THE MANAGEMENT OF HOUSEHOLD INDEBTEDNESS:
CHANGING FORMS OF STATE INTERVENTION IN TURKEY IN THE POST-2001 PERIOD

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ABSTRACT

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This thesis examines the process of state intervention in consumer credit markets in Turkey in the post-2001 period. The larger parts of the population have gained access to financial markets over recent decades in capitalist societies. One aspect of this change has been rapid growth of consumer credit markets and concurrent rise in household indebtedness. The dominant approaches in the literature on household debt have mainly drawn their frameworks from the experiences of the advanced capitalist economies, and also largely overlook the role of state state actions in shaping the processes of financialisation. By contrast, the emergent literature on financialisation in developing countries acknowledges the role states have played through the processes of financial deepening, and associates this state involvement with the dependent form of financialisation observed in those economies. This study critically engages with the theoretical accounts in both literatures, and argues that they both fall short of offering a proper framework to analyse the concrete processes of the Turkish state's increasing involvement in consumer credit markets, as these markets have developed in a rapid pace throughout the 2000s. Having derived methodological tools and insights from Samuel Knafo's discussion on liberal financial governance, it traces the legal regulations, policies, and strategies towards consumer credit markets in the period 2001-2016 and tries to understand these different forms of state intervention in relation to dynamic relation between state and market actors. Within this framework, this thesis argues that the Turkish state's interventions in the consumer credit markets have been shaped on the bases of its concerns for reinforcing the finance-led growth regime and containing the political and economic risks associated with the debt-driven growth. Based on these two contending objectives, the Turkish state's main orientation throughout this period has been to promote the expansion of consumer credit markets, while also attempting to give a more controlled direction to the market growth.

Keywords: Financialisation, Household Debt, State Intervention, Turkey

ÖZ

HANEHALKI BORÇLULUĞUNUN İDARESİ: 2001 SONRASI DÖNEMDE TÜRKİYE'DE DEVLET MÜDAHALESİNİN DEĞİŞEN BİÇİMLERİ

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Bu tez 2001 sonrası dönemde devletin tüketici kredisi piyasalarına müdahale süreçlerini incelemektedir. Kapitalist toplumlarda nüfusun büyük çoğunluğu son kırk yıllık süreçte finansal piyasalara erişim kazanmıştır. Bu değişimin bir boyutu da tüketici kredi piyasalarının hızla büyümesi ve bununla birlikte artan hanehalkı borçluluğudur. Hanehalkı borcuyla ilgili olan yazındaki büyük ölçüde gelişmiş ülkelerdeki süreçler üzerine odaklanmış durumda olan temel yaklaşımlar, devletin eylemlerinin bu süreçleri nasıl şekillendirdiği sorusunu araştırma gündemlerinin dışında tutmuşlardır. Buna karşılık, gelişmekte olan ülkelerdeki finansallaşmaya dair yeni yeni oluşmakta olan yazında ise devletin finansal derinleşme süreçlerinde rol oynadığı kabul edilmiş, devletin süreçlere bu şekilde dâhil olması bu ekonomilerde gözlemlenen bağımlı finansallaşma tarzıyla ilişkilendirilmiştir. Bu çalışma bu mevcut yazınlardaki teorik yaklaşımlarla kurduğu eleştirel ilişki içinde her iki yazının da Türkiye'de tüketici piyasalarının hızla büyümekte olduğu bir dönemde artan devletin bu piyasalara artan müdahalesini somut süreçler üzerinden analiz edecek uygun bir çerçeve sağlamadığı savunmuştur. Samuel Knafo'nun liberal finansal yönetim üzerine tartışmasından çıkarılan metodolojik araçlar doğrultusunda, 2001-2016 arasındaki dönemde tüketici piyasalarına yönelik yasal düzenlemeler, politikalar ve stratejiler izlenmiş ve bu farklı müdahale biçimleri devlet ve piyasa aktörleri arasındaki dinamik ilişkiye bakarak çözümlenmeye çalışılmışır. Bu çerçevede 2001 sonrası dönemde Türkiye'de devletin tüketici kredi piyasalarına müdahalesinin bir yanda finansallaşmaya dayalı büyüme rejimini sürdürmek, öte yanda bu borca dayanarak büyümenin artmasıyla ortaya çıkan politik ve ekonomik sınırlamak olmak üzere iki hedef temelinde şekillendiği savlanmaktadır. Bu iki çekişen hedef doğrultusunda, devletin bu dönemdeki ana yönelimi tüketici kredi piyasalarının büyümesini teşvik ederken, aynı zamanda bu büyümeye daha kontrollü bir yön vermek olmuştur.

Anahtar Kelimeler: Finansallaşma, Hanehalkı Borcu, Devlet Müdahalesi, Türkiye

Anneme ve babama

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And this brings me to my father and my mother to whom this thesis is dedicated. I sometimes think they would have preferred it if I had decided on following a walk of life that is closer to theirs. But still they have supported me in the best possible way. There aren't words to express how grateful I am for this support, in addition to their immense love, care, and respect that I have felt throughout my life.

Lastly, I wish to cherish the memory of my dear brother Gürkan Pala. He passed away a couple months before I started with this project. My love for him has grown even more after his departure, and I have the feeling that this love, among other things, is rooting me this world.

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AKP	Justice and Development Party
BKM	Interbank Card Center
BDDK	Banking Regulation and Supervision Agency
IMF	International Monetary Fund
SPK	Capital Markets Board of Turkey
TBB	The Banks Association of Turkey
TCMB	Central Bank of the Republic of Turkey
TükoDer	Consumer Protection Association
WB	World Bank

CHAPTER 1

INTRODUCTION

In October 2015, a man in his early forties stormed into a bank building in Adana, Turkey and set fire to the manager's office. He later declared that he took out a consumer loan and because he was in arrears with payment, the bank has garnished his wage for almost two years. During this time, he not only failed to pay up his debt but became unable to provide for his family as well. Bristling with rage as his request to restructure his debt was declined by the bank manager, he attempted to set both himself and the bank building on fire.

When I first heard about the incident, I remember being puzzled by the fact that an indebted man, single-handed, targeting a bank. If this man were to owe money not to a bank, but to another person, to a usurer for example, and they were to end up in a similar situation, I would have found this slightly shocking as well; but nonetheless, it would have been much easy to comprehend. Taking aim at an actual person, the assault would be clear and direct. But it is much more difficult for me to make sense of what happened, when the man attacked the branch of a bank. The man's action appears as misplaced at first; he was aiming at the bank while his debts are not even due to this branch of the bank in particular. But outraged and devastated, to whom should the man address then?

This question resonates with the more fundamental discussion on the question of market. The widely acknowledged portrayal of neoclassical economists defines the market as a self-regulating entity, detached from social relations. The central problem with this highly abstract conception of the market is its failure in recognizing how the functioning of market mechanisms has been historically constituted. This seemingly self-functioning market is organized around the practices of market actors and their relation to one another. This feature of the market is also related to how it is hardly possible to point to the subjects and sources of power in capitalist societies. As Wood argues, coercion mostly operates in an indirect and impersonal manner through market compulsions in capitalist markets. Although these compulsions seem as mere market impositions, in fact they are influenced, managed, and exploited by capitalist classes, and the state is also involved and reinforces this process.[1] The set of social relations as such surrounds the capitalist debt relation between the man and the bank, as it does any other market relation. In this regard, the process of social reproduction also takes shape within these social relations/struggles. It is acknowledged that there has been an emerging link between social reproduction and financial markets over the last decades.[2] If the man's borrowing of credit from the bank as a means of subsistence sets an example for a new mechanism of social reproduction on the one hand, his attack on the bank following his default on his loan suggests that there are certain limits to the process of reproduction on the other. As such, the man's act targeting the bank may appear confusing at first, but it is indeed not misplaced. As the man failed to maintain his subsistence in the market as well as his family's, he directed his anger and dissatisfaction to the market actor to whom it was most convenient to reach. This resentment is exemplary of the social discontent and the political crises that might arise once it is reached to the limits of social reproduction at the systemic level. This is exacly where the state comes in to the scene.

This study sets out to explain the Turkish state's involvement in consumer credit markets in the post-2001 period. As suggested by this story, the rise in

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[1] Wood, E.M. (2003) *Empire of Capital*. London: Verso, pp. 3-12.

[2] Roberts, A. (2012) "Financing Social Reproduction: The Gendered Relations of Debt and Mortgage Finance in Twenty-first-century America" New Political Economy, pp. 1

household indebtedness in Turkey over the last fifteen years has brought along certain risks and vulnerabilities associated with political, economic, and social crises. In fact, it is very difficult to treat the man's hopelessness as an isolated incident, when the rapid rise in household indebtedness in Turkey in the post-2001 period is taken into account. The total household debt has increased roughly from %3 of GDP in 2003 to %22 of GDP in 2015, while the share of household debt in disposable income rose from %7.5 in 2003 to %50 in 2015. [3] Moreover, the consumer credit came to be increasingly used by lower income households and workers at this period. Studies show that the share of the amount of the consumer credit in disposable income has been higher for these lower income groups.[4] From this perspective, it can be expected from the Turkish state to intervene in the consumer credit markets with the aim to contain the risks associated with a potential crisis. But as the theoretical and historical overview in the following chapters demonstrates, state policies in Turkey have been also associated with the processes of financial liberalisation and deepening observed in the economy since the 1980s. In between these two concerns, how can we explain the Turkish state's intervention in the consumer credits markets in the 2000s in a historical period in which these markets have been rapidly growing?

The divergence among these two drivers of state invervention is closely related to the political nature of the contemporary household debt relation. Many aspects of the relation between the man in Adana and the bank whose building he set into fire are significantly different from earlier forms of debt relations that have been observed since the pre-capitalist period. The development of capitalist social relations persistently transforms the structures

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[3] Data taken from Central Bank of the Republic of Turkey.

[4] Bahçe,S. and Köse,A.H. (2016) "Financialisation/Borrowing Circle as a Solution to an Unpleasant Conundrum: Observations from the Mature Neoliberalism in Turkey" *Research and Policy on Turkey* 1(1), pp. 4-8; Karaçimen, E. (2014) "Financialization in Turkey: The Case of Consumer Debt" Journal of Balkan and Near Eastern Studies 16(2), pp. 14-15.

and relations formed around credit, in a way that it would be in harmony with the transformation of the capitalism.[5] Hence, the significance of the contemporary debt relation can be understood by looking at the features of the credit system and financial practices at this particular period of capitalism.

The practices of borrowing and lending have taken various forms over the course of human history. In this long history, borrowing from financial institutions at the household level has been a relatively new form of debt. For larger populations have gained access to financial markets and enjoyed easy credit opportunities over the last few decades. This has been related to the financialisation[6] of the world economy, which corresponds to a shift away from industrial capitalism, given the "increasing role of financial motives, financial markets, financial actors and financial institutions in the operation of the domestic and international economies."[7] The credit, which constitutes the basis of the consumer debt relation, is generated mostly but not solely by banks in today's global capitalism. This holds particularly true for the Turkish case, where the financial system is by and large built upon the banks, and the secondary markets are significantly undeveloped. A bank can provide people, businesses, and institutions with credit; and in each case credit denotes different things for creditors and borrowers. Costas Lapavitsas argues that one aspect of the financialisation of advanced capitalist economies since the 1980s has been the the "turn of banks toward personal revenue as field of of

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[5] Güngen, A.R. and Akçay, Ü. (2015) Borçlan(dır)ma ve Türkiye'de Borçluluk: Bu Sayıda. *Praksis* 38(2), pp. 4-9

[6] There has been a growing, well-documented scholarship built around this concept for more than a decade now. But as a loaded concept, it is oftentimes used in a way that corresponds to many different processes whereby finance gradually came to dominate the functioning of the economy. For a discussion on the usefulness of financialisation as a conceptual tool, see Engelen, E. (2008) "The Case For Financialization" *Competition & Change* 12(2), p.111-119.

[7] Epstein, G. A. (2005) *Financialization and the World Economy*. Cheltenham, United Kingdom: Edward Elgar Publishing, pp. 3

profitability."[8] As he suggests, credit signifies a form of capital to creditors through which they acquire interest, while to borrowers it serves as a substitute for income in the case of consumer credit.[9]

The state has been closely involved in the conduct of consumer credit markets in Turkey over the last fifteen years. There has been inreasing attempts to shape the conditions for credit lending and debt enforcement through legal regulations, proclaim debt amnesty and restructuring, and adopt a broad range of economic and social policies which also had an impact on the financial practices of households and banks. In this framework, it is possible to think these state interventions in relation to various political and social tensions built around the household debt. On the one hand, as financial markets towards household finance have become a significant source of profit for the financial sector, and this has led the banks to rechannel their sources to activities related to consumer finance.[10] On the other hand, rising household indebtedness has turned into a social problem, attracting public attention gradually. This debt-driven expansion of the private sector has also constituted a threat to the economic stability. These tensions are expected to open up a field for state to step in, an involvement which contains both certain risks and opportunities for the state. How did the Turkish state choose to manage these tensions at the concrete level in the post-2001 period? What were these risks and opportunities, and how did they change through the 2000s? In addressing these questions, this study aims to understand how and why the Turkish state has intervened in the consumer credit markets for

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[8] Lapavitsas, C. (2009) "Financialised Capitalism: Crisis and Financial Expropriation" Historical Materialism 17, pp. 128.

[9] Lapavitsas, C. (2013) "The Financialization of Capitalism: 'Profiting Without Producing'" *City* 17(6): 792-805, Lapavitsas 2009.

[10] Karaçimen, E. (2015) "Tüketici Kredisinin Ekonomi Politiği: Türkiye Üzerine Bir Değerlendirme" *Praksis* 38, pp. 85.

consumer finance as these markets have developed in a rapid pace throughout the 2000s.

1.1. Notes on Methodology

This puzzle on state intervention in consumer credit markets in Turkey brings the question of how to analyse these concrete processes of state intervention to the fore. The way that this question is put forth might bring the false impression that the state is considered as a fully autonomous actor in this study. This thesis sets out to analyse these concrete processes of state intervention from a critical Marxist perspective by referring to Simon Clarke's argument on the relation between accumulation of capital and capitalist state form in particular, albeit a comprehensive theoretical and methodological discussion would remain outside the scope of this study. In brief, Clarke argues that the political constitution and stabilisation of the state needs to occur at the national level, while at the same time it is subjected to the limits of the contradictory forms of capitalist accumulation occuring on the global scale.[11] These contradictions appear to the state as a necessity to maintain the expanded accumulation of domestic capital. As Clarke further argues:

> Although the state cannot resolve the contradictions inherent in capitalist accumulation, it can contain the political impact of those contradictions to the extent that it is able to secure the integration of the accumulation of domestic productive capital into the accumulation of capital on a world scale(…) The limits on the ability of the state to achieve this are not defined only by the form of the state as a national state, but more fundamentally by

[11] Clarke, S. (1991) "The Global Accumulation of Capital and the Periodisation of the Capitalist State Form" in Psychopedis, C., Bonefeld, W. and Gunn,R. (eds.) *Open Marxism: Contemporary Debates*. London: Pluto Press, pp. 136.

> the form of the international state system, and corresponding modes on integration of global accumulation, of which it is a part.[12]

As such, Clarke makes a clear argument on how the state is subordinated to the transnational forms of money and law as it tries to secure the reproduction of domestic capital at the national level and provide the political stability needed for its own reproduction. Although this discussion offers a theoretical understanding on how to understand the state's position and state intervention vis-à-vis global capital accumulation, it does not provide the methodological tools to analyse the regulatory processes at the concrete level. For this, I turn to Samuel Knafo's discussion on liberal financial governance, and derive insights and tools to analyse the concrete processes of state intervention.

Dominant paradigms in critical political economy offer little room and proper analytical tools for problematizing diverse state actions and their impact over capitalist processes. They mostly take the state's role given in relation to certain structural imperatives of the capitalism where the state is considered to be subordinated to capital interests without any constestation. In such a stand, the state is inevitably attached to a predefined role in the historical development of capitalism. It also pushes the states to a passive position in the formation of capitalist markets, and treats the power that states hold as an extension of market impositions. As such, it would not be possible to relate this confined state power to an agency, since "it would thus be power without agency, one working to simply reproduce capitalism or to satisfy capitalist interests."[13]

Knafo's works on the origins of modern financial governance aims to overcome this problem. His early work on the emergence of modern monetary policy departs from the observations made by Leo Panitch and Sam Gindin on

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[12] Clarke 1991, pp. 136-137.

[13] Knafo 2006, pp.21.

the historical transformation of American and Anglo Saxon states.[14] Panitch and Gindin argue that those states have been involved in the reproduction and expansion of markets both within these countries and at the global level, and this involvement suggests that growth of markets can go hand in hand with the growing power of states. By modifying this argument, Knafo draws a link between the way that markets are developed and states are transformed. He agrees that states play a role in shaping the conduct of the markets as they grow, but also adds that while doing this their agency "grows in range and complexity"[15] at the same time. From a historical materialist perspective, Knafo sets out to historicize the capitalist development, and show how the agency of states is formed and evolved in this capitalist historical in context. His underlying argument is that the necessity of capitalist reproduction alone cannot explain the state agency under capitalism, and instead one needs to look at the power struggles among social forces.

In order to further elaborate on this concept of state agency, we need to turn to Samuel Knafo's discussion on the emergence of modern monetary policy, in which he provides a historical analysis of the relations between states and financial actors in the market. Knafo criticizes the dominant theoretical perspectives on liberal financial governance, and complements this critique with an alternative account on the liberal state by focusing on the emergence of the gold standard in the 19th century England. Putting the development of monetary policy tools into a historical perspective, he argues that liberal perspectives fall short of explaining the changes occurring in monetary policy making in England at that period, mainly due to their strange portrayal of states as passive agents enabling and respecting the discipline of markets under the gold standard. Instead, he suggests examining the governance

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[14] Panitch, L. and Gindin, S. (2003) "Global Capitalism and American Empire" in Panitch, L. and Gindin, S. (eds.) Social Register 2004. London: Merlin Press, cited in Knafo 2006, pp. 21.

[15] Knafo 2006, pp.22.

practices in this period in relation to the historically situated power struggles around the state. [16] From, what he calls, a social relations approach, Knafo analyses these processes by looking at the ways that the social agents innovate various *institutional leverages* to exert power over other agents in the market.[17] As such, his approach particularly focuses on the institutions and institutional transformation, and fundamentally differs from the liberal institutional approaches by the way that these concepts are defined. He defines institutions not as regulatory entities but "as means for specific social forces to exert power over others,"[18] and describes institutional development as a process "driven by social struggles around power rather than by a functional attempt to regulate the economy in itself."[19] Thus the emphasis on institutions is accompanied by an equally central emphasis on social relations in his analysis, underlining how the institutions offer a positional advantage to social agents for broadening their areas of influence. In a constant struggle, states and other social forces in the market try to empower themselves, gain the upper hand, and push the other agents reconsider their strategies and actions. "This is why agency should be considered indistinguishable from the question of power understood as a capacity to exert social influence on others."[20] In this context, social forces reveal their power and agency through the use of institutions. As such, Knafo's approach significantly differs from the institutionalist perspective by analysing institutional change from a power framework. This elaboration on the concepts of power, agency, and institutions constitutes the starting point of his endeavour to conceptualise

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[16] Knafo, S. (2015) "The Politics of Liberal Financial Governance" Progress in Political Economy available at http://ppesydney.net/the-politics-of-liberal-financial-governance/

[17] Knafo 2006, pp. 15-36.

[18] Knafo 2006, pp. 35.

[19] Knafo 2006, pp. 36

[20] Knafo 2006, pp. 36.

state power and state action in relation to financial market development. He states:

> (…) when it came to politics, liberal financial governance was never a project intended to reduce state intervention. Rather, it was always dependent on a significant *deployment of state power* and was often fuelled by the need to discipline market actors who were generally reluctant to conform to official policies. By charting the various interventions of the state and their impacts on modern finance, I have emphasized how these practices of governance were driven by questions of control. As the state struggled to get a grip over rapidly evolving financial markets, it had to adjust its practices of governance. This revisionist analysis had led me to the central conclusion that the key innovations in liberal financial governance were born out of the state's attempt to make its actions effective on financial markets. In doing so, the state created new channels to exert agency over financial practices.[21] (emphasis added)

Although it appears as if they are without a context, Knafo derives these conclusions from his historical analysis of the processes around the emergence of liberal financial governance. He argues that the British state's attempts to reassert its power amid rapid change in financial markets relied mainly on the culmination of the legacies of monetary conduct such as sound money and gold's dominance as well as the development of the state's already existing institutional capacities. His claim is that in the context of the 19th century England, the classical gold standard was the institutional leverage used by the British state in order to exert influence over the market processes. "The institutional framework that constituted the gold standard would largely be the product of this struggle for power and, far from representing the ideal framework for financial capitalists, initially constituted a means for

[21] Knafo, S. (2013a) *The Making of Modern Finance: Liberal Governance and the Gold Standard*. London: Routledge, pp. 178.

disciplining it."[22] This institutional leverage brought along other attempts to institutionalise control, and was followed by further politicisation of state interventions, which in return led to the proliferation of new forms of state policies and institutions that would be part of modern monetary governance. Thus, the turning of the gold standard into the main regime of the international monetary governance in the upcoming decades was not originated from "a decision of the state to tie its own hand to the mast, but an attempt to police finance and make it serviceable to political objectives."[23]

One of the examples for these novel forms of monetary governance is the central banking. He discusses in length how the Bank of England's strategic moves to break from the state's influence to follow its private interests would gradually push these very strategies and policies into the political agenda.[24] What I observe in the Turkish case is that rapid expansion and evolution of consumer credit markets has accompanied by the proliferation of different forms of state interventions. This has taken place in the face of a broader socio-economic change at the same period, which is marked by the Justice and Development Party's (AKP) rise to power through a neoliberal hegemonic project and its attempts to reassert its authority over various spheres of social life. Hence, based on Knafo's discussion on rise of monetary policy in the context of the 19th century England, I will problematize the Turkish state's forms of interventions in household credit markets in the post-2011 period Turkey.

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[22] Knafo, S. (2006) "The Gold Standard and the Rise of Monetary Policy" Ph.D. Thesis. York University, pp. 15.

[23] Konings, M. (2015) "Historicising Finance" Progress in Political Economy available at http://ppesydney.net/historicising-finance/

[24]See for a detailed account: Knafo, S. (2013b) "The Politics of Liberal Financial Governance and the Gold Standard" New Political Economy 18(1), pp. 53-59.

However, I am also aware that this methodological choice comes with a caveat. Knafo himself acknowledges that since he conducts his analysis by adopting a historicist approach and looks at a particular country case at a very unique time point, it is not possible to make generalizations about the conclusions that he has reached. Yet he also adds that his analysis still offers important insights to understand liberal and neoliberal governance.[25] On the question of adoptability of Knafo's analysis on the Turkish case, one needs to also recognize that the British case of 19th century financial governance is fundamentally different from the Turkish case in the 21st century mainly because of the significance of its timing and place in the development of capitalism. The British case represents the unique development of modern financial institutions in a country, where capitalist relations were at their most developed phase, and capitalist competitive constraints and pressures coming from elsewhere were limited. However, as we move towards the contemporary peripheral context of the Turkish case, we need to take the impact of the conditons of global economy into account, and address the forms of state intervention with reference to dominant, established global capitalist pressures, discourses and institutions as well.

In this regard, I derive specific insights and tools from Knafo's discussion, and adopt them to analyse the concrete processes of state intervention in consumer credit markets. First, I depart from his methodological insight that these forms of governance can be analysed as a "deployment of state power."[26] Then, I deploy his conception of "state agency" as a capacity evolving through power struggles, and "institutional leverage" as means for exerting power. To this end, I trace the state policies, regulations, and strategies towards household credit markets in Turkey, and try to understand

[25] Knafo 2013a, pp. 181

[26] Knafo 2013a, pp.181

these different forms of interventions in relation to power struggles shaped around the state, finance capital, and households. My main argument is that the Turkish state's interventions in the consumer credit markets have been shaped on the basis of its incentives for reinforcing the finance-led growth regime on the one hand, and its concerns for containing the political and economic risks associated with the debt-driven growth on the other. Based on these two contending objectives, the Turkish state's main orientation throughout this period has been to promote the expansion of consumer credit markets, while also attempting to give a more controlled direction to the market growth.

One thing to note is that I focus only on the legal-institutional changes taking place in the post-2001 period, and the political relation between the government and the regulatory agencies is left out of the scope of this research. But I still acknowledge that the increasing political pressure exerted on particularly the Central Bank of the Republic of Turkey (TCMB) after 2013 has been relevant to my discussion on the management of household debt, given the AKP's neopopulist[27] discourse and strategies in these years,[28]

[27] The mutual existence of the AKP's strict implementation of the neoliberal agenda and its increasing popularity has been explained by referring to emergence of a new type of populism, a set of material-discursive practices, strategies, and policies worked in a way that rendered neoliberal project acceptable to a large constituency with a broad-based consent. In the recent works, there are attempts to incorporate rising household borrowing and its welfare enhancing impact into this explanatory framework, derived from the concept of neo-populism. When combined with favourable macroeconomic setting, increasing household credit borrowing has enabled a larger population to consume more, and by stimulating the domestic demand contributed to high levels of economic growth. See Yıldırım, D. (2009) "AKP ve Neoliberal Popülizm" in Uzgel, İ. And Duru, B. (eds.) *AKP Kitabı: Bir Dönüşümün Bilançosu*. Ankara: Phoenix Yayınları; Eder, M. (2015) "Türk Usülü Buldozer Neoliberalleşmeyi Anlamak: AKP'nin Politik Ekonomisi ve Ötesi" in Madra, Y.M. (ed.) *Türkiye'de Yeni İktidar Yeni Direniş.* İstanbul: Metis Yayınları.

[28] The public confrontation on the Central Bank's interest rate policy in the post-2013 period has been well-documented. For an example, see "Ey Merkez Bankası daha neyi bekliyorsun?" (2015) Hürriyet, 17 January, http://www.hurriyet.com.tr/ey-merkez-bankasi-daha-neyi-bekliyorsun-27986863

thus a fuller account of politics of financial governance under the AKP rule requires this dimension to be involved into the analysis.

1.2. Overview of Chapters

Except the conclusion chapter at the end, the rest of this thesis consists of three main chapters. In Chapter Two, I first give a brief introduction to the literature on rising household indebtedness, and then provide an overview of the three dominant critical approaches prevalent in this literature. I observe that these frameworks are mainly drawn from the financialisation experiences of advanced capitalist economies, and also largely overlook the role of state in the financialisation of daily life, and so their frameworks are devoid of any explanations for state intervention through this process.

These conclusions I derive from the overview of the literature on household debt serve as a departure point for Chapter Three. With these insights, I go over the emerging literature on financialisation in developing countries in this chapter. I first offer a theoretical account and later complement this theoretical account with a historical overview. They together provide a trajectory on how finance unfolds in emerging capitalist economies such as Turkey. Unlike what I have observed in the literature on household debt, state involvement in the process of financialisation has been defined significantly in this literature. As both theoretical and historical accounts set forth, it is mainly the existing dependent form of financialisation that renders states to take more active role in the boom and bust periods of financial activity. I argue that this could provide a ground for understanding the state intervention in household credit markets in the Turkish case, but there are also certain drawbacks coming with this dependency perspective. In this introductory chapter, I have already prepared the ground for a discussion on state agency, deriving methodological tools and insights from Knafo’s discussion on the emergence of the Gold Standard. In order to avoid a reductionist interpretation, I suggest differentiating between different levels of abstraction state came to be solidified with a reference to Simon Clarke's arguments on the capitalist state. This brief discussion, together with the methodology section in this chapter, would offer a more nuanced perspective on state intervention than the one introduced in this literature on peripheral financialisation.

In Chapter Four, I attempt to examine the process of Turkish state's intervention in household credit markets from the methodological perspective built on the previous chapters. After briefly making a case for rising household indebtedness in Turkey at the beginning, the rest of the chapter provides an analysis of the processes and forms of state intervention in relation to dynamic relation between state and market actors. I trace different forms of state intervention used to shape the household credit markets, ranging from legislative changes introduced in order to regulate the credit markets to the strategies to foster the incorporation of households into the financial system. I focus on the concrete mechanisms that redefine the conditions of debt relation between households and banks, and try to understand the main concerns and motivations behind these changes as well as problematise which interests they are reflective of and what kind of implications they have.

CHAPTER 2

LITERATURE ON HOUSEHOLD INDEBTEDNESS

Larger parts of the population have gained access to financial products and services over the last few decades in capitalist societies. In advanced capitalist economies, this process was packaged in the neoliberal narrative of the democratization of finance[29], carrying the promise of a mechanism for middle and lower income groups to get their share from market prosperity. This incorporation of households into the global financial system has taken place through the creation/ expansion of markets for consumer finance such as mortgage and consumer credit markets as well as the formation of private pension schemes and other investment channels. The impact of the financial market access on social welfare of households has yet remained controversial. While rising levels of consumption are shown as an evidence for welfare enhancing effect of private credit, there are also examples of many households burdened by debt and in arrears with their payments who become obliged to pay high interest rates to financial institutions through their income and assets, ending up at a point where they are worse off. This controversy around consumer lending further exacerbated after the subprime mortgage crisis in the US in 2007, when the viability of borrowing at mass scale was questioned. Nevertheless, ideas on financial inclusion have persisted in the aftermath of the crisis particularly in developing world, promoted under the auspices of global governance schemes such as G20 and further reinforced through government strategies.

[29] Ertürk, I., Froud, J., Johal, S., Leaver, A. and Williams, K. (2007) "The Democratization of Finance?: Promises, Outcomes and Conditions" *Review of International Political Economy* 14(4), pp.553-575.

It was also in this post-crisis period that state intervention and the place of banking and finance in market economy have come to be publicly debated, as states stepped in to rescue these failing banks and thereby socialize the costs following the bank failures. Many voices took a stand in favor of bringing financial system back to the public domain.[30] This call was based on the premise that "a stable and sound system of money, credit and finance is a key public good [but] have generally been treated as a private sphere", and bailouts of the financial institutions by government intervention revealed the underlying paradox therein.[31] This demand was situated into the debate that the recent global financial crisis served to open up on the deficiencies of the regulatory financial architecture of financial markets. It was also concurred with another debate on the uneven distribution of benefit and costs of financial expansion among different parts of society. As such, these debates revolved around the question of how to "create a more stable and equitable capitalist system in the context of expanding financial markets."[32] Despite this context, there have been few scholarly attempts to think the impact of the expansion of finance on individual livelihoods and social welfare, as well as its link to the transformations in state and society in the broader framework of capitalist development.

