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THE ROLE OF THE ECONOMIC RENTS IN THE POLITICAL TRANSFORMATION OF TURKEY AFTER THE 1980S*

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Abstract

It is claimed in this article that one of the main aims of the “bureaucratic tutelage” system in Turkey is to control the distribution of the economic rents created by the import-substituting industrialization. Thus, economic statism and the bureaucratic control over elected politicians were compatible with each other until economic liberalization in 1980. Even a limited economic liberalization created great opportunities for the politicians to weaken the power of the bureaucratic elites, particularly military officers. Thus, there is a strong relationship between economic liberalization and democratization in Turkey after 1980. However, even though, bureaucratic tutelage is regressed, Turkey is still far from having a transparent government and efficient public organizations. The conventional explanations are not adequate to grasp the intermingled relations between economic and political institutionalization in Turkey. Therefore, public choice may help to understand the role of the economic motivations of the political actors/elites in the context of shaping the political institutions. The political actors are seen as utility maximizers within the limits of institutional rules and practices, and the institutional change is explained with the help of changing interests and power relations of these actors. Enlarging economic liberties have gradually forced bureaucratic tutelage system to dissolve. For sure, dissolving the bureaucratic tutelage system is not a perfect or an intended process but examining this process from Turgut Ozal to Tayyip Erdogan gives us a theoretical framework to understand the political transformation of Turkey in the era of an open economy.

Keywords: Economic Liberalization, Democratic Consolidation, Turgut Ozal, Justice and Development Party, Bureaucratic Tutelage, Economic Rents

1. Introduction

There are two problems examined in the respective literature concerning the democratic consolidation problems of Turkey. The first one is the controversial bureaucratic tutelage problem, and the second one is the problem concerning the transparency and the effectiveness of the public organizations. It is widely argued that these two issues are interconnected (Mardin 1973; Erdogan 1997; Koker 2010, Parla 2016). Therefore, as the military interventions/coups

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have influenced the democratic decision-making procedures and the will of the elected governments, democratic political organizations, such as political parties, could not complete their institutionalization.

This kind of argumentation had provided an important framework to explain the democratization problems of Turkey. Hence, in recent years, as it is manifested in the lawsuits (Ergenekon and Balyoz cases) against the high ranked military officers with the charge of planning military coups, the influence of the Turkish Armed Forces over the democratic political organizations has been decreased considerably. Furthermore, Turkey's scores in many international political indexes were raised, along with the increasing economic growth rates, in the first decade of the Justice and Development Party governments, as the deputies had the opportunities to discuss the fundamental problems of Turkey, such as the Kurdish issue, in the Parliament.

However, starting from 2012, the economic growth has slowed down considerably, and the scores of Turkey have declined in the indexes as well. Furthermore, democratic initiatives such as the Kurdish and the Alevi openings are suspended before reaching their targets. Even the Constitutional Court also reversed the judgments regarding the Ergenekon and Balyoz cases in 2015. These are obvious indicators of the political problems of Turkey that goes beyond bureaucratic tutelage assertion. Unfortunately, it is still not possible to solve the basic political problems of Turkey through the conventional democratic political institutions. Therefore, the relation constructed between the bureaucratic tutelage and the democratic consolidation problems is weakened in respect to the recent political developments.

The latest failures of the democratic politics cannot be separated from the developments emerged after the economic liberalization process started in the 1980s. Apart from the ideological factionalism, such as Kemalist radical modernization or reactionary conservatism, resource distribution among the powerful elite groups has always played a great role in structuring the political system in Turkey (for an example, see Kruger, 1974, p. 294). Thus, examining the role of the economic incentives and the economic institutions concerning the development of the political institutions could provide a better framework to understand the democratic consolidation problems of Turkey, where military tutelage is clearly regressed but democracy is still not improved.

The public choice that is examining the economic reasons for the political preferences by focusing on the political decision-makers capacity to create economic rents and the rent seeking behaviors of the interest groups could provide new perspectives to understand better the liberalization process after the 1980s and the consequences of the liberalization efforts over recent years. Such an approach is important to discover the political problems induced by their source distribution in the context of the interest groups in Turkey. In this respect, there are not many studies explaining the development after 1980 from the perspective of public choice. Only significant research on this matter is John Waterbury's (1993) study called *Exposed to Innumerable Delusions*, in which the effects of the Turgut Ozal's economic policies on political structure examined through focusing on the economic incentives of the political agents. However, the period that is held by this study is limited to the Ozal governments, and the effects of the import substituting industrialization policies on the state building have not been examined very clearly.

If economic rents or resource distribution through political decisions has important effects on the development of the political structure, then, the democratic consolidation problem of Turkey after 1980 cannot be examined without considering the results of the import-substituting industrialization policies implemented from 1930 to 1980. The centrally planned import-substituting industrialization created many vested interests and formed interest groups for around fifty years. However, the liberalization efforts after the 1980s were not the results of a consistent economic program or the insistent political will of the government, but reforms started when the rent creating economic system destroyed the power of the government to tax, consumed the opportunities to borrow, and supported negative economic growth. Therefore, economic liberalization after 1980 did not start to construct a competitive market economy but led a limited liberalization where the government continues to control the economic resources to

a great extent. Even though the scale of the statism in Turkey is decreased, the creation of economic rent through the political decision making was preserved in a different form.

