

**RESCALING OF SOCIAL RELATIONS TOWARDS SUBNATIONAL
REGIONAL SPACE:
AN INVESTIGATION OF TURKISH CASE**

**A THESIS SUBMITTED TO
THE GRADUATE SCHOOL OF SOCIAL SCIENCES
OF
MIDDLE EAST TECHNICAL UNIVERSITY**

BY

İBRAHİM GÜNDOĞDU

**IN PARTIAL FULFILLMENT OF THE REQUIREMENTS
FOR
THE DEGREE OF MASTER OF SCIENCE
IN
POLITICAL SCIENCE AND PUBLIC ADMINISTRATION**

MAY 2006

Approval of the Graduate School of Social Sciences

Prof. Dr. Sencer AYATA
Director

I certify that this thesis satisfies all the requirements as a thesis for the degree of
Master of Science

Prof. Dr. Feride ACAR
Head of Department

This is to certify that we have read this thesis and that in our opinion it is fully
adequate, in scope and quality, as a thesis for the degree of Master of Science.

Assoc. Prof. Dr. H. Tarık ŞENGÜL
Supervisor

Examining Committee Members

Prof. Dr. Melih ERSOY

(METU,CP)

Assoc. Prof. Dr. H. Tarık ŞENGÜL

(METU, ADM)

Asist. Prof. Dr. Galip YALMAN

(METU, ADM)

I hereby declare that all information in this document has been obtained and presented in accordance with academic rules and ethical conduct. I also declare that, as required by these rules and conduct, I have fully cited and referenced all material and results that are not original to this work.

Name, Last name : İbrahim GÜNDOĞDU

Signature :

ABSTRACT

RESCALING OF SOCIAL RELATIONS TOWARDS SUBNATIONAL REGIONAL SPACE: AN INVESTIGATION OF TURKISH CASE

Gündoğdu, İbrahim

M. Sc., Department of Political Science and Public Administration

Supervisor: Assoc. Prof. Dr. H. Tarık ŞENGÜL

May 2006, 117 pages

In the last thirty years, capitalist social relation on the one hand, created a world that is interconnected in the means of economic and political; on the other hand, produced differentiated and fragmented uneven spaces. In this context, social theory has interested in space and spatial differences, and inserted space into analysis of social relations for some time.

In this thesis, the current issue of the construction of subnational regional space is explored through a conceptual approach in which space is included in social theory. Methodologically, a non-dualistic social analysis is considered and the notion of space is attempted to incorporate into this analysis. In this extent, David Harvey's historical-geographical approach, Dick Bryan's identification of capital fractions with different spatial forms of circuit of capital within the capital accumulation process and Jamie Gough's considerations of economic and political relations with scalar aspects are used.

The thesis evaluated the law on the Regional Development Agencies and arguments on regional development and regional governance as the process of construction of subnational regional space, and examined the struggle for setting up of Regional Development Agencies within Turkish state. In this framework, thesis came to the conclusion that the changes in the scale of social relations is

associated with changes in power relations among social agents, developed through class struggle, and articulated by political projects.

Key Words: Space, capital accumulation, subnational regional scale, Regional Development Agencies, Turkey, class struggle.

ÖZ

TOPLUMSAL İLİŞKİLERİN ULUSALTI BÖLGESEL MEKANDA YENİDEN ÖLÇEKLENDİRİLMESİ: TÜRKİYE ÖRNEĞİ İNCELEMESİ

Gündoğdu, İbrahim

Yüksek Lisans, Siyaset Bilimi ve Kamu Yönetimi Bölümü

Tez Yöneticisi: Doç. Dr. H. Tarık ŞENGÜL

Mayıs 2006, 117 sayfa

Son otuz yılda, kapitalist toplumsal ilişki bir yandan ekonomik ve politik anlamlarda iç içe geçmiş bir dünya yaratırken diğer yandan birbirinden oldukça farklı, eşitsiz yeni mekanlar üretmektedir. Bu bağlamda, toplumsal kuram bir süredir mekan ve mekansal farklılıklara ilgi göstermekte ve mekanı toplumsal ilişkilerin analizine dahil etmektedir.

Bu tezde, son yıllarda gündeme gelen ulusaltı bölgesel mekan oluşum süreçleri mekanı toplumsal kurama dahil eden bir kavramsal yaklaşımla incelenmeye çalışılmıştır. Yöntemsel olarak, dualist olmayan bir toplum analizi benimsenmiş ve mekan nosyonu bu tür bir analize içkin bir biçimde dahil edilmeye çalışılmıştır. Bu kapsamda, David Harvey'in tarihsel coğrafi materyalizm yaklaşımından, Dick Bryan'ın sermaye birikim süreçlerinde farklı mekansal biçimlere sahip sermaye fraksiyonları tanımlamasından ve Jamie Gough'un ekonomik ve politik ilişkilerin farklı mekanlarda kuruluşlarına dair mekansal ölçek yaklaşımından yararlanılmıştır.

Tez, yakın dönemde Türkiye'de gündeme gelen Bölgesel Kalkınma Ajansları yasası ile bölgesel kalkınma ve bölgesel kurumsal yapılanma tartışmalarını ulusaltı bölge mekanı oluşum süreci olarak ele almış ve Bölge

Kalkınma Ajansları yasası etrafında süren savaşımları incelemiştir. Bu çerçevede, toplumsal ilişkilerin mekansal ölçeğindeki değişimin toplumsal güç ilişkilerindeki değişime içkin olduğu dolayısıyla sınıf mücadelesi yoluyla ilerlediği, politik projelerle eklemlendirildiği sonucuna varılmıştır.

Anahtar Kelimeler: Mekan, sermaye birikim süreci, ulusaltı bölgesel ölçek, Bölge Kalkınma Ajansları, Türkiye, sınıf mücadelesi.

ACKNOWLEDGEMENTS

I would like to thank to my advisor Assoc. Prof. Dr. H. Tarık Şengül for his continuous support while reading my work and providing me critical comments during the production of this study. I would also like to thank to the members of the thesis jury, Prof. Dr. Melih Ersoy and Asist. Prof. Dr. Galip Yalman for their critics and suggestions.

I have also special thanks to Jamie Gough, Fuat Ercan and Şebnem Oğuz for their comments and evaluations through my study.

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CHAPTER 1

INTRODUCTION

“In transition to the global economy, Regional Development Agencies will provide each region with activating their own potential, and force the country to strongly enter into global economy.” Abdullatif Sener, the vice-PM of the Turkish state, said these words at a time while the restructuring of the national state has been a crucial issue in Turkish policy since Justice and Development Party (JDP) came to the power with the political commitment to ‘change in government so as to conduct the change’. At the first anniversary of its power, JDP proposed the Law on Public Administration Principles which suggests fundamental changes in current state institutions towards a more regionalized governance through both remarkable devolution of state power to the local state and establishing subnational institutional bodies within Turkish state, the Regional Development Agencies. However, such proposition faced with counter reactions by different social agents including some capitalist classes. Under the increasing political influence of such reactions, this political attempt has partially been adopted to date. What were the social forces and coalitions against or in favour of such Law? How are we to understand such struggle over public administration reform?