[30] Hudson, M. (2013) "Fiscus Maximus" *The European Magazine* Debates on Debt and Society available at http://www.theeuropean-magazine.com/michael-hudson--2/6568-the-social-history-of-debt (Accessed on February 27, 2017)

[31] Picciotto, S. (2011) *Regulating Global Corporate Capitalism*. Cambridge: Cambridge University Press, pp.258.

[32] van der Zwan, N. (2014) "Making Sense of Financialization" *Socio-Economic Review* 12, pp. 101

2.1. Approaching Household Debt

This financialisation of everyday life needs to be problematised in the broader context of the transformation of capitalist economies over the globe. In fact, some scholars identify periods of financial expansion as a recurrent feature of capitalism, suggesting that the historical development of capitalist economies is intertwined with the history of finance.[33] In the post-1970 period, neoliberal agendas promoted by the governments attempted to propagate the principles of self-governing market to every aspect of social life. The critical approaches often underline that neoliberal project, reinforced "during a period bearing witness to the growing role of social democracy, organized labor, welfare programs," attempted to subjugate capitalist social relations to market mechanisms, and as such, its critique is not limited to "the economy" but encompasses "all areas of social life."[34] The deepening of neoliberal restructuring in capitalist societies reveals contradictory processes, where subordination to market processes further exacerbates social and political tensions, while the same processes also help to conceal these conflicts. While the neoliberal shift of the 1970s was accompanied by the increase in the role of financial sector in global capitalism at that same period, later the rise of finance has further persisted over the globe particularly through financial flows, and they have acquired autonomous disciplinary role within the contradictory processes of neoliberal transformation over the past few decades. This salience of finance was acknowledged by many scholars[35], but there is neither a theoretical consensus[36] nor enough empirical evidence[37] over

[33] Arrighi, G. (2009) *The Long Twentieth Century: Money, Power, and the Origins of Our Times*. London: Verso Books.

[34] Bruff, I. (2014)"The Rise of Authoritarian Neoliberalism" *Rethinking Marxism* 26(1), pp. 121.

[35] Radice, H. (2015) *Global Capitalism: Selected Essays*. New York: Routledge, pp. 178.

[36] Bedirhanoğlu, P. (2010) "Küresel Kapitalist Krizin Yeniden Düşündürdükleri: Finansallaşma ve Devlet" *Praksis* 22, pp. 43

to what extent this would constitute a permanent feature of capitalist development.

Nevertheless, this trajectory of capitalist development in the post-1970 period has transformed the structures and relations formed around consumer credit. In contemporary capitalism, consumer credit has been an expanding area of profit for the financial sector, while for households, it becomes something that they have increasing access to and also get more and more relied on in an environment of declining wages and reduced public provision. The increasing access and dependency on financial lending was part of broader processes conceptualized as financialisation, which is used to cover multiple dimensions of the growing influence of the financial sector in the economy with a specific emphasis on the growing weight of financial profits.[38] The impacts of the unfolding of global finance are not confined to ways of conducting business, as it may be derived if one only looks at the scholarly works dealing with the changes in the forms of acquiring and distributing profit at the firm level[39], or even to the industrial economy in a more general sense. Many scholars suggest that the influence of finance has extended into other sectors of the economy from households to states[40], in a way that has gone beyond the business practices into the everyday life.[41] This engagement of households with financial markets has come to be acknowledged as a usual aspect not

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[37] Krippner, G.R. (2005) "The Financialization of the American Economy" *Socio-Economic Review* 3 (2), pp 199.

[38] Krippner 2005.

[39] See for a brief overview of the literature on the emergence of shareholder value orientation van der Zwan 2014.

[40] Radice 2015, pp. 183.

[41] Langley, P. (2008) *The Everyday Life of Global Finance: Saving and Borrowing in Anglo-America.* New York: Oxford University Press; Martin, R. (2002) *Financialization of Daily Life*, Philadelphia: Temple University Press.

only of financialisation process[42], but also of this new form of "finance-led capitalism."[43] The household borrowing first rose at a large scale in the advanced capitalist economies in the 1990s[44], while this trend was followed in the developing countries in the 2000s.[45]

State's agency has been understudied in literatures on financialisation[46] and global finance[47]. This is partly because the expansion of finance is often captured as a market and technology driven process, in which financial markets outrank states in power and capacity to influence economic change.[48] Yet this approach has largely ignored the mutually constitutive processes between states and global financial interests[49], and as well as the role of the actions and the power of the capitalist state and the social classes in the financialisation process.

As briefly explained in Chapter One, this study situates its problematic at this understudied terrain, and critically engages with the question of state

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[42] Bahçe and Köse 2016, pp.64

[43] Guttman, R. and Plihon, D. (2008) "Consumer Debt at the Centre of Finance-led Capitalism" paper presented at the conference entitled 'Globalisation and Inequeality: Are Growth Regimes Bound to Be Biased?', CEPN Paris-Nord, available at http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.640.7792&rep=rep1&type=pdf (Accessed on February 27, 2017)

[44] Montgomerie, J. (2006) "Giving Credit where it's Due: Public Policy and Household Debt in the United States, the United Kingdom and Canada" *Policy and Society* 25(3), pp.109-141.

[45] dos Santos, P. (2013) "A Cause for Policy Concern: The Expansion of Household Credit in Middle-Income Economies" *International Review of Applied Economics* 27(3).

[46] Zwan 2014

[47] Montgomerie, J. (2008) "Bridging the Critical Divide: Global Finance, Financialisation and Contemporary Capitalism" *Contemporary Politics* 14(3).

[48] For one of the most prominent examples of this kind of standard approach to finance, see Strange, S. (1998) *Mad Money: When Markets Outgrow Governments*. Ann Arbor: University of Michigan Press.

[49] Streeck, W. (2014) *Buying Time: The Delayed Crisis of Capitalism*. London and New York: Verso.

intervention in the context of neoliberal restructuring and financialisation of everyday life. This chapter sets out to provide an overview of the dominant theoretical approaches in the existing literature on household debt, and evaluate how they conceptualize the incorporation of masses into the financial system, and explain the causes, processes, as well as consequences of rising indebtedness. Following the overview, I conclude the chapter by briefly reflecting on the literature, evaluating to what extent this body of work has been useful for understanding state intervention in household indebtedness process.

2.2. Explaining Household Debt: Fundamental Critical Perspectives

The existing literature on household debt acknowledges that as a part of the deepening and broadening of financialisation processes, households have become integrated into the financial markets in many different ways at a growing scale: "(…) through new investment and pensions schemes[50], over-leveraged housing markets[51], debt-fueled consumption or the creation of a debt safety-net[52]."[53] This process has been broadly referred as

[50] Belfrage, C. and Ryner, M. (2009) "Renegotiating the Swedish Social Democratic Settlement: From Pension Fund Socialism to Neoliberalization" *Politics and Society* 37, pp. 257-287; Langley, P. (2008) *The Everyday Life of Global Finance: Saving and Borrowing in America.* Oxford: Oxford University Press cited in Montgomerie, J. and Tepe-Belfrage, D. (2016) "Caring For Debts: How the Household Economy Exposes the Limits of Financialisation" *Critical Sociology*, pp.4

[51] Schwartz, H. and Seabrooke, L. (2008) "Varieties of Residential Capitalism in the International Political Economy: Old Welfare States and the New Politics of Housing" *Comparative European Politics* 6, pp. 237-261; Montgomerie, J. and Büdenbender, M. (2014) "Round the Houses: Homeownersip and Failures of Asset-Based Welfare in the United Kingdom" *New Political Economy* 20(3), pp.386-405 cited in Montgomerie and Tepe-Belfrage 2016, pp.4

[52] Montgomerie, J. (2013) "America's Debt Safety-Net" *Public Administration* 91, pp.871-888; Soederberg, S. (2013) "The US Debtfare State and the Credit Industry: Forging Spaces of Dispossesion" *Antipode* 45, pp. 493-512 cited in Montgomerie and Tepe-Belfrage 2016, pp.4

[53] Montgomerie and Tepe-Belfrage 2016, pp.4

"financialization of everyday life,"[54] or depending on the form of debt, as "financialization of consumption."[55] While the use of the term denotes that there are changes in daily practices as a result of the increasing access to financial markets in those cases, others such as "financialisation of personal income"[56] turn attention to the fact that financial products function as a substitute of income in the form of either debt through borrowing or investment/ acquisitions of financial assets.

Various scholars suggest that when looked from both lender and borrower perspectives, there are different dynamics at work in the rapid expansion of credit markets for consumer finance in the last decades,[57] and use the categories for demand- and supply-side factors in order to explain this rise in household indebtedness.[58] Observing converging patterns of household credit use across advanced capitalist nations, Kuş identifies low wages, rising income inequality and weakening social safety nets as well as the changing consumer culture as the factors that increase the demand for credit, while also arguing that loose regulations and lax eligibility criteria for borrowing have functioned as supply-side factors that increase the household access to credit.[59] Likewise Trumbull claims that liberal and restrictive stances adopted by the U.S. and France governments towards consumer credit access in the context of wage stagnation and welfare state retrenchment in the 1990s have resulted in different levels of over-indebtedness and differing ways of credit

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[54] French, S., Leyshon, A., and Wainright, T. (2011) "Financializing Space, Spacing Financialization" *Progress in Human Geography* 36, pp. 800.
[55] Gonzalez, F.(2015) "Where Are The Consumers?: 'Real Households' and the Financialization of Consumption" *Cultural Studies*, pp. 2.
[56] Karaçimen 2013, pp. 82

[57] Logemann, J.(ed.) (2012) *The Development of Consumer Credit in Global Perspective*. New York: Palgrave Macmillan.

[58] Kuş 2015; Karaçimen 2015

[59] Kuş 2015, pp. 214-218

use.[60] From an overall perspective, the increasing demand on household side due to the availability of credit and changing social context was met with an increase in the supply of credit provided by banks, paved the way for the incorporation of households into the financial system at the global scale.

Although these are generic determinants of rising household debt relevant to most capitalist countries, advanced and middle-income alike, the literature identifies some common patterns for peripheral countries of global economy. These patterns further elaborate on the supply-side factors such as concentration in banking sector, foreign bank entry, high interest rates, and high levels of capital inflows, displaying the interplay between domestic reforms in the aftermath of the banking sector reforms of the 1990s/early 2000s in these countries and conditions of global economy.[61]

There are three critical approaches covering the incorporation of households into financial system in the existing literature. The first of these approaches is the institutional political economy approach, which explains this social process as part of broader institutional changes occurring at the macro level. The liberal and Marxist strands within this approach both underline certain transitions that took place in the post-1970 period whereby finance and financial markets have gained prominence. While the liberal institutionalists identify a major shift in the welfare provision, the regulation school focuses on the change in the patterns of capital accumulation. Secondly, the cultural political economy approach refers to those perspectives that explore how financial practices and discourses have an impact on social life and subjectivities. This approach provides explanation on the transformations taking place at the micro level, and relates those to broader power relations

[60] Trumbull, G.(2012) “Credit Access and Social Welfare: The Rise of Consumer Lending in the United States and France” *Politics & Society* 40(1).

[61] Becker, J., Jager, L., Leubolt,B. and Weissenbacher,R. (2010) “Peripheral Financialisation and Vulnerability to Crisis: A Regulationist Perspective” *Competition & Change* 14(3-4); dos Santos, P. (2013); Karaçimen 2015, pp.159-225.

and governing structures. The third approach centres upon the widely referred explanation provided by Costas Lapavitsas on the increase in household debt. From a Marxist political economy approach, Lapavitsas identifies new forms of expropriation in capital-labour relation as banks have turned to working class for profit making.

The liberal institutionalist perspective explains this process through the impact of the decline in Keynesian economics on social and economic policy. Following the crisis of the 1970s, economic growth and welfare provision shifted from spheres of labour and production to housing and financial markets.[62] This narrative identifies a trade-off between distributive policies of state and credit access/dependence of households on financial markets, naming this new public policy regime as *privatised Keynesianism*.[63] The link between the consumer credit and the management of aggregate demand under the Keynesian policy framework of the post-WWII period was already acknowledged, deeming the U.S. government's attempts to regulate the minimum down payments as well as maximum repayment periods of the consumer credits as an effort to increase the credit volume, intended to stimulate the aggregate demand.[64] With the privatised Keynesianism argument, on the other hand, what Crouch suggests is that there has been a clear macroeconomic policy shift replacing the earlier model of Keynesian demand management, in which governments made use of state budgets and arranged their spending strategically to manage the aggregate demand. In the Scandinavian countries, the U.K., the U.S., and Austria where this model of

[62] Boyer, R. (2010) "Is a Finance-led growth regime a viable alternative to Fordism? A Preliminary Analysis" *Economy and Society* 29(1).

[63] Crouch, C. (2011) *The Strange Non-Death of Neoliberalism.* Cambridge: Polity Press, pp. 97-124.

[64] Logemann 2012, pp. 3

Keynesian model was present in the post-WWII[65], not only the effective demand, but also the economic and social stability in these capitalist societies were ensured through a combination of macroeconomic management and welfare state policies.

> The Keynesian model protected ordinary people from the rapid fluctuations of the market that had brought instability to their lives, smoothing the trade cycle and enabling them gradually to become confident mass consumers of the products of a therefore equally confident mass-production industry. (…) Arms-length demand management plus the welfare state protected the rest of the capitalist economy from both major shocks to confidence and attacks from hostile forces, while the lives of working people were protected from the vagaries of the market. It was a true social compromise. (…), there was always likely to be ratchet effect in the mechanism: it was easy for governments to increase spending in a recession, bringing lower unemployment, more public services and more money in people's pockets. It would be far more difficult at times of boom in a democracy to reverse these trends. This was the seed of destruction at the heart of the model.[66]

The Fordist production regime and Keynesian public economics functioned as a source of stability in the post-war period, and as the compromise collapsed surrounding this social model in the 1970s, Crouch argues that delegated to market mechanisms, this protection was ensured particularly through capital and housing markets, instead of employment and production.[67] The underlying assumption is that instability inherent in the capitalist markets was contained in the post-war period as government policies were implemented in a way to support the working classes and foster the economic prosperity, but

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[65] Crouch, C. (2009) "Privatised Keynesianism: An Ucknowledged Policy Regime" *The British Journal of Politics and International Relations* 11, pp. 386.

[66] Crouch 2009, pp. 386.

[67] Montgomerie and Büdenbender 2014, pp. 387

after the 1970s it was not the government, but “banks, stock exchanges, and financial markets” [68] that provides the means to protect the mass population and to sustain the growth in mass consumption economy in the face of potential risk of instability of markets in the neoliberal era. Despite the collapse of Keynesian consensus, the expansion of financial markets to such an extent brought continuity in the mass confidence during 1970-2008. Crouch defines this as a contingent outcome, arguing that this field that was opened up with financial innovations functioned as a source of stability beyond the outreach of the governments.

> Two things came together to rescue the neo-liberal model from the instability that would otherwise have been its fate: the growth of credit markets for poor and middle-income people, and of derivatives and futures markets among the very wealthy. This combination produced a model of privatised Keynesianism that occurred initially by chance, a real case of market entrepreneurship, but which gradually became a matter for public policy so important as to threaten the entire neoliberal project. Instead of governments taking on debt to stimulate the economy, individuals did so.[69]

Thus, Crouch suggests that the rising household debt has constituted an important part in this policy shift, contributing to the patterns of growth. Similarly, Boyer points out that this indicates a shift in the regime of accumulation, and one aspect of this new regime is how easy access to consumer credit and capital markets contributed to economic growth by compensating the income loss due to wage stagnation.[70] Boyer mainly draws on the regulationist perspective, which emphasizes the role of institutional forms in stabilizing the contradictions of capitalist relations present in the regimes of accumulation. A distinctive set of institutional structures called

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[68] Crouch 2009, pp. 392-393

[69] Crouch 2009, pp. 390

[70] Boyer, R. 2010

modes of regulations functions as an emergent response to the crises of accumulation and as a support mechanism for the reproduction of these historically specific forms of existing capital relations. According to this framework, while the Fordist regime of accumulation was built on wage compromise in the post-war era, *finance-led accumulation regime* that replaced this Fordist regime after the crisis of the 1970s was largely based on the financial structures.[71] As such, Boyer's proposition conceptualizes household debt as a component of the current mode of regulation and as one of the channels for capital accumulation for it has served to sustain a certain pattern of consumption and accumulation.

In addition, Streeck also proposes that this credit expansion and its use by the larger population in the form of debt permitted the distributional conflicts to be avoided, albeit temporarily.[72] His underlying assumption is that there has been a link between democracy and capitalism in advanced capitalist economies, which was institutionalized under the Fordist system of production of the post-war era. Although political system that democratic capitalism[73] was built on at that period was marked by stability, the existing logics of democratic politics and capitalist markets was carrying certain tensions which were resurfaced in the form of distributional crisis as the economic growth came to a halt in the 1970s. The new ways to delay the political and economic crises emerged at that time. Streeck argues that the ongoing tension between social demands and the operation of free markets has been postponed over the last few decades, mainly through the mechanisms provided by the expansion in financial markets. "Financial liberalization thus compensated for an era of fiscal consolidation and public

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[71] Stockhammer,E. (2008) "Some Stylized Facts on the Finance-Dominated Accumulation Regime" *Competition& Change* 12(2)

[72] Streeck 2014

[73] Streeck, W. (2011) "The Crises of Democratic Capitalism" *New Left Review* 71, pp. 5

austerity. Individual debt replaced public debt, and individual demand, constructed for high fees by a rapidly growing money-making industry, took the place of state-governed collective demand in supporting employment and profits in construction and other sectors."[74] This has meant the state's redistributive policies were replaced by the borrowing and investment opportunities offered by financial markets and institutions.

This institutionalist approach contextualizes the rising household indebtedness in the historical perspective, linking it with the expansion of financial markets and the impacts of neoliberal transformation There have been diverging opinions in the literature on how exactly financialisation and neoliberalism are interrelated. Whereas some scholars argue that neoliberal restructuring was what initially triggered the rapid financialisation of capitalist economies[75], for others[76] rising dominance of finance capital was the driver of the neoliberal ascendancy. The privatized Keynesianism argument provides a third way on understanding the interrelationship between these two phenomena, and argues that expansion of financial markets became instrumental in addressing the distributional conflicts and tensions propelled by the processes of neoliberal restructuring and neoliberal deepening by offering a structural and historical narrative.

All changes coming with the expansion of financial industries and finance capital, including the increasing availability of credit for larger populations, had a reflection over the issues related to social order and welfare in capitalist

[74] Streeck 2011, pp. 18

[75] Kotz, D.M. (2008) "Neoliberalism and Financialization" paper presented at the conference in honor of Jane D'Arista at the Political Economy Research Institute, University of Massachusetts Amherst, May 2-3, 2008, http://people.umass.edu/dmkotz/Neolib_and_Fin_08_03.pdf (accessed on February 22, 2017)

[76] Dumenil, G. and Levy, D. (2004) *Capital Resurgent: Roots of the Neoliberal Revolution*. Cambridge, Massachusetts: Harvard University Press.

societies, where organization of social life concomitantly has been transformed under neoliberal ideas and practices. The commonality of these different perspectives within the institutionalist approach is that they all draw a link between rising indebtedness and broader institutional shifts. The expansion in household credit came to contribute to emergent accumulation/growth regimes, as well as entangled with transformations in welfare state regimes. Although they identify a change in the field of public policy, these theoretical framings have not been explicit about state's role. Particularly in privatized Keynesianism argument, which is mainly relied on the assumption that direct government intervention in the Keynesian era has been substituted by an indirect form of intervention through financial markets and institutions, the way Crouch theorizes the relation between debt and public policy remains weak to the extent that he fails to handle the processes behind this policy shift. In his framework, concrete policies that brought about this shift and the question of through which processes they are proposed, imposed, and challenged remain unaddressed. Similarly, the regulationist perspective also does not elaborate on the political struggles through which rising debt became central to the accumulation process. Overall, this institutional approach to financialisation of households falls short in explaining how exactly state policies have contributed to the formation of policy regimes to which the household debt has been central.

In addition, despite the views arguing that analytical framework provided in privatized Keynesianism argument can offer a viable framework to understand financialisation processes in different national settings[77], it falls indeed short of addressing how this relation between public policy, market

[77] See a discussion of financialisation of consumption in the Chilean case, Gonzalez, F. (2015) "Micro-Foundations of Financialization: Status Anxiety and the Market for Consumer Credit in Chile" PhD Dissertation, IMPRS-SPCE available at http://pubman.mpdl.mpg.de/pubman/item/escidoc:2214572:5/component/escidoc:2260448/2015_IMPRSDiss_Gonzalez.pdf (accessed on March 19, 2017)

access, and social welfare is articulated in different countries. Its viability is largely limited to advanced capitalist countries, particularly to Anglosphere. This has seen as one of the general shortcomings of the current scholarship on global finance. To focus on Anglo-American context brings the tendency to treat financialisation as a uniform process. By drawing on the U.S. example, many scholarly works assume that the process "articulates itself similarly in different institutional contexts and actually causes divergence towards an ideal-typical conceptualization of a financialized economy."[78] But there are also scholars focusing on how the institutionalized regimes of privatised Keynesianism and finance-led accumulation in the core national economies of the global economy have an impact on the financialisation processes in the peripheral countries. Bonizzi suggests that tensions underlying these double regimes led financial institutions to seek profits in the markets of the developing world. The capital flows and foreign bank entries have been the main drivers of financialisation in developing countries.[79]

The other fundamental approach in the literature tackles with the issue of household indebtedness from the cultural political economy perspective. This approach captures this process by focusing on transformative power of financial discourses and practices on subjectivities. Informed by the neo-Foucauldian perspective, they argue that exposing to financial services, households came to turn into citizens as investors under the market discipline.[80] This process corresponds to the formation of *enterprising*

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[78] Engelen 2008, pp. 114.

[79] Bonizzi, B. (2017) "International Financialisation, Developing Countries and the Contradictions of Privatised Keynesianism" *Economic and Political Studies* 5(1), pp. 21-40.

[80] Martin, R. (2002); Langley, P. (2010*)*

subjects or *investing subjects,* referring to an individual who is defined by self-managing, risk-taking, and self-disciplining capacities.[81]

What distinguishes this approach from other macro-level research is its focus on the influence of finance on the social life. As the process of democratization of finance brought the exposition of larger population to the financial instruments, the expanding credit supply has been made available to the mass population. When explaining this process, similar to institutionalist perspectives, they also tend to refer to a shift occurred transitioning from post-war to neoliberal era. But in their case, this shift is conceptualized in a way to denote a change in daily living conditions. While the lives of individuals were surrounded by a certain level of security under the protection of welfare states, they are subjected to uncertainty and risk in today's societies. This is not only due to " (…) flexibilization of work and the retreat of the welfare state, but it is also created by the volatility of financial markets on which individuals rely for their needs."[82] Problematizing the increasing access of households to the financial system and the rising indebtedness in this context, they argue that this process signifies not only a material change whereby the financialisation of personal incomes is observed, but also brought about a change in the understandings of self.

The implications of this shift have been less contested among the perspectives within cultural approach. But when elaborating on how individuals encountered the possible risks, the aspects of the subjectivity formation that they put forward have been different. One perspective underlines that faced with constant uncertainty, ordinary people come to adopt this situation in time, and to develop certain skills to manage the possible risks. Aitken claims

[81] Aitken, R. (2007) *Performing Capital: Toward a Cultural Economy of Popular and Global Finance*. NY: Palgrave Macmillan, pp. 3-29.

[82] Zwan 2014, pp. 112

that this process corresponds to the formation of entrepreneurial subjects, who develops an "individualized notion of self in which individuals are increasingly asked to treat their life as an enterprise and to assert personal control over various aspects of risk in a direct manner."[83] Similarly, Martin gives an account on how the practices of financial management have an influence over the way individuals maintain livelihoods, leading them to conduct their daily affairs as if they manage a business. This perspective relies on the assumption that autonomous individuals have embraced the position of an investor to some extent.[84]

In contrast, other perspective highlights the coercion element in this process. Negri and Hardt suggest that the credit relationship has yet been another form that embodies the inequality underlying capitalist society:

> Once upon a time there was a mass of wage workers; today there is a multitude of precarious workers. The former were exploited by capital, but that exploitation was masked by the myth of a free and equal exchange among owners of commodities. The latter continue to be exploited, but the dominant image of their relationship to capital is configured no longer as an equal relationship of exchange but rather as a hierarchical relation of debtor to creditor. (…) Capitalist production has spread such that the labor power of the entire society tends to be subordinated to capitalist control. Capital increasingly exploits the entire range of our productive capacities, our bodies and our minds, our capacities for communication, our intelligence and creativity, our affective relations with each other, and more. Life itself has been put to work. [85]

[83] Aitken 2007, pp. 13

[84] Zwan 2014, pp. 112

[85] Negri, A. and Hardt, M. (2012) *Declaration*. New York, NY: Argo-Navis, pp. 9

As such, they incorporate the condition of being in debt, which they describe as one of the common aspects of today's social life, to their framework of the hegemony of *immaterial production*. The concept of immaterial production refers to a new form of production, which is differentiated from the production of material commodities in terms of its extent and content. Inherently biopolitical, immaterial production uses the productive energies of labour, and blurs the boundaries between production and reproduction through extending to social life.[86] The debt relation contains the intervention mechanisms through which capital involves in and exerts control over the production of immaterial labor.

Lazzarato proposes that creditor-debtor relationship has constituted the fundamental basis for the functioning of neoliberalism in today's societies, outstripping the centrality of the relation between capital and labor prior to the neoliberal period. "(…) Post-Fordism should be understood through the ascending influence of neoliberalism, as the state has retroceded its power of money creation to private creditors. Through this process, the relation between capital and labour has been transcended by the creditor-debtor relationship."[87] Lazzarato implies that the power of creditors restricted by the state under the Fordist regime unleashed, and new forms of discipline emerged within the *debt economies* of the post-Fordist era.[88] With the making of the *indebted man*, Lazzarato refers to the subjectification process whereby neoliberal governmentality has imposed duties, obligations, and guilt on the debtor. "Debt directly entails life discipline and a way of life that requires "work on the self," a permanent negotiation with oneself, a specific form of

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[86] Negri, A. And Hardt, M.(2009) *Commonwealth*. Cambridge, Massachusetts: The Belknap Press of Harvard University Press, pp. 135.

[87] Charbonneau, M. and Hansen, M.P. (2014) "Debt, Neoliberalism and Crisis: Interview with Maurizio Lazzarato on the Indebted Condition" *Sociology* 48(5), pp.1039.

[88] Lazzarato, M. 2011. *The Making of the Indebted Man: An Essay on the Neoliberal Condition*. Amsterdam: Semiotext(e), pp. 37-160.

subjectivity: that of the indebted man."[89] According to Lazzarato, debt corresponds to an obligation not only to pay, but also to act in a certain manner so that the future conduct of debtor can be dictated and controlled.[90]

This cultural political economy approach overall opens up a fruitful avenue of research to explore the broader effects of financialisation on masses, but to the extent that it does not concretize the mechanisms of how the working class people occupy the position of an investor, this argument on entrepreneurial subjectivity loses its explanatory power to a certain degree. One dimension of the attempt to fill this gap might be to reconceptualise state action and state power in those frameworks. Although most of these perspectives set out to theorize the relation between coercion/consent and governance, they largely disregard the state's role in this broader discursive shift. But as Martin et al. assert, the individual's different positions in credit economy are highly dependent on the state policies and regulations. "(…) the state calls upon and organizes population so that some will flourish and others will be left behind."[91]

To this end, one can derive insights from the meso-level analyses. Jayasuriya argues that the neoliberal order created new forms of sociability and a new set of social contract between the state and the citizen through legal reforms.[92] The shift from social to market citizenship took place, as states seek to develop individual capacities/endowments in a way that will enable them to involve in market processes at all stages. Similarly, Mahmud substantiates the link between debt and discipline, and argues that the state and law have

[89] Lazzarato 2011, pp. 104.

[90] Lazzarato 2011, pp. 132.

[91] Martin, R., Rafferty, M., and Bryan, D. (2008) "Financialization, Risk and Labour" *Competition&Change* 12(2), pp. 123.

[92] Jayasuriya 2006

played a significant role, describing them as "critical enablers of subject-forming governmentalities."[93]

The third approach covers Costas Lapavitsas's widely acknowledged "financial expropriation" thesis. Similar to some of the accounts mentioned above under the other two approaches, Lapavitsas also develops his argument from a Marxist point of view. The reason why Lapavitsas's account is taken as a separate approach by its own is that it brings novelty to household debt debate by conceptualising the growing interaction between the households and the banks, and rethinking it in relation to the Marxist theories on exploitation and reproduction of the working class.

Lapavitsas observes that the banks' search for new profit areas has coincided with the increasing reliance of households over financial markets in order to meet their needs. The underlying dynamics for this turn of banks to households are situated in the 1960s and 1970s. As he argues:

> Industrial and commercial capitals are able to borrow in open financial markets, thus becoming heavily implicated in financial transactions. Financial institutions have sought new sources of profitability in financial expropriation and investment banking. Meanwhile, workers have been increasingly drawn into the realm of private finance to meet basic needs, including housing, consumption, education, health and provision for old age.[94]

The turn of banks to households has gone hand in hand with the "financialisation of workers' revenues."[95] On the one hand, traditional banking activities, which used to mainly cover lending loans to large

[93] Mahmud, T. (2013) "Debt and Discipline: Neoliberal Political Economy and the Working Classes" *Kentucky Law Journal* 101 (1), pp. 52.

[94] Lapavitsas 2009a, pp. 146.

[95] Lapavitsas 2011, pp. 620.

corporations, have undergone a significant transformation starting from the 1960s, as these corporations became no longer depended on banks to finance their investments with the expansion of international financial markets. On the other hand, the conditions of welfare provision for households have changed significantly in the face of the deregulation of labour markets and the retreat of state from public provisioning since the late 1970s. Hence, the dynamics of the increasing interaction between banks and households have lain at the changing relations between industrial and financial capitals on the one hand, and the stagnation of real wages and marketization of welfare services on the other.

Lapavitsas situates these historical transformations in banking activities and welfare provision within the broader discussions in Marxist political economy. In his early works, he tries to provide a Marxist framework on money and finance.[96] Later following this line of work, he comes up with a broader theorization of financialisation with his attempts to explain the financial crisis of 2007-2008.[97] He argues that "the current crisis is a result of financialisation, which is a systemic transformation of the capitalist economy pivoting on the financial system and involving new sources of profit."[98] Within this context, he describes the growing interaction between banks and households as a fundamental aspect of "financialised capitalism."[99] Moreover, he argues that this turn of banks from corporations to households for profit making in today's "financialised capitalism" signifies a form of surplus extraction occurring in the field of circulation through which a portion of the

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[96] Lapavitsas, C. (2000) "Money and the Analysis of Capitalism: The Significance of Commodity Money" *Review of Radical Political Economics* 32(4); Lapavitsas, C. (2005) The social relations of money as universal equivalent: a response to Ingham" *Economy and Society* 34(3)

[97] Lapavitsas 2009, Lapavitsas 2011

[98] Lapavitsas 2009, pp. 141.