In this respect, first of all, a framework is constructed briefly to show the relation between the political instabilities and the economic policy preferences before 1980. Then, it is focused on the limits of the economic liberalization of the Ozal era, and new rent-creation mechanisms are explained. After that, how financial institutions dragged Turkey into several economic crises in the absence of robust democratic political institutions in Turkey is analyzed. Eventually, the political reasons of the fast economic liberalization after 2000, and why did it end are examined.

2. Building the Political System on the Import-Substituting Industries

Although Turkey was not a communist country, its economic system was characterized by planned economy, specifically the import-substituting industries, from the 1930s to 1980. Moreover, its political system was authoritarian until 1950 in accordance with its economic system. Despite the democratic transition in 1950, Turkey did not abolish its import-substituting industrialization policies until the 1980s and did not start serious privatization until 1990s. The primary target of the import-substituting industries was to start a fast industrialization to catch-up the West and create a national bourgeois class. Thus, the national resources were canalized to start a heavy industrialization which would be impossible in a free market economy, while politicians and the bureaucrats had favored a small group of private industrialists and merchants with many privileges (for more detailed accounts, Bugra, 1994; Keyder, 1987).

One can easily discuss the failure of the import-substituting industrialization and the state-owned enterprises regarding the targets of this economic program. Thornburg Report (Thornburg, 1949) is a specific example to show the economic inefficiencies of the planned economy years of the mono-party era. Many other studies are also published concerning the economic burden of the state-owned enterprises in Turkey (see Akalin, 2003). However, these studies did not focus on the strong relations between political institutions and the economic institutions. However, starting from the 1930s, Turkish businessmen, "enjoyed tariff protection and oligopolised markets, cheap inputs from state-owned enterprises, government contracts, and preferential credit" (Waterbury, 1993, p.214). Rent-seeker Turkish businessmen are not the ones to blame. As a matter of fact, rent seeking behavior occurs naturally as a consequence of the level of the economic interventionism. Therefore, rent-seeking is not about morality but is about institutional preferences and the incentives created by the economic institutions (Tullock, 2005). The basic incentive of the Turkish business men was not to improve their business through competition but to set up and solidify their personal connections with the economic decision makers. Furthermore, the basic incentive of the statesmen is to control the natural and human resources of the country through economic bureaucratic organizations and financial institutions (Ozturk, 2008).

A rent-seeking society was institutionalized with the import-substituting industrialization during the 1930s in the era of the mono-party term. However, its relation with the political system changed fundamentally with the introduction of the democratic election system in 1950. With the help of the increased political freedom as a consequence of the acceptance of the democratic elections, many businessmen blocked to enter rent-seeking activities in the mono-party era found great opportunities to organize themselves through the Democratic Party to defend their economic interests. Furthermore, infrastructure investment of the Democratic Party increased the scale of the national economy to a great extent. Thereby, the private sector production grew 340 percent, and the number of the businessmen entered in the markets for the first time raised 47 percent in the first era of the Democratic Party (Erdem *et al.* 2009, p.13).

Highly increased rent-seeking activities undermined the political stability. After the end of the catch-up effects of the limited economic liberalization, economic growth slowed down, and the government faced the serious budgetary restrictions. The Democratic Party had to decrease the political liberties of the Republican People's Party and the other opposition groups for preventing propaganda against her. Furthermore, the struggle for the distribution of the rents heated with deteriorating the economic performance of the government. Political suppression

and the financial loss of the opposition groups weakened the incentives of the opponents regarding their support towards the election system (for more information, Ahmad, 1977; Zurcher, 1991). When the Turkish Armed Forces intervened to democratic politics to overthrow the government, opposition groups perceived this event as a revolution against authoritarianism (Berkes, 1964).

Although the democratic politics started in 1961 with a new constitution, there have been fundamental institutional changes in the political and economic system. The most important political changes were the introduction of the National Security Council and Constitutional Court of the Republic of Turkey. Half of the members of the NSC consisted of high military officers and worked as a parallel executive organ, besides the democratically elected cabinet. The role of the Constitutional Court had evolved as a mechanism to override the will of the Parliament according to the "opinions" of the bureaucratic elites (for more detailed accounts, Ozbudun and Genckaya, 2009; Erdogan, 1997).

Although the planned economy was restored with the establishment of the State Planning Organization, one of the biggest changes in the economy was the development of the Army Mutual Assistance Association (AMAA), which turned into one of the largest industrial and commercial conglomerates of Turkey. Just three months after the military coup, AMAA was founded with a special law which has given AMAA extensive tax exemptions along with the many other credit and resource privileges in 1961 (Akca, 2004). Consequently TAF, as a bureaucratic organization, has become a major player and a rent seeker in the Turkish economy (Akca, 2004).