The Law on the Regional Development Agencies (RDAs) constitutes significant part of JDP’s public administration reform package. Through the Law on the RDAs Turkish political structure, which was historically founded on the principles of national unity with a highly centralized political system, is intended to be reconfigured in particular ways as having sub-national regional bodies with remarkable linkages of capitalist dynamics at the supra-national level. What lies behind such a crucial transformation of Turkish national state formation towards regional governance?

Hints to the answer of these questions may be found in the opening quote of the study, in which Sener, in his words, implicitly emphasizes three important points: i) the transition to the global economy, ii) the establishing of regional

institutional bodies within national state space, iii) the positive results of such establishment for both subnational regions and the country in terms of getting competitiveness in global economy. The first emphasis suggests that economic relations have no longer been regarded within national boundaries but across the world. The second one argues that new forms of governance at sub-national regional space are needed to develop compatible institutional responses to the new economic conditions. With the third emphasis Sener also states that national prosperity can only be achieved through economic development at subnational regional level. How are we to conceptualize such recomposition of economic and political relations at different levels, be it regional, national and global?

Turkish capitalist classes, in this context, have developed different and contending views on the reconfiguration of Turkish state space towards a more regionalized governance. While Independent Industrialists' and Businessmen' Association (MUSIAD, in Turkish), representing relatively newly-emerging small and medium-sized capital, supported a strong and autonomous sub-national regional governance, Turkish Industrialists' and Businessmen' Association (TUSIAD, in Turkish), the dominant force behind the Turkish economic and political life, argued for a particular regionalized governance under the control of the national state. In addition, Turkish Enterprise and Businessmen Confederation (TURKONFED, in Turkish), founded recently by the regionally and sectorally organized capital associations embodying small and medium-sized capital, called for the setting up of regional governance with a considerable state power. How are we to understand this division among capitalist classes, even between the ones sharing the view of integration with international markets?

All the above challenges among social agents, it is safe to argue, are about on spaces and scales of social relations. They discuss *national* state, *national* economy, *regional* governance, *regional* development agencies and *global* economy, and struggle for defining the boundaries of such spatial forms within each other through *strong* regional governance, *control* of national state, *defence* of national unitary space. The main aim of this study is to investigate the process of construction of such socio-spatial forms and their orderings within each other.

Social and political theory has increasingly been interested in spatial characteristics of social relations, as the very long term social-spatial practices and structures have apparently changed since the 1970s. However, the attempts for conceptualising such changes have mostly focused on either new institutional organization of social relations at different spatial levels or new stable regulative practices in the new scalar hierarchies under the command of global level. Both of them ignore the unstable, contradictory and struggle-driven aspects of capitalist social-spatial relations, and thus explain changes in scale as driven by technical-organizational search for stable and smoothly operating institutional or regulative frameworks compatible with the so-called new-economy operating at the global level. In so doing, they conceive the construction of spatial forms of social relations and their rescaling as organising social relations at particular spaces in an external manner to the economy. As the above Turkish case reveals, however, economic and political forms are inextricably involved in particular spaces and their orderings with each other appear to be a controversial issue among social agents. Therefore, social and political theory need to consider social relations with their spatial forms in a more dialectical or non-dualistic manner and to theorise the dynamics of changes in scale of social relations.

In this framework, this thesis seeks to formulate the relation of (capitalist) society and space in the context of the current tendency in contemporary capitalist societies to shift space of some aspects of state power to the subnational spaces. There are many questions to be studied in this context. Firstly, what is the relation between (capitalist) society and space? Secondly, what are the dynamics behind the changes in spaces and scales of social relations? In the second chapter, we will mainly deal with these two questions. Is space a dead surface on which social relations are to develop? To what extent can space be considered as a container of social relations? Space is always regarded as the concrete and the particular. Is it possible to incorporate it to the universal and abstract determinations of any theory? All these questions are evaluated in this chapter.

In the third chapter, we will specifically focus on the current changes in the scale of economic and political relations towards subnational regional space. Do they represent technical organizational requirements to the new conditions of social relations? What is the logic of the downward rescaling of social relations for capital seeking to demolish the barriers to flows of capital across space? How are we to understand the recent slight shift from the local to regional scale in the fashionable process of downward rescaling?

In the fourth chapter, we will investigate the emergence of all the above tendencies through establishing the RDAs within Turkish state space. Why did Turkish state need to set up the RDAs? To what extent do they represent common interest for Turkish capital? Does the rise of subnational regional scale proceed through a particular logic functional to capital? What does it mean for capital and labour?

There are certainly many other crucial aspects to be covered in the scope of this thesis. The impacts of such rescaling on the relation between capital and labour and on political relations in contemporary capitalism are the most important one among them. In conclusion part, this thesis will develop some considerations on this point which requires new studies and investigations.

CHAPTER II

THEORISING THE RELATION OF SOCIETY AND SPACE

Every form of regulation is liable, so to speak, to ‘melt into the air’. Changes in the composition of social relations have been a constant feature of modern capitalist societies. Furthermore, changes in social relations have inextricably involved changes in space. This is especially the very fact of contemporary capitalist societies. Long term social-spatial structures are being forced to change into new forms, as in the restructuring of national state and the rise of subnational bodies. Furthermore, social actors have increasingly come to formulate their situation, problems and strategies as having spatial dimensions. On the one hand, the world is becoming more of a global space, on the other hand, it is dissolving into various diversified spatial units such as local, regional, national, supra-national scales and so on. For some time different branches of social science have dealt with the question of space, and social relations are increasingly conceived together with their spatial aspects. There has thus been a remarkable interest in space and spatial issues within social sciences. However, the following question remains unresolved: to what extent do contemporary social sciences promote an adequate analysis of social relations together with their spatial aspects and the changes within them? The following part will try to investigate the answer to this question in relation to the discussion within dominant theoretical approaches.

2.1 Neo-Classical Approach

Neo-classical social theory essentially builds on the refinement and extension of the basic assumption of classical political economy that ‘free’ market exchanges naturally resolve conflicting interests among individuals in a manner that would benefit the society as a whole. In this theoretical tradition, free-market mechanisms are supposed to automatically adjust to changes in the so-called factors of production (land, labour and capital), tending towards a point of equilibrium between the demands and supplies of them (Smith, 2000: 541-5). There is a natural harmony, it is argued, between the individuals with rational

profit-maximizing endeavours and the behaviour of economic aggregates (Gough, 2003a:26). Therefore, non-market forces (including political structures such as state) should not intervene except for providing a favourable condition for the perfect operation of the markets (Castree, et.al., 2004: 268-9).