[99] Lapavitsas 2009

income of working classes is appropriated by financial institutions.[100] Referring to this process as "financial expropriation", Lapavitsas follows:

> [f]inancial expropriation, then, is a source of profit that has emerged systematically during the recent decades. It should be clearly distinguished from exploitation that occurs in production and remains the cornerstone of contemporary capitalist economies. Financial expropriation is an additional source of profit that originates in the sphere of circulation. In so far as it relates to personal income, it involves existing flows of money and value, rather than new flows of surplus-value. Yet, despite occurring in circulation, it takes place systematically and through economic processes, thus having an exploitative aspect. [101]

Thus, Lapavitsas interprets this turn of the banks from corporations to households for profit making as a novel form of capitalist expropriation, along with the exploitation taking place in the field of production. This also means that the value created by labour for his/her own reproduction is expropriated on the one hand, while at the same this reproduction of labour power becomes increasingly dependent upon financial markets and financial institutions on the other.

There have been several objections raised against Lapavitsas's argument. The most comprehensive among them is Ben Fine's criticism about the misleading way that Lapavitsas associates financialisation with the working-class exploitation. The underlying reason for that is their reductionist approach in defining the value of labour power. Fine claims that what Lapavitsas understands from financial exploitation is "purely and simply a deduction from a given value of labour-power that is taken out of wage-revenue by the

[100] Lapavitsas, C. (2011) "Theorizing financialization" Work, Employment and Society 25(4), pp. 620.

[101] Lapavitsas 2009, pp. 131.

supply of banking services at abnormal profit."[102] According to Fine, when described this way, it becomes, firstly, very hard to explain how this mechanism of income appropriation has persisted together with financialisation over all these years without the value of labour power following a downward trend. He secondly argues that this is partly due to Lapavitsas's treatment to the value of labour power at a higher level of abstraction, when in fact it holds certain concrete determinants. Referring to his own "system of provision" approach, he claims that the "value of labour power (housing, clothing, transport, food) is differentially determined in how it is provided" and also adds that "levels of consumption (and modes of delivery) across the working class are also differentiated."[103]

2.3. Reflecting on the Literature

It is possible to critically engage with the literature on household debt on many levels. Within the confines of this work, however, there are two important conclusions which I derive from the literature, and use in order to give a direction to the rest of my study.

First, initially observed in advanced capitalist societies, many empirical works about the financialisation at daily level concentrated on the experiences in the Western countries. This also means main concepts and analytical frameworks on this area of research emerge from there as well. The institutional perspective closely examines the development of capitalism over the decades in the West, and relates its explanation to the historical practices and experiences of these capitalist societies. It is also possible to argue that albeit in a less direct manner, the cultural economy perspective fundamentally focuses on the ongoing processes in the advanced capitalist economies. What this perspective does is to define everyday financialisation by the formation of

[102] Fine, B. (2010) "Locating Financialisation" Historical Materialism 18(2), pp. 100.

[103] Fine 2010, pp. 100.

new subjectivities through market processes, providing a case for how the society becomes imbued with growing of influence at the very micro level. And because their assumption is that one part of the individual's turning into a financial agent is related to the financial innovations observed over the decades, these changes occurring in financial markets are central to this argument. But while these developments are highly visible in Western economies, they are mostly absent in most developing countries. Even financial instruments simply are yet to be developed or not widespread in the developing countries. Similarly, Lapavitsas derives his main thesis on financial expropriation from the transformation of the relation between the households and the financial institutions in the US credit markets, and offers an account on the road to the crisis through the 2000s. Thus, having drawn their materials from there, these approaches primarily offer accounts explaining the Western experience. This of course does not mean that these approaches are not relevant to understand financialisation in the developing countries. Since similar processes have become observable later in the developing countries as well, most of these theoretical discussions can clearly be relevant to these countries. The point I have made about the focus on Western experiences does not make these approaches necessarily exclusive, but it can still be claimed that the issues and processes surrounding the experiences in developing countries may not always fit to the latters' scheme.

My second reflection concerns the absence of state within these analyses. These theoretical perspectives provide solid political economy explanations on the emergence and implications of rising household debt, while also addressing the more basic question of how this has been transforming the economy and society. All three accounts refer to the increasing activity of individuals within financial markets as a process which has an impact on the broader transformations in the conduct of society. But neither perspective incorporates state as an object of their analysis, as there are no attempts to conceptualize state action, and discuss them in relation to indebtedness. This gap in the literature is particularly signicant when it is taken account that the issue of state intervention gained prominence in public opinion as many states have stepped in to bail out the failed banks and socialized the costs of the crisis in the post-2008 period in advanced capitalist economies.

While the institutional political economists acknowledge the explicit role of the state in the conduct of economy in the Fordist era as well as the interventions underlying this role, the positioning of state in the post-Fordist era is defined in more vague terms. The increasing credit access is associated with a broader policy shift, argued to be functional to the process of getting to grips with the crisis of Keynesianism and become an integral part of the new policy regime. In an environment in which labour market conditions has deteriorated and the safety nets provided by the state has gradually eroded, credit turns out to be a means of living for individuals who are pushed for providing their welfare needs directly from the markets. This is the context in which credit access as well as household debt has risen. This theoretical capturing clearly suggests that states are no longer actively involved in some areas of economic and social life, but the part played by states throughout this shift, and also in the aftermath, remained unexplored.

The cultural political economists also largely overlook the agency of state in their analysis. The process of subjectivity formation corresponds to a process of market domination. As the interaction of individual with financial markets has increased, many conditions (such as indebtedness) and relations (such as debt relation) emerge from there. These relations take the form of power and control, which are exerted on the individual who become subjugated to market processes through these conditions. This is conceptualized as either voluntary or coercive process by different scholars. Although this has been a crafty theorization of complex power relations surrounding household debt, it leaves no room for thinking and conceptualizing state inside this power framework.

A similar point can be made about the Lapavitsas's approach on household debt. Lapavitsas understands the increasing interaction between banks and households as a part of the new dimension to capital-labour relation that appears in the field of circulation. Since the 1960s, various overlapping developments have brought about the transformation of traditional banking activities in advanced capitalist economies with the financialisation of the economy, a process Lapavitsas defines by financial sector's increasing autonomy and expansion.[104] He interprets this turn of banks from corporations to households for profit making as a novel form of capitalist expropriation, as a result of which worker's wages become appropriated by banks in the form of interest. This also denotes a process whereby the reproduction of labour power has become depended on financial markets. The state has been conspicuously absent in this discussion which covers broader processes of financialisation in a systematic manner and identifies major changes taken place in the capitalist social relations as a result of these processes.

In short, to the extent that all these analyses try to create explanatory frameworks on household debt within the confines of their concepts and theoretical perspectives, they largely exclude the need to think over the ways of state involvement. Thus, even though they both start off their inquiry from a critical point of view, they fail to make a contribution that would go beyond the common assumption that financial markets outweigh other actors along the process of financialisation. As we move to developing countries, this gap on the role of the state in the literature on household debt becomes particularly important, since financialisation in these countries are associated with a peripheral form. As I will explain in detail in the following chapter, the literature differentiates the financialisation in peripheral countries from its

[104] Lapavitsas 2009, pp. 146.

counterparts at the core by the dependence on the actors and processes of global finance. Due to this externally driven character and vulnerabilities associated with it, the state has been assigned a more central role in peripheral financialisation. In this context, I will go through the newly emerging literature on financialisation in developing countries in Chapter Three, and ask in which ways it makes room for conceptualizing state action and state power in relation to markets.

CHAPTER 3

FINANCIALISATION IN DEVELOPING COUNTRIES

As emerging in the late 1990s, most scholarly work in financialisation literature initially concentrated on advanced capitalist economies, particularly on the economies of the Anglosphere. This can be partly explained by the fact that the transformations related to growing role of finance primarily occurred and were most significant in those national economies at the time. By the time it became evident that similar processes were taking place at the global level and expanding into many other economies that have been integrated to global capitalist economy, there was still a lack of empirical evidence from developing countries in financialisation studies. This also means main concepts and analytical frameworks on this area of research have emerged from the literature on advanced capitalist economies, yet the issues and processes surrounding the experiences of financialisation in developing countries are not always quite fit to this scheme. The research on financialisation in the context of the emerging capitalist economies got a foothold in recent years, as a body of literature covering the geographies of Eastern Europe, Latin America to Southeast Asia has gradually grown[105], but it is still "remaining a nascent field of research."[106]

[105] Gabor, D. (2012) "The Road to Financialization in Central and Eastern Europe: The Early Policies and Politics of Stabilizing Transition" *Review of Political Economy* 24(2), pp. 227-249; Correa, E., Vidal, G., and Marshall, W. (2012) "Financialization in Mexico: Trajectory and Limits" *Journal of Post Keynesian Economics* 35(2), pp. 255-275; Rethel, L. (2010) "Financialisation and the Malaysian Political Economy" *Globalizations* 7(4),p. 289- 506.

[106] Karwowski, E. And Stockhammer, E. (2016) "Financialisation in Emerging Economies: A Systematic Overview and Comparison with Anglo-Saxon Economies" *Post Keynesian Economics Study Group* Working Paper 1616, pp. 4.

On other hand, it is also acknowledged that financialisation experience of the emerging market economies have been different from those of the advanced capitalist economies in certain respects. The level of development of financial markets and the complexity of financial transactions have been lower in the emerging markets. But the questions of how the forms of financialisation are different at the center and periphery of the global economy, and how these experiences came to differ have not been widely addressed in the literature. In their cross-country analysis, Karwowski and Stockhammer identify six different forms that financialisation have manifested itself in the emerging market economies: "(1) Financial deregulation and integration of EMEs into the global financial system drives financialisation in these countries. (2) Foreign financial inflows result in financialisation in EMEs. (3) Financial liberalization encourages asset price inflation in EMEs, which is an important aspect of financialisation. (4) The shift from a bank-based to a market-based financial system causes financialisation. (…) (5) Debt levels among businesses in EMEs have been seen with concern as sign of financialisation. (6) The increased involvement of households in finance, e.g. strongly rising indebtedness of individuals."[107] In addition to the similar forms that can be observed in their advanced counterparts such as asset price inflation or households incorporation into financial markets, there have been also forms that are particular to emerging markets on the list that these two authors provided.

3.1. Dependent Financialisation at the Periphery

Becker et al. directly engage with this question of diverse forms of financialisation, arguing that the development of finance in the peripheral economies has been marked by the dependence on foreign capital flows in

[107] Karwowski and Stockhammer 2016, pp.2

most cases.[108] This argument is based on an analytical distinction made between the forms of financialisation in the core and the periphery countries of the global economy. While financialisation process has taken place through the expansion of fictitious capital in the first group of countries, it has centered around the mechanisms of interest-bearing capital in the latter.[109] As such, they attempt to distinguish the driving processes of international finance from one another based on their integration to global economy. The making of new financial asset streams through securitization and concomitant inflation of these financial assets prices have shaped financialisation processes in the core economies since the 1980s.[110] But these drivers are slightly different in the periphery; high interest rates have ensured the inflow of foreign capital which would contribute to the process of increasing profit-making in the financial sphere, followed by the decrease of productive capacities.

In their attempt to conceptualize the specific form of peripheral financialisation, they do not only make a distinction in terms of the driving factors but also of the vulnerabilities underlying these economies' integration to global finance and their shift to finance-led accumulation:

> (…) In most (semi-)peripheral countries, financialization is critically dependent on capital inflows, but structural outflows may also be observed. Thus, policies are geared towards attracting foreign capital through appropriate economic policies. One key feature of these policies is usually a rather rigid and overvalued exchange rate and high interest rates. These

[108] Becker et al. 2010, pp. 225-247.

[109] This strict distinction made by Becker et al. is not widely acknowledged in the financialisation literature and can be criticized on many grounds. For instance, Güngen argues that core and peripheral processes are hardly in opposition to each other, while both in fact imply a fictitious value separate from the sphere of production . See Güngen 2012, pp. 144

[110] Leyshon, A. And Thrift, N. (2007) "The Capitalization of Almost Everything: the Future of Finance and Capital" *Theory, Culture& Society* 24(7-8), pp. 98.

> policies serve as a temporary guarantee for interest-bearing capital against a depreciation of their assets and for capturing a huge share of surplus. Social forces favouring such policies usually invoke the fight against inflation as a legitimization for these policies. However, such a policy has its own contradictions. (…) The deteriorating current account results in an increasing dependence on capital imports. External debt soars. When domestic and external financial investors perceive the enormous size of external imbalances, capital inflows dwindle or give way to outright capital flight (…).[111]

The financialisation process at the periphery is fundamentally shaped by their position of dependency. This position is characterized by the dependence on global liquidity abundance coming from center to periphery as capital flows on the one hand, and also on the level of engagement of the foreign investor in financial activities in those countries on the other hand.[112] Thus, they argue that financialisation process have followed a certain pattern among the countries of periphery/semi-periphery starting from the 1970s, and in this course of historical development, this pattern has been shaped by these conditions of dependency.

Building on this initial argument, they also make a second point where they add that the way financial opening and deepening occur varies across countries in terms of its pace and specific forms across countries, albeit these processes have been triggered by similar driving factors. What makes the difference is the interplay between "the domestic constellation of interest and the international context."[113] Their claim is that given the changing conditions of global finance, domestic financial sectors of each country have put a pressure over states for the implementation of certain policies, pushing for

[111] Becker et al. 2010, pp. 229

[112] Becker et al. 2010, pp. 242

[113] Becker et al. 2010, pp. 242

further financial deepening. Coincided with the process of neoliberal deepening in these countries, "their agenda has been supported by intellectuals closely linked to neo-liberal projects."[114] The norms and regulations created within this frame have played a central role in promoting and sustaining the overall process of financialisation. The varying financial sector structures, the level of strength of the domestic financial sectors within these structures, their strategies as well as their alliances, and the forms and levels of integration of these countries to global finance in a context defined by dependency are all contributed to the heterogeneity of financialisation across the developing world.

Becker et al. underline the importance of international factors, and suggest that how international finance develops has a direct impact on how the domestic financialisation would unfold in the case of peripheral countries. Many other authors who count capital account liberalization, capital flows, and foreign bank entry among the idiosyncrasies of the process that compels these economies to became financialised also share this point of departure and draw attention to international aspects of financialisation in national economies.[115] This interaction between international finance and domestic finance suggests that different forms of financialisation at the core and the periphery are not used as an analytical category, but also they correspond to the unequal relations underlying the development of global finance system. Powell calls it "subordinate financialisation", as tendencies related to financial expansion have crystallized at the periphery "in a distinctive form which has been shaped by imperial relations in the current world

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[114] Becker et. Al 2010, pp. 242

[115] Lapavitsas, C. (2009b) "Financialisation Embroils Developing Countries" *Papeles de Europa* 19, pp. 108-139; dos Santos 2013,pp.316-338; Montgomerie, J. (2008b) "Bridging the Critical Divide: Global Finance, Financialisation and Contemporary Capitalism" *Contemporary Politics* 14(3), pp. 245-246; Gabor, D. (2010) "(De)Financialization and Crisis in Eastern Europe" *Competition& Change* 14(3-4), pp. 248-270; Karaçimen 2015, pp. 97-115.

conjecture."[116] This is observable at the macro level for the movement of the capital flows from centre to periphery has debilitating effects on the economy, putting these economies in a position where they are subjected to imperatives dictated by external factors. This led the peripheral economies to be more and more characterized by volatility and instability.[117]

Montgomerie similarly points out that the integration of developing countries to the global financial markets does not occur on an equal footing with the advanced economies. "The growing power and influence of international financial markets and actors are set within a geopolitical context. Various political and institutional complexes allow global finance to proliferate through unequal relations between new emerging markets and well-established global financial centres."[118] The shortage of domestic capital in emerging markets and the ways of compensating this shortage through attracting inflows or borrowing with risk premium are shown to be exemplary of how core economies hold the upper the hand in the process of financial expansion, and compared to these economies, integration to global financial markets at the periphery has been much more costly.

Similar to what Powell and Montgomerie suggest, Bonizzi also recognizes that the processes and actors of global economy have influenced the financialisation of economies in the developing world. But unlike Powell and Montgomerie, he attempts to link domestic financialisation in emerging economies to the way finance unfolds in advanced economies. Making use of Crouch's previously mentioned argument, Bonizzi also suggests that financialisation in advanced capitalist economies has been characterized by a

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[116]Powell, J. (2013) Subordinate Financialisation: A Study of Mexico and its Corporations. PhD Thesis. SOAS, University of London available at http://eprints.soas.ac.uk/17844/1/Powell_3543.pdf (Accessed on 10 May 2017), pp. 144.

[117] Powell 2013, pp. 147

[118] Montgomerie 2008b, pp. 245

certain policy regime called privatized Keynesianism, which set the policy conditions for creating and sustaining the finance-led accumulation regime in those countries. Building on this, he argues that the nature of this policy regime is what compels the foreign financial investors/institutions to expand their investments into emerging markets, which he identifies as the prominent driving force behind the financialisation of these economies:

> There is therefore a structural link between financialisation as a regime of accumulation and financial globalization, beside financial liberalization. A policy regime based on low interest rates to sustain the economy is also a regime that facilitates the ever-expanding scope and scale of financial markets for institutions in search for profitable venues. 'Privatised Keynesianism' in advanced economies thus provides a link between the role of developing countries as exporters and recipients of foreign investments. [119]

All these perspectives unite in their attempt to establish a link between the processes of financialisation at the core and the periphery, and as doing it, they point to the commonalities of financialisation in the developing/emerging economies, underlining structural factors defining common dimensions. But these approaches carry little explanatory power when it comes to understand the "variegated nature of financialisation."[120] Engelen draws attention to a general tendency he observed in the financialisation literature, which considers financialisation as a universal and uniform process through which finance forms itself more or less in the same way in different contexts, and hence ends up with an "ideal-typical conceptualization of a financialized economy."[121] Karaçimen and Kaltenbrunner also make a similar criticism by

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[119] Bonizzi 2017, pp. 30.

[120] Kaltenbrunner, A. and Karaçimen, E. (2016) "The Contested Nature of Financialization in Emerging Capitalist Economies" in Subasat, T. (ed.) *The Great Financial Meltdown: Systemic, Conjunctrual or Policy-Created?.* Cheltenham: Edward Elgar Publishing, pp. 289.

[121] Engelen, E. 2008, pp.114.

arguing that financialisation scholarship to refrain from understanding financialisation as a typical process.[122]

This brief historically specific overview on financialisation in developing countries provides us with a roadmap on how to tackle the issue of household indebtedness. In the literature, it is widely argued that the experience of financialisation in the developing world has been fundamentally different from advanced capitalist economies. There have been common dimensions of financialisation at the emerging economies, which is marked by peripheral position of these economies at the world economy. In particular, defined as externally driven, domestic financialisation in developing world has been subjected to developments in international finance. But there are also cross-country differences, which leads to the formation of different patterns of financialisation in each country context. This outline of the literature offers a guideline on how to establish a link between global financialisation process and household indebtedness in general as well as in Turkey. Before elaborating on the Turkish case, I will first make a historical overview of the integration of emerging capitalist economies into the global finance, drawing a political economy framework of the conditions for financialisation by also providing examples from different cases. This will create a basis for the following chapter, in which I will be focusing on the Turkish financialisation, in which I specify the global and domestic dynamics underlying the rising household indebtedness in Turkey.

3.2. Understanding Peripheral Financialisation in Historical Context

The origins of the recent rise of finance in global capitalism are most commonly located in the 1970s, associated with the neoliberal transition in the structure of the economy. This transition was characterized by a set of

[122] Kaltenbrunner and Karaçimen 2016, pp. 289.

policies introduced in order to address the profitability crisis of the 1970s.[123] Particularly policies such as deregulation of the financial markets were accompanied by a shift in monetary policy, preparing the ground for rapid credit expansion in the core capitalist economies. Spurred by the technological innovation in the following decades, the size of the financial activities has reached to unprecedented levels in the following decades. The growth of the weight of finance has gradually become embodied in all the sectors of society and economy from a very early stage on in advanced capitalist economies.

The processes of financial expansion have followed another trajectory in the developing countries with different dynamics and turning points. While the periodisation in advanced capitalist economies is dates back to the 1970s, financialisation of emerging capitalist economies is considered to be a more recent phenomenon. The historical accounts of financialisation in these countries have been generally told from the 1980s onwards, although developing countries came to more and more engage in international borrowing activities through Eurodollar markets particularly in the 1970s. This is fundamentally because it was not possible to talk about domestic financialisation of these economies at that stage, as the policy dynamics and the market process leading to a shift in accumulation patterns was still yet to emerge at the period. But this increasing engagement with international capital markets would lead to the public debt crisis of the early 1980s in the developing world, and that would later prepare the ground for the financialisation of emerging capitalist economies. In the literature, this period

[123] Speaking on the U.S. case, both Prasad and Hyman separately provide alternative accounts on the roots of financialisation, arguing that dynamics underlying a financialized economy was already at work in the 1970s in the U.S. economy, as the choices made by the U.S. policymakers on the functioning of the economy has initiated the process of financialisation at earlier periods of the 20th century. See Prasad, M. (2012) *Land of Too Much: American Abundance and the Paradox of Poverty.* Cambridge, Massachusetts: Harvard University Press; Hyman, L. (2011) *Debtor Nation: The History of America in Red Ink*. Princeton: Princeton University Press.

starting from the 1980s is broadly divided into two phases depending on the patterns of integration and the forms of financialisation of these economies: the 1980s and 1990s as the beginning phase, and the 2000s as the deepening phase.[124]

The skyrocketing public debt and the policies implemented under the prescriptions of the international financial institutions were the driving forces behind the financialisation of developing economies in the 1980s and 1990s, and sovereign debt management and growing activity of domestic financial actors in sovereign debt markets became central to this first phase. Financial crises in the late 1990s/early 2000s also had an impact on the consolidation of financialisation, as the restructuring of the financial sector in the post-crisis environment was has altered the conditions of accumulation in these economies. In addition, the conditions of global economy were highly beneficial for the developing world at this period. High levels of capital inflows pushed these economies in the direction of further financialisation. Not only the underlying dynamics, but also the forms of financialisation have significantly changed in the 2000s. The credit borrowing of households and corporations tremendously increased, and as a result these countries witnessed rapid rise in the debt of their private sectors at this period.

3.2.1. The 1980s Debt Crisis

International capital markets had already been present prior to the crisis of 1970s, representing the early traces of today's financialisation at the global scale.[125] The most prominent among them was the Eurodollar market, which came to expand in the early 1960s as part of the strategy to finance the

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[124] Kaltenbrunner and Karaçimen 2016

[125] Panitch, L. And Konings, M. (2009) "Myths of Neoliberal Deregulation" *New Left Review* 57, pp. 57-83

imbalances in the U.S. current account.[126] Throughout the 1970s, as the OPEC surpluses flown to these markets, the Eurodollar market "grew to be a full-fledged capital market,"[127] and opened up a field of increasing competition and profit through short-term speculative activity for banks and institutional investors, especially those in the U.S. and Europe.[128] In this period, these banks channeled their activities to the developing countries of mostly Latin America and Asia, engaged in credit lending in the form of dollar-denominated loans. "As of 1979, the 9 largest U.S. banks had committed 113 per cent of their capital in loans to just 6 countries: Argentina, Brazil, Mexico, the Philippines, South Korea, and Taiwan. In fact, loans to Brazil and Mexico alone were equal to half of all US bank capital."[129] As the interest rates pushed up high in the U.S., this international lending boom ended ended up with the sovereign debt crises in the early 1980s. The Eurodollar market did not only signify the early formations in global finance, but also through the foreign debt crisis, it set the ground on which peripheral countries came to integrate to global financial markets in the following decades.

Dragging into a major debt crisis, Mexico became the first country to declare its sovereign default in 1982. Subsequent to the Mexican default, 23 other countries also defaulted on their sovereign debt in the period 1982-1984.[130] These countries attempted to reschedule their defaulted loans and figure out

[126] Dickens, E. (2005) "The Eurodollar Market and the New Era of Global Financialization" in Epstein, G. (ed.) *Financialization and the World Economy*. Chenltenham: Edward Elgar Publishing, pp. 210-219.

[127] Vasudevan, R.(2009) "From the Gold Standard to the Floating Dollar Standard: An Appraisal in the Light of Marx's Theory of Money" *Review of Radical Political Economics* 41(4), pp. 484.

[128] Dickens talks about the US banks' and to a lesser extent of the British banks' dominance in the Eurodollar market. See Dickens 2005, pp.216-217.

[129] Soederberg, S. (2005) "The Transnational Debt Architecture and Emerging Markets: The Politics of Paradoxes and Punishment" *Third World Quarterly* 26(6), pp.935.

[130] Soederberg 2005, pp. 935.

alternative refinancing mechanisms through the decade. These efforts were led by the international financial institutions, among which the IMF's role was most notable. The Fund was involved both in the design and implementation stages of the Baker Plan in 1985 and the Brady Plan in 1989, and set forth a group of policies and strategies to overcome the insolvency, which were blended with market-oriented reforms shaped by the neoliberal agenda. When the debt restructuring proposed in the Baker Plan within this frame proved to be ineffective, policy-makers brought the financial innovation into the sovereign debt problem with the Brady Plan, and turned external public debt of indebted countries into bonds that can be bought and sold in the capital markets. Soederberg explains the process as follows:

> The Baker Plan was comprised of loans to cover interest payments with the conditions that debtor countries privatise state enterprises, end subsidisation of local businesses, and open up the economy to foreign investment. However, by 1989, it was widely believed that most debtor nations were no closer to financial health than they had been in 1982. The US Treasury Secretary, Nicholas Brady, convinced US banks to cut the actual value of their outstanding debt. Some of the write-offs were funded by the IMF and World Bank, while the remaining outstanding debts were rescheduled by converting them into what became known as Brady Bonds. These were sold on the secondary market in order to allow private-sector creditors to diversify risk more widely throughout the financial community via debt-for-equity and debt-for-nature swaps. The latter swaps allow banks to exchange large debts with the debtor nation for equity investments.[131]

The added dimension of the Brady Plan was the restructuring of debt instruments in indebted countries. The securitisation of these instruments and their relatively higher liquidity were to attract private creditors, who were assumed to undertake the role of financing these indebted states, as they make

[131] Soederberg 2005, pp.937.

their way out of debt. As such, the solution proposed for overcoming sovereign indebtedness would rely on further integration of these peripheral countries to international capital markets. This would not only require the creation of financial instruments and the financial markets which they can be tradable, but also the regulatory rules and norms, which these countries would expect to comply in order to ensure that conditions of the financial activity are maintained. Risk diversification strategies that Soederberg talks about contributed to financial expansion and deepening, and increased the weight of the speculative capital in overall functioning economy at the global scale.

The sovereign debt crises of the 1980s stemmed from the developing world's interactions with international capital markets, and resulted in further involvement of these countries in global financial processes. Painceira claims that it is possible to argue that the Brady Plan was the beginning of the financialisation for developing world for several reasons.[132] First, it had a direct impact on the formation of sovereign debt markets. As a mechanism of packaging and transferring the risk away from banks and investors to the broader market, securitisation has been one of the fundamental tools for the formation of fictitious capital. Although securitisation of external public debt under the Brady Plan was a common form of financialisation among the developing countries in the early 1990s, it was prominent in some of the indebted countries more than others. As Painceira points out, the broader impact of the debt crises and the Brady Plan on the financialisation of developing countries became visible when a broad range of developing countries implemented a wide range of policies by deregulating the financial markets and removing capital controls, and this paved the way for pouring of

[132] Painceira, J.P. (2009) "Developing Countries in the Era of Financialisation: From Deficit Accumulation to Reserve Accumulation" *Research on Money and Finance* Discussion Papers 4, avaiable at http://www.erensep.org/images/pdf/rmf/discussion_papers/RMF-04-Painceira.pdf (Accessed on 22 May 2017), pp. 5.

capital flows into these economies.[133] The International Monetary Fund (IMF), whose role had undergone a transformation throughout the 1980s, became involved in managing the neoliberal transformation in developing countries, and set the neoliberal agenda that would make these domestic economies comply with the changing conditions of global accumulation regime. In most developing countries, capital account liberalization and other reforms related to financial liberalization were introduced and implemented in the 1980s and the early 1990s under the structural adjustment programmes introduced by the IMF. As I have already mentioned in the previous section, this integration to global financial markets put these economies under a position where they gradually became more subjected to imperatives of the global financial markets, and obliged to be highly alert to instabilities and crisis tendencies existing in the process of global capital accumulation.[134] The role undertaken by the IMF as the international last lender of resort has changed in the 2000s, as most developing countries was started resorting to international reserve accumulation strategies in order to reduce their dependency on IMF loans.[135]

3.2.2. Financial Liberalization under the Washington Consensus

The international financial institutions have taken part in the incorporation of developing countries to global financial markets with their policy designs more systematically starting from the 1980s. The rationale set forth by the dominant global neoliberal discourse, known as the Washington Consensus, was that global finance could be a source of prosperity for developing world, and through their integration to international financial markets, they could get

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133 Painceira 2009, pp.6.

134 Karwowski and Stockhammer 2016, pp.10-11.

135 Eichengreen, B. (2007) "A Blueprint for IMF Reform: More than just a Lender" *International Finance* 10(2), pp. 153-175.

over their chronic capital scarcity problem and capitalize on the rapid financial expansion on their way to economic development.[136] These "reforms" implemented under the Washington Consensus "advocated a new development model based on the primacy of individualism, market liberalism, outward-orientation, and state contraction,"[137] and financial liberalization has constituted the main driving force of this new neoliberal orthodoxy. Lapavitsas elaborates on the implications of this process on developing countries as follows:

> By the later 1980s financial liberalization had morphed into an integrated pro-market development strategy, the Washington Consensus. (…) A fundamental component of the Washington Consensus has been to open domestic economies to international capital markets, typically on the grounds that capital would flow from rich to poor countries, thus promoting development. (…) as developing countries became more closely integrated with world capital markets, precisely the reverse took place. (…) International financialisation has had highly unstable outcomes for developing countries.[138]

Many other authors also draw attention to the emerging external vulnerabilities of the peripheral economies due to their integration to global financial markets.[139] Following financial liberalization, high interest rates and currency appreciation became the defining features of these economies, as means of attracting capital and ensuring its inflow, albeit whether they were

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[136] Marangos, J. (2008) "What happened to the Washington Consensus? The evolution of international development policy" The Journal of Socio-Economics 38, pp. 197-208.

[137] Öniş, Z. ve Şenses, F. (2005) "Rethinking the Emerging Post-Washington Consensus" *Development and Change* 36(2), pp. 263.

[138] Lapavitsas 2009, pp. 116.