It is also important to state that the TUSIAD (Turkish Industry and Business Association), which was established in 1971, has been mostly taking side with the "bureaucratic elites". Considering the facts that TUSIAD member companies produce almost half of the value-added, excluding public production, and 65% of the industrial output, and pay 85% of the corporation tax would give a solid idea of the influence of the TUSIAD over the Turkish politics. Since TUSIAD members mostly owe their economic power to the policy of import substituting industries started in the 1930s in the mono-party era, it is asserted that TUSIAD's support for the bureaucratic elites is not surprising at all.

On the one hand, the economic system was dominated by the state-led heavy industries and large private oligopolies (TUSIAD); on the other hand, the democratic political system was under bureaucratic tutelage through the constitutional organizations. Moreover, election system was still effective, and the Rightist political parties as a sequel to the Democratic Party continued to win the elections. However, the political system "stabilized" with the introduction of the constitutional controls over the elected governments.

The statist economic policies have created political circles-allies who tried to capture several important state organizations to defend and improve the interest of the respective interest groups. That is why; the political stability was very fragile and depended on the rent creation capacity of the economic system (Waterbury, 1993, p.203). Therefore, political stability has been jeopardized for the sake of the private interest groups, and the development of democratic institutions has always been crippled by the intervention of special interest groups through state organizations.

3. A Failed Attempt to Develop Liberal Economic Institutions, 1983-1989

At the end of the 1970s, ruling elites decided to make an institutional change by dissolving the import-substituting industrialization and starting to develop the export-oriented open economy. The reasons for this institutional change were not intrinsically ideological, but the insistent high unemployment rates, unendurable budget deficits, hyperinflation and hazardous social disorder created by the economic failures of the economic statism were the driving forces behind this institutional change. And, for sure, the global economic environment was also changing on behalf of economic liberalization, because of the rising New Right movement in the world. Therefore, Turkey faced the danger of being placed out of the world economic order.

Although the political implications of the open economy were very compelling for the politicians regarding its difficulties to defend them to the general public, the military intervention

in 1980 and the new constitution established in 1982 leveled the political arena for the economic reforms. In his new era, 1982 Constitution limited the political freedoms, such as freedom of association and the free speech, and increased the executive power counter to the legislative authority. Furthermore, the National Security Council and the Constitutional Court had more constitutional rights to intervene in the political decision-making processes (Ozbudun and Genckaya, 2009, p.20). Therefore, these constitutional adaptations and the fear of the intervention of the armed forces reduced the political cost of the economic transformation to a minimum. With the help of these political regulations, the public expenditures redirected to the economic policies, such as tax refund, easy credits and subsidies, for supporting exporters in Turkey.

In a relatively restricted electoral competition in 1983, the Motherland Party of Turgut Ozal had the majority in the Parliament and formed the government after the acceptance of the new constitution. Ozal was a conservative-liberal who developed a popular political discourse for the economic liberalization and the need to reform the bureaucracy in Turkey. Hence, Ozal became the charismatic leader to carry on the reforms to liberalize the economy and reform the state establishments in order to make them ready for the economic transformation. However, even though the political competition was restricted, Ozal had to create a winning electoral coalition to stay in power and maintain the reforms. Therefore, Ozal, for the first time, established comprehensive social programs, partially depending on off-budget funds, to convince the disadvantaged population to support his party in the elections (Waterbury, 1993, p.131).

However, as the South Korean (Mo and Weingast, 2013) and the Chinese (Coase and Ning, 2013) economic reform cases proved, export-led growth would not have automatically triggered the economic growth. Economic subsidies must be given according to the effectiveness of the corporations in order to export-oriented policies could work as a motive for economic growth through creating productive incentives. Moreover, the state economic enterprises must be gradually opened to competition to prevent price distortions; to allocate resources effectively; and to create a healthy labor market. Otherwise, economic restructuring could not achieve its goals, and public deficit, high inflation and balance of payment deficit would end the process, only to start another cycle of political and economic crisis. Unfortunately, Turkey followed the second scenario.

Despite the discourse for the liberalization, a comprehensive and consistent liberalization process did not start because of the vested interests of both workers and the private oligopolies in Turkey. During the 1980s, 2.3 million people, 14% of the entire civilian workforce, were employed by the state economic enterprises. Furthermore, these enterprises were not economically efficient. For example, Isdemir complex had 18.000 workers and produced 250.000 tons in 1979 while it was designed for a workforce of 8.000 and a capacity of 1 million tons in 1970 (Waterbury, 1993, p.126). And, privatizing these state enterprises was not always in favor of the private oligopolies as well, because these big conglomerates were using cheap raw materials and intermediate good produced by these state enterprises. Therefore, neither politicians nor businessmen were willing to dissolve state economic enterprises to let a comprehensive liberalization and deregulation process as the Chinese government did during the 1980s. Not surprisingly, Ozal governments did not decrease the volume of public expenditure and the public share in total investment was 54% in 1987 (Waterbury, 1993, p.134). However, Ozal forced the state economic enterprises to stop recruiting new workers and deregulated their price policy to make them profitable companies. Nevertheless, these state enterprises stayed as oligopolies, and the inefficiency cost of them compensated by the consumers in an inflationary economic environment.