The notions of space, spatial differences and scale do not seem to be taken into account in (neo)classical explanations since (capitalist) social relations are generally conceived as comprising of free market exchanges between individuals which operate over a natural, neutral and smooth surface of the world space (Smith, 2000:544). However, these notions have always been inherent in (neo)classical social theory, albeit in different forms (Gough, forthcoming). For example, Ricardian notion of comparative advantages of territories, the essential line of (neo)classical social theory, is firmly rooted in certain assumptions about space and scale. According to such Ricardian notions, under the conditions of perfect competition across the world, countries with different comparative factor advantages in markets tend to mutually benefit from trade because comparative factors allow the countries to specialise in certain industries in which they have relative advantages over world prices (Martin and Sunley, 1996:262-3). Such notions suggest that every country has surely some advantages and the gains follow from specializing in them. This is also clear in the words of Adam Smith, the prominent figure in classical political economy:

“If a foreign country can supply us with a commodity cheaper than we ourselves can make it, better buy it of them with some part of the produce of our own industry, employed in a way in which we have some advantages. The general industry of the country...will not thereby be diminished...but only left to find out the way in which it can be employed with greatest advantage” (Smith, 1937:424).

Therefore, although it is at the core of classical social theory, space is regarded as the ‘dead’ and ‘natural’ surface of a given country with some natural endowments and advantages that form the basis of specialization and trade driven by individuals. As Herod argues, in classical political economy the notion of

space is considered as an ontologically-prior sphere upon which economic transactions are carried out (1997:8).

In addition, a large body of work in neoclassical theory points to the role of transportation, labour costs, raw materials etc. in shaping the geography of industry. The notion of space is now taken into consideration more actively by investigating how spatial agglomerations affect the locational decisions of independent firms. In these spatial analyses, the most efficient locations for the industry are sought to be identified (Smith, 2000:485; Herod, 1997:5). Contrary to the Ricardian notion mentioned above, space is here conceived as neither a dead surface nor a neutral sphere but a factor in shaping the geography of firms' decisions. Such an emphasis on space provides remarkable benefits for conventional economics (Smith, 2000:543). Nevertheless, these spatial analyses depend on the basic formula of (neo) classical economy, namely the perfect operation of 'free market' exchanges between factors of production in space towards a point of equilibrium. Therefore, they assume that market forces will tend to equalize factor returns in and across space, by ignoring inherent 'imperfections' within the operation of market exchange (Smith, 2000:543). The 'imperfect' mobility of labour or the increasing returns to the entrenched spatial agglomerations, for example, put crucial impediments to the explanatory power of (neo)classical economy in analysing the relation between space and economy.

Most of the recent works in (neo)classical economic geography tend to admit the 'imperfect' operations of the so-called free market exchanges. Paul Krugman, for example, argues that the pervasive features of the contemporary industrial relations are not perfect competition and constant returns to factors of production that underpin Ricardian notion of comparative advantages of territories but the specialization driven by the economies of scale and increasing returns (Martin and Sunley:1996:263). For Krugman, much trade between countries represents specialization to get advantage of increasing returns to scale rather than to capitalize on inherent differences in territorial endowments. Firms are increasingly concentrating on space to realize their economies of scale. There is

therefore no inherent tendency of perfect competition within free market exchanges, as each spatial concentration can involve a certain economies of scale with an important source of rent. In this respect, new trade theory, Krugman suggests, should take into consideration space, spatial agglomerations and their impacts on economic transactions. Regarding such emphasises on space and spatial agglomerations, Krugman further argues that large-scale regions are more important economic units than national states (Martin and Sunley, 1996: 263-5).

Krugman's approach reflects the extension of neoclassical perspective to explain spatial difference and spatial agglomerations, relaxing the basic assumption of perfect competition (Boschma and Frenken, 2005:2). Indeed, Krugman implicitly provides a decisive refutation of the competitive model of economic equilibrium, turning towards multiple dynamics within spatial agglomerations. Furthermore, he explicitly diverges from the general definition of 'abstract' economy, emphasizing contingency, path dependency and social conditions set by history. However, his approach still departs from a 'neutral space' and seeks to explain the way in which spatial agglomerations effect the 'economic' decisions of individual agents with rational-profit maximizing endeavours. Therefore, it basically shares the essence of (neo) classical social theory which initially avoids questioning the historical and social constitution of so-called factors of production (land, labour and capital). Krugman's critical stance against (neo)classical social theory is thus limited to the critique of conventional orthodoxy on markets, revealing the 'imperfections' within them due to spatial agglomerations (Boschma and Frenken, 2005:5). Interestingly enough, such a critical stance coincides with the apparent failures of neoliberal political strategy which require an ideological, political and theoretical revision within (neo)classical orthodoxy in the 1990s. Krugman's approach, in this sense, represents a revised form of (neo) classical social theory rather than a rupture from it.

In sum, (neo) classical social theory has always included certain ideas of space and scale. Initially, within Ricardian notion of comparative advantages of

territories, while space was regarded abstractly and unproblematically as an empty container to be filled with various economic activities, scale was conceived as a constant surface at which such economic activities could be examined. Then, in a parallel to the increasing focus on micro-economic analysis in (neo) classical tradition, the spatial structure of an economy was much more involved in neoclassical analyses. Economic rationality was now formulated in combination with assumptions about some geographical costs such as transport costs (Barnes, 2000:773). Space was thus introduced into the analysis more directly. However, the basic argument of equilibrium in market exchanges still dominates the analysis, with an assumption of ‘perfect’ operation (mobility) of factors of production in space. In the wake of apparent failures of market ‘perfections’, spatial assumptions have been much more introduced into analysis in a way representing a shift within (neo)classical orthodoxy towards the acceptance of contingency, path dependency and social conditions of the economy. Thanks to such a shift in spatial assumptions, (neo)classical approach portrays the ‘imperfections’ within markets and the permanence of uneven spatial patterns in capitalism as the irresistible results of ‘the power of space’ among economically-rational individuals. Spatial structures are thus reduced to the technically-operating things and stripped away from their socially-produced aspects (Gough, 1991; 2004a). On the basis of these spatial assumptions, (neo) classical approach confidently argues that regional spatial structures are more important units than national state, as contemporary satellite image of the world at night shows (Martin and Sunley, 1996:264). A corollary is, in (neo)classical social theory, the requirement of political structures to adjust themselves to the new spatial conditions. Changes of scale in political-economic processes are therefore presented as technically-driven, and thus inevitable, intensification of economic transactions (Gough, 2004a; forthcoming). This is rather compatible with the ‘ahistorical’ and ‘economistic’ nature of (neo) classical social theory.

In spite of all these problematic assumptions of space within the (neo) classical tradition, Adam Smith has long provided a fertile theoretical ground for thinking the relations of space in (capitalist) society. He argues that:

“The proprietor of land is necessarily a citizen of the particular country in which his estate lies. The proprietor of stock is properly a citizen of the world, and is not necessarily attached to any particular country. He would be apt to abandon the country in which he was exposed to a vexatious inquisition, in order to be assessed to a burdensome tax, and would remove his stock to some other country where he could either carry on his business, or enjoy his fortune more at his ease. By removing his stock he would put an end to all industry, which it had maintained in the country, which he left. Stock cultivates land; stock employs labour” (Smith, 1937:800).