[139] Kaltenbrunner, A. and Painceira, J.P. (2015) "Developing Countries' Changing Nature of Financial Integration and New Forms of External Vulnerability: The Brazilian Experience" *Cambridge Journal of Economics* 73(2), pp. 223-250; Bonizzi 2017, pp. 22.

combined and how they were imposed had varied among countries. In Mexico and Argentina, a combination of high interest rates, currency appreciation, and flourishing stock markets was observed together. In Chile, high interest rates and currency appreciation went hand in hand without the presence of emerging stock market.[140] Brazilian economy relied mainly on high interest rates to attract capital flows, and the inflation-targeting policy introduced in 1994 as a part of neoliberal reforms was crucial in institutionalizing this mechanism.[141] Similarly, exchange rate policies in Argentina imposed the conditions of overvalued currency, while this job was mostly left to the market in Chile and Mexico.[142] Akyüz claims that governments were very reluctant to introduce measures that would slow down the surge in capital flows, and when they implemented such measures, their impact remained limited in scope.[143] This was due to the fact that as inflow of capital into their economies had rapidly increased, this produced different forms of dependencies for these countries.

> (…) rather than increasing resources for investment, liberalization measures generally led to increasing volatility and instability, persistently high interest rates and extreme disruption in foreign exchange markets. External financial liberalization eased both the financial operations of non-residents in national markets and residents' acquisition of assets and liabilities denominated in foreign currencies. In this new environment, exchange rates became just another asset price open to speculation. At the same time, the abundance of foreign capital encouraged the appreciation of domestic currencies, resulting

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[140] Akyüz, Y. (1993) "Financial Liberalization: The Key Issues" United Nations Conference on Trade and Development Discussion Papers No. 56, pp. 31

[141] Becker et al. 2010, pp. 235

[142] Akyüz 1993, pp. 31.

[143] Akyüz 1993, pp. 36.

in a significant deterioration of current accounts and making these countries even more dependent on volatile capital flows.[144]

As Kaltenbrunner and Karaçimen show, on one hand, capital inflows had expanded the realm of financial investment at the expense of productive investment. The underlying arbitrage opportunities turned financial markets into appealing venues for profit. On the other hand, this overall process resulted in significant capital account deficits in these economies. This in return exacerbated the dependence on capital inflows where capital flows in a way functioned as a substitute in the absence of foreign exchange reserves through most of the 1990s.

3.2.3. Re-regulation under the Post-Washington Consensus

These vulnerabilities associated with the dependence on capital flows came to the surface in the late 1990s/early 2000s following the subsequent financial crises among developing countries. This did not only end the period marked with the wave of capital inflows, but also resulted in a short-term recession that revealed itself through devaluated currencies, loss of millions of jobs, and slump in growth. Most accounts given on the financial crises emphasized how the rise of debt flows in the early 1990s, and their subsequent decline in the late 1990s functioned as a significant dynamic triggering the crises. These debt flows consisting of portfolio flows (bond and equity flows) and financial flows (international bank lending) were considered to be short-term flows that were more unstable in nature compared to the foreign direct investment. From 2002 onwards, these capital flows were going to be restored, reaching to even higher levels as Figure 3.1 shows.[145]

[144] Kaltenbrunner and Karaçimen 2016, pp. 292.

[145] Tyson, J. and McKinley, T. (2014) "Financialization and the Developing World: Mapping the Issues" FESSUD Working Paper Series No. 38, pp. 43.

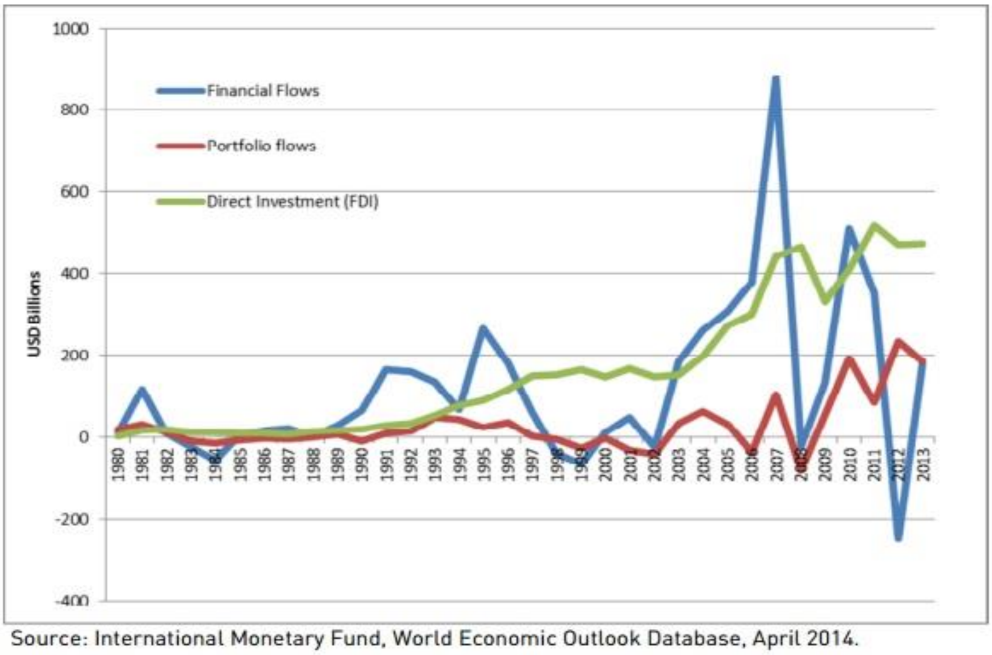

Figure 3.1: Net private capital flows to developing countries, 1980-2013[146]

With this notably high level of capital flows, the period 2002-2008 was marked by the further integration between the domestic and international capital in developing countries, a process through which they benefited from financial expansion occurring in the global economy, and experienced high levels of growth.

The involvement of international financial institutions did not come to an end after the financial crises of the 1990s in the developing world, when the financial architecture envisioned in the Washington Consensus collapsed. The post-crisis period also witnessed many changes in the organization of economy in those countries under the rubric of post- (or augmented) Washington Consensus. Having been shaped under the post-crisis conditions, the post-Washinghton Consensus underlined the importance of regulatory institutions with an emphasis on governance, transparency and

[146] Taken from Tyson and McKinley 2014

accountability.[147] As such, the prominence of market liberalism was still at the forefront in the post-Washington Consensus, but it was also acknowledged that market failures happen and in order to avoid their dire consequences and overcome these failures, active state invervention is required.[148] As Öniş and Şenses argue, "[p]erhaps the key element of the PWC [post-Washington Consensus] is the recognition that states have an important role to play in the development process. Within neoliberal orthodoxy, expanding the domain of the market had necessarily meant reducing the domain of the state in the economy. Whilst the post-Washington Consensus also favours liberalization of the economy and greater reliance on the market, states and markets are conceived of as complementing rather than substituting for each other."[149]

Re-regulatory changes were particularly relevant to the further opening of peripheral economies to cross-border private flows after the financial crises of the late 1990s, and consequently their further financial deepening and widening. The most significant among them were inflation targeting and reserve accumulation. These policies formed in the aftermath of the crisis aimed to address the seeming causes of the banking and monetary crises, expecting to prevent the sudden outflowing of capital and bring volatilities associated with exchange rate fluctuations. The non-inflationary growth policies had been created and institutionalized across advanced capitalist economies throughout the 1990s and 2000s.[150] The dominant orthodoxy associated high inflation with a deteriorating economy and instability, and the underlying premise was that low inflation/ price stability to economic growth would contribute to economic growth and global competitiveness. The central

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[147] Sheppard, E. And Leitner, H. (2010) "*Quo vadis* neoliberalism? The remaking of global capitalist governance after the Washington Consensus" Geoforum 41, pp. 189.

[148] Öniş and Şenses, pp. 275.

[149] Öniş ve Şenses, pp. 275.

[150] Montgomerie 2006, pp. 112.

banks were expected to live up to this inflation targeting within this framework.[151] The introduction of central bank independence attempted to separate the monetary policy decision making from political intervention. Infation targeting regime was built up on this historical background, and became widely implemented across developing countries in the 2000s. As related policies were first implemented in the aftermath of the financial crises, this adoption of inflation targeting regime was also directly relevant to the restructuring of financial markets and further integration of these economies to international finance capital. Saad-Filho points to the political character of the transition to a new monetary regime, and argue that "the new monetary policy consensus express the hegemony of capital in general in the field of economic policy, through the imperatives of finance."[152] Complemented with floating exchange rate regime, this new consensus on economic management was associated with another phase of neoliberal transformation contributing to the consolidation of the new system of financialized accumulation.

Similarly by linking the reserve accumulation strategy to the crises of the 1990s, Painceira explains the rationality behind this strategy as such:

> (…) instead of using incoming funds productively, developing countries have deployed them to accumulate huge foreign exchange reserves. There are two reasons for adopting this strategy: first, to defend the stability of exchange rates and, second, as defence against sudden reversals of capital flows. Both of these problems were characteristic of the crises of the late 1990s. Developing countries have gone down this path partly under pressure

[151] Montgomerie, J. (2008a) "(Re)Politicizing inflation policy: A global political economy perspective" *CRESC* Working Paper Series No. 53

[152] Saad-Filho, A.(2007) "Monetary Policy in the Neoliberal Transition: A Political Economy Review of Keynesianism, Monetarism and Inflation Targeting" in Albritton, R., Jessop, R., and Westra, R. (eds.) *Political Economy and Global Capitalism*. London: Anthem Press, pp. 90.

> from international organisations, such as the IMF, and partly due to the painful experience of the earlier crises.[153]

Painceira elaborates on this point, noting that this policy which was for the most part imposed on these countries had consequences that were not necessarily beneficial to these economies. First, he identifies a capital transfer from these countries to the core capitalist economies, particularly to the U.S. due to dollar's role as international reserve currency. As these countries sought to increase their foreign exchange reserves, they turned towards safe assets issued by the core countries, mostly U.S. Treasury securities. The return they received from these assets was relatively lower than what they paid for the incoming capital flows, as high interest rates offered by emerging capitalist economies translated into high returns paid for portfolio and financial inflows. As a result, increasing reserve accumulation resulted in negative net capital flows from developing countries.[154] The second implication was the growth of public debt market activities, and consequently the rise of domestic public debt. "(…) [T]he necessity of sterilizing the excess liquidity to prevent inflationary pressures provides a large amount of short-term debt securities to the domestic banking system. This not only leads to an increase in domestic public debt (…) but allows banks to expand their own balance sheets, contributing to the growing size of domestic financial systems."[155] The reserve accumulation strategy also pushed for further integration to global economy and contributed to the financialisation processes in those economies at the national level, albeit it also further reinforced the uneven character of global finance.

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[153] Painceira 2009, pp. 12

[154] Painceira 2009, pp. 12-13.

[155] Kaltenbrunner and Karaçimen 2016, pp. 293.

Along with financial liberalization and monetary policies, the restructuring of domestic financial sectors was also influential in determining this direction that domestic financialisation unfolded in those economies throughout the 2000s. It was not only the amount, but also the content of private capital flows that have changed in this period. There was a notable surge in capital flows in the form of foreign direct investment in the 2000s (See Figure 3.1). This rise was largely visible in the growing rate of ownership of financial institutions, more specifically in the growing number of foreign banks entering into financial sectors in emerging market economies.

Santos argues that there has been an ongoing trend of "internationalization and concentration of banking" since the mid-1990s, and when this trend matched with the introduction of the rules and regulations on the operation of foreign banks in the post-crisis period, foreign bank entry was widely observed particularly across middle income countries in the 2000s.[156] The banking sector structure was transformed in a significant way, leading to the emergence of new avenues of financial profit for the banks. Various scholars provide evidence from middle income economies of Latin America, Central and Eastern Europe as well as East Asia, and show how diversifying bank activities have contributed to the incorporation of households into financial system through various channels, ranging from consumer credit lending to foreign currency lending.[157] This rise in household lending was also explained by increasing access of nonfinancial firms in developing countries to international capital markets for financial funding in the literature.[158] In addition, with the notable growth of derivate market activity across these

[156] dos Santos 2013, pp.321-322.

[157] dos Santos 2013; Gabor 2010; Rethel 2010

[158] Karwowski and Stockhammer 2016, pp. 13.

economies[159], banking sector has also engaged in capital market activities, as "similar to their activities in the domestic public bond market, (…) [they] borrow cheaply on offshore financial markets and invest in these new domestic asset classes."[160] Gabor offers an account from Eastern European case on how processes of increasing and diversifying financial activities conducted by banks came to unfold under the dominance of foreign banks, particularly Western European banks. Her argument is that financialisation has been reinforced by central banks' policy interventions, which were in line with the interests of international finance capital:

> (…) Central bank practices combined with access to international money markets allowed banks to play multiple roles in their pursuit of yield differentials and short term returns: from retail lending to direct carry-trade activity through sterilization games to arbitraging differentials between local and foreign currency loans and counter-party to non-resident investment strategies. This multiplicity of roles weaved domestic policy making into global risk appetite and posed unprecedented challenges in the aftermath of Lehman Brother's collapse.[161]

This provides an example of the externally driven character of financialisation in developing countries. It also underlines the interplay between financial actors and monetary policymaking, and this became a driving force of domestic financialisation. "In Eastern Europe, speculation and the shift to financialized practices become possible once foreign-owned banks (or

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[159] The derivate market expansion has not taken place at similar level among these countries. Mexico, South Korea, Brazil, and Poland were among the countries where derivate markets have developed at higher levels. See Kaltenbrunner and Karaçimen, pp. 294.

[160] Kaltenbrunner and Karaçimen 2016, pp. 294

[161] Gabor 2010, pp. 267.

domestic banks with access to euro area interbank markets) become active triggers of capital inflows (…)"[162]

From another point of view, as confined itself to specificities of Eastern European case, Gabor's account indirectly makes a case for variegated financialisation, despite the similar international conjuncture and common dependent form of financialisation in the developing countries. To focus on the historical-institutional trajectories of capital accumulation and financial structures can provide a better understanding on the origins and dynamics of financialisation in different contexts, and the particular ways that it sets the stage for accumulation and crises.[163]

3.3. Back to Question of State Agency

This chapter starts off with two guiding questions I have formulated on the basis of from my reflections on the literature of household debt in the previous chapter: how does the existing literature explain the forms and processes of financialisation in the developing countries, and what kind of a role is given to the state within this framework? The tendencies and symptoms of a financialised economy have been very clearly observable in those economies, albeit to a lesser degree compared to their advanced counterparts and not necessarily in the same forms. In an attempt to address these differences, the theoretical accounts in the literature makes a distinction between the core and peripheral economies, and attempts to explain what characterizes the financialisation process at the periphery. This theoretical view is complemented with a historical overview of the trajectory of financial expansion in emerging capitalist economies such as Turkey. Both theoretical and historical accounts have pointed to the externally driven character of

[162] Gabor 2010, pp. 256-257.

[163] Kaltenbrunner and Karaçimen 2016

financialisation in developing country context, and assert that finance unfolds in a dependent form in those economies. This dependency is used in a way to refer to the involvement of actors such as foreign financial institutions and transnational finance capital, and to the dominant impact of global financial processes over the domestic financialisation. Moreover, many different accounts associate this dependency with a certain degree of vulnerability and instability, arguing that this subjugation to processes of global finance comes with a proneness to financial crises. These identified conditions are made part of a theorisation of financialisation and capital accumulation in which state policies are assigned a significant role in sustaining financial deepening. Their formation is situated at the intersection of domestic struggles among social forces and imperatives stemming from international context, and albeit offering a partly dynamic analysis, this kind of approach describes state intervention and state agency in functional terms, asserting that different constellations of social structures are what defines and determines the form of state policy.

The dominant approaches in the literature on household debt mainly focus on the processes in advanced capitalist economies, and the state policies and strategies developed throughout these processes and their impact on the broader social change that comes with financialisation have remained largely unexplored. By contrast, states are considered to be prominent actors undertaken certain roles in the literature on financialisation in developing world. The state involvement is not seen separate from the dependent form of financialisation in those economies, and state action is defined in relation to contradictory characteristics of financialised accumulation observed at the global level and constraints imposed by global imperatives in this process. Indeed, historical overview has also shown how the emergence and persistence of financialisation in emerging market economies are intertwined with the processes related to the specific conditions that they integrate to global economy.

Such an approach could provide a starting point to understand the state intervention in household credit markets in the Turkish case, filling a gap in the existing literature on household debt, but there might also be certain drawbacks coming with this functional explanation. As I introduced in Chapter One, my methodology in this thesis is marked by an attempt to analyse a broad range of concrete state policies towards shaping the conditions of debt relation between banks and households in the post-2001 period. There have been diverse regulations, policies, and strategies, having different forms and contents, implemented at this period, and this degree of variation makes it difficult to see the process of state intervention simply as a translation of dominant interests of financial sector into policy. And to that end, I derive insights from Knafo's own discussion on the emergence of the liberal financial governance in 19th century England. His discussion combines a critique of orthodox accounts on rise of the British liberal state and an alternative framework to problematize the existing forms of state intervention at the dawn of modern capitalism. As such, my Knafo-inspired methodology has already taken an objection to the conception of state as a functional apparatus, arguing that the issue of state intervention cannot be tackled with a straightforward analysis made by "conflating interests and policy outcomes."[164]

I discussed in length in the introduction chapter how this methodology introduces a framework for a dynamic analysis of the relationship between state agency and growth of financial markets. Yet it does not provide an additional discussion on the conception of capitalist state. For that, I would briefly refer to Simon Clarke's take on the question of capitalist state and

[164] Knafo 2013a, pp. 177.

historical development of its forms. Clarke challenges those theoretical perspectives that resort to a conception of state in formal and abstract terms only, arguing that "this reduces the activity of the state to an expression of the functional needs of accumulation, expressed in the interests of capital, and presumes that the state can, at least in principle, meet those needs by intervening to resolve the contradictions of capitalist accumulation."[165] What he initially criticizes is the way these perspectives overlook the fact that states can only manage and postpone the contradictions of accumulation. But when one thinks this critique together with his analysis of capitalist state, one can see that Clarke in fact raises a more fundamental objection to the way state is theorized. He argues that the class character of the state cannot be conceived at the same level of abstraction with its apparent neutrality and institutional separation from the interests of capitalist class. Instead of simply assuming that state is subjugated to the logic of capital and capitalist state forms have evolved depending on the way that this logic capital unfolds, Clarke claims that the way states are subordinated to capital and capitalism has been a more sophisticated process. On the one hand, both its material existence and form of its intervention are subjected to the necessity to secure the reproduction of capital. On the other hand, state has been an object of class struggle, whose forms and limits cannot be presupposed but are determined by class struggle.

> The growing social character of capitalist production, and particularly the increasing internationalisation of capital, certainly narrow the limits within which the state can intervene to modify capitalist social relations of production without precipitating an interruption in the material reproduction of capital. Such an intervention would undermine the conditions for the production and appropriation of surplus value. But the state, nevertheless, has the power to intervene within those limits, and indeed has the power to violate those limits at the cost of precipitating a crisis. The mediations between capital and the state do not determine that the state will intervene to

[165] Clarke 1991, pp. 133-134.

> act in the 'best interests' of capital, or even that a particular government will not use the levers at its disposal to undermine altogether the reproduction of capital. Thus, the state is not simply a tool of capital, it is an area of class struggle. [166]

Clarke's analysis of capitalist state can speak to the discussion on functional form of financialisation at the periphery. Moving beyond these discussions revolving around the autonomy and neutrality of state, this conception of state makes a case for historical analysis, and contributes to an understanding of state agency that is tied to historically specific forms of capitalist social relations. As such, it offers a more nuanced perspective on state intervention than the one introduced in this literature on financialisation in developing countries, and provides us with a solid ground for the analysis on Turkish state's intervention in consumer markets in the post-2001 period.

[166] Clarke 1991, pp. 195.

CHAPTER 4

THE RISE OF HOUSEHOLD DEBT AND STATE INTERVENTION IN TURKEY

4.1 The Turkish Financialisation

Financialisation process in Turkey has intertwined with the processes of liberalisation and neoliberal transformation in the post-1980 period. Although historical trajectories of the developing economies had certain characteristics, as described in the previous chapter, financial systems prevalent in each economy were not necessarily in the same form and structure. Emerged as a bank-based financial system in the 1980s, the Turkish financial architecture was fundamentally based on banking activities in the 1990s, and banking sector has continued to dominate the financial landscape in Turkey throughout the 2000s, while some emerging capitalist economies transitioned towards a market-based financial system in the same period with their deepening capital markets.[167]

The 2000s witnessed the rapid development of financial credit markets for consumer lending, as the number of credit users skyrocketed and credit types became diversified. Credits offered by financial institutions for consumption and housing purposes formed the principal dimension of financialisation in Turkey. When compared to its counterparts over the globe, the degree of the securitization of household debt was low and microcredit lending practices were not widespread in the Turkish economy.

[167] For an example of a transition to market-based financial system, see Rethel 2010.

Following Lapavitsas' approach on household debt provided in Chapter Two, it is possible to explain this growth in consumer debt in the Turkish case through the increasing interaction between the banks and the working classes. On the one hand, the banking sector's orientation shifted to the private sector in the 2000s, and credits given to households particularly for consumption were the novel element in the balance sheets of commercial banks in this shift. On the other hand, this turn to households and supply of easy credit met with a growing demand for credit on the household side, whose expanding consumer expenditures were financed through bank credits in the face of stagnant wages.[168] Hence, the emergent dependency of households on bank credits was based both on the global integration of Turkish finance capital and its changing orientation for profit after the 2001 crisis as well as on factors fuelling and/or necessitating credit for household consumption.

With the centrality of the banking sector in the Turkish financialisation processes, I intend to look over the process of financial liberalisation and deepening observed in the Turkish economy since the 1980s by adopting the periodisation used by Güngen, who also examines the economic developments of this period with an emphasis on the changes in banking sector.[169] He divides the post-1980 period in three sub-periods. The first period from 1980 to 1989 is marked by the implementation of liberalisation policies and structural adjustment programmes. During this period, financial liberalisation was accompanied by the removal of barriers for the establishment of banks.[170] The second period covering the years from 1989 to 2001 is characterized by the liberalisation of capital account in 1989 and the

[168] Karaçimen, E. (2015)"Interlinkages between Credit, Debt and the Labour Market: Evidence from Turkey" *Cambridge Journal of Economics* 39(3), pp. 752

[169] Güngen, A.R. (2012) "Debt Management and Financialisation as Facets of State Restructuring: The Case of Turkey in the post-1980 Period" PhD Thesis, METU, pp. 155-180.

[170] Güngen 2012, pp. 155.

following financial crises. The number of banks was proliferated as more and more business groups came to possess banks as a strategy and began to compete among each other.[171] The third sub-period category that Güngen puts forth covers the post-2001 period. The post-crisis reforms and restructuring of the banking sector are pointed as the defining characteristics of this period.[172]

The period of 1980-1989 was fundamentally characterised by trade liberalisation and the concomitant shift to export promotion, but this period also witnessed significant changes in the financial structure and prepared the institutional makeup, which would constitute the ground for the development of financial markets.[173] Measures taken for financial liberalization and the emergent institutional set-up[174] were met with significant alterations in the banking sector structure. The number of banks and the number of financial activities that they were engaged with had significantly increased at this period.[175] These developments in the banking sector were what initially set out the orientation of the Turkish banking sector, but this direction in banking activities was further reinforced as the capital account was liberalized in 1989.

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[171] Güngen 2012, pp. 155.

[172] Güngen 2012, pp. 156.

[173] Akçay, Ü.(2017) "Finansallaşma, Merkez Bankası Politikaları ve Borcun "Özelleştrilmesi" in Bedirhanoğlu, P., Çelik, Ö., and Mıhçı, H. (eds.) *Finansallaşma Kıskacında Türkiye'de Devlet, Sermaye Birikimi ve Emek.* İstanbul: Nota Bene Yayınları, pp. 60.

[174] The Capital Markets Board was founded in 1982. Later in 1985, first auctions of government debt security instruments were held, and issuance of the treasury securities became widespread. In 1986, Istanbul Stock Exchange was opened. In the same year, interbank money market was formed, and the Central Bank began to engage in open market operations. Meanwhile the controls on deposit interest rates were gradually loosened. In addition, the restrictions on the way of foreign exchange were removed at the same period, and foreign currency holding in domestic deposit accounts became allowed. For a detailed analysis of these changes, see Akyüz, M. (1990) "Financial System and Policies in Turkey: Debt, Adjustment and Sustainability" in Arıcanlı, T. and Rodrik, D. (eds.) *The Political Economy of Turkey: Debt, Adjustment and Sustainability.* New York: St. Martin's Press, pp. 98-131.

[175] Ergüneş, N. (2008) *Bankalar, Birikim, Yolsuzluk: 1980 Sonrası Türkiye'de Bankacılık Sektörü.* İstanbul: SAV Yayınları

Throughout the 1980s, many policies towards liberalizing the economy were introduced under the IMF's structural adjustment programme. The IMF's structural adjustment programme was practically supplemented with the loans provided by the World Bank (WB). This foreign credit soothed the payment crisis arising from the failure of the convertible Turkish Lira deposit scheme for a short period of time in the early 1980s.[176] Yet, the public debt dynamics of the 1970s had surfaced in the late 1980s, as the flow of foreign credit gradually slowed down, and the Turkish economy eventually found itself in a position similar to its Latin American counterparts, stuck in a debt trap. Previously declined in the early and mid-1980s, the public sector borrowing requirement once again increased in this period.

The second period starts by the capital account liberalization in 1989. The decision to liberalize the capital account was taken in this context, and aimed to address this growing problem in public finance. But as Akyüz and Boratav argue, this rather than solving the problem further triggered it, reinforcing the public debt dynamics throughout the 1990s:

> The policy response was to liberalize the capital account in 1989 in order to facilitate the financing of public deficits without crowding-out private investment. But, the outcome was to aggravate the fiscal problem, forcing the government to pay interest rates incorporating a higher spread compared to the safer dollar assets which had become easily accessible. During the 1990s interest rates on government debt exceeded the inflation rate (…) This led to a rapid build of public debt, acceleration of currency substitution and the emergence of a banking system which came to depend on arbitrage margins offered by high rates on government debt in comparison with international

[176] Celasun, M. and Rodrik, D. (1989) "Turkish Experience with Debt: Macroeconomic Policy and Performance " in Sachs, J.D. (ed.) *Developing Country Debt and the World Economy*. Chicago: University of Chicago Press, pp. 193-211.

> borrowing and domestic deposits, including forex deposits, at the cost of large currency risks.[177]

Akyüz and Boratav describe this situation as a form of Ponzi scheme. As much as it provided a mechanism for revolving their debts for states, it was proved to be unsustainable as it led to instability and vulnerability. While the state of the economy and the government's position vis-à-vis public debt management was as such, public deficit financing emerged as a very profitable business for banks. But as bank's holding of foreign exchange liabilities grew faster than of their assets in time, this also constituted the very source of risk prevalent through the decade, making the economy vulnerable to capital outflows and currency depreciation. Along with foreign exchange deposits, public securities became the major sources of profit for domestic finance capital in Turkey throughout the 1980s and 1990s. Their engagement in these fields came to drive the financialisation process, while their role of financial intermediation turned out to be secondary.[178] The activities of banks as financial intermediaries came to slowly develop starting from the 1980s, although it remained still comparatively insignificant throughout the 1980s and 1990s.

The third period is characterized by the state attempts to achieve financial and macroeconomic stability in the aftermath of the 2001 crisis. "Reforms" implemented in the banking sector in the post-crisis environment established the regulatory rules and standards in order to integrate a consolidated Turkish banking sector to global financial markets.[179] This was accompanied by a fundamental restructuring of public banks and measures to strengthen private

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[177] Akyüz, Y. and Boratav, K. (1990) "The Making of Turkish Financial Crisis" *World Development* 31(9), pp. 1551

[178] Karaçimen 2015, pp. 147

[179] Öniş, Z. and Adaman, F. (eds.) (2009) *Turkey and the Global Economy: Neoliberal restructuring and Integration in the Post-Crisis Era.* London: Routledge, pp. 1-10 and 304-314.

banking through mergers and acquisitions of some banks and elimination of some others.[180] This would later clear the way for foreign direct investments and the entry of foreign banks into the Turkish banking sector, especially after 2005.[181]

Reforms and commitments in the economic policy making after the crisis have brought about major changes in the Turkish economy. As Şener argues, increasing reliance on capital inflows shaped the context in which monetary and fiscal policy decisions have been taken and implemetened. "Turkey has attempted to deal with the contradictions of neoliberal policies and its own international integration, with a mixture of systemic transformations, de- and re-regulation, as well as economic policies based (particularly) on what has been called the new consensus."[182] A major component of this new consensus is the inflation targeting policy. In order to maintain reduced inflation rates, the Central Bank has set its priority as the provision of price stability in the following period.[183]

The financial sector's orientation has shifted from public to private sector in the post-crisis period. In this new setting, financial services for consumer finance have emerged as the new orientation. As mentioned above, in the 1990s, profits in the finance sector were derived from the high interests offered for government debt papers, mainly government bonds and treasury bills. Güngen argues that government debt securities have still maintained their importance, yet he adds that consumer credits and credit cards have also

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[180] Güngen 2012, pp. 156.

[181] Ergüneş, N. (2009) "Global Integration of the Turkish Economy in the Era of Financialisation" *Research on Money and Finance* Discussion Papers, pp.21-22.

[182] Şener, U. (2011) "Turkish monetary policy in a post-crises era: a further case of 'new consensus'?" in Gnos, C. and Rochon, L.P. (eds.) Credit, Money and Macroeconomic Policy. Cheltenham: Edward Elgar Publishing, pp. 306-307.

[183] Şener 2011 and Güngen 2012, pp. 176.

gained prominence in banking sector revenues in the 2000s. Altogether he identifies this as the “debt-driven expansion of the financial sector.”[184] Another major change has been the new debt composition for the overall economy. As the share of the public sector debt relatively declined, the private sector debt, which consists of corporate and household debts, has significantly increased starting from this period.[185]

In the field of consumer finance, initial steps were taken in the late 1980s. Having established a personal banking department in 1987, Yapı ve Kredi Bankası provided most credits initially to upper-middle income groups, who were willing to purchase consumer durables such as automobiles and in need of credit for short term, reported Burhan Karaçam, the general manager of the bank in 1985-1990 in his memoirs.[186] This profile of borrowers and distribution of credits were kept up throughout the 1990s, but the amount of credit offered was relatively high. Thus, the move by the Turkish state to deregulate financial markets in 1989 was followed by, among other things, a significant increase in number of credits offered by banks for personal consumption purposes. In 1995, Güngör Uras, an economist, shared similar observations on the composition of consumer credits in his column, adding that consumer credits constituted a very small portion of the total consumption and the level of consumption could hardly be influenced by the changes in the conditions of credit borrowing.[187] Yet total amount of consumer credits jumped to $7 billion in the beginning of 2000s, while the

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[184] Güngen 2012, pp. 179.