Therefore, the Ozal era was not a time for a radical liberalization process, but he both introduced the idea of economic liberalism and the idea of government failure in Turkey. The institutional changes that initiated by Ozal can be divided into four. First of all, public investments were redirected to the infrastructure, such as highways, energy, and communication, and the investments in mining and the manufacturing was ended immediately (Waterbury, 1993, pp.135-36). Secondly, even though Ozal could not privatize any of the state-owned enterprises or decrease the public spending, he was capable of defending the merits of

the free market economy and criticizing the wasteful burden of the economic statism and closed economy (Acar, 2002, p.172). Thirdly, Ozal reduced the level of red-tapism and increased the opportunities for market-oriented solutions for the production of public goods and services. Finally, may be the most importantly, he formulated a possible Rightist winning political model by both liberalizing the economic system and developing social welfare programs. According to Economic Freedom of the World Index 1975-1995 (Fraser Institute, 1996), economic freedom was increased from 3.5 in 1980 to 4.8 (out of 10) in 1990, and the average growth rate was 5.6 during the years from 1980 to 1990. Considering these economic and social policies have composed the main political strategy of Justice and Development Party (JDP) after 2001, one can understand the path-breaking influence of Ozal governments on the structural change of Turkey.

4. Changing Mechanisms of Rent-Seeking, 1991-2001

The export-led economic policies had fast results on the overall economy. The share of the agricultural products in the total amount of export sale decreased to 20% from 60%, and the total amount of export rose to \$13 billion in 1993. Considering 2.3 billion total export sale in 1979, this was a substantial increase regarding the economic growth depended on export-oriented growth model (Zurcher 2003, p.310). However, discretionary economic subsidies, on the one hand, and the arbitrary social programs, on the other hand, dragged Turkey in several economic crises. Every influential economic interest group tried their best to get subsidies and to use easy credit, but the overall results for the government budget was highly detrimental.

The conventional mechanism of creating economic rents mainly depended on foreign trade restrictions, monopoly and oligopoly markets, and the state-owned enterprises. Comparatively high price consumer products were one of the main source of the private capital accumulation. With the abolition of the many foreign trade restriction and the governmental subsidies for the export-oriented production, the incentive structure of the companies had changed radically. On the one hand, the deregulation of the financial system opened new opportunities for the big investors, on the other hand, with the increasing budget deficits of the government, wealthy depositors were eager to buy Treasury bonds with very high-interest rates. The deregulation of the banking system did not start a competitive financial market discipline, which is a requirement for robust financial market, but it raised a moral hazard problem. It was because the financial system was dominated by the big investors who had close personal ties with the ruling elites.

Furthermore, the government ensured the debts of these recently established banks in 1994. With the easy legal requirements for banking, many big conglomerates established their own banks to finance their companies, and the governments were not hesitating to use their arbitrary power for credit expansion. At the beginning of the 1990s, investments in real sectors stopped rapidly, and the economic growth slowed down, along with the rising inflation and unemployment rates. The government indebtedness reached to 150 percent of the GDP in 2001, and the interest payments were around 20 per cent of GDP in 2002 (Keyder 2004, pp.75-76). Turkey had three economic crises in 1994, 1999 and 2001 respectively. And, the government had to invite Kemal Dervis, a Turkish bureaucrat of the World Bank, to become the economy minister in order to convince IMF to start its rescue package for Turkey.

These are the basic historical facts about Turkish economy during the 1990s, but in order to understand the relatively consistent reform process started after 2002 under the JDP rule needs an explanation, regarding the liberal economic policy preferences of JDP. One could easily expect that JDP would have abandoned the IMF's recovery plan in order to exploit the economic rents until the next general election in 2007. For instance, Keyder (2004, p.83) predicted that JDP would follow the same policy preference of the pre-JDP governments in the 1990s. However, JDP, under the leadership of Erdogan, stuck to the recovery program depending on constructing rule-based robust financial markets, privatizing state economic enterprises, relatively more competitive markets, and having a balanced budget. In a few years after the first JDP government, the scale of the economic rents decreased enormously, and the many new startups emerged. The key indicator of the success of the JDP can be traced from

Economic Freedom of the World Report by Fraiser Institute. The economic freedom in Turkey increased from 5.5 (out of 10) in 2002 to 7.3 in 2012 (Fraser Institute, 2015). And, even 2008 financial crisis did not detain Turkey from improving economic freedom. The average growth rate of twelve years from 2002 to 2012 in Turkey was 5.4%, and the GDP per capita has risen from \$3.492 in 2002 to \$10.518 in 2014.