Adam Smith reveals us not only the self-expanding character of capital based on contradictory dynamics of mobility and fixity but also its relational character with land and labour. Such a relational definition of expansionary dynamics of capital implicitly suggests that capital involves certain social and spatial aspects, and has to articulate with other ones where it wishes to expand (Turkay, 2005:220). Smith’s insights thus seem to offer remarkable ground for an adequate analysis of social and spatial aspects of capitalist movement. Nevertheless, because of its ‘ahistorical’ and ‘economistic’ assumptions, (neo) classical social theory has failed to develop his crucial considerations.

2.2. Institutional Approach¹

Institutionalist approach emphasizes the importance of social, cultural and political aspects, and their interactions with economic development. According to the institutionalist perspective, what is defined as the economy is not a collection of atomized individuals (including firms and markets) with rational preferences

¹ It should be noted here that institutional approach dates back to the works of Veblen and Weber in the first decades of 20th century and has continuously been reformulated by various scholars over time. Recent theoretical formulations stemming from institutionalist origin is called new or neo institutionalism. The main differences between them can be found in their approach to institutions and power. While the former conceives institutions as the commonly constructed patterns of behaviours, the latter tends to consider them in terms of their effect on the individuals. In this sense, new institutionalism tends to methodologically give the priority to the individual rather than collective structures. Such difference also reflects in their different views on state and power. While the original argument puts more emphasis on state power in social relations, new institutionalism tends to conceive power not in terms of state power on social relations but institutional and associational power to do (Ankarloo 2002). Institutional approach is here taken into consideration as a whole.

but a composition of social, cultural and institutional aspects. Therefore, economic behaviours are driven by a varied and path-dependent entity moulded by social, cultural and institutional influences (Amin, 1999: 366-8). Driven by such diversified dynamics involving various forms of economic behaviour and decisions, the economy can no longer be considered to be an equilibrium-oriented entity. That's why; institutionalist approach stresses the evolutionary character of the economy that is essentially irrational, imperfect and non-equilibrating (Amin, 1999:366; Storper, 1997:18; Barnes, 2000:551). Therefore, institutionalist approach mainly criticizes (neo) classical economics for ignoring social and historical aspects of the economy (Ankarloo, 2002). Drawing on the work of Polanyi, institutionalist approach basically argues that markets are socially embedded in networks of interpersonal relations. Neither markets nor price are the essential phenomena for modern societies, they are a direct result of the historically cultivated social relations, cultural norms and institutional habits (Barnes, 2000:551).

All of these principles imply a key role for geography in the configuration of any institutionalist mode of inquiry. The essential argument on the diversified nature of the economy moulded by different social and cultural processes is integral to a certain spatial theory (Macleod, 2001:1149). The institutionalist approach tends to portray modern societies as various evolutionary-cultivated spaces including considerably interrelated social and cultural linkages each of which have different economic tendencies. It is the specific aspects of those spaces (i.e. cultural norms, embedded routines, institutional structures etc.) that provide an economic development and, in effect, maintain their existence (cf. Storper, 1997; Storper and Walker, 1994). Therefore, space is considered to be a distinguished composition of social, cultural and institutional linkages leading to different economic decisions. The notion of space therefore lies at the center of the institutionalist approach.

Such spatial assumptions are best reflected in the regional development studies within institutionalist social theory. These studies generally start from real economic phenomena, such as the fact that some highly dynamic regional

economies and industrial districts have gained remarkable success in economic development (Lovering, 1999). Institutional approach argues that their economic trajectories depend on some (spatial) specificities including social, cultural and institutional arrangements. Michael Storper (1997), a leading proponent of regional studies within institutional analysis, suggests that the reasons for the economic trajectory of some places within contemporary economic conditions are the “space-specific assets” which are not tradable and easily replaceable but embedded within social relations. He calls them ‘relational assets’ or ‘untraded dependencies’ which include routines, cultural norms, interpersonal relations, institutional capacities and so on (Storper, 1997:18-22; Amin, 1999:368-9). In this framework, Storper and other institutionalists remark sub-national regional scale as a suitable distinguished space of these ‘relational assets’, giving (spatial) examples of recent economic successes within contemporary capitalism like Emilia-Romagna in Italy and Baden-Württemberg in Germany (see Storper, 1997; Storper and Walker, 1994; Amin, 1999). However, the increasing importance of regions, it is argued, requires a new regional policy or what has been called ‘New Regionalism’ (Lovering, 1999: 380), which encourages the development of such place-specificities through the constitution of spatial clusters, trade associations, voluntary organizations and forms of economic-political governance like Regional Development Agencies (Amin, 1999: 370-1).

Institutionalist approach thus assumes subnational regional space as a key scale for economic development, as does recent (neo) classical analysis. However, there are crucial differences between the institutionalist perspective and (neo) classical economics. While the latter approaches the matter using a model looking for an economic rationality in ‘neutral’ space and aims to reveal how spatial agglomerations occur from them, the former takes the place-specificities of the ‘real space’ as the starting point of analysis and seeks to reveal their effects on economic development (Boschma and Frenken, 2005:5). Therefore, institutionalist approach conceptualizes the rise of regional economies as a matter beyond the econometric analysis of spatial agglomerations (Ankarloo, 2002). Institutional theorists are criticizing neoclassical analyses for not properly

investigating the real sources of such growth which are assumed to lie in the aspects of social, cultural and institutional arrangements (Amin, 1999:368). These crucial differences are closely related to their methodological assumptions. Whereas the (neo)classical economics is based on the essential assumption of utility-maximizing individual agents, institutionalist approach tends to cover social relations more widely through the basic premise that economy is socially embedded and guided (Boschma and Frenken, 2005:5).

On the basis of these distinct principles, institutionalist approach provides a much richer understanding of diversified economic development across territories than (neo) classical economics. Through a number of studies institutionalist analyses remarkably reveal the various 'path-dependent' roots and so-called 'untraded dependencies' of territories as the sources of competitive advantage and point to the subnational regions as appearing suitable and efficient scales of economic development within contemporary economic conditions (see Storper, 1997). The important point of these analyses, however, is the underlying claim that global flows of economic exchanges and associated processes of economic restructuring are increasingly organized, or need to be organized, into regional-scale clusters and networks as a way of developing more competitive economies. In this respect, inherited specificities of subnational regional spaces, institutionalist perspective suggests, should be recomposed in a way that efficiently responds to the challenges of so-called globalisation. What has been called 'New Regionalism' with a distinct regional policy towards constituting more bottom-up organisations and reflexive rationalities within each space is, therefore, presented as a new geographical-economic imperative to be implemented by national states (Gough, 2003b:25; cf. Amin, 1999: 370-4). Thus, while globalisation is assumed as a taken-for-granted 'economic reality' abstracted from social relations, changes in the scale of economic and political relations towards subnational regional scale are presented as a socially-embedded process (and 'imperative') in response to the global economic reality. Furthermore, changes in the latter are considered to follow changes in the former. As a result, institutionalist approach makes on the one hand crucial critiques

against (neo)classical orthodoxy, yet on the other hand sticks to its essential assumption about the 'asocial' and determining power of the economy (Ankarloo, 2002).