[185] Karahanoğulları 2012

[186] Karaçam, B. (2006) Orası Yapı Kredi, Fark Oradaydı. İstanbul: *Yapı Kredi Yayınları*, pp. 45-55

[187] Uras, G. (1995) “Tüketici kredilerinin toplam tüketim içindeki payı büyük değil” *Dünya*, 10 September, retrieved from http://www.gungoruras.com/easyview.asp?idx=4269&tablo=easyqwx

amount of debt coming from credit cards reached to $3 billion.[188] The late 1980s and the 1990s signifies a shift in the banks' approach to consumer credit provision for households. The previous practices did not rely on formal mechanism of credit provision and in the absence of formal credit institutions, sales networks were extending as a result of individual dealings.[189] In this period, however, banks came to be directly financing the consumption and contributing to growth of consumer goods sectors, particularly that of durable goods.[190]

The period from the late 1980s to the crisis of 2001 opened up the field of finance to individual consumption. Credit cards were introduced among other banking services as well as the necessary infrastructure and technology to provide these card services, such as ATMs and POS machines. The first ATM was commissioned in 1987, while the first POS terminal launched in 1991.[191] In 1998, there were 8.363 ATMs and 113.816 POS machines, as reported by the Interbank Card Centre (BKM).[192] Despite these developments, the size of credit card industry did not reach a considerable amount until the major leap took place after the 2001 financial crisis.

As Figure 4.1 shows, the amount of household debt massively increased in the post-crisis 15 years. According to the calculations made by the Central Bank

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188 Uras, G. (2000) "Tüketici kredilerinde yavaşlama başladı" *Dünya*, 11 July, retrieved from http://www.gungoruras.com/easyview.asp?idx=1394&tablo=easyqwx

189 See Buğra for an example from consumer durables sector in the post-WWII Era, Buğra, A. (1998) "Non-Market Mechanisms of Market Formation: The Development of the Consumer DurablesIndustry in Turkey," *New Perspectives in Turkey* 19

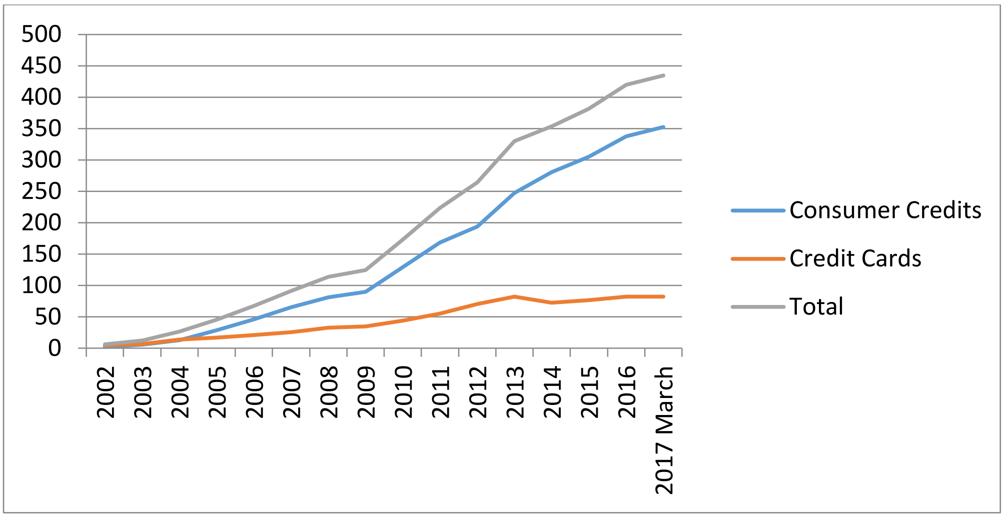
190 Uras, G. (2000) "Tüketici kredilierine fren genel talebi etkiler" Dünya, 8 January, retrieved frm http://www.gungoruras.com/easyview.asp?idx=4269&tablo=easyqwx

191 See BKM website for a comprehensive chronology of the development of credit card industry in Turkey: http://bkm.com.tr/faydali-bilgiler/kronoloji/

192 "Kredi Kartıyla 2.5 katrilyon lira harcadık" (1999) Hürriyet, 4 February, http://www.hurriyet.com.tr/kredi-kartiyla-2-5-katrilyon-lira-harcadik-39061419

of Turkey, the ratio of household debt to GDP has risen roughly from 3% in 2003 to 22% in 2015.[193] In addition, the share of household debt in disposable income was 7.5% in 2003, and it rose to 55.2% in 2013, and later fell to 50% in 2015. The ratio of interest rate payments to disposable income which was 2.1% in 2003 gradually increased as well. It was 4.6% in 2007, and reaching later to 5.4% in 2013.

Figure 4.1 Household Debt in Turkey, 2002-2016 (million dollar)



Source: Republic of Turkey Ministry of Development[194]

This rapid rise in household debt has been part of broader economic and political changes taking place in the 2000s. The structural dynamics that

[193] These figures are taken from the "Financial Stability Reports" and "Financial Calculation Reports" published by the Central Bank Republic of Turkey. The reports are available at http://www.tcmb.gov.tr/wps/wcm/connect/TCMB+EN/TCMB+EN/Main+Menu/MONETARY+POLICY/FINANCIAL+STABILITY/Financial+Stability+Reports; http://www.tcmb.gov.tr/wps/wcm/connect/TCMB+TR/TCMB+TR/Main+Menu/Istatistikler/Parasal+ve+Finansal+Istatistikler/Finansal+Hesaplar/Finansal+Hesaplar+Raporu

[194] "Türkiye Ekonomisinde Haftalık Gelişmeler ve Genel Görünüm" (June 9, 2017) available at http://www.kalkinma.gov.tr/Pages/content.aspx?List=0feac5ea-7ae6-438b-8320-6cf052f6496e&ID=1&Source=http%3A%2F%2Fwww%2Ekalkinma%2Egov%2Etr%2FPages%2FTurkiyeEkonomisindekiHaftalikGelismeler%2Easpx&ContentTypeId=0x0100B14E672BABC9B04EBCD9EBF4DA5916BB

defined the Turkish economy in the 1990s were replaced by new ones following the restructuring and integration into the global economy in the aftermath of the 2001 crisis. Emerging from this context, there have been several factors underlying the turn of the Turkish banks to household financing, leaving off the once highly profitable business of public deficit financing.[195] But economic restructuring by itself falls short of explaining all the dynamics behind the growing household debt. In this period, political dynamics have also changed significantly. In the late 1980s, the normalization process after the coup was coupled with implications of the initial steps taken on the road to neoliberal transition, and they produced the dynamics behind the crises and instability that became persistent in economic and political life through the 1990s. As Bahçe and Köse argues, "in 1994, 1998-1999 and 2001, the macroeconomic crises ended with the inevitable capital flights and full-scale collapse. These staggering crises had also political impacts in the sense that the electoral support to the neoliberal coalition governments gradually faded away. (…) The roots of the political hegemony of the Islamic/neoliberal Justice and Development Party in the forthcoming decade could be found in this instable political environment."[196] Similarly, Yıldırım argues that the AKP's rise to power occurred against this background, and added that the solution set forth by the bourgeoisie to the deepening crisis served the emergence of political stability under the hegemony of finance capital.[197] Thus, the processes of neoliberal deepening, political consolidation, and financial expansion have been inextricably intertwined in Turkey in the

[195] Karaçimen offers a detailed account on how a combination of domestic and international factors (restructing of the banking sector, new macroeconomic design of the Turkish economics, increasing access to foreing funding in a global environment of liquidity abundance, increasing number of foreign bank entries) has been behind this turn, and how these banks increasingly came to provide credit for households. See Karaçimen 2015.

[196] Bahçe and Köse, pp. 65.

[197] Yıldırım, D. (2009) "AKP ve Neoliberal Popülizm" in Uzgel, İ. And Duru, B. (eds.) *AKP Kitabı: Bir Dönüşümün Bilançosu*. Ankara: Phoenix Yayınları, pp. 70-71.

post-2001 period. And the rise in household indebtedness has been related to each of these processes at different levels.

4.2. Political Economy of Indebtedness: State Action in Context

The issue of household indebtedness has gained prominence in Turkish public eye particularly in the last couple of years. Usually considered as a private and individual matter, household debt was rarely approached as something to attract public attention before. But recently the media outlets came to cover the issue with an emphasis on the growing scale of the problem, sharing the statistics on the amount of total debt and the number of people in arrears with payment in their coverage. Many opposition parties raised their concerns through different channels within and outside the parliament; the party representatives asked the government parliamentary written questions about the conditions of indebted households, made statements to the press and stressed the importance of the issue on several occasions. The major opposition party even included debt cancellation in their election promises.[198] Although recent public attention comes with a growing public demand to further push government and public authorities to implement policies towards credit markets, there has already been an ongoing process started in the last decade to deal with the issues related to the increase in the household debt.

With diverse range of credits and credit services, there has been a variety of financial products within the household credit market. From mortgage to credit card markets, each credit industry has not entirely disparate but distinct paths of development. They are different in size and also subjected to different rules and regulations. The credit card market, for example, was formed relatively early on and became one of the fastest growing in Europe in

[198] "CHP'nin seçim bildirgesi" (2015) Hürriyet, 19 April, http://www.hurriyet.com.tr/chpnin-secim-bildirgesi-28775276; "Borç silme projesini bankacılar getirdi" (2015) Al Jazeera, 26 October, http://www.aljazeera.com.tr/al-jazeera-ozel/borc-silme-projesini-bankacilar-getirdi

the 2000s. In 2008, credit card industry generated more than 10% of the total profits of the financial sector.[199] This thriving industry yet functioned with very little regulations in the first half of the 2000s. The Bank Cards and Credit Cards Law was eventually ratified by the parliament in 2006. On the other hand, the development of the mortgage market relied on government initiative from the beginning. The AKP government, first put forth the project and later came under the pressure of the construction and the financial sectors, started working on the mortgage legislation in 2005. These government efforts played a significant role in the emergence of the mortgage market.[200]

Despite these differences in the processes of legislations, similar themes and actors were at work in the development of all these markets. As they had grown, the credit amount used by households was rising and personal indebtedness was becoming more widespread. While consumer associations were sharing their concerns about the growing debt and blaming banks for unfair practices, financial institutions were seeking to keep pace with existing profitability of the credit markets. Starting in 2003, large number of regulations and legislations concerning credit practices in consumer credit were launched. There were not any operating legislations in most cases, and when there were, they could not provide a clearly drawn legal basis for fast growing credit markets, thus these legislations had an impact on not only the existing practices but also the very design of these markets. Issues ranging from interest rates, credit limits, installments to debt restructuring were all covered in these regulations and legislations. These issues were also put

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[199] Aydın, E., Güvendi, M. & Pekmez, E. (2009) "Credit Cards in Turkey: Sustaining a Successful Market", *McKinseyQuarterly*, http://www.mckinsey.com/clientservice/Financial_Services/Knowledge_Highlights/Recent_Reports/~/media/Reports/Financial_Services/Credit_Cards_in_Turkey.ashx, cited in Karaçimen 2013

200 Bedirhanoğlu, P., Cömert, H., Eren, İ., Erol, İ., Demiröz, D., Erdem, N., Güngen, A., Marois, T., Topal, A., Türel, O. Yalman, G., Yeldan, E., Voyvoda, E. (2013) "Comparative Perspective on Financial System in the EU: Country Report on Turkey" FESSUD Studies in Financial Systems No.11, pp. 314

forward and discussed publicly prior to the enactment of these legislations. Although personal debt gained its widespread popularity only recently, it was already on the government agenda and public policies played a significant in the making of this legal environment in which the basic credit relation blossomed into highly profitable industries.

But the question of how the Turkish state chose to tackle rising household indebtedness is not simply about the pressing demands from banking sector or the growing discontent of consumer associations. The policies and regulations in this field are shaped around the concerns on how to contain different aspirations of social classes and encounter their discontent to a certain degree, while also sustaining financial deepening. Hence, these interventions have also been related to the broader questions of economic stability and social welfare. At this period, finance has become more central to the Turkish economy and economic growth. Finance has constituted, along with the construction and energy sectors, a central component of the growth regime during the AKP era. The ascendancy in these three sectors relied on and nourished from one another.[201] Besides this, the relationship between consumption and finance is also important. As shown in Table 4.1, private consumption constitutes the major component of the GDP growth in the post-2001 period.

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[201] Adaman, F., Akbulut, B., Madra, Y., Pamuk, Ş. (2014) "Hitting the Wall: Erdoğan's Construction-Based, Finance-led Growth Regime" *The Middle East in London* 10(3), pp. 7-8

Table 4.1 Real GDP Growth and Growth Contributions (in percentage)

	Turkey *2001-2008*	Turkey *2009-2014*
Real GDP growth	4.5	3.7
Contribution to the increase of GDP of:		
Private consumption	3.3	2.1
Public consumption	0.4	0.7
Investment	1.1	0.8
Balance of goods and services	-0.3	0.0

Source: European Commission AMECO Database[202]

The high levels of consumer credit growth in the post-2001 period hint that households have increasingly financed their consumption through financial markets. Indeed, the OECD reported that consumer credit growth outstripped real wage growth in the early 2000s.[203] Güngen makes a similar observation based on the data provided by the DİSK-AR for the period 2004-2013, and argues that in a context where there was not a substantial increase in the real minimum wage, "the modest rise in social transfers and stagnating real wages paved the ground for the credit card and consumer credit boom."[204] Thus, it is possible to claim that consumer credit market growth has been relevant both to macroeconomic situation and to social provisioning. The relation between these fields is widely discussed in literature around the question of how the AKP was able to pursue neoliberal policies of marketization and commodification whereby Turkey was getting integrated into the global

[202] Taken from Hein, E., Detzer, D., and Dodig,N. (2016) *Financialisation and Financial and Economic Crises: Country Studies.* Cheltenham: Edward Elgar Publishing.

[203] OECD (2006) Economic Surveys: Turkey. Paris: OECD Publishing, pp.66 available at http://www.mod.gov.tr/Lists/OECDEconomicSurveyofTurkey/Attachments/5/OECD%20Economic%20Survey%20of%20Turkey%202006.pdf (accessed on February 5, 2017)

[204] Güngen, A.R. (2016) "Variegated Debtfarism and State Intervention" Progress in Political Economy available at http://ppesydney.net/variegated-debtfarism-state-intervention/

economy, while at the same time confining the impacts of the deepening integration of everyday livelihoods. The story of household debt coincides with the story of neoliberal transformation in Turkey, and as such, there is a need for more elaborate account of how the politics of debt has unfolded, what the Turkish state's position to indebtedness has been, and how this position changed over time during the AKP period.

Many regulations were enacted in the post-crisis period in Turkey. While some, such as amendment in consumer protection law or introduction of credit card law, has reformed the legislative environment, the by-laws issued by Turkey's banking watchdog Banking Regulation and Supervision Agency (BDDK) have brought about changes in the number of installments and credit-borrowing limits in line with government's contractionary policies towards consumption. Meanwhile, the Turkish Central Bank (TCMB) came to determine the interest rate caps for credit cards, an authority granted to TCMB in the new credit card law, and has continued to determine these rates once every 3 months. Along with these short term arrangements for the functioning of credit markets, there have been policies to foster financial inclusion, which as a concept introduced to and promoted in Turkish agenda under the rubric of global governance schemes, particularly that of G-20 and OECD. One pillar of this policy is to educate people on daily financial transactions and personal financial management. Other pillars aim to monitor the credit practices to create a convenient environment for borrowing and encourage more individuals to participate in the credit market. Many relevant government institutions have incorporated these principles of financial access, financial literacy, and financial consumer protection into their agendas, and commitment to these goals was shown through reforms at various levels, from strategy papers to organizational structures. The government has also resorted to partial amnesty for the indebted many times, restructuring the debt on new terms and dictating these terms over banks and other collector agencies. In the following section, I will review these state policies and strategies developed and implemented in the field of financial credit and debt between the years 2002 and 2016, and build up a narrative of all these measures undertaken towards debt and credit to map out a route to understand how the state's interventions have evolved over time.

4.3. The Evolution of Consumer Credit Markets and State Intervention

Here I suggest a chronology for state interventions into consumer credit markets and identify certain turning points based on the changing domestic and international policymaking contexts. I assess the period from the Turkish financial crisis of 2001 to the global financial crisis of 2008 separately from the period that started with the global crisis. By this divide, I try to put an emphasis on the changing global macroeconomic situation after 2008. But in order specify how exactly state agency has evolved in time as well, I highlight significant turning points within these periods by looking at the changes in the forms of state intervention. The first turning point occurred in the mid-2000s as two main legislations were introduced that set the conditions of debt relations in credit card and housing markets. The second turning point is the identification of financial stability as a priority of the Central Bank in 2011 and the subsequent implementation of macroprudential policies.

4.3.1. From 2001 to 2008: Capitalizing on the Market Growth

In this section, I look at the processes of state intervention in the period that started with the Turkish financial crisis of 2001 to the global financial crisis of 2008. In this period, the state got involved in the consumer credit markets mainly through parliamentary legislations. In this regard, the first important legislation was the amendment of the Consumer Protection Law in 2003. Later the Bank Cards and Credit Cards Law and the Housing Finance Law were introduced subsequently in 2006 and in 2007. I observe that until the mid-2000s, the Turkish state refrained from imposing any rules and regulations that would have a serious impact on the conduct of consumer credit markets, but on the other hand the legislations in 2006-07 redefined the conditions of debt relation in fundamental ways.

The aftermath of the 2001 crisis witnessed, among other things, the rapid expansion of consumer banking services. The number of credit cards increased from 13.996.000 in 2001 to 59.405.429 in 2017.[205] Karaçimen explains the dynamics behind this rapid growth as follows:

> Driven essentially by the structural transformation in the real and financial sector, banks' aggressive marketing and advertising strategies have also fostered the fast growth of credit cards. They were marketed everywhere, including in the streets, at shopping malls, etc. To encourage credit card usage, banks offered various rewards to customers such as loyalty points, flier miles, and installment payment plans.[206]

Similarly, Aysan and Yıldız stressed the banks' drive for profitability in this fast growing market. "The credit market is growing day by day and card issuers are trying to get higher shares from this growth. Hence they are using all of their financial and marketing power to attract new customers."[207] But they also told that there was a slightly different picture in the late 1980s and early 1990s, when the POS machines were not yet jointly used by the banks in the sector. It was enough to make many deals with stores and form a wide network of POS machines to be preferred by the potential customers. But after banks had modified their practice and shifted to the collective use of POS

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[205]BKM (Interbank Card Center (2017) "POS, ATM, Kart Sayıları" accessible at http://bkm.com.tr/pos-atm-kart-sayilari

[206]Karaçimen 2013, pp. 121-122.

[207]Aysan, A.F. ve Yıldız, L. (2007) The Regulation of Credit Card Market in Turkey available at http://www.econ.boun.edu.tr/content/wp/ISS_EC_06_21.pdf (accessed on October 6, 2016), pp.6

machines in the first half of the 2000s, they sought new ways to spur the use of credit cards, expanding the range of offers and rewards.

This expansion of credit markets mostly came about in a legislative vacuum. There were no legal arrangements in the field prior to 1995. The Consumer Protection Act No.4077 entered into force in 1995. However, the legislation was limited in scope in many ways. First, the consumer credits were enacted and obtained a legal status for the first time in Turkish legislation, yet many other credit categories from credit cards to housing loans were left out. Particularly for the credit card market, despite their growing significance mentioned above, the lack of regulation opened the opportunity for banks to set their conditions without any limitation on payment conditions or interest rates. Second, the article on consumer credits was covering only a limited number of issues, and some of these issues were dealt very vaguely. For example, the default interest was counted among the constituents of a credit contract but no further detail was given on how it would be calculated; thus the legislation did not determine an interest rate cap ultimately. In the article, it was also written that in an early payment situation, the bank would be obliged to make a discount on consumer's total debt but the amount of the discount would be resolved by the bank. Hence, the framework in the Law No.4077 did not address all issues comprehensively and exclude many issues of the newly emerging but fast growing credit industry.

In the presence of these loopholes, banks preferred to charge high contractual interest rates, particularly in credit cards, and high default interest rates when borrowers fell behind with payments in the following years. When the crisis in the banking sector hit the Turkish economy in 2001, high interest rates became a pressing issue as more and more people had defaulted on their loans. To pay off debt was a cumbersome process for borrowers in the face of declining real wages and threat of unemployment, and high default interest rates were obviously making the situation harder for the defaulted borrowers.

In this context, defaulted debts were piled up and reached unprecedented levels in a rapid pace. TükoDer (Consumer Protection Association) reported in December 2001 that they were receiving complaints all over the country and there were currently up to 2 million people in debt enforcement proceedings.[208] The proliferation of indebtedness put the issue of high interest rates, especially the default interest rates charged for credit cards, under scrutiny of consumer associations. They urged the government to reform the legal framework and regulate the interest rates, which would make banks to pull down the interest rates to reasonable levels and obliged them to determine these rates openly from the start.[209] The deterioration of the indebtedness in an environment of economic recession culminated in government's decision to amend the Consumer Protection Law No. 4077. This law aimed mainly to address this existing situation by expanding the scope of the current law. The government also initiated a corresponding process in 2003 to prepare a law on credit cards.[210] Despite this early attempt, it was not until 2006 that the Law on Banks Cards and Credit Cards was ratified by the Turkish parliament.

The Amendment to Consumer Protection Act No. 4822 was enacted, after more than a year long preparation, on May 6, 2003. In the preamble, the inadequacy of the consumer law following the socio-economic developments in the last decade and the compliance with the EU directives on consumer protection was underlined as the two major motives behind the law. Besides credits, many other issues were included in the amendment. Against a

[208]"Kredi kartı borcu bütçeleri zorluyor" (2001) *Hürriyet*, 22 December, http://www.hurriyet.com.tr/kredi-karti-borcu-butceleri-zorluyor-38290584

[209]"Yüzde 375 kart faizine Abdüllati Bey de şaşırdı"(2002) *Hürriyet*, 21 December, http://www.hurriyet.com.tr/yuzde-375-kart-faizine-abdullatif-bey-de-sasirdi-116990;"Başbakana kredi kartı faizini şikayet ettiler"(2002) *Hürriyet*, 24 December, http://www.hurriyet.com.tr/basbakana-kredi-karti-faizini-sikayet-ettiler-117541

[210]Aysan and Yıldız 2007, pp.10 ; http://www.hurriyet.com.tr/cicek-kredi-karti-faizi-icin-duzenleme-yapilacak-115224

backdrop of increasing number of defaulted borrowers, changes in credit regulations were centered on the unpaid debts. The most significant among these changes was the limitation on the default interest rates and the amnesty for current defaulters. Also, the general rules for the working of credit cards were defined in a separate article, gaining for the first time a legal status.

The draft law prepared and declared by the Ministry of Industry and Trade for consumer protection in 2002 drew many criticisms from the TBB (The Banks Association of Turkey) on the grounds that in case of the implementation of the draft law, the growth of the credit markets would be interrupted and lost momentum.[211] The TBB claimed that this amendment would contravene the "freedom of contract, economic rules, and fairness". They specified their opinions on some of these provisions, explaining why they would have dire consequences. One of these provisions set two conditions for a defaulted credit to be subjected to debt enforcement proceedings: unpaid debt must be two payments in arrears and constitute the ten percent of the total debt of the borrower. The TBB argued that this would hamper the process of loan tracking and delay taking precautionary measures against non-performing loans.[212] The two payments condition, but not the other one, was kept in the final version of the amendment. Nevertheless, it became more difficult to default on payments. Another provision in the draft proposed the interest rates to be predetermined and written down on the credit contract. This was rejected by the TBB, and claimed that fixed/ pre-determined interest rates would imperil both the lender and the borrower. The final version did not contain any new, additional clause on fixed interest rates.

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[211] "Bankalardan Tüketici Yasasına İtiraz" (2002) *Hürriyet*, 28 April, http://www.hurriyet.com.tr/bankalardan-tuketici-yasasina-itiraz-68395

[212] A non-performing loan (NPL) is a term used for the loans which are in default or soon going to be in default.

The banks were also opposing the inclusion of the credit cards to the amendment, saying that the legal arrangement for credit cards should take place in a separate law, since they have some disparate characteristics from the other types of credits, and any regulation must take into account these peculiarities and "not harm the essence of the system".[213] In her work, Karaçimen shows how high the interest rates applied to credit cards were prior to 2006 by comparing the gap between the interest rates on credit cards and consumers credits for different countries. While the ratio of real credit cards interest rate to real consumer credit rate was 1.66 in the U.S., 1.40 in Australia and 1.16 in the UK in 2006, it was 3.75 in Turkey.[214] The TBB's attempt to differentiate between credit cards and consumer credits was to keep credit market off the immediate regulation agenda, thereby maintaining high interest rates and as a result, high profitability in the sector. In the end, the credit cards were included in the Law No. 4822, but with a note that some of the clauses for consumer credits could not be applied to credit cards, thus making the distinction between credit cards and consumer credits.

Contrary to its critical position on the previous issues, the TBB took an affirmative stance about the suggestion to set upper bounds to default interest rates at an early stage.[215] It seemed that there was a consensus among politicians, banks, and consumers union for putting a cap on the default interest rates, yet the issue of how to calculate this interest rate cap remained controversial. While the proposal prepared by the representative of the opposition party suggested that the default interest rate would not be more than the fifteen percent of the contractual interest rate, this ratio was indicated as fifty percent in the commission reports. In the final version of the law, it

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[213] "Bankalardan Tüketici Yasasına İtiraz" (2002) *Hürriyet*, 28 April, http://www.hurriyet.com.tr/bankalardan-tuketici-yasasina-itiraz-68395

[214] Karaçimen 2013 pp.122

[215] "Yüksek kredi kartı faizine yasa freni" (2002) *Hürriyet*, 24 January, http://www.hurriyet.com.tr/yuksek-kredi-karti-faizine-yasa-freni-50260

was resolved that "the rate of default interest [which] shall not exceed the legal interest rate plus 30%"[216].

The government also took measures to handle the currently defaulted credit card debts in the amendment of 2003, which many card holders had difficulty in paying off. The temporary article in the law granted amnesty to those card debts "which have not been paid out due to debtor's default and have advanced to the stage of enforcement proceeding or for which enforcement proceedings have been initiated before the enactment of this Act" and allowed the debtors for once to pay in "twelve equal installments after a default interest at the annual rate not exceeding 50% has accrued on the principal at the time of default".[217]Aysan and Yıldız claimed that the government complied with the demands of the consumers union and put their proposal directly as the temporary article. However, contrary to what the consumer associations and the government expected, many debtors did not apply to the program, because they lacked the means to pay their debt even when it was restructured.[218] While it was expected that up to 1 million people would benefit from the amnesty, the number of the applications stayed at 150.000. Nevertheless, the government maintained to resort to amnesty programs in the following years.

There were both shortcomings and achievements in the amendment act of 2003, from the perspective of all parties. With this act, the field of credit lending came to be defined by law more elaborately and banks were forced to act under certain limitations, but it did hardly affect the rising trend in indebtedness. One can say that this act did not necessarily aim to confine the

[216] Act No. 4077 On Consumer Protection As Amended by Act No. 4822, accessed from https://www.tbb.org.tr/en/Content/Upload/Dokuman/16/4822_Act.doc

[217] Act No. 4077 On Consumer Protection As Amended by Act No. 4822, accessed from https://www.tbb.org.tr/en/Content/Upload/Dokuman/16/4822_Act.doc

[218]Karaçimen 2013, pp. 123

rapid growth in personal credits and rising indebtedness; this would require taking more restrictive measures on certain terms in a credit contract, such as interest rates and limits. Refrained from jeopardizing the profitability of the sector, the government regulated the interest rates rather loosely. The amnesty program was a partial and temporary solution, and as such, the government was clutching at straws. It was an attempt to mitigate the dire effects, not an act to engage with the reasons behind the problem of indebtedness.

The number of bad debts continued to be on the rise in the following years. The high interest rates on the one hand, and the disregard for borrowers' payment capacities on the other led to rapid increase in the ratio of debt which were unlikely to be paid back.[219] This held true particularly for credit cards and reinforced the opinion that there should be separate, comprehensive legislation on credit cards. Thus when the consumer protection law was amended in 2003, the government decided to prepare a separate legislation, and delegated this task to the BDDK, which was solely responsible for drafting the law but it interacted with many other ministries and got opinion from banking organizations and consumer associations during the process.

The regulation of credit cards incited a heated debate, many officials and bank representatives publicly commented on the changes to be brought about.[220] While the government underlined the need for setting some standards on credit card procedures, the bankers opposed the new regulation on credit cards, arguing that any standards put on whom to give credit card, with which limit, and with which interest rate would hinder the development of the sector

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[219] "Kredi kartında batık büyüyor" (2004) *Hürriyet*, 27 September,http://www.hurriyet.com.tr/kredi-kartinda-batik-buyuyor-260439

[220]"Hükümet sınırlamada ısrarlı, bankalar karşı çıkıyor" (2004) *Vatan*, 24 August, http://www.gazetevatan.com/hukumet-sinirlamada-israrli-bankalar-karsi-cikiyor-34502-ekonomi/

and undermine the efficiency of the free market.[221]As it stands, the regulation on credit cards was enough to make the credit card market function properly. They further claimed that the non-performing loans should be a minor consideration due to their low ratio, and therefore the current state of the default rates and the size of the credit market did not constitute a risk for the Turkish economy. [222]

However, Karaçimen points out that high interest rates did not only lead to high numbers of defaulted debts but also to high levels of profit for the banks in the credit card sector, arguing that the problem of high interest rates cannot be understood and solved by the efficient market hypothesis. “However, banks’ exorbitant credit card interest rates cannot be defended on this argument, with the most important reason being the lack of competition in the credit card sector, as evidenced by their monopoly in this area. Indeed, the banks’ reaction against such regulations is understandable, given their considerable profits from defaulted debts.”[223] The issue of the persistence of high interest rates in the Turkish credit market were widely discussed both in academic and policy-making circles. Karahan and Çakmak argues that the interest rate rigidity at high levels were due to lack of competition in a concentrated market structure, where only a small group of banks were holding the major proportion of the market share. The high interest rates were stuck at these levels because the credit cards continued to be in demand, despite those banks with the market power charged high interest rates.[224]

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[221]“Karta sınır koymayın, biz her şey görüyoruz” (2004) *Hürriyet*, 22 September, http://www.hurriyet.com.tr/karta-sinir-koymayin-biz-herseyi-goruyoruz-259180

[222] “Kredi kartlarının yüzde 2’si sorunlu” (2005) *Hürriyet*, 19 October, http://www.hurriyet.com.tr/kredi-kartlarinin-yuzde-2si-sorunlu-3406792

[223]Karaçimen 2013, pp. 123

[224] Karahan, G.F. ve Çakmak, B. (2011) “Türkiye Kredi Sektöründeki Gelişmeler,” in *Türkiye’de Kredi Kartı Piyasas*ı. Ankara: Türkiye Cumhuriyeti Merkez Bankası, pp. 58

Similarly, Akın et al. shows that, in 2007, the 87.1% of the market share belonged to the 6 banks among the total of 21 banks in the sector.[225]

Table 4.2 Market Share of Six Largest Issuers in Credit Card Market[226]

Bank	Market Share (%) (Outstanding Balances)	Market Share (%) (Number of Customers)
Yapi Kredi	24.8	24.7
Garanti	20.8	13.3
Akbank	14.5	12.6
Isbank	12.4	11.9
Finansbank	7.6	9.6
HSBC	7.1	8.1
Six largest issuers	87.1	80.2
Sector	100.0	100.0

Source: Central Bank of Turkey

In September 2004, Tevfik Bilgin, the chairman of the BDDK, publicly announced that they were currently working on a draft law for credit cards. He declared their motive as to define the ambiguous clauses in a credit contract properly. Some of these clauses were used by banks to exert pressure upon borrowers, he reported. Nevertheless, their intention by no means was to hamper the banking sector's progress.[227] Later in February, when the draft was announced on the BDDK's website and opened up for public consultation, Bilgin stressed that what they did with this law was to provide public service, whereby they had tried to strike a balance between the banks and the customers "on a knife edge". Their intention was not to intervene in the

[225] Akın, G.A. et al. (2008) "The Failure of Price Competition in the Turkish Credit Card Market" MPRA Paper No. 17770, pp. 8.