More interestingly, the political freedom also improved in these years, according to the reports of Freedom House (2015). The freedom score of Turkey was 4.5 (out of 7, seven is the worst) in 2001, but the same score increased to 3 in 2005. Although the freedom score declined to 3.5 in 2012 and has not improved yet, the change was substantial. Rising scores both on economic and political freedom are very important to achieve a robust and insistent transformation process in developing countries. Turkey had the chance to make a lasting economic reform in the 1980s but the political institutions and the state establishment were not ready for such a radical transformation. Moreover, no political party was there to burden the costs of the economic transformation and to exploit the political accomplishments of this probable economic transformation. With the rise of the JDP, for the first time in the history of Turkish Republic, the economic and political ratings were optimistic and more importantly balanced. Would it be the Turkey's chance to develop a more stable democracy and economic freedom? But, we need to understand the process that created JDP before answering this question.

During the institutional change of twenty years, many opportunities emerged to exploit for the interest groups which have strong relations with the ruling elites. Therefore, even though the limited liberalization supported the economic growth, the rule of law had not improved in accordance with the economic liberalization. Ozal and post-Ozal government had very little incentive to develop the rule of law conditions in Turkey. But, nevertheless, relative economic freedom based on export-led growth gave a good chance to Anatolian small and medium-sized enterprises to boost their business through exporting. Although big conglomerates had the biggest part of the growing economic "cake", small and medium-sized enterprises also increased their share in exported manufactured goods from 31% in 1980 to 48% in 1994 (Hosgor , 2011, p.345). 500.000 firms established between 1983 and 2000 were mostly medium-sized enterprises, and at the end of the 1980s, these companies were employing the one-third of the total workers in the manufacturing sector (Hosgor, 2011, p.345). Some of these companies turned into big conglomerates in recent years, such as Ulker.

However, these medium-sized enterprises during the 1990s did not find a "friendly" business environment, especially after Ozal governments. Big players of the financial system used legal and political ways to discriminate and exclude so-called Anatolian Tigers. These companies generated an alternative and illegal financial system to collect money from the Turkish citizens living in abroad through using Turkish religious groups both in Turkey and Europe (Ozcan and Cokgezen, 2003; Demir *et al.* 2004). Unlike the big and privileged conglomerates founded as family-owned holding companies, most of Anatolian Tigers depended on shareholders. Since the shares of these companies had no legal basis or were not protected legally, small investors of these companies had no legal entitlements to their financial assets. Nevertheless, the system worked sufficiently well until they got legal recognition with JDP governments (Hosgor, 2011, p.347).

Turkish workers in Europe and of the small investors in Turkey could not invest their great amount of money in productive businesses opportunities before the establishment of this alternative financial tools (Ozcan and Cokgezen, 2003, p.2064).Credit rationing by big business and massive government borrowing reduce the survival chances of new entrants (Ozcan and Cokgezen, 2006, p.138). Therefore, one can come to a conclusion that the mutual trust developed between the religious investors and the religious businessmen in Turkey was a respond to the evil effects of the interest-oriented rent economy over these outsiders of the legal financial system. Introduction of the interest-free banks by Ozal in 1983 was also an efficient way to raise capital from the religious people who would not like to have interest earned. These interest-free banks mostly financed the Islamic businessmen who were excluded by the traditional financial system.

All these economic developments might not have political consequences if the rises of the religious businessmen would not have concurred with the rise of the political Islam in Turkey. Necmettin Erbakan, leader of National Salvation Party, had a special interest in poor who did not have job exclusive job opportunities in protected/privileged sectors, while he developed close ties with small and medium-sized enterprises. National Salvation Party found a place for herself in the political arena in the 1970s, but because of its exclusive religious discourse and of violent ideological conflicts, the Party's influence was minimal compared to the other central-right political parties. Furthermore, Erbakan's Islamic political discourse against capitalism and European Union did not get enough support from the right-wing constituents (Ozdalga, 2002, pp.138-141).

After the military intervention in 1980, National Salvation Party was dissolved with the other political parties, and Welfare Party founded after the military intervention carried on the agenda of National Salvation movement. Welfare Party developed strong grass-root organizations depended on Islamic solidarity and cooperation among poor and religious businessmen. Welfare Party had trouble to surpass the 10% election threshold, but the Party had significant success regarding the local government elections. Welfare Party's emphasis on the improvement of the local public services and their local social programs focused on the disadvantaged people in the cities made Welfare Party popular especially in the big cities, such as Ankara and Istanbul. When the Party won 19.14% of the total votes in the local elections of 1994, including the local governments of Ankara and Istanbul, the two biggest cities of Turkey, Erbakan turned into a significant political leader. The rise of Welfare Party continued with the general elections in 1995, and Erbakan won the 21.38% which made Welfare Party the biggest political group in the Parliament. The success of the Erbakan was seen as the reaction of the "losers" in the cities, or of the marginalized groups of "poorly paid workers, shanty town dwellers and small businessmen" (Ozcan and Cokgezen, 2006, p.139).