In this framework, four main critiques need to be raised against the institutional approach. Firstly, there is a deep silence over the issues of power within space. As the institutionalist approach places more emphasis on the so-called 'relational assets' which generally stem from the cooperative relations among social actors, it tends to portray society as if it did not include unequal power relations between firms and workers (Cumbers et.al., 2003:332). That's why institutionalists provide a one-sided analysis of social relations, ignoring their disciplinary aspects stemming from their capitalist nature. Social relations are thus pictured as non-conflictual and functional for the cooperative and productive logic of the new scalar constitution (Gough, 2004a:188). Secondly, global flows of activities are defined as if they do not have any roots at the local scale. Globalisation is presented, in a technical-deterministic manner, as a source of external demand for changes in the scale of economic and political relations (Cumbers *et al*, 2003:333). Yet, there are remarkable theoretical and empirical studies that reveal the essential linkages between global flows and local fixes (Harvey, 1999 [1982]; Cox and Mair, 1991; Sayer, 1991). Thirdly, and relatedly, the fundamental tendency to picture regional scale with competitive 'relational assets' as a set of beneficial solution for the survival and growth of social actors leaves little scope for a more comprehensive and broader analysis of capitalist relations. Therefore, the processes of reconfiguration of previously efficient scalar forms which stem from the contradictory relation between durable interdependencies in space *and* the abstract value in motion across space within capital can not be adequately grasped (see Harvey, 1999[1982]; Gough, 2004a:203). Fourthly, and more importantly, institutionalist approach tends to disregard the competing strategies around state and state policies. As MacLeod (2001b: 818) argues, the regionalization of social relations and the constitution of regional scale-specificities represents a highly politically-constructed process developed by different social actors. It is because of the political nature of the

scalar constitution of social relations that the state as the political form of social relations appears to be a crucial site of struggle among different social actors. Yet there has been no conceptual room for the notion of political agency and state within the institutionalist approach (Macleod, 2001). As a consequence, all these theoretical shortcomings reflect the essential concept of ‘learning regions’ assuming region as an agent with causal powers of its own (Cumbers *et al*, 2003: 333). Thus, the institutionalist critique of (neo) classical fetishism of ‘independent’ firms ends up with spatial fetishism, implying that regional space has in itself a power to learn and compete. Changes in the scale of economic-political relations, in this framework, appear to be part of a technical-organizational process through which the efficient potential within (regional) space is to be discovered (Gough, 2004a). Thus, what we need is a more comprehensive and essential analysis of capitalist social relations.

2.3. Towards an Alternative Approach

“That class struggle and factional conflict assume a spatial, often territorial, aspect under capitalism is undeniable. Phenomena of this sort are often explained away as the product of deep-seated human sentiments –loyalties to place, ‘the land’, community and nation that spawn civic pride, regionalism, nationalism, etc.-or of equally deep-seated antipathies between human groups founded in race, language, religion, nationality, etc. But the preceding analysis allows us to explain the regionalization of class and factional struggle independently of such sentiments” (Harvey, 1999[1982]:419).

2.3.1. Regulationist School

Recent critical arguments on changes in the scale of economic-political relations have considerably stemmed from the regulationist school. Regulationist school is born out of the rejection of the neoclassical market equilibrium thesis as an organisational force within capitalism. The school instead underlines the process of social reproduction as the crucial imperative of capitalist relations (Bonefeld, 1991:37). Such process is assumed to be achieved through a certain

‘mode of production’ inducing social, political and institutional structures to operate within the balance of overall economic activity (Gertler, 2000:691; Jessop, 2005:192-3). Therefore, as in the institutionalist approach, socially-embedded nature of the economy is offered as an essential assumption for social analysis. Following this assumption, regulationists suggest to investigate the transformation of social structures which is assumed to emerge out of the changing mutual relations of economy and society. In other words, the regulationist school seeks to provide a theory of social regulation of capitalist economy (Aglietta, quoted in Jessop, 2005:192).

In this framework, there seems to be two crucial concepts within regulationist accounts: regime of accumulation and mode of regulation. While the former refers to the historically achieved coherent connection between the organization of production and organization of consumption, the latter points to certain social and political structures corresponding to the former. Drawing upon these concepts, the regulationist perspective argues that the postwar period in the core capitalist countries was founded on a certain historically achieved coherent connection, namely a certain regime of accumulation, in which Fordist mass production is linked to mass consumption. However, the main problem confronting capital is to provide the reproduction of specific social form of class relations within a certain regime of accumulation. According to the regulationist approach, it is the state that ensures certain social and political regulative forms. Postwar period is, in this sense, considered to have provided a coherent articulation of regime of accumulation and mode of regulation through the influential act of national state, that is, the Keynesian Welfare National State (Jessop, 1994:254-7; 2000: 337-9).

A remarkable spatial assumption is also integral to the regulationist school. In the early regulationist accounts, national space is implicitly assumed to be the key space in which a coherent social regulation can be constituted. Space is thus considered to be a passive surface on which social relations proceed: a coherent coupling of accumulation and regulation is built on national state and varies from one to another (Tickell and Peck, 1995: 373). This passive and constant view of

space, however, has been replaced with an active conception in which social regulations are seen as being constituted at various spaces in different ways, thanks to the discussions on the so-called process of globalisation (MacLeod, 2001:1159). Thus, the geographies of regulation have been much more incorporated into the analysis. Jamie Peck, a regulationist author in geography, clearly argues as follows:

“Accumulation and regulation will ‘couple’ together in different ways in different places, with differing degrees of functionality and with differing politico-economic consequences. These different interactions....may have the important effect of causing [national and regional] economies to develop along divergent paths” (quoted in MacLeod, 2001:1160).

However, there are crucial methodological issues which need clarifying before the theory is spatialized (Tickell and Peck, 1995:373). Firstly, the initial distinction between ‘regime of accumulation’ and ‘mode of regulation’ leads the regulationists to ignore the processes whereby both of these spheres are different forms of the same relations, in which they are highly interwoven (Bonefeld, 1991:46-7). Concerning the sources of the crisis of social regulation, for example, regulationist accounts tend to point to the ‘failures’ of the latter to meet the requirements of the former by neglecting different forms of struggle in both spheres (Bonefeld, 1991:44-5). Secondly, such initial distinction also gives rise to a strong functionalist tendency within regulationist accounts (Gough, 2004a:192). The relations of ‘regime of accumulation’ and ‘mode of regulation’ are externally matched in terms of their correspondence (functional) and noncorrespondence (dysfunctional). Furthermore, since the regulationist approach essentially looks for pervasive and durable forms of social regulation such as fordism and postfordism, it evaluates social arrangements to see to what extent they have achieved such a form. Various crucial forms of struggle are thus ignored in favour of revealing long term contours of social relations.