[226] Taken from Akın et al. 2008

[227] "Bilgin: Tüketici kredileri ve kartlar en karı kredi türüdür" (2004) *Hürriyet*, 26 September, http://www.hurriyet.com.tr/bilgin-tuketici-kredileri-ve-kartlar-en-k-rli-kredi-turudur-260277

system, but to set some standards.[228]A similar emphasis on balance came from Cemil Çiçek, the government spokesman: "On one hand, we need to protect the consumers. On the other, we must refrain from setting up rules that would bring the working of the banking system to a halt."[229]

The announcement reignited the debate on credit cards. While many changes were proposed in the draft law, some issues were left out. On February 23, 2006, almost a year later, the Bank Cards and Credit Cards Act No. 5464 was ratified by the Turkish parliament. In the process, the banks mostly set the agenda and among the overall issues, especially the ones on which banks have a lot at stake were primarily discussed. The BDDK chairman Bilgin once claimed that the consumer credits and credit cards are the most profitable credit type; they have high commission income and distribute the risk.[230]As a result, the discussions revolved around the calculation of interest rates, card limits, debt defaults, the limit on installments, and the amnesty for credit card debts.

The interest rates were, as before, one of the most contentious topics on the agenda. The card users had long complained about high credit card interest rates. The 37.4% of the complaints made to the Consumers Union's Application Centre in 2005 was due to the exorbitant interest rates.[231]At the time, there were many ambiguous points about interest rates in the legislation. The thirty percent limit on the default interest rates, introduced in the recent consumer protection amendment, was the only regulation there to be upheld.

[228]"Kart taslağına 'BDDK'da temizlikçi intiharı damgası" (2005) *Hürriyet*, 24 February, http://www.hurriyet.com.tr/kart-taslagina-bddk-da-temizlikci-intihari-damgasi-299021

[229]"Çiçek, 'sosyal problem' ded, kart tasarısı imzaya açıldı" (2005) *Hürriyet*, 6 October, http://www.hurriyet.com.tr/cicek-sosyal-problem-dedi-kart-tasarisi-imzaya-acildi-355447

[230]"Bilgin: Tüketici kredileri ve kartlar en karı kredi türüdür" (2004) *Hürriyet*, 26 September, http://www.hurriyet.com.tr/bilgin-tuketici-kredileri-ve-kartlar-en-k-rli-kredi-turudur-260277

[231]Aysan and Yıldız 2007, pp. 20

However, this regulation also fell short in the context of high contractual interest rates. While many card users suffered from high interest rates, especially those defaulted on their debt, the banks claim that the interest rates were eventually pulled down under the competitive free market conditions. Initially, the first draft law did not propose any restriction on the rate, but on the way how it was calculated.[232] The banks were not concerned about the BDDK's proposal to set standards for calculation of interest rates that each bank would be obliged to follow. The voices were raised from the consumer side, on the other hand, urging the government to take action to lower the credit card interest rates and close the gap between these and the consumer credit interest rates.[233] In the final version, unexpectedly, the new law put the Central Bank in charge of credit card interest rates, and granted the authority determine and declare the maximum contractual and default interest rates. This cap on interest rates obliged banks to stick certain levels of interest rates to be applied to credit card transactions.

One of the complaints shared by many consumers was about credit card limits. Prior to the new act, banks could increase the credit card limits without the permission of the card users, and they often did so especially if the card user was a regular payer. Nevertheless, there were not any regulations that put a cap on the credit card usage and restrained the banks from giving credits as much as they wanted through credit cards.[234] The act altered this practice, and imposed a total limit on credit cards. According to new regulation, the total credit card limit of a person for all his credit cards cannot exceed the twice of his average monthly income for the first year, and the four times of the same

[232]"Kart limiti yıllık geliri aşamayacak" (2005) *Hürriyet*, 20 February, http://www.hurriyet.com.tr/kart-limiti-yillik-geliri-asamayacak-297942

[233]"Kredi kartları Kanunu'na eleştiri (2005) *Hürriyet*, 29 September, http://www.hurriyet.com.tr/kredi-kartlari-kanununa-elestiri-353821

[234]Aysan and Yıldız 2007, pp. 12

amount for the second year. The level of monthly average income would be accepted on the basis of person's declaration. The banks were also prevented from increasing the limits unless the card holder requested.

There had been enormous amount of debates on the issue of the limit on credit cards from the beginning. After the BDDK proclaimed the proposal to restrict the card limit in the draft law, the banking sector fiercely opposed the intention, taking it as an attempt to confine the credit card use and stressing that they had all the means the calculate the credit capacity and the related risk.[235] The retailers also joined the chorus and condemned the proposal on the grounds that it would inhibit people from spending. They also expressed their concerns on the rumors to introduce limits on the number of installments, despite the BDDK reassured that they would leave the issue alone for the moment and let the banks handle the issue.[236]As the discussion had unfolded through the questions on how such a limitation should be implemented, the banks expressed their complaints out loud. In the first BDDK draft, people were expected to document their monthly incomes and the limit was conceived to be three times of the monthly income. The banks were happy with neither of these regulations. Another controversy was over whether to apply limits for each credit card separately. The total limit was regarded as a much more restrictive measure than the individual limits by the banks. They also fretted over whether the legislation would include the current card users. Nevertheless, the banks enforced their agenda and managed to persuade the

[235]"Kredi kartlarının yüzde 2'si sorunlu" (2005) *Hürriyet*, 19 October, http://www.hurriyet.com.tr/kredi-kartlarinin-yuzde-2si-sorunlu-3406792

[236]"Hükümet sınırlamada ısrarlı, bankalar karşı çıkıyor" (2004) *Vatan*, 24 August, http://www.gazetevatan.com/hukumet-sinirlamada-israrli-bankalar-karsi-cikiyor-34502-ekonomi/

government to revise the draft in their favor. In the end, "the middle way was found" on the credit card legislation.[237]

Another issue that was hotly debated was the amnesty. While all of the regulations stated previously were to provide a future prospect for the working of the credit field, the amnesty aimed to deal with the current state of indebtedness. Initially, the draft law did not propose any solutions towards the current defaulters. The amnesty in 2003 fell short of expectations, and its benefits were still in question.[238] It was the Committee on European Harmonization in the parliament, not the BDDK, which come up with the suggestion to consolidate the defaulted credit card debts. In December 2005, the committee presented a report in which they shared their opinions and suggestions on the draft law. One of the suggestions was to facilitate the terms of payments for the *kartzedes* (credit card victims), who suffered from the taxing interest rates and tried to revolve their debts again with debt.[239] While the TBB was dismayed by the committee's report, the head of the department on consumer protection in the Ministry of Industry declared his support for the proposal.[240] The Deputy Prime Minister Abdüllatif Şener, however, approached the issue with caution. In his parliamentary speech, he told that they must refrain from any regulation which has not been technically possible to implement and should not jeopardize the law's enactment.[241] The debt in question was between two private bodies, and because it was not public debt,

[237] "Bankacılar ikna etti, kredi kartında 'orta yol' bulundu" (2005) *Hürriyet*, 3 April, http://www.hurriyet.com.tr/bankacilar-ikna-etti-kredi-kartinda-orta-yol-bulundu-308710

[238] Aysan and Yıldız 2007, pp.10

[239] "Meclis AB Komisyonu: Kartzede affı çıksın" (2005) *Hürriyet*, 27 December, http://www.hurriyet.com.tr/meclis-ab-komisyonu-kartzede-affi-ciksin-3704754

[240] "Kartzedeye faiz indirimi 1.3 milyar YTL'yi çözecek" (2005) *Hürriyet*, 28 December, http://www.hurriyet.com.tr/kartzedeye-faiz-indirimi-1-3-milyar-ytl-yi-cozecek-3708708

[241] "Meclis AB Komisyonu: Kartzede affı çıksın" (2005) *Hürriyet*, 27 December, http://www.hurriyet.com.tr/meclis-ab-komisyonu-kartzede-affi-ciksin-3704754

it was not for them to decide, he added. Yet despite these oppositions, a temporary article on debt restructuring was incorporated in the act at the last minute, but compared to the amnesty of 2003 its scope was much narrower, though it received much more criticism. Aysan and Yıldız explained the reasons for these criticisms as follows:

> The main reason for that criticism is that with the new amnesty, only the ones whose debts accumulated with high interests and who were taken to the court would get benefit. Consumer Unions wanted the unpaid debts to be taken under the scope of amnesty. However, their request was not taken into account. The card holders that defaulted until the end of January 2006 or the ones that were taken to the court because of their card debts got benefit from this amnesty.[242]

On the other hand, in this amnesty programme, the duration for payment was longer, up to 18 installments, and the interest rate to be applied was lower, a fixed 18%. In the upcoming years, amnesties introduced in the form of debt restructuring were discredited, and their effectiveness was questioned more widely among policy making circles. Having already introduced another amnesty in 2009, Babacan in 2014 declared that they were not working on another amnesty, despite the pressures stemming from ever-growing non-performing loans.[243]

The other significant legislation in the field of consumer lending was the Housing Finance Law. The lawmakers started working on the housing finance legislation back in 2004. There was already an existing mortgage market, but compared to credit card market, it was limited in size and not as widespread as the other. Erol et al. explained how the need for the legal regulations

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[242]Aysan and Yıldız 2007, pp. 16

[243]"Kart borçlarına yapılandırma açklaması" (2014) *Hürriyet*, 23 April, http://www.hurriyet.com.tr/kart-borclarina-yapilandirma-aciklamasi-26275304

emerged in this context, and what the dynamics behind the legislations are as follows:

> In spite of the historically high demand for real estate assets, a well-organized and deep enough mortgage market did not exist in Turkey until the early 2000s. The absence of an efficient mortgage market was mainly due to a long-running process of persistently high inflation, the inability of the banks to fund mortgages from their deposit base, and the lack of standardization within the title and appraisal systems. (…) The recent improvements in the Turkish economy, especially the drop in the inflation rate has led the government to work on a draft of regulatory changes that would facilitate the legal environment for the establishment of the mortgage system. The efforts for the development of the mortgage system have attracted the construction sector and the related financial sectors. The result was the increase in the construction of the new housing units, the development in the mortgage products, and the significant decline in mortgage interest rates.[244]

Despite these pushing factors, the legislative process proceeded with various complications. It took almost three years to bring the law to the ratification stage. Many actors in the field expressed their discontent on the delay of the law's enactment on a number of occasions. One reason for this delay was shown as the several disagreements over certain issues, where among them tax reduction was the most prominent.[245] The fluctuations in the interest rates were also told to be the reason why the legislators were dragging their feet. In November 2006, the head of the Capital Markets Board of Turkey (SPK) Doğan Cansızlar pointed out that such a delay is undesirable considering the investor's growing appetite, and added that the lawmakers should not have

[244] Bedirhanoğlu et al. 2013, pp. 314-15.

[245] Göğüş, Z. (2005) "Türklerin Ev Hayali" *Hürriyet*, 11 February, http://www.hurriyet.com.tr/turklerin-ev-hayali-3918273

been discouraged by the recent rise in interest rates.[246] As the responses to interest rate fluctuations shows, the housing finance system is not seen autonomous from the general state of economic affairs. The upcoming regulations would also indicate the ostensive role casted to state in the establishment of the mortgage system, and occasionally in its management later on.

Having occupied the agenda for almost three years, the Housing Finance Law No. 5582 was eventually promulgated on March 6, 2007. In the preamble of the draft law, which was prepared in November 2005, the legislators proclaimed the act to be a solution to the issue of housing finance in line with contemporary finance. They stressed the absence of a housing finance system that is integrated to capital markets. While a considerable amount of the savings all over the world was channeled to potential homeowners through the capital markets, in Turkey only %3 of the total housing was financed through corporate financing. Moreover, due to high interest rates, only the upper income households could afford to get housing loans. In the preamble, it was also written that they aimed to provide an institutional structure for all house buyers to borrow with reasonable terms and conditions. This would contribute to the development of the construction sector and emergence of advanced capital markets, and eventually would foster economic growth.

The feasibility of these objectives was questioned in policy circles throughout the process. One of these objections came from the SPK Chairman Cansızlar. Before the law was ratified, he told that their offer to provide tax deductions for the credits below 100.000 TL was rejected by the Treasury and the IMF, which they thought, would have been an important incentive for lower income households to become homeowners with low costs. Reminding that their call for zero withholding for the mortgage-backed securities exported abroad was

[246] "Cansızlar: Mortgage Yasası'nın çıkması gecikti" (2006) *Hürriyet*, 15 November, http://www.hurriyet.com.tr/cansizlar-mortgage-yasasinin-cikmasi-gecikti-5441976

also turned down, he told that if well-developed capital markets are desired, such regulations should be adopted.[247]

Although the SPK's proposal about tax incentives was not put in the draft law at the time, a regulation that enabled the non-homeowners to deduct the mortgage interest rates from their taxes appeared in the latest versions of the draft law. Yet this provision was eliminated in the last minute, claiming that this was a subject for income tax reform and it was the Treasury who should be concerned with it. In the aftermath of thte enactment, even the Deputy Prime Minister Şener admitted that it would be difficult for people with low income and minimum wage to benefit from mortgage system under the enacted legislation.[248]

The Law No. 5582 brought about changes in ten different legislations.[249] The number of laws modified and referred in the legislative framework reflected the wide scope of the mortgage legislation. Some exceptional regulatory measures were taken to espouse the project of mortgage markets. The modifications in the Enforcement and Bankruptcy Act and the Consumer Protection Act were particularly significant in understanding what the impacts of these regulations on the relation between the lenders and the borrowers were, and discerning how differently this relation was regulated in mortgage markets.

The first major change was in the type of interest rates. Prior to the law, the housing loans could not have been with floating interest rates, as it was the case for all forms of credits. The new law introduced both fixed and floating

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[247]"Cansızlar: Mortgage Yasası'nın çıkması gecikti" (2006) *Hürriyet*, 15 November, http://www.hurriyet.com.tr/cansizlar-mortgage-yasasinin-cikmasi-gecikti-5441976

[248]"Muafiyet silindi, Mortgage Meclis'i geçti" (2007) *Hürriyet*, 22 February, http://www.hurriyet.com.tr/muafiyet-silindi-mortgage-meclis-i-gecti-6000293

[249]Reisoğlu, S. (2007) "Konut Edinme Amaçlı Konut Finansmanı Sözleşmeleri ve Uygulama Sorunları" *Bankacılık Dergisi* 61, pp. 75-84.

interest rates, and left the choice to the parties within the limits of the "liberty of contract". But it is seen that the rules were designed differently for these two types of interest rates, and arguably the conditions offered for fixed rates were more disadvantegous for the borrower. For example, if the loan is given on fixed interest rates, the lenders might charge an additional fee from borrowers in an early payment situation. "According to the law, the lender who has issued credits on fixed interest rates is able to ask an additional 2 percent early payment fee in cases when the borrower pays before due date. In regular home loans before the law, fixed-rate borrowers could pay their loans before the due date and close the account without incurring a charge."[250] But it would also be not possible to unlike fixed rates, floating interest rates denote a risk shift from lenders to borrowers, by allowing "banks to off-load the interest rate risk to customers by lending at variable rates rather than the fixed rates they use now for housing loans."[251] The other major change aimed to ease the enforcement process and speed up the repayment of the defaulted credits. "Due to high inflation and rapidly increasing real estate prices, the defaulted borrowers tended to use every legal right they had to delay the legal foreclosure process as the penalties and objection fees remained below the value earned over inflation."[252] The new law received widespread media

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[250] "President approves much awaited mortgage law" (2007) *Hürriyet Daily News*, 7 March, http://www.hurriyetdailynews.com/president-approves-much-awaited-mortgage-law.aspx?pageID=438&n=president-approves-much-awaited-mortgage-law-2007-03-07

[251] "A look at potential impact of Turkey's new mortgage law" (2007) *Hürriyet Daily News*, 19 March, http://www.hurriyetdailynews.com/a-look-at-potential-impact-of-turkeys-new-mortgage-law.aspx?pageID=438&n=a-look-at-potential-impact-of-turkeys-new-mortgage-law-2007-03-19

[252] Bedirhanoğlu et al. 2013, pp. 320.

attention throughout the process, and it was claimed that at several points, the legislation favoured the lender at the expense of the borrower.[253]

The period of 2001-2008 represents in general an attempt towards laying the legal basis of consumer credit lending. The prevalent consumer protection law was amended once throughout these years, while at the same time two new laws that focused exclusively on credit cards and on mortgages were passed. But one thing to note is that most of these legislations were not introduced instantly in the early 2000s, but later after 2005 as household credit markets came to grow apace. As such, it is possible to argue that the Turkish state capitalized on the growth of consumer credit markets. As the credit borrowing increased in the absence of the rise in real wages, the household indebtedness became instrumental in stimulating the domestic demand.

There was one exception to this situation though. In the case of the housing finance law, there was not a fast growing market prior to the legislation. The policy makers overtly aimed to foster the participation of many more people in the existing mortgage market, while also building up the secondary mortgage markets to prop up this primary market with the housing finance law. Accordingly, they put incentives that would directly contribute to the growth of the housing loans and the size of the market through the incorporation of middle and lower income households to the markets, though most of them failed to be put into force at the ratification stage. The objective to create well-developed secondary mortgage markets also did not live up to expectations. As they have remained underdeveloped, they could not provide a ground for new financial instruments to flourish contrary to what was initially expected. But still in the following period, new forms of financial mechanisms and instruments have been developed through different channels

[253] "President approves much awaited mortgage law" (2007) *Hürriyet Daily News*, 7 March, http://www.hurriyetdailynews.com/president-approves-much-awaited-mortgage-law.aspx?pageID=438&n=president-approves-much-awaited-mortgage-law-2007-03-07

along with the rapid growth of the construction industry, which brought about a closer relationship between the real estate industry and financial markets.[254]

In the case of credit card law, however, there was already an ever-growing market on which the legal and economic discussion evolved during the preparation process. Unlike the early legislation in 2003, this legislation on credit cards and bank cards touched upon many issues such as interest rates and limits that would redraw the conditions of debt relation between households and banks. These legislations on credit cards and housing finance were not precisely similar in terms of its objectives, due to the specific configurations of the markets that they were targeting. But when the preparation processes and content of these legislations are closely assessed, it is revealed that the main purpose in both cases was to get a grip on the growth of credit markets, and promote the expansion of consumer credit markets under the state's control. The legal regulations turned into primary instruments of defining the conditions of credit relation, and determining the limitations under which credit borrowing and lending is conducted. Although these regulations brought some significant changes in credit lending practices of banks, which pushed them to conduct their activities under certain limitations, they did not hamper the growth of the markets.

These attempts to redefine the conditions of debt relation in the mid-2000s were closely related to the prevailing concerns for financial stability and institutional change observed after the 1990s financial crises at the global level. As I have mentioned in detail in the previous chapter, the aftermath of the 1990s financial crises was characterized by crisis management efforts as well as the efforts for reforming the international financial architecture. In line with these efforts, the emergent post-Washington Consensus set forth a new

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[254] Karaçimen, E. And Çelik, Ö. (2017) "Türkiye'de Gayrimenkul ve Finansın Derinleşen ve Yeniden Yapılanan İlişkisi" in Bedirhanoğlu, P., Çelik, Ö., and Mıhçı, H. (eds.) *Finansallaşma Kıskacında Türkiye'de Devlet, Sermaye Birikimi ve Emek.* İstanbul: Nota Bene Yayınları, pp.96-100.

discourse on state regulation with a strong emphasis on the role of independent regulatory agencies. This policy environment under the post-Washington Consensus led Turkish policy makers to develop a certain level of alertness to the risk of crisis and follow the prevalent institutional pathways. In line with the discursive and institutional framework of the post-Washington Consensus, the authority to determine the maximum contractual/default interest rates and the limits on monthly income in the legislation on credit was delegated to the TCMB and the BDDK respectively. This delegation of authority to the regulatory agencies can be considered as an institutional leverage which would provide the Turkish state the opportunity to redefine the conditions of debt relation and exert control over banks and households in the future.

All in all, it is possible to argue that the interventions in the household credit market at the period 2001-2008 held an orientation to bolster the expansion of the credit markets, while also trying to bring these processes of expansion under further state control. The Turkish state refrained from intervening in the consumer credit markets in the early 2000s. This policy choice became particularly significant for the credit card market, which grew spontaneously at a very rapid pace in the post-2001 period, but did not have an underlying legal infrastructure until 2006. There was however no regulation on the mortgage markets either until 2007, but in that case there was also not a well-developed market. In both cases, the Turkish state promoted the growth of credit markets, but it did it by not intervening in the former case and taking initiative to establish the market in the latter. These legislations were also attempts to gain control over markets processes and give a certain direction to the market growth by redefining the conditions of the debt relation. In particular, these legislations delegated the authority to determine some conditions of debt relation such as interest rates and monthly limits to the regulatory agencies. I argue that by delegating these authorities, the Turkish state aimed to create institutional leverage to impose further control over financial expansion in the future. Thus, it is plausible to claim that a certain degree of alertness to the crisis were already on the surface at this period, but still financial expansion and deepening were reinforced by state policies.The attitude of policy makers towards the skyrocketing insolvency in credit cards was also reflective of this endeavour. The early legislations on consumer protection and credit cards attempted to tackle the situation without thwarting the market expansion. But the insolvency situation was brought into a stalemate in most cases when the debtors failed to pay off their debts and their conditions were worsen off due to the massive levels of overdue interests.

4.3.2. From 2008 to 2016: Putting the Brakes on the Markets?

The global financial crisis of 2008 brought about a new domestic and international setting for state interventions. Domestically, the conditions were less favorable compared to previous years. The performance of the Turkish economy, which was marked with rapid economic growth after the 2001 financial crisis, was undermined significantly from 2007 onwards.[255] The picture was gloomier outside as well. The collapse in the U.S. subprime mortgage market resulted in a credit crunch damaging the financial institutions globally, which brought on recession and instability to global economy. Amidst these developments, policies regulating the credit markets and the household debt began to take a new turn both in Turkey and the rest of the world. Yet there were significant differences in the way in which this turn was packaged and appeared on each country's policy agendas. Among other factors, the distance to the epicenter of the financial crisis has had an

[255]Sayek-Böke, S. and Gürkaynak, R.S. (2013) "AKP Döneminde Türkiye Ekonomisi" Birikim 296, pp. 64-69; Acemoglu, D. and Ucer, M (2015) "Why Turkish Growth Ended: An Intstitutional Perspective" in Vox CEPR's Policy Portal available at http://voxeu.org/article/why-turkish-growth-ended (accessed on 6 October, 2016); Benlialper, A., Cömert, H. and Düzcay, G. (2015) "2002 Sonrası Türkiye Ekonomisinin Performansı: Karşılaştırmalı Bir Analiz" ERC Working Papers 15/04.

impact on how the financial regulatory change is getting shaped since then. The regulation processes in the field of consumer protection have proceeded in conjunction with efforts to tackle the crisis at the global level.

The consumer laws were already present in many countries prior to 2008, introduced as one of the primary instruments for the relation between creditors and borrowers. While these processes were undertaken separately in each national context before the crisis, there were serious efforts to coordinate the reform attempts in the aftermath. Policy makers put consumer protection on their agendas with an emphasis on the finance component both at the regional, and the international level. In 2011, the G-20 endorsed common principles for financial consumer protection, and in the following year, the G-20/OECD Task Force[256] was initiated to develop effective measures to implement these principles. "These international developments in consumer finance regulation, organized often around the G-20 principles of financial consumer protection and involving the creation of a new network of national, regional and international actors, may result in a transnational paradigm of consumer finance regulation."[257] Kastner observes that they were not only the governments that took part in international platforms for global governance such as the G-20, but also the consumer associations formed a transnational network in the process of consumer reforms.[258] Thus in the post-crisis period, tthere has appeared a prevailing discourse on consumer protection around the notion of financial services. Many networks and programmes have been formed under the institutions like the WB and the OECD to elaborate on

[256] See the website for detailed action plan: http://www.oecd.org/finance/financial-education/g20-oecd-task-force-financial-consumer-protection.htm

[257] Ramsay, I. (2016) "Changing Policy Paradigms of EU Consumer Credit and Debt Regulation" in Leczykiewicz, D. And Weatherhill, W. (eds.) *The Image of the Consumer in EU Law*. Bloomsbury: Hart.

[258] Kastner, L. (2014) "Much ado about nothing?' Transnational Civil Society, Consumer Protection and Financial Regulatory Reform" *Review of International Political Economy* 21(6): 1313-1345.

issues ranging from financial education to financial inclusion. The crisis of the global economy, originated in the developed world, brought about new discourses, regulatory forms, and implementation mechanisms which have a significant impact on the financial lending practices between the consumers and the banks.

In this setting, the Turkish state's orientation for exerting control over market actors and processes of credit lending has been maintained with the proliferation of new forms of state intervention towards credit markets in the post-2008 period. Güngen argues that the impact of the crisis on the Turkish economy did not become apparent outright, because the collateralized debt obligations (CDOs) which constituted a central place in the 2008 global crisis in the West did not exist in the Turkish banks' portfolios, and the capital markets were relatively shallow in Turkey. But nevertheless the Turkish economy got eventually affected from the crisis severely, mainly due to the "complete subordination of the economy to the circumstances of international capital mobility."[259] Güngen explains the concern driving the policy makers to act on in this way as follows:

> (…) financial expansion has in-built limits and because of the current account deficits and an overheating economy, to use the popular jargon, the authorities attempted to restrain the credit expansion to prevent the credit rush from turning into frenzy.Turkey's Central Bank (CBRT) started to use reserve requirements as a policy tool for slowing down credit expansion from 2010 onwards before making the cost of credit more expensive for banks in 2011. The Banking Regulation and Supervision Agency (BRSA), in tandem with the CBRT, increased the credit reserve ratios in the same year."[260]

[259] Güngen 2012, pp. 179.

[260] Güngen, A.R. (2017b) "Financial Inclusion and Policy-Making: Strategy, Campaigns and Microcredit *a la Turca*" New Political Economy, pp. 5.

In this regard, the turning point in macroeconomic policymaking occured in 2011 when a new institutional setup was introduced in the face of increasing instability in capital flows that carried the financial stability and macroprudential policies into the macroeconomic policy agenda. “To this end, the Central Bank of the Republic of Turkey modified the inflation targeting framework by incorporating financial stability as a supplementary objective. Moreover, a formal Financial Stability Committee (FSC) was founded to respond to macro-financial risks in a more systematic and coordinated fashion.”[261]

In the post-2008 period, it is possible to identify three main policy lines in the field of household debt management. The first of them is directly related to the macroeconomic management scheme that was adopted in 2011. As Kara emphasizes, “(…) containig consumer loan growth has been one of the priorities for the FSC. The measures to contain credit growth and household debt were mainly taken by the BRSA [BDDK], with the recommendations of the FSC.”[262] To this end, the authority granted to the BDDK in the Bank Cards and Credit Cards Law No. 5464 to determine the functioning of the credit card market was utilized multiple times for taking measures to shrink the credit demand. In line with the framework of the post-Washington consensus, the BDDK as a supervisory agency played an active role, and issued by-laws that would cause a fall in the consumer demand. This restrictive stance taken towards credit use was in conjunction with the government’s macroprudential policy plan over credit cards and consumer cards, which was shared with public by the Deputy Prime Minister on October 10, 2013. Second, policy makers were forced to mediate the conflict between the bank and the consumer associations around the issue of fees, including

[261] Kara, H. (2016) “A brief assessment of Turkey’s macroprudential policy approach: 2011-2015” Central Bank Review 16, pp. 85.

[262] Kara 2016, pp. 88.

credit card fees as well as transaction fees, which the banks were charging arbitrarily in the lack of any provision in the legislation. Third, financial inclusion and financial consumer protection strategies were included in the policy agendas of government institutions, a policy which has been made explicit through vision papers as well as the establishment of new departments within the state institutions.

Although the new law on credit cards was passed recently in 2006, complaints regarding the conditions of consumer borrowing did not wear on in the following years. Over-indebtedness figures were on the rise, reaching to distressing levels, and the legal void on certain issues came to pit the consumers against the banks more often. Two years later, on May 23, 2008, Ahmet İyimaya, a representative from the ruling party, introduced a bill that would address some of these controversies sprang up around credit card practices. In the preamble, the over-indebtedness was pointed out as one of the major sources of concern in the contemporary Turkish credit card market. İyimaya drew on two main conclusions to deal with the problem of indebtedness. When he compared the monthly interest rates of the consumer credits to that of the credit cards, he identified a significant gap which he associated with the banks' imposition of high interest rates over the card users in the obvious lack of market competition. In order to ensure the freedom of contract, there must be equal capacities to have an impact on the contract, and in that case, banks should not get the upper hand. He proposed to determine the interest rates caps with reference to more objective and relevant macroeconomic indicators, such as the deposit rates or the discount rates declared by the TCMB. This proposal would later be repeated by the consumer associations, as they demanded a permanent solution to the issue of credit card debt.[263] On other hand, İyimaya also argued for the measures to

[263] "Kart aidatlarının iptali tüketici örgütlerinin zaferi" (2009) *Dünya*, 25 June, http://www.dunya.com/ekonomi/kart-aidatlarinin-iptali-tuketici-orgutlerinin-zaferi-51745h.htm

"disciplinize the credit cards users" and "lead them to pay the minimum payment amount on time". Hence, despite he pleaded for bringing a new calculation method to pull the contractual interest rates down, he expressed his opposition to any regulations to restrict the default interest rates. This was also why he spoke favorably of the provision in the credit cards law of 2006, which set a minimum payment amount rate fixed at a minimum of %20. The proposal was faced with strong criticism from the banking sector. The Chairman of the TBB, Ersin Özince, declared that any limit put on to interest rates would be unacceptable. Özince also argued that this kind of regulation would mean the ban of credit cards, adding with a fierce tone that it would not be the end of world, if the credit cards were to be banned.[264] The BKM made a critical public statement that figures which İyimaya used in his proposal as the evidence of high interest rates did not match with reality. This would not only mislead the public, the BKM claimed, but also damage the development of the credit card sector, which held an important role in the growth of consumer market and the formalization of economy.[265] The Minister of Industry and Trade Zafer Çağlayan also stood against the proposal, saying that any restrictions over credit cards would undermine the commitment to free market conditions.[266] The proposal became obsolete, as it was not ratified in the duration of legislative session.