The secularist elites of Turkey, such as Turkish Armed Forces and TUSIAD, reacted very strongly against the unexpected success of the Islamist movement of Erbakan. The mainstream media controlled by the opposing groups attacked to Erbakan and the people associated with Welfare Party. The main claim was that Erbakan had a hidden agenda to turn Turkey into an Islamic state, and the Turkish Armed Forces should have intervened to politics to save the principles of Mustafa Kemal Atatürk. On February 28, 1997, the National Security Council declared the decisions of its plan against religious reaction in Turkey and forced Erbakan to sign and implement it. Erbakan approved the verdict but resigned from the office in July 1997 under the immediate threat of direct military intervention (Cizre and Cinar, 2003).

The strategic mistake of Erbakan was his Islamic discourse against the anti-democratic radical secularist policies, such as banning the girls with scarves to study at the universities. His defense concerning the violations of religious liberties in Turkey was not depending on a liberal rhetoric but an Islamic one, which did not make sense in the eyes of European Union and for many right-wing constituents. Even though Erbakan was always followed the democratic elections to form the government, his apparent hatred against Western "civilization" made it easier to lose any possible foreign support for them. The economy was also dragging into another crisis, and the so-called "just order" didn't seem like a clear plan to save the economy. Welfare Party was dissolved in January 1998 by the Constitutional Court on the ground that WP became the source of the fundamentalist reaction against the Republic. Erbakan banned from doing politics, but Virtue Party established as the successor of Welfare party. Moreover, Virtue Party dissolved for the same reasons in 2001; even though Virtue Party became the third biggest party in the general elections in 1999.

Although there are many strong ideological differences between Kemalist elite groups (TAF, TUSIAD, some leftist intellectual etc.) and conservative/religious groups (Rightist Parties, Islamic movements, small and medium-sized enterprises, rightist intellectuals), ideological conflicts cannot explain the sharp reaction of the Kemalist elites against political Islam. The relative economic openness of the 1980s was never meant to start a sustainable economic growth, but just give the time to the elite groups to reorganize and redistribute the economic rents among them. However, when the unexpected growth of "Anatolian tigers" met the rise of the political Islam, elite oligarchy felt a real threat to their privileges. Since relatively economic

freedom connected to the increased political, organizational ability of the Islamic groups, elite groups provoked the Turkish Armed Forces to intervene to the situation before it was too late.

However, ironically, if the Kemalist elites would have let the Welfare Party rule the country where a financial crisis was on the way, the popularity of Welfare Party most probably had diminished dramatically. Welfare Party did not have a liberal economic reform plan to change the economic institutions of Turkey. More economic interventions and more economic statism seemed like the basic economic understanding of Erbakan, which was not very different from the old economic discourse of the Republic. However, the time has changed since the 1980s, and the businessmen supporters of Welfare Party were waiting for bigger rents, while marginalized poor were waiting for larger social transfers. If Welfare Party had the chance to rule the country with its weak coalition partner, the basic incentive of this coalition would have been to maximize their utility function until the next election or the economic crisis. Under the given institutional structure this was the most probable alternative scenario.

5. The Rise of the Justice and Development Party, 2002-2016

The instrument that helped to the real rise of the political Islam was the free market policies. The economic freedom, even it was relatively limited, gave opportunities to the outsiders to produce and to get rich, despite the restrictive policies of the post-Ozal governments. For sure, this development was not a result of a liberal political doctrine, but it was an unintended consequence of the limited liberalization process started with Ozal. Considering the anti-capitalist discourse and the sectarian attitudes towards European Union of Welfare Party, the political representative of the Islamist movements, Welfare Party did not represent the economic liberalism that brought the Islamist capital in existence and the political freedom that supported the democratic struggle of the Islamist movement.

Secularist elites unintentionally made sure that Islamist movement could not have the chance to survive in the political sphere unless they would develop a more liberal discourse, which might be more consistent with the realities that prospered this movement. Attacks of the secularist elite groups towards Islamic movements created a vital danger upon the Islamic groups. This threat forced the young leaders of the Welfare Party to reevaluate their political understanding, and change their strategy to come to power. After Virtue Party was dissolved, old-fashioned leaders founded Felicity Party, but young leaders, such as Tayyip Erdogan and Abdullah Gul, established the JDP to turn their Islamic movement into a central Right party (Hale and Ozbudun 2010, p.19). Under the given circumstances, the primary political strategy of the Islamic movement was not enough to fight against the established interest groups. Within the narrow constraints of the economic and the political freedom, there was no place for another organized group.