One of the main consequences of these methodological shortcomings is to encourage a structural and functional treatment of contemporary changes in social relations as upsetting the spatial correspondence between regime of accumulation

and mode of regulation within the previous social form of regulation, which is Keynesian Welfare National State. The regulationist literature generally argues that the state has lost its regulative power over the national space, since capital accumulation has increasingly gone towards international spaces. Keynesian forms of state intervention are no longer effective because of the recent territorial non-correspondence between the regime of accumulation and mode of regulation. Keynesian Welfare National State, in this sense, has been imposed to transform in particular ways as corresponding to the new spaces of regime of accumulation. The result is the 'hollowing out of the national state' in which some state capacities are transferred towards supranational and subnational bodies as a way of promoting a new form of social regulation (Jessop, 1994: 264). In this framework, the rise of the subnational regional bodies as the new scale of socio-economic development, for example, is acknowledged as a result of the process of the 'hollowing out' or 'decaying of the state' (Bayırbağ, 2005a). Changes in the scale of economic-social relations are thus seen not as a social process involving power relations but a technical-organisational process in which efficient (spatial) forms of regulation are constituted as a response to the new conditions (Gough, 2004a:188). All of this begs incorporating the issue of social power including competing politics and strategies into regulationist assumptions.

In this context, some regulationist-informed theorists offer to incorporate neo-Gramscian state theory into regulationist assumptions. Jessop, for example, argues that while regulationist accounts provide us with an explanation of the tendency of the shift towards new forms of social regulation, namely Schumpeterian welfare post-national regime (SWPR), neo-Gramscian state theory can help to reveal the political strategies and forces, regulatory practices and discourses which activate the constitution of concrete SWPRs (quoted in MacLeod and Goodwin, 1999:515). Therefore, neo-Gramscian state theory with a set of conceptual tools for analysing agency and political strategies such as hegemonic projects is assumed to downplay the dominance picture of stable forms of regime within regulationist accounts, and to overcome the methodological shortcomings mentioned above. Regulationist assumption of the regime of

accumulation is thus linked to specific political strategies. Jessop defines this new theoretical composition as the strategic-relational approach (Jessop, 1990).

2.3.2. Strategic-Relational Approach

Strategic-relational approach aims to relate the process of accumulation to specific hegemonic projects. It starts with the essential assumption that capitalism inherently appears to be a particularization or institutional separation of the political from the capital relation constituted through the value, commodity, price and money (Jessop, 1990:206). Furthermore, because of its constitutive incompleteness and contradictory nature, the reproduction of capital relation depends on extra-economic or non-value forms. Therefore, the political materialized within an institutional architecture of national states and international bodies appears as the crucial site for constituting, albeit in unstable and contradictory forms, a reproducible capital relation (Jessop, 2000:325). Jessop argues that such relation is constituted through a ‘structural coupling’ and ‘co-evolution’ between the economic and the political in the accumulation regime and its modes of regulation. However, it is not a pre-given or automatically-operating but a political process constituted through hegemonic projects in which various strategies are to (re)shape the state and its relation to the economy (Jessop, 1990).

On the basis of these assumptions, the strategic-relational approach suggests two key terms: state projects and state strategies. While the former refers to the strategies oriented towards state’s own institutional structures for integrating them around a common organizational framework and political agenda, the latter implies the ones oriented to impose particular forms of socio-economic intervention into the capital relation and the civil society (Jessop, 1990: 196-216). In this framework, the composition of state projects and state strategies are considered to constitute the political form of capitalism which is distinct from the spheres of capital relation. Furthermore, it is argued that particular social forces are strategically selected against the others through the ‘forms of representation’ in the course of the establishment of a political form (Jessop, 1990:270). In this context, a particular accumulation strategy temporally resolving

the incompleteness and contradictions of capital relation within a system of reproducible regulations appears only through such a political form (Jessop, 1990:198). However, there is no guarantee that a particular political form corresponds to the requirements of capital relation stemming from its inherent dependency on non-value form (Jessop, 2000:329). It is relative, relational and contingent.

One necessary aspect of such process, strategic-relational approach argues, is the spatio-temporal matrix in which the incompleteness and contradictions of capital relation (value form) is partially and provisionally resolved within various super-imposed spaces (Jessop, 2000:334-5). According to Jessop, there is an incessant search by various political forces to secure the key conditions for the valorization and social regulation of capital within specific social spaces (2000:327). Furthermore, the accumulation and forms of regulation constitute different degrees of coupling and political-economic consequences in different spaces (Jessop, 2000: 335; MacLeod and Goodwin, 1999:517). In this sense, a particular hegemonic project aiming a reproducible social regulation entails a particular scalar fix in which various social spaces are politically (re)organized in relation to each other (Jessop, 2000). In sum, space and scale are considered to be integral to the process of reproduction of social relations.

Through its emphasis on the contradictory nature of capital and relating its emergent forms to particular political forms through diversified strategies by social and political forces within different spaces, the strategic-relational approach, it is safe to argue, seems to provide a more comprehensive and adequate theoretical framework for an analysis of capitalist relations with their spatial aspects. However, there are crucial problems which need to be friendly discussed. Firstly, methodologically, the strategic relational approach tends to follow the regulationist-informed assumption of the initial separation of the economy and the political. Since both are considered as having their own 'relatively autonomous' dynamics, as in the concept of 'autopoietic systems'² offered by Jessop, it is

² The concept of 'autopoietic systems' stems from the work in plant and animal ecosystems. It argues that in a way similar to the biological ecosystem, the society is comprised of various

possible to arrive at an assumption of supposedly external economy-state causality (Gough, 2004a:192, see also Bonefeld, 1991). To overcome such causality which may then end up with a pure economic necessity or pure contingency, the concept of strategy (accumulation strategies and hegemonic projects) are introduced. Nevertheless, it runs up against the above fundamental assumption, resulting in no account of the social agents that coherently connect various accumulation strategies with hegemonic projects (Bonefeld, 1991). According to Roberts (2001:560-2), this shortcoming comes from the initial separation of the economy, as something structural, abstract and general from the political, conjuncture, concrete and specific. Because of such separation, strategic-relational approach oscillates between seeing the former (requirements of capital, money flows, production methods, technologies) as the essential dynamic and conceiving the latter (hegemonic projects towards new spatio-temporal fixes) as the key within the process of social and spatial change (Gough, forthcoming). Secondly, in this context, the notion of space is generally considered as something belonging to the political, conjuncture, concrete and specific. However, as Roberts (2001) argues, space is also internally related to the economy, the structural, abstract and general. For example, the parcellisation of space through urban forms which ideologically and materially mask the capitalist aspects of social relations, such as the separation of home and workplace, socialization of labour power in a particular space and the contradictory relation of money and productive capital with distinct spatial dynamics, are very integral to the capitalist social relations (Gough, forthcoming; see also Cox, 1998). Therefore, space does enter social relations not only in contingent, specific and conjunctural ways but also in abstract, structural and general ones (Roberts, 2001:560). Thirdly, and more importantly, although the strategical relational approach points to the incessant strategies of representation among various social actors in various spaces, it tends to see them as parts of relatively stable forms of capitalist development (see for example

operationally-autonomous subsystems with their own operational codes. In this respect, the concept suggests that a particular social formation should be seen as bounded by a particular order formed by the co-presence of such sub-systems (see Jessop, 2000).

Brenner, 2004a; 2004b).³ However, such spatial strategies may be highly competing and diversified struggles emerging out of contradictions of capital across space which are highly ambiguous and contingent in their directions.