The following year, on July 7, 2009, the Amendment to the Bank Cards and the Credit Cards Law No. 5915 was ratified in the parliament. The consumer

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[264] "Kredi kartı yasaklanırsa dünyanın sonu olmaz" (2008) *Hürriyet*, 30 May, http://www.hurriyet.com.tr/kredi-karti-yasaklansa-dunyanin-sonu-olmaz-9055786

[265] "Bu teklif yasalaşırsa aylık kredi kartı faizi yüzde 2,7'yi geçemez" (2008) *Hürriyet*, 24 May, http://www.hurriyet.com.tr/bu-teklif-yasalasirsa-aylik-kredi-karti-faizi-yuzde-2-7-yi-gecmez-9012518

[266] "Kredi kartı yasaklanırsa dünyanın sonu olmaz" (2008) *Hürriyet*, 30 May, http://www.hurriyet.com.tr/kredi-karti-yasaklansa-dunyanin-sonu-olmaz-9055786

associations strived to be involved in the processes and expressed their demands; both before and after the content of the draft law was made public. They urged the authorities to grapple with the over-indebtedness faced by many credit card users. The debt restructuring was at the top of their wish list, but they also underlined that this was the initial step and the government had to take the measures to boost the consumer's purchasing power. The draft law initially contained a provision that would legalize the fee charged over credit cards. The related article was removed in the final version. The consumer associations claimed that it was their pressure that led to the removal of the related article from the final version.[267] Although this was considered as a triumph over banks on the consumer side, nevertheless the practice to charge credit card fees was maintained by banks.[268]

The amendment consisted of only two articles. In the first article, the minimum payment amount was obliged to be at least %20 of the total debt, and the BDDK was granted with the authority to increase this rate up to %40. In the Article 2, the debt restructuring was offered to holders of non-performing loans, and the amount of interest rates were specified, which would be applied according to the number of payment terms that the debtor chose to pay back his debt. As reported in the preamble of one of the bills proposed in this process, the number of owners of non-performing loans jumped from 1.338.000 in the end of 2007 to 2.170.000 just in one year time, corresponding to a %62 rise.[269] Nevertheless, apart from the debt

[267] "Kart aidatlarının iptali tüketici örgütlerinin zaferi" (2009) *Dünya*, 25 June, http://www.dunya.com/ekonomi/kart-aidatlarinin-iptali-tuketici-orgutlerinin-zaferi-51745h.htm

[268]"Bankalar tüketicilerin kanını emiyor" (2009) *Dünya*, 8 December, http://www.dunya.com/guncel/bankalar-tuketicilerin-kanini-emiyor-70538h.htm

[269] "A Proposal Regarding the Amendment of the Bank Cards and Credit Cards Law No.5464 made by MP Ensar Öğüt" (2009) TBMM Archieves, retrieved from http://www2.tbmm.gov.tr/d23/2/2-0424.pdf

restructuring, there was not any regulation in the amendment to address this significant increase. Particularly, there was no provision to cover the issue of high interest rates, even though this was debated widely only a year ago and there were other draft laws proposed to narrow the interest rate gap between the credit cards and the consumer credits.[270]

The minimum payment amount did not fall off the policy agenda at once. In 2010, granted with the authority to determine the rate for minimum payment, the BDDK issued a by-law that specified the minimum payment amount by pegging it at three different rates for each card limit interval. According to the by-law, those card holders with a limit less than 15.000 TL would be obliged to pay at least %25 of the total debt, while those with a limit 15.000-20.000 TL would pay the %30. If the credit card limit exceeds 20.000 TL, the minimum payment rate would be %40, and this rate would also be held for the credit cards provided after this date, for a one year period. In addition, if a card holder pays less than %50 of the total debt more than three times in a calendar year, the card limit could not be upgraded unless the remaining amount was paid back and until then there would also be a hold on the cash withdrawal function of the card. The consumer associations expressed their disappointment over the content, saying that the BDDK did not keep up with their initial statements. The director of a consumer association told that after the BDDK's initial statement, they had expected the cash withdrawal from ATMs via credit cards to be eliminated but instead, the BDDK chose to deal

[270] "A Proposal Regarding the Amendment of the Bank Cards and Credit Cards Law No.5464 made by MP Ensar Öğüt" (2009) TBMM Archieves, retrieved from http://www2.tbmm.gov.tr/d23/2/2-0424.pdf; A Proposal Regarding the Amendment of the Bank Cards and Credit Cards Law No.5464 made by MP Reşat Doğru" (2009) TBMM Archieves, retrieved from http://www2.tbmm.gov.tr/d23/2/2-0392.pdf

with the minimum payment rates which, according to them, were yet another mechanism to put off debt. [271]

Although both the amendment in 2009 and later the by-law in 2010 can be considered as attempts to take some degree of control over rising indebtedness, as mentioned previously, the key turn occurred in 2011 when the Turkish policymakers decided to implement macroprudential policies in the face of capital flow volatilities. Following this policy shift, the field of debt management witnessed several concomitant and important developments in 2012-2014. The Medium Term Programme (Orta Vadeli Program), introduced by the government in October 2013, has aimed to deal with the rapid consumer credit growth and the increasing share it takes in consumption, as told by the Deputy Prime Minister Ali Babacan. In his statement, Babacan underlined that they intended to put an end to "growth by incurring debt", and they were working on restrictions towards consumer credits and credit cards to this end. He deemed this kind of growth as of an unhealthy kind; it was always possible that this kind of debt-led growth might have paved the way for crisis. The growth and wealth, he added, should be enhanced by producing more and exporting more. Babacan's statements were critical as it revealed the government's concerns about the reliance of the Turkish accumulation regime on capital inflows and the unsustainability of this rapid credit expansion. It was the first time that the intention to take a restrictive policy stance towards the credit growth was publicly expressed.

This statement was accompanied by a by-law issued by the BDDK on October 8, 2013. The by-law put into practice four separate regulations that aimed to take control of the expanding credit supply and debt. The two of these issues, the minimum payment rate and the failure to pay back the minimum amount, were already covered in the previous by-law. These

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[271] "10 milyon kişi borcunu öteliyor" (2010) *Hürriyet*, 2 August, http://www.hurriyet.com.tr/10-milyon-kisi-borcunu-oteliyor-15467189

regulations from 2010 were not removed but on the contrary pushed further. The minimum payment rate was uplifted from %25 to %30 for the first, and from %30 to %35 for the second credit limit interval. The provision added on the previous regulation would enable the credit cards to be cancelled, if the holder did not pay the minimum payment rate three successive times in a calendar year. Apart from these, another regulation tightened the requirements to credit card limit increase in order to avoid banks' arbitrary practices; the credit card limits would be upgraded only upon holder's request. The fourth provision which set a cap on the credit cards' total limit depending on the card holder's income was the most controversial regulation among others. According to the regulation, the total limit for card user's all credit cards cannot exceed the two times of the monthly income for the first year, and the four times of the monthly later on. Overall the by-law intended to interfere in the rapid growth of the credit demand by restricting the credit limits, ensure to some extent the return of the credit debt, and avoid the piling up of too much debt.

This restrictive credit policy orientation was reinforced by other by-laws issued in December 2013 and in May 2014. While the focus was on the credit cards limits and the minimum payment amounts, these by-laws aimed at installments, and by putting a cap on the number of installments, the policy makers aspired to curb the household consumption, which had been fueled by consumer credits and credit cards for years. The number of installments implemented on purchasing and cash withdrawal would be limited by nine months in the by-law of October 2013. Moreover, the installments were altogether removed for the purchases of telecommunication, jewelry, food, and fuel. Later, in May 2014, the scope of this last provision was extended to the products which do not provide concrete goods or services to consumers, such as gift cards.

Yet this restrictive policy orientation is already proved not to be permanent. In November 2015, the installment limit was loosened for purchases of durable consumer products and furniture, as well as for school fees. The by-law issued by the BDDK enabled these expenses to be subjected up to 12 installments. Later in September 2016, this increase in credit card limits was expanded by another by-law. On some expense items, it would be implemented either by nine or four installments, and there would be no installment for some other items. In the by-law, all these exceptions were specified and written down. But apart from these exceptions, it was agreed that 12 installments would be implemented in general. Thus, the number of installments applied in thte purchases of goods and services was raised from 9 to 12.

With this policy orientation, the government tried to confine the consumer credit expansion by redefining the conditions for credit card use in the period 2011-2016, and succeeded in this to a large extent. The growth of consumer loans has slowed down; falling from 45% in mid-2011 to below 15% in 2015, and the ratio of household liabilities over household assets has gained a downward trend since 2015.[272] The minimum payment rates and the single total limit were targeting especially the prospective "revolvers", the borrowers who pay their credit debts by borrowing more credits via credit cards. These measures would relatively increase the amount of debt paid back to the banks, but fall short of breaking the cycle of indebtedness. The introduction of card ceilings in proportion to monthly incomes concerned a wider group of people, but it also was limited in scope. The ceiling would not obviate the possibility of indebtedness, as the credit cards users could still use/borrow up to four times of their monthly incomes.

The credit card industry and household indebtedness, albeit at a less rapid pace, were continuing to grow and banking sector was still enjoying high

[272] Kara 2016, pp. 89.

profits. The two important components in bank's revenue-making from credit cards, namely interest rates and service fees, remained to be contentious in this process. The issue of credit card interest rates was discussed in the parliament several times, but there were no changes made at the end, and it continued to be under the Central Bank's jurisdiction. The controversy around the fees, on the other hand, was resolved with the delegation of the issue to the BDDK.

The BDDK was granted with this authority to determine the procedures about service fees in the recent consumer protection law. Although amended in 2003, the Consumer Law from 1995 had been in force for years. In 2009, there were efforts to amend the Consumer Law No. 4077 for the second time. The draft law announced by the Ministry of Industry and Trade on its website had drawn several criticisms from consumer associations.[273] These efforts remained inconclusive at the time. But in 2013, this law was replaced by a new consumer law. Due to its scope, the new Consumer Law No. 6502 had a limited impact on the functioning of credit markets. Back in 2003, the amendment to the Consumer Law could have had direct impact on the functioning of credit market, mainly because there were at that time no regulations and no regulatory bodies that were authorized to intervene in the market. By 2013, on the other hand, there was an established legal infrastructure consisting of many rules, laws, and regulations, and the regulatory bodies such as the BDDK and the TCMB were holding authority by law to be involved in the regulation of credit markets. Just as the TCMB had been authorized to determine the maximum contractual and default interest rates for credit cards by the Bank Cards and the Credit Cards Law, this recent Consumer Law gave power to the BDDK to decide on the

[273] "Tüketicinin korunması yasa tasarısı tüketicilerden kaçırılmıştır" (2009) *Dünya,* 6 May, http://www.dunya.com/ekonomi/tuketicinin-korunmasi-yasa-tasarisi-tuketicilerden-kacirilmistir-46624h.htm

procedures and principles about the banking fees, which were yet another important source of profit for banks in the credit industry.[274]

Granted with the authority, the BDDK issued a by-law in October 2014 to resolve the protracted issue of fees. This controversy was first brought up in 2008, when the amendment to the Banks Cards and Credit Cards Law was on the agenda. The consumer associations argued that there were no legal provisions that formed the basis for credit card fees, and told that both the Court of Cassation and the Central Bank concluded that the consumers cannot be obliged to pay these fees.[275] They stressed that banks gained 1.3 billion TL from credit card fees in a year, and they also kept charging additional fees such as transaction fees and account maintenance fees.[276] As I previously mentioned, the credit card fee had not been included in the amendment in 2009, but the banks continued to charge card fees from their customers. The by-law that would put an end to the controversy came five years later. The by-law specified and legalized the 20 items from the list of financial services which the banks could charge with a fee. To the dissatisfaction of the consumer associations, the credit card fee was one of the 20 items.[277]

In the same period, the global discourse on "financial consumer" was carried into the national policy field. The idea of "financial consumer" has been promoted in the aftermath of the global crisis, especially through global

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[274] Girgin, Y. (2013) "Yeni Tüketici Kanunu Neler Getiriyor" *Hürriyet,* 31 October, retrieved from http://www.hurriyet.com.tr/yeni-tuketici-kanunu-neler-getiriyor-25011138

[275] "TÜDEF'ten tüketicilere 'kredi kartı ücreti çağrısı" (2008) *Dünya*, 24 July, http://www.dunya.com/ekonomi/tudef039den-tuketicilere-039kredi-karti-ucretiquot-cagrisi-haberi-50035

[276] "'Kredi kartı yıllık aidatı bir kez alınmalı'" (2009) *Dünya*, 12 May, http://www.dunya.com/gundem/quotkredi-karti-yillik-aidati-bir-kez-alinmaliquot-haberi-77777

[277] "Bankalar 20 masraf kalemi alabilecek"(2014) *Hürriyet*, 4 October, http://www.hurriyet.com.tr/bankalar-20-masraf-kalemi-alabilecek-27323679

governance schemes. The goal was to reorganize the relationship between the people and financial sector on a global scale around the notion of "responsible finance". It was stressed that "building and maintaining consumer confidence and trust in financial markets promotes efficiency and stability and helps to create positive outcomes for both financial institutions and their customers."[278] The main strategy of making the financial consumer was meshed with other strategies of financial inclusion, financial literacy, and financial consumer protection. This indicates that the overall policy orientation aimed to achieve more and more people's contribution and responsibility in the credit markets and to increase their use of financial services. This tendency to reform the financial system in conformity with the financial consumer discourse appeared differently in each national context. In the case of Turkey too, as Güngen claimed, this reform process cannot be defined as a process of direct transfer, but of a functional adaptation, through which the basic tenets of the orientation were carried out.[279] The Department of Financial Consumer Relations was established as an exclusive department within the BDDK in 2012. Early on, the head of the BDDK had declared that they decided to make this organizational change upon the OECD recommendation, and they might emulate the Consumer Financial Protection Bureau in the U.S. and take some of its functions that would match with their objectives.[280] In June 2014, a joint action plan was published by the Undersecretariat of Treasury, the SPK, the TCMB, the BDDK, and the Savings Deposits Insurance Fund. The main purpose of this action plan was to increase the demand towards the financial services. To this end, the

[278] See OECD's webpage on financial consumer protection:
http://www.oecd.org/regreform/sectors/financialconsumerprotection.htm

[279] Güngen, A.R. (2015) "Türkiye'de Kamu Borcunun Yönetimi: 2001 Krizi Sonrası Bulgular ve 2009 Çöküşü Sonrası Stratejiler" *Praksis* 38(2), pp. 129-154.

[280] "BDDK 'tüketici'ye ABD modeli getiriyor" (2012) *Hürriyet*, 31 July,
http://www.hurriyet.com.tr/bddk-tuketici-ye-abd-modeli-getiriyor-21106675

financial inclusion was identified as the main priority, and three strategies (financial education, financial consumer protection, and access to financial instruments) were specified to attain this goal.[281]

The post-2008 period is characterized by concerns about the crisis waiting at the Turkish economy's doorstep. In addressing these concerns, the BDDK has issued several by-laws to intervene in the conduct of credit markets, and redefine the conditions of credit lending repeatedly since 2011 by introducing credit limits and with the aim of curbing the household demand for consumer credit. This constant intervention through by-laws has resulted in a slowdown in the consumer credit expansion. But when this macroprudential policy line is considered together with the financial inclusion strategies initiated in 2014, it is possible to argue that the Turkish state has still pursued its orientation to sustain the processes of financial deepening over the long haul. Moreover, the way that the controversy surrounding the issue of fees and commissions was resolved by the legalization of many items provides evidence on how the Turkish state has supported the growth of the consumer credit markets so that profitability in these markets can still be maintained and the household debt that continues to rise can be revolved.

4.4. Conclusion: State Agency and Managing Household Indebtedness

What I have discussed so far in this chapter is to form up a discussion about state interventions towards household credit in Turkey on the basis of my engagement with the question of state agency through the thesis. The narrative built in the previous sections demonstrates how the rapid growth of consumer credit markets observed in the aftermath of the financial crisis of 2001 was

[281] T.C. Bakanlığı Hazine Müsteşarlığı (2014)"Finansal Erişim, Finansal Eğitim, Finansal Tüketicinin Korunması Stratejisi ve Eylem Planları" available at http://www.spk.gov.tr/displayfile.aspx?action=displayfile&pageid=1076&ext=pdf

met with increasing state intervention starting from the mid-2000s. With reference to Samuel Knafo’s account of liberal financial governance, I suggest that this ongoing process since then can be read as a process of the Turkish state’s “deployment of state power”, through which the state has developed an agency in reaction to the growth of markets. The evolvement of this agency has been part of a dynamic process, marked by state’s attempts to gain control over the market development, aiming to give the unfolding of markets a direction in a way that make the banking sector conform within their political objectives.

Situating this process in the wider political and economic context, it seems plausible to argue that the AKP government has capitalized on the growth in credit markets, which were shaped initially in the post-crisis dynamics, and incorporated this situation to the implementation of party’s own political agenda and rise to power. Throughout the 2000s, many controversies have emerged due to the integration of Turkish economy to global economy under a neoliberal programme, and this has necessitated the governing party to contain and manage the manifesting contradictions through diverse, innovative strategies. In this regard, it is possible to observe the opening of a field of management around household debt in Turkey, and relate it to this broader context. This field of debt management brought a new area of governance, through which the state has reconsidered and reformulated its agency.

My main argument is that this process of state intervention in the Turkish case can be understood as the state’s attempt to reinforce the expansion of consumer credit markets, while at the same time trying to bring this development of credit markets under control. This has led the AKP government to exercise power over market actors by redrawing the conditions of debt relation, and this has been the main orientation in the field of debt management from the mid-2000s through 2016.

Initially, the absence of a legal infrastructure underlying credit consumer markets rendered the state to be involved in the conduct of credit lending activity in the period 2001-2008. This legal void arguably functioned as an institutional leverage for the state to exert influence to market processes shaped around the debt relation. Later, by using this instituitional leverage, the Turkish state developed new institutional leverages by delegating some of the authorities such as the TCMB and the BDDK to determine the procedures of credit relation. This can be considered as a move towards more institutionalised and sustainable mechanisms of control. One thing to note is that this delegation mechanism is not an invention of the Turkish policymakers, but as discussed in Chapter Three, has been an example of the common form of intervention implemented worldwide through the 2000s as a part of the post-Washington Consensus.

Meanwhile, it is also important not to assume that the state has been the only party that holds leverages. In the narrative provided in the previous section, it becomes evident that the banking sector also holds certain leverages against the state, that help them to imposed their demands to the policymakers numerous times. As I previously argued, it is possible to interpret this growth in consumer credit markets as an opportunity for the AKP to capitalize on at the first half the period 2001-2016. Yet when the state's orientation towards propping up and leading the growth in these markets to a certain direction is reconsidered together with the banking sector's this drive for profit and power, and also with the imperatives coming with the deepening integration of the Turkish economy to global markets, a process marked by crises and global recession in the second half of this period, it seems also plausible to argue that over time this orientation has come to be carried out also as part of an obligation. Even though at the beginning it emerged as an opportunity to capitalize on, the process of growing consumer credit markets later turns into something that the Turkish state has become vulnerable towards.

CHAPTER 5

CONCLUSION

This thesis has aimed at explaining the Turkish state's involvement in consumer credit markets in the post-2001 period. The rapid growth of consumer credit markets and the rising household indebtedness have been accompanied by the state's increasing involvement in the market processes through various legal regulations, policies, and strategies in this period. Thus, there has been a significant legal-institutional change in the conduct of consumer credit markets as these markets have grown rapidly in the last fifteen years.

To this end, this study has adopted a critical Marxist perspective to make sense of the capitalist state, and used the methodological tools and insights from Samuel Knafo's discussion on liberal governance to analyse the processes and forms of state intervention in Turkey at the concrete level. My main argument was that the Turkish state's interventions in the consumer credit markets have been shaped on the bases of its concerns for reinforcing the finance-led growth regime and containing the political and economic risks associated with the debt-driven growth. Standing in between these two contending objectives, the Turkish state's main orientation behind these interventions has been to promote the expansion of consumer credit markets on the one hand, and to gain control over market processes in order to give a certain direction to this market growth on the other.

In Chapter Two and Chapter Three, I went over the literatures on household debt and finacialisation in developing countries respectively with a focus on the state's role in the processes of financialisation. Chapter Four first offered a brief overview of the Turkish financialisation since the 1980s with a focus on changing banking sector dynamics, and later tried to situate Turkish state's involvement in consumer credit markets in the broader political and economic context of the AKP period. The last two sections of Chapter Four provided a chronology and an analysis of the state interventions in the management of household debt in the period 2001-2016.

I have argued that the established critical paradigms pay little attention the changing role of states in the neoliberal era when it comes to the issue of financialisation. Similar to liberal perspectives that claim that markets have outranked states in power to an extent that states' governing capacities came to erode, critical approaches capture the issue the state's unproblematised subordination to finance in relation to broader process of financialisation. While the former perspective assumes market dominance over policymaking process, the latter perspective argues that state policies have been shaped in accordance with dominant capitalist interests and constraints imposed by market imperatives. Despite their major differences, both perspectives find little to discuss about concrete policy processes and as such they largely overlook the forms and trajectories of regulatory change.

Thus, the literature reviews made in Chapter Two and Chapter Three have shown how the dominant approaches have certain limits when it comes to exploring financialisation around the question of state's role. In the literature on household debt, the institutional political economy perspective fails to elaborate on the question of which specific government policies have contributed to the formation of the new policy regime. The cultural political economy approach also misses out how state actions take part in the formation of subjectivities around financial activities. A similar point can be made about Lapavitsas's analysis, which leaves the question of state and state formation outside when problematizing the impact of financialisation on capital-labor relation.

The perspective of these three approaches on state's role markedly differs from the main arguments of the literature on financialisation in developing countries. The dominant theoretical perspectives making sense of this question argue that financialisation fundamentally relies on capital inflows in developing countries, and states introduce certain economic policies to create the macroeconomic conditions within which the inflows of capital would be ensured. These capital inflows function not only as drivers for further financialisation, but also as transnational market imperatives which assume an autonomous disciplinary force over state policies within the contradictory processes of capital accumulation. This emphasis on financial flows describes the dependency position as an important underlying characteristic of financialisation in developing countries and draws its link with state policy. But these perspectives also downgrade state agency as they do not offer a proper ground for exploring the trajectory of state interventions, asserting that different configurations of social structures are what determine the form of state policy.

This navigation through the literature has identified the concepts, issues, and approaches through which the debates on household debt and financialisation have been shaped, and offered important insights for contextualising the rising household indebtedness in the Turkish case. But as shown above, it could not offer us proper analytical tools to analyse the active state involvement in the consumer credit markets in Turkey in the post-2001 period. It was Knafo's analysis on liberal financial governance that thas provided me with certain conceptual and analytical tools to understand the Turkish state's agency in this context. Knafo argues that any form of governance can be captured and discussed as the deployment of state power. In particular, these governing practices are driven by state's concern for exerting control and power over market processes and other social agents in the market, and as such they are constantly reshaped around the political struggles of market actors. This methodological framework has guided me in understanding the Turkish state's agency and concretizing the state's attempts to exert influence over market actors by focusing on the legal-institutional changes in the field of household debt management. By tracing these concrete relations and processes behind different forms of state interventions, it becomes possible to make sense of diverse state motivations and strategies, and explain the broader trajectories of regulatory change.

In this regard, the analysis in Chapter Four offered an explanation on why the Turkish state chose to intervene in the conduct of consumer credit markets as well as what motives and struggles have shaped this process of intervention in the post-2001 period. I have observed the emergence of a new field of governance around debt management in Turkey in the AKP period, and relate this to the government's attempts to contain and manage the contradictions stemming from the implementation of the neoliberal agenda. As consumer credit markets began to grow, the state has developed an agency in relation to this growth. I demonstrate how the Turkish state has kept its orientation to promote the expansion of markets when intervening in the markets since the mid-2000s. These interventions were also attempts to gain control over the banking sector however to give a certain direction to market growth. And this orientation behind state interventions remained almost intact throughout the period. The AKP government, while initially capitalized on the expansion of consumer credit markets in the early 2000s, has to redefine this orientation partly starting from the mid-2000s. Despite its attempts to have the upper hand, the state has ended up in a subordinated position in which it has become increasingly more subjected to the changing relations and conditions of the financial market. As such, the state's agency has evolved in time and got reformulated through governance practices in the post-2001 period. By tracking different forms of state policies and strategies and their impact on the market processes, I show that this can be understood by looking at the way that the state as a social agent attempts to exert power over social agents.

In the early 2000s, the Turkish state did not impose any regulation that had a significant impact on the conduct of the consumer credit markets. This policy choice was particularly relevant for the credit card market as it grew spontaneously at a very rapid pace in the absence of an underlying legal infrastructure until 2006. The regulations on mortgage markets were introduced also later in 2007, but in that case the legislation aimed at building up an efficient mortgage market. Hence, legislations on credit cards and housing finance were different in terms of its objectives, as the specific configurations of the markets that they were targeting were also quite different. While the Turkish state promoted the growth of credit card markets by refraining from introducing any legislation for a long time, it took an initiative to foster the development of the mortgage market. Both policy choices were attempts to bolster the financial market expansion and reinforce the ongoing financial deepening process.

But at the same time through these legislations, the Turkish state tried to gain control over markets processes and give a certain direction to market growth. These legislations introduced regulations on many issues that set boundaries on the operation of the debt relation. I argue that the delegation of the authority to determine of interest rates to the TCMB and monthly limits to the BDDK was particularly significant, as they functioned as institutional leverages to impose further control over banks and households in the future. These interventions took place under the post-Washington Consensus environment, which put a strong emphasis on regulation in order to achieve financial stability in response to the crises of the late 1990s in the emerging markets. Hence, financial expansion was bolstered by state policies at this period, but at the same time policy makers came to show a certain degree of alertness to the crisis risks that were prevalent in the mid-2000s.

The global crisis of 2008 introduced a new setting for the state interventions at both domestic and international levels. The concerns on crisis rising in the mid-2000s escalated even more with the emerging crisis dynamics of the global economy after 2008. In addressing these concerns, the BDDK has issued several by-laws to slowdown the consumer credit growth starting from 2011. These recurrent interventions were part of a new institutional set-up formed in the field of macroeconomic policy in the same period, which introduced the financial stability objective and macroprudential policy line into the policy-making agenda. By mainly changing the credit limits and number of instalments, policy makers intended to curb the household demand for consumer credit. These open attempts to take the credit growth under control went hand in hand with the financial inclusion strategies initiated in 2014. This strategy plan was part of a broader global governance discourse on "financial consumer" that was shaped under the G-20 and OECD. The adoption of this strategy plan demonstrated the Turkish state's commitment to maintain the processes of financial deepening over the long haul. Moreover, the policy choice on the legalization of a number of fees and commissions also supported this point on the state's long-term orientation. There was a protracted controversy surrounding banks and consumer associations, and this resolution suggested that the Turkish state indeed prioritized the profitability of the banking sector and the expansion of consumer credit markets.

This study has provided evidence from the Turkish case on financialisation and state intervention by looking at the state-market relation, and how this relation unfolds at the concrete level in capitalist societies. Despite its state-centric focus, the study has offered important insights not only about state agency and state actions, but also about broader conduct of market relations. It has demonstrated how dynamic this process has been, as it is based on the relations and struggles among social actors in the market. Moreover, this analysis of the Turkish case has hinted how there is a need to revisit notion of state agency derived from Knafo's discussion the 19th century British case, and re-explain it in relation constraints and pressures stemming from the established forms and discourses of state intervention in different other contexts. As such, this study makes certain methodological observations without offering though a full-fledged methodological framework that can be genaralized. This would be the starting point of a future study, which would engage in a more comprehensive, and possibly comparative, theoretical and historical research to look at specific concerete processes at a longer historical time frame, and to bring the interests and actions of many other actors into the analysis.

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APPENDICES

A.TURKISH SUMMARY/TÜRKÇE ÖZET

Bu tez 2001 sonrası dönemde Türkiye'de devletin tüketici kredisi piyasalarına müdahale süreçlerini incelemektedir. Tüketici finansmanına dönük kredi piyasaları 2001 finansal krizinden sonraki dönemde hızla gelişmiş, toplumun geniş kesimlerince kredi kullanımının yaygınlaşmıştır. Bununla birlikte 2000'lerden önceki dönemde düşük seviyelerde seyreden hane halkı borçlanması da hızlı bir artış göstermiştir. Bu çerçeve içinde Türkiye'de devletin kredi piyasaların gelişmesine müdahil olduğu gözleminden yola çıkılmıştır. Türkiye'de devletin kredi alımı ve borç ilişkisinin koşullarını hukuksal araçlarla bu dönemde aktif bir şekilde şekillendirdiği gözlemlenmiştir. Bu çalışma mevcut yazınlardaki teorik yaklaşımlarla kurduğu eleştirel ilişki içinde, gelişen tüketici kredi piyasalarına devletin yaptığı müdahalesiyle ortaya çıkan kurumsal değişimin somut süreçlere bakılarak irdelenmesi gerektiğini savunmuştur. Bu doğrultuda tüketici piyasalarındaki bu büyümeyi devletin aktörlüğüyle ilişki içinde tanımlayan ve devlet politikalarını devlet ve piyasa aktörleri arasındaki dinamik ilişkiye bakarak incelemeyi mümkün kılan metodolojik araçlar kullanılmıştır. Bu tezde 2001 sonrası dönemde Türkiye'de devletin tüketici kredi piyasalarına müdahalesinin bir yanda finansallaşmaya dayalı büyüme rejimini sürdürmek, öte yanda bu borca dayanarak büyümenin artmasıyla ortaya çıkan politik ve ekonomik sınırlamak olmak üzere iki hedef temelinde şekillendiği savlamaktadır. Bu doğrultuda, devletin bu dönemdeki ana yönelimi tüketici kredi piyasalarının büyümesini teşvik ederken, aynı zamanda bu büyümeye daha kontrollü bir yön vermek olmuştur.