The leaders of the JDP acknowledged the fact that they needed more economic and political freedom in order to create more space for their movement in Turkey. The Islamist movement mostly has stayed out of violence activities and organizations since Turkey adopted democratic election system in 1950. Therefore, convincing the constituents with reform projects concerning raising the standards of Turkish democracy and achieving fast economic growth would serve the purpose of JDP very well. Islamist movements and the Anatolian entrepreneurs experienced the power of economic freedom when they generated an alternative financial system to raise capital for their economic ventures. However, Erbakan's political understanding was not feasible for economic freedom, and most probably not even for political freedom. Therefore, JDP transformed the National Salvation movement of Erbakan into a real central-right conservative political party. The definitive character of the JDP is not their Islamism, but their need and desire for destroying the privileges of the elite groups, for sure, only to open a place for them. From Menderes to Ozal, central-right political parties have followed the strategy to increase the level and the quality of the public service and decrease the scale of economic rents to absorb more entrepreneurs into the economic system. In this regard, nothing is genuine regarding the liberalization policies of JDP. However, the political reforms of JDP and the economic growth that Turkey has experienced since 2002 are relatively more successful than

their predecessors. Increasing the level of political and economic freedom has changed the political game in Turkey.

Because of the economic crises, the economic reforms were relatively safer compared to the political reforms in Turkey. JDP was quick to privatize the massive state economic enterprises and liberalize the labor market (Onis, 2011). They mostly followed the balanced-budget policies and implemented the international banking standards to Turkish financial system. The inflation rate decreased from 54.4 in 2001 to 9.6 in 2004, and the average economic growth was 7% until 2008. However, the biggest challenge before JDP was the significant influence of Turkish Armed Forces (TAF) over the political system. A sustainable political liberalization required to tame TAF and make the bureaucratic organizations more neutral and more loyal to the government. To achieve these goals, JDP immediately adopted liberal arguments and a liberal discourse to defend its political position for further reform, and also to enter the European Union. JDP governments started to strengthen the civil liberties and political rights by making many legal changes and constitutional amendments. JDP decreased the power of National Security Council in order to make the government real executive branch of the state. Many changes have been made concerning the judiciary and the military judiciary according to the Copenhagen Criteria (for a comprehensive evaluation: Hale and Ozbudun 2010).

However, these legal and organizational changes were not enough to reform the militarist political culture and political discourse. In this regard, the most important political initiative of JDP was the Solution/Peace Process started in 2005 to end the civil war between Kurdish Worker Party (known as PKK) and the Turkish state. Making peace regarding the Kurdish issue through implementing democratic policies and democratic participation was a necessity to decrease the legitimacy of the military intervention in democratic politics. Controlling the Kurdish violence potential mean much for many levels. First of all solving the Kurdish question would decrease the importance of TAF on domestic politics, and help to keep them within the constitutional limits. Reducing the terrorist activities in the eastern part of the country will increase the political power and the control of the elected government; therefore, enhance the legitimacy of JDP itself. Peace would increase the potential investments to the region and decrease the governmental spending. Moreover, finally, Kurdish votes have played a crucial support for JDP to win the majority in the Parliament. This revolutionary initiative could not even thinkable by 2002, but the government was close to making an agreement with the Kurdish movement in 2014.

But, unfortunately, the peace process ended both because of the domestic politics and the PKK's desire to gain military power in Syria. There is even more debate on the neutrality of the judiciary system and the public organizations, and the violent protests of opposition groups occur regularly. Moreover, the new "civilian" constitution debate stuck into presidential system debate. Turkey is also not fulfilling its economic goals such as low inflation rate, low unemployment rate, high-tech investment or high saving ratio. From an economic point of view, Turkey is in a middle-income trap.

Therefore, the emerging political system does not seem self-enforcing after fourteen years of the constant JDP rule. JDP apparently decreased the scale of economic rents. However, the real question is that to what extent JDP has the incentive to free the economy and the politics. JDP's participation in the elite coalition was not a result of the mutual decision to decrease the scale of the economic rents for raising the total revenues. As a matter of fact, the economic and political crises gave JDP an opportunity to force the former elites for sharing the privileges with them.

It seems like the fundamental problem between the old secularist elites and the new conservative elites are the proper role of the government in the society. Both parties agree that the state has a mission to form society by a master plan or a meta-ideology. Because both of them afraid that if they cannot achieve such a cultural transformation, their very existence will be in danger. However, this understanding creates a vicious circle. As long as the elites use the state to mold the society, there is no way to develop impersonal rules of the "game". Because the rule of law is not improved enough, the dominant strategy for groups is to seize the organizations of the state. However, this strategy is not a constant state of equilibrium. As long

as Turkey fails to construct the rule of law to develop political trust among the various groups in the society, the constant power struggles continue to emerge within the clientelistic circles.