In this framework, it is possible to argue that although the strategic and relational approach provides crucial contributions to the analysis of the varied and contradictory nature of capitalist social relations through underlining various strategies among social actors, it does not seem to solve the problem regulationist approach puts by oscillating between economic functionalism and political pluralism. This is basically caused by its uncritical acceptance of the regulationist assumption of initial separation between economy (regime of accumulation) and political (mode of regulation). Furthermore, relatedly, the notion of space is misleadingly reduced to the political, specific and concrete. In so doing, the strategic relational approach tends to ignore the diversified aspects of capital relation across space which may then lead to different strategies by different social actors at different spaces. Therefore, while the economic processes (value production, money flows, and production methods) are seen as having objective abstract tendencies, the political processes (state forms, state strategies, hegemonic projects) are conceived as spatially specific, concrete and diversified responses to them. As Roberts (2001:561-2) mentions, the development of the inner contradictory nature of capitalism is theoretically separated from the strategic (struggle-driven) processes across space. Thus, although the strategic-relational approach argues that spatial scales are being constructed through

³ Building upon Jessop's strategical relational approach, Brenner tries to develop a spatialized strategic relational state theory. He defines four different phases of state spatial organization in Western Europe after the Second World War: Spatial Keynesianism (1960s-1970s), Fordism in crisis (1970s-1980s), Glocalization Strategies I: urban entrepreneurialism (1980s-1990s) and Glocalization Strategies II: metropolitan regionalism (1990s-...). Brenner acknowledges each shift as the result of the crisis of existing state spatiality in relation to the regime of accumulation. Thus, while "crisis of Fordist accumulation", "fiscal constraints" and "regulatory deficits" are presented as the source of the shift, social actors of the shift are just distinguished as "preservationist" and "restructuring-oriented" political forces (Brenner, 2004a: 450-475). The recent setting up of Regional Development Agencies within state space is, for example, seen as the institutional response by existing glocalization strategies to the absence of meta governance within urban entrepreneurialism and the need to economic intervention in order to compensate disruptive and dysfunctional consequences of unfettered competition (Brenner, 2004a:477). In consequence, both various class relations and struggles at various spaces are ignored in favour of marking durable forms of capitalist development.

strategic processes at different spaces, it does not provide a theoretical scope to the development of the inner contradictory nature of capital across space. In so doing, it tends to propose a political project as a struggle for the strategic use of space but not against the non-humanist contradictory spatial forms (Roberts, 2001:562).

In this sense, this thesis argues that a more robust theoretical framework has to deal with two questions: conceptualizing the relation of the so-called economic and political, and the relation of (capitalist) society and space.

2.3.3. Towards a Spatialized Conceptual Framework

In the light of the discussion so far with mainstream and critical approaches, it is safe to argue that the assumption of the initial separation between the economic and the political, be it embedded economy or regime of accumulation, prevents social theory from analysing the internal relations of them which are very integral to capitalist relations. Harvey's crucial insights on capital, at this point, may provide crucial point of departure without falling into the trap of such a separation. He defines capital as follows:

“Capital is not a thing or set of institutions; it is a process of circulation between production and realization. This process, which must expand, must accumulate, constantly reshapes the social relationships of production as it constantly changes the dimensions and forms of circulation” (1975:332).

In other words, it is the capital accumulation process beyond the so-called economy that lies behind the dynamics of capitalist social relations by expanding, accumulating and continuously changing social relations. However, the question regarding space still remains unanswered.

Concerning the relation of space and capital, Harvey starts with a crucial methodological question: “Geographical space is always the realm of the concrete and the particular. Is it possible to construct a theory of the concrete and the particular in the context of the universal and abstract determinations of Marx's theory of capital accumulation?” (Harvey, 2000 [1985]: 327). As a response, Harvey clearly thinks that space enters at a high level of abstraction (Harvey,

1999 [1982]; 1985). For him, capital accumulation process involves the endemic tension between fixity and movement in the circulation of capital. On the one hand, capital has to be embodied in space as either physical infrastructures or social arrangements in order to be valorized and thus expand its basis. On the other hand, such infrastructures and arrangements come to appear as the barriers to be overcome in the face of the inherent tendency within capital towards reducing commodity values. Thus, when faced with such inherent tendency in the form of the crisis of capital accumulation, capital orients towards the overcoming of existing spatial barriers by producing new spatial arrangements. Harvey ironically summarizes such (spatial) contradiction within capital by saying that “spatial organization is necessary to overcome space” (1985:145). Therefore, it is because capital accumulation process has continuously constructed new spaces at the expense of deconstruction of previously constructed spaces that uneven development has emerged as an inevitable consequence of its operation (Smith, 1990:97-130; Şengül, 2001: 146). At this point, Harvey argues that capital also seeks to avoid such consequences which may block the circulation of capital through constituting relative ‘spatial fixes’ in which a certain structural coherence is provisionally constituted between contradictions of capital within certain territorial configurations (1999 [1982]:416).⁴ In this way, contradictions and conflicts within capital accumulation process also acquire territorial form. Harvey formulates such territorial characteristics of contradictions as follows:

“The value of capital, once it is locked into immobile physical and social infrastructures, has to be defended if it is not to be devalued. At the very minimum this means securing the future labour that such investments anticipate by confining the circulation process of the remaining capital within a certain territory (1999 [1982]:420).

Thus, class struggle takes on the forms of alliances of territorial conflicts and competition. According to Harvey, each local territorial alliance intends to

⁴ It is important here to avoid an interpretation that spatial fixes are the resolution of the contradictions of capital accumulation with stable spatial forms. Harvey warns us that “there is no spatial fix that can contain the contradictions of capitalism in the long run” (1999 [1982]:442). Therefore, spatial fixes should be understood as mere spatial expressions of contradictions within capital.

defend existing capital investments and further attract flows of capital under their effective control. National solidarity or community boosterism is, in this sense, a typical form of such alliances as a way of defending various class interests. At times of a general crisis, however, they are exposed to the violence of devolution, which in turn puts immense pressure on their organisational coherence. Such a contradictory relation, therefore, leads capital as well as labour to develop different spatial strategies depending on their social power (or, 'upon the nature of the assets they own and the privileges they command', in Harvey's words) so as to overcome the difficulties they face. In this respect, "global class struggle then dissolves into a variety of territorially based conflicts which support, sustain and in some cases even reconstitute all manner of local prejudices and encrusted traditions"(Harvey,1999 [1982]:420). As a result of such living struggles between and within territorial alliances, certain nested hierarchical structures of organization which can link the local, the particular and the abstract labour at the world level have emerged. (1999 [1982]:422). In this sense, the state is organized along similar hierarchical lines through similar struggles. Concerning state spatiality, Harvey puts it as follows:

"The political system is organized along similar hierarchical lines for similar reasons. While the nation-state occupies a key position in this hierarchy, supra-national organization reflect the need for global co-ordinations, and regional, city, and neighborhood governmental arrangements links universal with purely local concerns. Conflict abounds between levels within this hierarchical structure, making a mockery of any theory of the state as a monolithic, unitary phenomenon. And even though much of the power may be located at the national level, the problem of integrating local with global requirements always remains a thorny problem for any administration"(1999 [1982]:422).