Giriş bölümüne iki yıl önce Adana'da bir banka binasını yakan borçlu bir emekli işçinin hikâyesi anlatılarak başlanmış, adamın öfkesini ve çaresizliğini banka şubesine yöneltmesinin yerindeliği sorgulanmıştır. Adamın böyle bir durumda öfkesinin muhatabının kim olduğu sorusuna ilk anda yanıt vermenin, yani adamın üzerindeki baskının kaynağını tespit etmenin kapitalist piyasadaki zor mekanizmalarının örtülü ve gayrı şahsi yollarla işlemesinden dolayı hiç kolay olmadığı belirtilmiştir. Bu durumda günümüz kapitalist toplumlarında bir piyasa ilişkisi haline gelmiş borç ilişkisinin işleyişinde sadece bu görünen tarafların değil, içinde devletin de olduğu pek çok aktörün dahlinin olduğuna dikkat çekilmiştir. Devletle borç ilişkisi arasında piyasa ilişkilerinin bütünü içinde soyut düzlemde kurulan bu ilişki, hane halkı borcunun artışı sürecinde devlet müdahalesine bakılan bu çalışma için genel bir çerçeve teşkil etmiştir. Türkiye'de tüketici finansmanına yönelik faaliyetlerinin hızla geliştiği 2001 sonrası dönemde çeşitli biçimlerde devlet müdahalelerinin varlığı tespit edilmiş, bu müdahalelerin bazılarının her zaman birbirini tamamlayıcı değil, hatta kimi durumlarda birbirleriyle çelişir göründüğü belirtilmiştir. Bu durum bahsedilen müdahale süreçlerinin yakından incelenerek açıklanması gerekliliğini beraberinde getirmektedir. Bu doğrultuda, bu çalışmanın amacı Türkiye'de devlet müdahalesinin bu süreçte nasıl bir seyir izlediğine daha detaylı bakılması ve devletin neden bu şekilde müdahale etmeyi tercih ettiğinin açıklanması olarak belirlenmiştir.

Kapitalist toplumlarda nüfusun büyük çoğunluğu son kırk yıllık süreçte finansal piyasalara erişim kazanmıştır. Bu değişimin bir boyutu da tüketici kredi piyasalarının hızla büyümesi ve bununla birlikte artan hane halkı borçluluğudur. Finansal kurumların hane halklarıyla kurduğu bu ilişki, borcun uzun tarihi düşünüldüğünde borç ilişkisinin oldukça yeni bir biçimidir. Costas Lapavitsas bu borç ilişkisinin küresel ekonominin 1970'den sonra yaşadığı finansallaşma sürecinin önemi bir parçası olduğunu savunmaktır. Lapavitsas'a göre geleneksel bankacılık faaliyetleri ve ticari bankaların şirketlerle kurduğu ilişkinin bu süreçte büyük bir değişimden geçmiş, bankaların bir kâr alanı olarak hane halkı gelirine yönelmesini beraberinde getirmiştir. Ayrıca bankacılık sektöründeki bu dönüşümü, yine aynı dönemde hane halklarını ihtiyaçlarını karşılamak için finansal piyasalara yönlendiren gelişmelerle birlikte değerlendirilmelidir. Lapavitsas bu dönüşümün hane halkı gelirinin bir kısmına el koymasını beraberinde getirdiğini, bunun dolaşım alanında gerçekleşen bir "finansal el koyma" süreci olduğunu savunmaktadır. Lapavitsas'ın bu tartışmasına göre, hane halkı borcu alacaklı konumunda olan bankalar için faiz elde edilen bir çeşit sermaye iken, borçlu olan işçiler içinse geliri ikame eder. Borç ilişkisinin bu şekilde kavramsallaştırılması, borç etrafında şekillenen sosyal ve siyasi gerilimlere dair ipucu taşır. Buna göre tüketici finansmanının alanın kârlılığı bir yandan bankaların bu alandaki faaliyetlerini hızla ve kontrolsüz bir şekilde arttırmasına yol açarken, diğer yandan hane halkı borçluluğunun hızla artması ve yaygınlaşması bir sosyal problemin ortaya çıkmasını beraberinde getirmektedir. Bunun yanı sıra artan kredi olanakları tüketim talebini canlandırırken, özel kesimlerinin ekonomideki payının borç artışına bağlı hızlı büyüyüşü ekonomik istikrar açısından çeşitli riskler taşımaktadır. Tüm bu gerilimlerin devletin müdahalesi için bir alan açtığı, bu alanın devlet için hem belirli riskler, hem de fırsatlar taşıdığı görülmektedir. Bu kavramsal çerçeveden yola çıkarak çalışmamız Türkiye'de 2001'den sonraki dönemde hane halkı borcunun artışının devlet tarafından somut düzeyde nasıl idare edildiğine bakılmış, borcun idaresi alanında olan düzenlemelerin değişiminin seyrini açıklamayı amaçlamıştır.

Türkiye'de son on beş yılda tüketici kredi piyasalarının hızla büyümesiyle birlikte devletin bu piyasaların işleyişine önemli ölçüde müdahil olduğu gözleminde ve bunu takip ederek kurulan bu kavramsal çerçevede devletin piyasa süreçleri üzerindeki etkisine ve bunları şekillendirmekteki aktif rolüne yapılan bir vurgu söz konusudur. Bu vurgu gerek liberal gerek Marksist çevrelerde mevcut olan finansallaşma karşında devletin rolüne dair yerleşik görüşlerle bir tezatlık içermektedir. Bu perspektifler farklı pozisyonlarına göre ya piyasanın gücünün politika süreçleri üzerindeki hâkimiyetini öne çıkarmış, ya da devletin politikalarının sermayenin çıkarları ve piyasanın tahakkümünün etkisinde şekillendiğini savunmuştur. Her iki durumda da devletin finansallaşmayla ilgili politika süreçlerinde edilgen bir pozisyonunun olduğunun varsayıldığını söylemek mümkündür. Dolayısıyla bu görüşlerin devletin somut politika süreçlerinin şekillendiğini tartışmak için pek fazla alan veya araç sağladığı söylenemez.

Benzer görüş çizgilerini finansallaşmayla ilgili yazında da takip etmek mümkündür. Bu tezin ikinci ve üçüncü bölümlerinde ele alınan finansallaşmayla ilgili iki alt yazında da bunu gözlemlemek mümkündür. Çalışmanın kavramsal arka planını oluştururken başvurulan Lapavitsas'ın yaklaşımının da dâhil olduğu hane halkı borcuyla ilgili olan yazındaki temel eleştirel yaklaşımlar devletin eylemlerinin hane halkı borçlanması ile ilgili süreçleri nasıl şekillendirdiği sorusunu araştırma gündemlerinin dışında tutmuşlardır. Buna karşılık, gelişmekte olan ülkelerdeki finansallaşmaya dair yeni yeni oluşmakta olan yazında ise devletin finansal derinleşme süreçlerinde rol oynadığı kabul edilmiş, devletin süreçlere bu şekilde dâhil olması bu ekonomilerde gözlemlenen bağımlı finansallaşma tarzıyla ilişkilendirilmiştir. Becker et al.'ın "çevresel finansallaşma" olarak adlandırdığı bu bağımlılık, diğer etmenlerin yanı sıra en temel olarak sermaye akımlarının bu ülkelerin finansallaşma süreçlerindeki önemi ile ilişkilendirilmiştir. Bu doğrultuda uluslararası sermaye akışlarının yol açabileceği kırılganlıkları ve istikrarsızlıkları yönetmede devlet politikalarının önemli bir rolü olduğu belirtilmiş, küresel piyasanın işleyişinden doğan bu ve benzer zorunlulukların devlet politikaları üzerindeki belirleyiciliğinin altı çizilmiştir. Dolayısıyla bu perspektif de devlete edilgen bir rol biçmiş, farklı devlet politikalarını anlamak için bir çerçeve önermekten uzak kalmıştır.

Bu çalışma, Marksist bir perspektiften kapitalist devletin yeniden üretiminin toplumsal ilişkiler içinde gerçekleştiğini, dolayısıyla devletin yeniden üretiminin sermayenin yeniden üretiminin gereklerine tabi olduğunu kabul etmektedir. Burada özellikle Simon Clarke'ın kapitalist devlet tartışmasına başvurulmuş, Clarke'ın devletin yeniden üretiminin ve bu süreci sürdürecek siyasi istikrarının tesisinin ulusal düzeyde gerçekleşen süreçler olmasına karşın, bunların küresel düzeyde sermaye birikiminin çelişkilerine tabi olduğu savı benimsenmiştir. Bu doğrultuda yerli sermayenin ulusal düzeyde yeniden üretimini güvenceye almak zorunda olan devlet para ve hukukun ulus ötesi biçimlerine tabi hale gelmekte ve müdahalede bulunurken bu sınırlar içinde hareket etmektedir. Bu perspektif kapitalist devletin pozisyonu ve devlet müdahalesinin küresel sermaye birikimiyle ilişkisi hakkında teorik bir kavrayış önerse de, somut müdahale süreçlerini irdelemek için gerekli metodolojik araçları sağlamamaktadır. Bu doğrultuda Türkiye'de devletini 2001 sonrası dönemde tüketici piyasalarına müdahalesini anlamayı amaçlayan bu araştırma, Samuel Knafo'nun 19. yüzyılda İngiltere'sindeki para politikalarının gelişimine bakarak yaptığı analizden Türkiye'de devletin tüketici kredi piyasalarına yaptığı somut süreçleri anlamak için araçlar çıkaracaktır.

Knafo piyasaların dönüşümü ve devletlerin dönüşümü arasındaki bağa işaret eder. Yukarıda bahsettiğimiz yerleşik kanıların aksine devletlerin piyasaların büyümesi sürecinde piyasaların işleyişi şekillendirdiğini, bunu yaparken devletin eylem kapasitelerinin arttığını ve çeşitlendiğini belirtir. Tarihsel bir materyalist perspektiften bakan Knafo, kapitalizmin gelişim süreçlerini tarihselleştirerek devletlerin bu süreç içinde etkin eyleyici konumlarının nasıl oluştuğunu/geliştiğini tarihsel bağlamında göstermeye çalışır. Bu yaparken temel savı kapitalist yeniden üretim gerekliliğinin tek başına devletin bu etkin konumunu açıklayamayacağı, bunun yanı sıra devletin de aralarında olduğu farklı sosyal aktörler arasındaki güç mücadelelerine bakılması gerektiğidir.

Bu çerçeveden yola çıkan Knafo, 19. yüzyıl İngiltere'sinde modern anlamda para politikası araçlarının ortaya çıktığı sürece dair alternatif bir tarihsel analiz sağlar. Knafo'ya göre devletin bu süreçte piyasa disiplini altında edilgen bir konuma itildiğini söylemek mümkün görünmemektedir ve dolayısıyla liberal devlet vurgulanarak yapılan analizler İngiltere'de bu dönemde yaşanan finansal yönetime dair süreçleri açıklamakta yetersiz kalmaktadır. Onun yerine bu süreci sosyal ilişkiler yaklaşımıyla incelemeyi ve devletin de dâhil olduğu güç mücadelelerine bakmayı önerir. Burada temel vurgu kurumlara ve kurumsal değişime yapılmaktadır. Buna göre sosyal aktörlerin mevcut kurumsal yapıları kullanarak ve Knafo'nun "kurumsal koz" adını verdiği yenilerini de icat ederek birbirleri üzerinde güç kullanmaya çalışmaktadırlar. Dolayısıyla modern para politika araçları gibi kurumsal yapılar bu güç mücadelelerinin etrafında şekil almaktadırlar. Knafo'nun bu tartışmasında çıkarılan öngörüler ve kavramlardan yola çıkarak çalışmanın analiz kısmında Türkiye'de tüketici kredi piyasalarına yönelik 2001 sonrası dönemde uygulanmış devlet politikalarına, yasal düzenlemelere ve stratejilere bakılmış ve bu değişen devlet müdahalesi biçimlerinin devlet ve piyasa aktörleri arasında şekillenen güç mücadelelerinin içinde nasıl ortaya çıktığı anlaşılmaya çalışılmıştır.

Yukarıda amaçları, kavramsal arka planı ve metodolojik yaklaşımı açıklanan çalışmanın seyri şu şekilde ilerlemektedir. İkinci bölümde hane halkı borcu yazına odaklanılmış, önce kısaca konunun hangi kavramlar ve tarihsel süreçlerle ilişki içinde ele alındığına bakılmıştır. Sonrasında konuya eleştirel yaklaşan yazında üç ana teorik yaklaşım belirlenmiş ve bunların hane halkı borçlanmasını nasıl açıkladıklarına yakından bakılmıştır. Bu ana yaklaşımlardan ilki konuyu kurumsal yapılardaki değişiklikler üzerinden açıklayan ve makro düzeyde gerçekleşen süreçler üzerinden inceleyen kurumsalcı politik ekonomi yaklaşımıdır. Bu yaklaşım içinde konuya hem liberal, hem Marksist bakış açılarından bakan fikirler mevcuttur. Bunlardan ilki, geniş kitlelerin finansal piyasalarla etkileşiminin artmasını ekonomik ve sosyal istikrarı sağlayan mevcut politika rejiminin yerini bir yenisine bıraktığı bir geçiş sürecinin önemli bir parçası olarak görürken, ikincisi benzer bir biçimde bunun birikim ve büyüme rejimlerinde yaşanan geçişe işaret ettiğini savunur. İkinci yaklaşım olan kültürel politik ekonomi yaklaşımının içindeki farklı araştırmalar, değişen finansal pratiklerin ve söylemlerin sosyal hayat ve öznellikler üzerindeki etkisine bakmaktadır. Dolayısıyla bu çalışmaların odağında olarak mikro düzeyde yaşanan dönüşümler vardır. Bu yaklaşım hane halkının etrafında gerçekleşen süreçleri daha geniş bir perspektiften güç ilişkileri ve yönetici mekanizmalarla ilişkilendirerek ele alır. Costas Lapavitsas'ın finansallaşma yazınında çokça tartışılan ve gönderme yapılan hane halkı borcunun artışının bir finansal el koyma sürecine işaret ettiğine dair savı ayrı üçüncü yaklaşım olarak incelenmiştir. Marksist bir kuramsal çerçeveden yola çıkan Lapavitsas finansallaşmayı bu sürecin toplumsal ilişki olarak sermaye-emek ilişkisi üzerindeki etkileri üzerinden anlamaya çalışır. Bu doğrultuda son kırk yılda yaşanan dönüşümler sonucu finansal kurumların yeni kâr kaynakları arayışıyla hane halklarına yöneldiğini, hane halklarının da temel ihtiyaçlarını karşılamak için finansal piyasalara ve kurumlara bağımlı hale geldiğini savunur. Lapavitsas'ın finansallaşmayı açıklarken bahsettiği bu iç içe geçmiş pek çok değişiklik, bankaların giderek bir kâr alanı olarak emekçilere yönelmesini beraberinde getirmiştir. Lapavitsas'ın bu dönüşümü "finansal el koyma" olarak tanımlayarak, bu dönüşümle birlikte emekçilerin gelirine dolaşım alanında el konulduğunu söyler. Bu araştırmanın odağı ve amacı doğrultusunda bu yazına dair iki gözlem yapılmıştır. Ele alınan üç ana teorik yaklaşım da büyük ölçüde erken gelişmiş ülkelerdeki süreçler üzerine odaklanmış durumdadır ve bunun yanı sıra devletin eylemlerinin bu süreçleri nasıl şekillendirdiği sorusunu büyük ölçüde araştırma gündemlerinin dışında tutmuşlardır.

Yapılan bu gözlemler doğrultusunda üçüncü bölümde gelişmekte olan ülkelerde finansallaşma süreçlerini inceleyen yazına bakılmıştır. Türkiye gibi "yükselen piyasalar", "yükselen kapitalist ekonomiler" veya "orta gelirli ülke" olarak adlandırılan ülkelerde finansallaşmanın erken gelişmiş ülkelerden farklı olarak nasıl bir tarihsel seyir izlediğine ve nasıl bir kavramsal çerçevede incelendiğine bakılmış ve bununla ilişkili olarak finansallaşmada devletin rolünün nasıl açıklandığı anlaşılmaya çalışılmıştır. Bölüm boyunca gelişmekte olan ülkeleri finansallaşma konusunda erken gelişmiş muadillerden ayıran belirli ortaklıklar üzerinde durulmuştur. Her ne kadar bölümün genelinde ortak tarihsel süreçler öne çıkarılsa da, her ülkenin finansallaşma hikâyesinin o ülkenin iç dinamiklerine bağlı olarak çeşitli farklılıklar gösterdiği not düşülmüştür. Dikkat çekilmesi gereken bir diğer noktaysa bağımlı finansallaşma izleğine dairdir. Bölüm içinde gerek teorik kısımda Becker et al.'ın ortaya attığı "çevresel finansallaşma" savının, gerekse tarihsel kısımda uluslararası finansal kurumların ve kurumsal yatırımcılar gibi aktörlerin ve merkezden çevreye arasındaki sermaye akımları gibi küresel finansal süreçlerin etkisinin vurgulanması, gelişmekte olan ülkelerdeki finansallaşmanın merkez ülkedeki finansallaşmaya tabi ilerleyen yönünü ortaya çıkarmıştır. Bu bölümde gelişmekte olan ülkelerin bağımlı pozisyonun, devlet politikalarının finansallaşma sürecinde nasıl bir işlev üstlendiğini göstermesi açısından önemli olduğu için öne çıkarılmıştır. Fakat gelişmekte olan ülkelerin finansallaşmasının sadece içerde yaşanan bir süreç olmadığı, aynı zamanda finansallaşmanın küresel düzeyde gelişmesine ve derinleşmesine katkı sağladığı gözden kaçırılmamalıdır.

Dördüncü bölüm, Türkiye'de finansallaşmanın 1980'den sonraki seyrine bakan kısa bir tarihsel bakışla başlamaktadır. Burada bir önceki bölümde bahsi geçen küresel süreçlerin yanında paralel giden iç süreçlere ve dinamiklere bakılması amaçlanmıştır. Bu doğrultuda Güngen'in Türkiye'de finansallaşmanın son 35 yılına bakarak yaptığı dönemselleştirmesinden yararlanılmıştır. Türkiye'de finansal sistemin banka- temelli bir finansal sisteme sahip olmasından ötürü bu kısa tarihçede odak banka sektörünün gelişimine yöneltilmiştir. Buna göre 1980'den sonra üç ayrı alt dönemden bahsetmek mümkündür. 1980'den 1989'a kadar olan ilk dönem finansal liberalleşme politikalarının ve yapısal uyum programlarının belirleyici olduğu bir dönemdir. Finansal piyasaların altyapısı da büyük ölçüde yine bu dönem kurulmuştur. 1989'da sermaye hesabının serbestleştirilmesiyle başlayan ikinci dönem 2001'e kadar irili ufaklı krizler ve finansal istikrarsızlıkla şekillenmiştir. Bu dönemde bankalar faaliyetlerini kamu borcu finansmanına yönlendirmişler, böyle bir kârlılık alanı ortaya çıkarken giderek daha fazla sermaye grubunun banka sahip olma yoluna gittiği ve bu banklar aralarındaki rekabetin arttığı görülmektedir. Üçüncü dönem olarak 2001'deki finans krizini takip eden ve bankacılık sektörünün yeniden yapılandırılmasın amaçlayan reformlarla şekillenen 2001 sonrası dönem alınmıştır. Bu dönem yerli finans sermayenin küresel finansal piyasalara entegrasyonun sağlandığı, doğrudan yabancı yatırımların ve yabancı banka girişlerinin hızla arttığı görülmektedir. 1990'ların finans krizi sonrasında uluslararası düzeyde oluşan post-Washington uzlaşısı ve onu takip eden küresel yönetim çabalarının etkisinde Türk politika yapıcıları parasal ve mali istikrarın odakta olduğu yeni bir makroekonomik yönetim çerçevesi oluşturmuşlardır. Bu çerçevede düşük enflasyonu sürdürme amacıyla enflasyon hedefleme politikaları uygulanmış, fiyat istikrarını sağlamak bu çerçevenin ana hedeflerinden biri olmuş.

Ekonomik dengelerin ve kurumsal yapıların yeniden şekillendiği kriz sonrası bu dönemde finans sektörünün yönelimleri yeniden tanımlanmıştır. 1990'larda gelirlerini temel olarak devlet iç borçlanma senetlerinin getirdiği yüksek faiz oranlarından elde eden bankalar, 2000'lerde hane halklarına yönelmişler ve faaliyet alanlarını hane halklarına yönelik finansal hizmetler yönünde genişletmişlerdir. Bankaların yönelimindeki bu değişimi de beraberinde getiren süreci 1990'lardan 2000'lere geçerken kamu kesiminin borcunun azalırken, hane halklarından ve firmalardan oluşan özel kesim borcunun artması üzerinden takip etmek mümkündür. Aslında bankaların tüketici finansmanına yönelik kurumsallaşma çabaları 1980'lerin sonuna kadar gitmektedir. 1990'lar boyunca bankalar tarafından tüketicilere sağlanan kredi miktarının arttığı gözlemlenmiştir fakat tüketimdeki düşük payı, gerekse de ulaştığı kısıtlı toplumsal kesim dikkate alındığında etkisinin sınırlı kaldığını söylemek mümkündür.

Hane halkı borçlanmasına dair rakamsal veriler 2001 sonrası dönemdeki tüketici finansmanı alanında yaşanan değişimi açık bir biçimde gözler önüne sermektedir. TCMB verilerine göre hane halkı borcunun gayri safi yurtiçi hasılaya oranı 2003'te yaklaşık %3 iken, 2015'e gelindiğinde %22'ye ulaşmıştır. Hane halkı borcunun kullanabilir gelire oranı ise 2003'te %7.5 iken, 2013'te %55.2'ye yükselmiş, 2015'te %50'ye gerilemiştir. Tüketici kredilerindeki bu hızlı artışında Karaçimen'in gösterdiği gibi hem arz hem talep yönlü faktörler etkili olmuştur. Buna göre bankacılık faaliyetlerinin hane halklarına yönelmesinde yukarıda bahsedilen bankacılık sektöründe ve ekonominin işleyişinde yaşanan dönüşümler hazırlayıcı olmuşken, hane halklarının borçlanma taleplerinin artmasında emek piyasasındaki dönüşümler ve değişen tüketim dinamikleri etkili olmuştur.

Bu dinamikler içinde süratle büyüyen tüketici kredi piyasalarına yapılan devlet müdahalelerini 2001 sonrası dönemdeki politik ve ekonomik süreçler içinde düşünmek, hane halkı borçluluğun bu süreçlerle ilişkisini kurduğu ölçüde devlet politikalarının hangi olanaklar ve sınırlar etrafında şekillendiğini anlamayı kolaylaştıracaktır. Bu doğrultuda bu bölümün ikinci kısmında Türkiye'de hane halkı borçluluğun bu tarihsel dönemde ekonomik istikrar ve sosyal refahla olan bağına dikkat çekilmiştir. Finansın bu dönemde Türkiye ekonomisindeki önemin arttığını ve mevcut sermaye birikim rejiminin ana unsurlarından biri haline geldiği görülmektedir. Finans, inşaat ve enerji sektörleri AKP dönemi büyüme rejiminin temel bileşenlerini oluşturmuşlardır ve bu sektörler aynı zamanda birbirleriyle ilişki içinde gelişmişlerdir. Bunun yanı sıra, tüketim ve finans arasındaki ilişkinin de büyüme açısından önemli olduğu görülmektedir. 2001'den sonraki dönemde Türkiye'nin gayrı safi milli hasılasındaki en büyük pay özel tüketime ait olmuştur. Reel asgari ücretlerde bir tıkanmanın olduğu bir ortamda tüketici kredilerindeki artışın hem tüketim talebi üzerinde canlandırıcı bir etki yaparak makro düzeyde ekonomik büyümeye katkı sağladığı, hem de mikro düzeyde hane halkı refahını artırıcı bir etki yaptığı söylenebilir.

Takip eden kısımda tüketici kredi piyasalarının gelişimi ve devlet müdahaleleri, politika yapım süreçlerinin değişen koşulları dikkate alınarak 2001-2016 yılları arasında iki ayrı dönem altında incelenmiştir. Buna göre Türkiye'deki 2001 finansal krizinden 2008'deki küresel krize kadar geçen bir dönem, 2008'den günümüze kadar olan süreç ayrı bir dönem olarak ele alınmıştır. Devletin müdahale çizgisi takip edilerek bu iki dönem içinde 2005 ve 2011 olmak iki ayrı dönüm noktası belirlenmiştir. Bunlardan ilki devlet müdahalelerinin kredi ilişkisinin koşullarını değiştirecek/ yeniden tanımlayacak müdahalelerde bulunmaya 2005'ten sonraki dönemde başladığı savına dayanarak belirlenmiştir. İkinci dönüm noktası olan 2011 ise finansal istikrarın Merkez Bankası'nın politika gündemine eklendiği ve tüketici kredi büyüme hızının kontrol altına alınmasını da amaçlayan bir dizi makro ihtiyati politikanın uygulandığı bir dönemi beraberinde getirmiştir.

Buna göre 2000'lerin ilk yarısında devlet tüketici kredi piyasasının işleyişine kayda değer bir etkisi olacak düzenlemeler geliştirmekten kaçınmıştır. Bu politika tercihi kredi kartı piyasasının hukuksal bir altyapının yokluğunda kendiliğinden hızlı bir şekilde büyüyüşü düşünüldüğünde önem kazanır. Bu büyümenin doğurduğu ihtiyaca rağmen 2006'ya gelinceye kadar bu alanda herhangi bir yasal düzenlemenin yapılmamasının ve bankaların yasal düzenlemenin getireceği sınırlamalarla bağlı olmamasının bu piyasaların hızla büyümesine katkı sağladığı savunulabilir. Mortgage piyasaları için de piyasanın işleyişini düzenleyen bir yasal çerçeve ilk olarak 2007 yılında tanımlanmıştır. Fakat kredi kartı piyasalarından farklı olarak bu durumda hâlihazırda büyüyen bir piyasanın varlığından bahsetmek mümkün değildir. Gelişmiş bir mortgage piyasasının mevcut olmadığı bu durumda asıl amaç gelişmiş bir piyasa yaratmak olmuş, bu amaçla gerekli altyapı tanımlanmaya çalışılmıştır. Dolayısıyla 2001-2008 arası bu döneme Türkiye'de devlet bu finansal piyasaların genişlemesine ve derinleşmesine kredi kartı piyasaları için uzun süre müdahale etmekten kaçınarak, mortgage piyasaları içinse tersine piyasaların kurulması için doğrudan inisiyatif alarak katkı sağlamıştır.

Fakat yine aynı dönemde yapılan bu yasal düzenlemelerle devletin piyasa süreçleri üzerinde kontrol kazanmaya ve piyasaların büyümesine belirli bir yön vermeye çalıştığı söylenebilir. Bu yasalar pek çok konuda borç ilişkisinin işleyişine dair sınırlamalar tanımlamıştır. Özellikle bağımsız denetleyici kurumlara verilen faiz oranlarını (TCMB'ye) ve aylık kredi limitlerini belirleme (BDDK'ya) yetkileri ilerde piyasa süreçleri ve piyasa aktörleri (bu durumda bankalar ve hane halkları) üzerinde daha fazla kontrol etmeyi kolaylaştıracak "kurumsal kozlar" olarak görmek mümkündür. Bu müdahalelerin 2001 finansal krizi ertesinde, finansal istikrara ve devletin düzenleyici rolüne vurgu yapan post-Washington Uzlaşısı'nın hâkim olduğu bir küresel gündemde şekillendiği dikkate alınmalıdır. Dolayısıyla devlet politikalarının bu dönemde finansal genişlemeyi desteklediği görülse de, aynı zamanda politika yapıcıların kriz riskine karşı 2000'lerin ortalarından itibaren piyasaların bu genişleme sürecine daha temkinli yaklaştıkları söylenebilir.

2008 küresel krizi sonrasındaki ortam, devlet müdahalesinin hem içerde hem dışarıda oturduğu zemini büyük ölçüde değiştirdi. Küresel ekonomide su yüzüne çıkan kriz dinamikleri, 2000'lerin ortalarından itibaren gözlemlenmeye başlayan endişeleri daha da güçlendirdi. Bu doğrultuda 2011 sonrası dönemde BDDK tarafından arka arkaya yayımlanan yönetmeliklerle tüketici kredilerinin büyümesi yavaşlatılmaya çalışıldı. Bu sürekli müdahaleler makroekonomik politika yapımı alanında kurulan ve finansal istikrarı öncelikli bir hedef olarak öne çıkaran yeni bir kurumsal yapının parçasıydı. Bu yönetmeliklerde kredi limitleri ve taksit sayıları düşürülerek tüketici kredilerine olan talep frenlenmeye çalışılmıştır. Bir yandan tüketici kredilerindeki bu büyümeyi kontrol altına almaya çalışan bu çaba sürerken, diğer yandan 2014'te finansal içerilme stratejik planı yürürlüğe konmuştur. Bu strateji planı krizden sonra ön plana çıkan "finansal tüketici" oluşturmaya yönelik küresel düzeyde yürütülen yönetim tartışmalarının bir parçası olarak ulusal düzeye taşınmıştır. Uluslararası çerçevede kurulan bu stratejinin benimsenmesi, Türk devletinin uzun vadede finansal derinleşmesi hedefine bağlılığını göstermesi açısından önemlidir. Bunun yanı sıra kart ücretleri ve komisyonlarına dair uzun süren ihtilafın çok sayıda ücret ve komisyon kaleminin yasallaşmasıyla sonuçlanması da devletin bu uzun vadedeki yönelimine ve tüketici kredi piyasalarının kârlılığını gözettiğine bir diğer örnek teşkil etmektedir. Bu doğrultuda tekrarlamak gerekirse, Türkiye'de devletin 2001 sonrası dönemde tüketici kredi piyasalarına müdahale ederken ana yönelimi piyasalarının gelişmesini teşvik etmek, fakat bunu yaparken piyasalardaki bu büyümeyi daha kontrollü bir noktaya çekmeye çalışmak olmuştur.

B.TEZ FOTOKOPİSİ İZİN FORMU

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YAZARIN

Soyadı : Kahraman

Adı : Erse

Bölümü : Uluslararası İlişkiler

TEZİN ADI (İngilizce) : The Management of Household Indebtedness: Changing Forms of State Intervention in Turkey in the Post-2011 Period

TEZİN TÜRÜ : Yüksek Lisans Doktora

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