It is true that JDP decreased the rent economy and increased the power of democratic politics enormously in comparison to the pre-JDP era. However, JDP used the old tactics of WP to collect money for Islamic charity activities from religious or supposedly religious businessmen in exchange for winning government auctions or some other governmental opportunities. Erdogan, elected as the President in 2015, has insistently claimed that rising a religious youth generation is one of the duties of the government. Although JDP has not made serious regulations for the social life according to the Islamic way of life, some serious concerns still stand. Despite all the pro-freedom reforms of JDP, they have not even tried to liberalize the national education system, which is the main ideological indoctrination tool of the state. Instead of this, JDP has preferred to increase the importance of the Islamic education in schools and the national exams and created more governmental job opportunities for people who got religious education. The government still has great discretionary powers over credit expansion and interest rates policies. Thus, it is easy for the government to find "civilian" supporters for its cultural policies and charity activities by redistributing privileges. Even though some studies assert that Turkey is experiencing an ongoing and fast secularization process (Ertit, 2015), the religious circles have apparent influences on political decision-making and economic rent opportunities.

It is a fact that Turkey is not on her way to building a robust constitutional democracy. It seems like JDP has reached its limits regarding liberalizing Turkey. Because the direct link between political freedom and economic freedom has also reached its natural limits. The leaders of the JDP do not care the detrimental consequences of the personal political circles that are created by the discriminatory policies. Moreover, another economic crisis would not create further incentives for improving the rule of law in the country as it happened after the crisis in 2001. "Islamic" economic actors got their position among the big industrialist of Turkey and are enjoying their political and social patronage.

All of the signs of the inadequacies of the Turkish democracy can be seen in the demand of Erdogan for transforming Turkish parliamentary system into a presidential model. Although the presidential model is considered as one of the democratic regimes, JDP sees this important transformation in terms of a technical administrative issue, not as a comprehensive reform to improve the democratic standards of Turkish democracy. The main claim regarding the presidential model is that executive power will be more consistent and decisive to control the state establishment within the presidential model. And, electing the president will cease the possibility of coalitional governments, which have an unfortunate history concerning the political stability. However, avoiding coalitional governments will not automatically solve the political stability problems of Turkey. Without clear explanations or a comprehensive debate on the details of the Turkish type presidential system, no one can know how the presidential system will be a solution to all the urgent social, political and economic problems of Turkey. Erdogan has frequently been defending the presidential system since 2015, but no one knows the details of his proposition or how this proposition will improve the political and economic freedom in Turkey. Under the current circumstances, such an institutional change most probably will only increase the incentives to develop stronger personalistic circles by creating more arbitrary power emerges out of the charisma of Erdogan. The reform started with the need for more economic freedom might be stuck by the lack of incentive to reform the bureaucracy.

6. Conclusion

There were strong relations between political institutionalization and the import-substituting industrialization in Turkey from 1930 to 1980. Distribution of economic rents through authoritarian political institutions both made the economic intervention is mass a part of the political system and created vested interests for the businessmen. The rule of law was not institutionalized in this era as well as the public affairs were established through personal relations. There was an increase in rent-seekers with the establishment of the democratic election system in 1950, but the conflict over rent distribution grew fast because of the

insufficient economic growth. The Democratic Party governments, having problems concerning political institutionalization, started to decrease political freedom for her opponents with the deepening economic crises. As a consequence, bureaucratic tutelage established with the 1961 Constitution limited the power of the elected governments to distribute economic rents, along with political power of the elected politicians. With the military intervention in 1960, economic and political system reached a fragile equilibrium. However, because of the insufficient economic motivation for further reforms, the fragile political stability ended up with huge economic crises in 1979.

As the rule of law and democratic controls of public affairs were weakened, the limited and inconsistent economic liberalization, depending on export-oriented economic policies, initiated after 1980 induced arbitrariness in economic policies. Moreover, export-oriented investments did not lead to competitive markets. The oligopolies at that time easily and willingly adapted themselves to the new economic conditions. However, the limited liberalization of the period led new capitalist to emerge through providing opportunities for small and medium-sized enterprises to grow. In this newly emerging export-oriented market, the capital came from the Turks living in abroad transferred to the small and medium-sized enterprises through alternative financial markets created by Islamic groups and helped so-called Anatolian Tigers to develop. The road to JDP was open when the Anatolian Tigers supported the Islamist political movements in Turkey.

JDP has liberalized the political and economic system compare to the previous governments, comprehending that liberalizing the system would clear a space for her. However, the legal, political and economic reforms required for Turkey to develop universal democratic criterions and competitive markets have not been improved. The most important reason for not starting these reform initiatives is that the interest groups clustered in JDP do not need to do reforms after they consolidated their position concerning rent distribution. Therefore, beyond the bureaucratic tutelage and the ideological conflicts, the economic system established with many vested interests and economic rents prevents governments from doing reforms for improving democratic transparency.

After the Anatolian capital and the Islamic groups have integrated in to the system, Turkey has stuck into an era that no organized groups left who will demand further political and economic reforms. No big economic crisis is expected in this new era. Because the interest groups clustered around JDP have common interests concerning the stability of the political and economic system. Political parties other than JDP do not seem to understand the power of the economic liberalization regarding the political system, which gives a significant advantage to JDP concerning winning the elections.

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