out a living while a minority seek solace in the arms of the ideologically radical currents (Kurdish or Turkish ultra-nationalisms, fundamentalism, religious or ultra-left sects of every kind, and so on), all difficult to 'integrate' or 'domesticate' in a 'normal' bourgeois system.

## Impasse

Thus, the political impasse is virtually total. It is moreover on this basis of instability that the crash of February took place, shattering the fragile financial equilibrium of the country. Alarmed speculators (both local and foreign) have massively withdrawn their capital from the country at the least signal of political crisis: a clash between president Sezer and prime minister Ecevit over delays in the "clean hands" operation was enough.

No government would have been logically able to remain in place after such an economic catastrophe. Moreover, the popular reaction was not slow to come. Apart from the big bourgeoisie, who have flayed the "incompetent politicians", the trade unions and then the small traders and artisans were on the streets.

The "Platform of Labour" (comprising all the trade union confederations and professional associations) brought 20,000 people to Istanbul for a fairly low-key demonstration. The union bureaucracy (fairly rotten and right wing) has done everything to rein in the movement, while the workers are quite dislocated and disorientated by the fear of unemployment and the slow but permanent erosion of their purchasing power over the last two decades. Certainly, their discontent is very deep, but the absence of channels for this and any political alternative stops them radicalising more seriously.

The current coalition is led by one of the two social democratic parties, while the second (which is no longer even present in Parliament) broke into three pieces in the weeks preceding the crisis! As for the radical left (Ä–DP - Freedom and Socialism Party), it is not only too weak to constitute a pole of attraction which is credible enough, but is also going through a period of fairly serious internal crisis which threatens its unity.

It is then mainly demoralisation which reigns.

## Fiery reaction

On the other hand the diverse (and more or less spontaneous) demonstrations of the small traders and business people have been more massive and radical (with violent fights with the police). It represents a fiery reaction from the enraged petty bourgeoisie, which sees itself suddenly on the verge of bankruptcy with the last crisis. They are certainly more radical, but ideologically rather close to the nationalist or fundamentalist far right.

The fact that the nationalist far right (MHP) is a member of the current coalition could moreover (almost) be considered as good fortune! For if this party had been in opposition, it would have captured the discontent and radicalisation of the petty bourgeoisie and would have prospered at the next elections.

Instead, this party is fairly discredited and seen as responsible for the current crisis, whereas the fundamentalists have also been discredited by their going over to the regime two years ago. The far right radicalisation of the petty-bourgeoisie remains deprived of immediate political opening.

So, even if it has been wounded, the heterogeneous coalition (left nationalist, far right, 'liberal' right) led by a septuagenarian and doddering prime minister manages to stay in place, in the absence of a political alternative inside or outside Parliament. Similar but less important crises ended with coup d'etats (1960, 1971 and 1980). However, this time, a direct military intervention would go against the economic interests of the big bourgeoisie, since it would be viewed badly by the European Union.

[<https://internationalviewpoint.org/IMG/jpg/turkey1.jpg>]

"Super-minister" Kemal Dervis

It is, then, from the outside that the provisional solution has come, through the parachuting into the government of a new 'super-minister' of the economy, Kemal Dervis, a Turkish World Bank expert, known for his 'social-democratic liberal' positions.

He has a triple mission: formulating a new economic programme responding to the wishes of the big bourgeoisie; giving sufficient guarantees to the G-7, IMF and World Bank to guarantee new international financial aid; and finally restoring hope to the rest of the population, all through his "clean hands" and "his globally recognized abilities"!

Since his arrival at the head of the economy, this expert seems to have brought off the first stage of his gamble - to

create an illusion.

He has the unfailing support of the big bourgeoisie and the foreign backers as well as the army. Moreover, in the lack of any other hope, a great part of the population seems to accord him its confidence, given his pleasant manner and promises of "social measures". The bourgeois media already wish to see in him the second "Ä-zal", saviour of Turkey and predict a brilliant political future if his programme is successful.

However, the political class and his government colleagues only offer him lip service and attempt to throw as many spanners as possible in his wheels. To leave him to apply his programme would amount to a collective suicide for them in the medium term. On the other hand, opposing him too, ostensibly would amount to an immediate suicide (through a "popular lynching"). They have hardly any choice.

So Dervis can get on with his act and wave his magic wand. However, it is then that his problems will begin, for the social dynamics, and the class relations and conflicts, which have been unleashed by the current crisis are still at work and have hardly begun to show their gravity.

What will happen tomorrow when it becomes increasingly clear that the social measures announced are only promises for the long term, while the measures of austerity are already real and date from yesterday! And what will happen if this government ends up, in spite of everything, by falling to pieces?