In other words, changes in state spatiality are internally associated with contradictions within capital as fixity and movement. This seems to provide a significant contribution to theorizing state restructuring in that it does not start with the taken-for-granted separation of economic and political, but with the contradictions of capital accumulation process upon and through which classes and factions develop different scalar strategies over the state. Thus, state actions

and state's scalar division of labour can be considered around the class struggle over space rather than the needs or requirements of the economy or the regime of accumulation. In this respect, starting with the spatial contradictions⁵ within capital accumulation process represents a significant step in analyzing the changes in the scale of state in a particular way that embodies struggle rather than order.

Nevertheless, there have been some crucial points, which need to be developed in Harvey's formulations with regard to the production of space and scale. Firstly, the concepts of fixity and mobility within capital accumulation tend to provide a one-sided explanation of the changes in space and scale of social relations. Through such concepts, Harvey significantly shows that the inherent contradiction within capital forces social agents founded on the spaces of fixity of capital to constitute territorial alliances that aim to defend existing invested capital and even enhance them against the pressure of devalorisation. However, as they do so, the geography of market inevitably expands and thus the geography of capital accumulation is extended, with distinct accumulation paths and creation of new spaces (Cox, 2002). The implication of this expansion and differentiation across space for the production of scale is the emergence of conflicting, competitive and collaborative relations among different spaces which may lead to the rescaling of social relations in a mutually-constructed manner (see especially Ercan and Oguz, 2005, also Cox, 2002:97-8). Secondly and relatedly, Harvey's approach tends to be less concerned with the varied scalar strategies by social

⁵ I use the term spatial contradictions to strongly emphasise what Harvey regards as the contradiction between mobility and fixity within capital. Gough (1991:437-9) also provides the details of such spatial contradiction within the capital accumulation process. He defines three important sets of spatial structures within capital accumulation process: tendencies towards spatial concentration, tendencies towards spatial decentralisation and tendencies towards spatial immobility. The first structure implies that the dynamics of capital accumulation process, in the pursuit of minimizing the time of the circulation of capital, tends to concentrate production in space and thus to reduce distances between workers, producers and markets. However, the second structure shows that overaccumulation of productive capital, commodities and money capital leads to an increase in the spatial extent of production, markets and circuits of credit money. On the other hand, the third structure implies that the realisation of value within the circuit of capital requires to some extent long turnover time and thus spatial immobility, which creates a spatial conservatism in productive capital. As a result, each outcome of capital accumulation process is driven with an irresolvable tension between centralising, decentralising and conservative spatial logics, which produces differentiation between, and instabilities within, spaces.

agents within various circuits of capital accumulation than with certain scalar territorial configurations in which the contradiction within capital is provisionally solved. This seems to be mainly due to the theoretical privilege given to the general analysis of contradictory relations of space and capital than to the analysis of the differentiation and particularization of them within different spatial structures, which may then lead to varied scalar strategies and political projects by capital, labour and territorial alliances. In this respect, ironically, Harvey's spatialized analysis of capital through the concept of fixity and movement of capital needs to be more spatialized in the sense of providing concrete and particular aspects of such spatialization of capital.⁶ Thirdly, because of his 'capital logic' tinge, Harvey's formulations less focus on the capital-labour relations and state than reorganization of, and divisions within capital. In this way, the former are assumed as mere effects of the prior rescaling of capital (Gough, 2004a:189; Herod, 1997:11). Furthermore, as Gough (2004b:515) mentions, in Harvey's formulations on capital "the distinction between the dynamics of individual capitals, of large fractions of capital, and of capital as a whole is sometimes unclear". Thus, while providing an explanation of the general contradictory tendency within capital towards making new spaces, Harvey's formulations lack the conceptual framework which embraces the variety of the spatial contradictions of capital at different spaces resulting in different scalar strategies. The result is rather a structuralist account of the production of scale. In sum, Harvey's crucial considerations that move away from the pitfalls of the initial separation of economy and political should be brought into a fertile relation with new concepts which enable us to conceptualise different, varied and concrete forms of capital accumulation.

At this point, this thesis argues that the concept of capital's scale division of labor that Cox offers to be considered together with Harvey's definition of

⁶What I mean is that, although Harvey insists on the spatialized analysis of capital accumulation, he does not tend to define factions of capital in term of their spatial aspects. For example, when explaining their different spatial responses to the contradictions of capital accumulation, he still uses the terms 'some capital', 'different factions of capital' rather than their spatial characteristics of capital accumulation (see Harvey, 1999[1982]:420-1).

contradiction provides significant clues in understanding different spatial forms of capital accumulation process at a variety of scales. According to Cox, a given capital is able to be part of both a smaller scale and larger scale division of labor as in the example of firms catering to the international markets. Furthermore, there is also capital operating at a wide, seemingly impossible to categorize, variety of scales as well as the one operating at the regional or national scale. Therefore, categories like “national” and “international” bring along the danger of simplifying the variety of scales at which different capitals operate (Cox, 2002:98). In this sense, capital’s scale division of labour embodies such variety of scales at which capital accumulation processes are circulated. Cox tries to define the concept of capital’s scale division of labour as follows:

“This is a less familiar notion. The claim is that labor is divided at different geographical scales (some more locally and some at larger geographical scales) as in the categories of economic base theory. Thus we should recall that nonbasic labor is labor that is, in effect, divided locally among those activities serving the market which is, in turn, created by firms that are involved in “export” activities. The latter, therefore, form part of a more geographically extended division of labor. This is not to say that the idea is an easy one to grasp in terms of the sorts of categories that prevail in understandings of the state’s scale division of labor: thus, the “national” vs. “international” distinction is fraught with pitfalls when applied to capital. More will have to be said on that point” (Cox, 2002:93-94).

What the concept of capital’s scale division of labor suggests, therefore, is the varied composition of different spatial forms of value production on which different interests are created and territorial agents are constituted. Cox argues that as the inherent contradiction of fixity and mobility within capital leads to the emergence of different strategies by capital, labour and territorial alliances to defend existing spatial forms or develop new ones by which markets and commodity chains geographically expand, capital’s scale division of labour changes and is (re)created at new and broader geographical scales. In this framework, since this process has appeared as the new relations of uneven spatial development, different classes and territorial alliances arising from the capital’s scale division of labour seeks to constitute new institutional fixes and, in turn,

new state spaces as a way to mitigate uneven development, as a means of protecting existing power relations, as vehicles through which to enhance them (Cox, 2002:97). Therefore, it is around the various scalar strategies by capital, labour and territorial alliances based on the capital's scale division of labour at a variety of scales that state policies and institutions are (re)organized. In this sense, Cox emphasizes the concrete unities of interest which are the basis of rescaling of social relations including the state.

“Interests are constituted at many different geographical scales and contest positions in the scale division of labor that are equally varied and equally subject to redefinition...any attempt to understand the state's scalar fixes should examine the concrete unities of state and capital that are the vehicle through which it is constructed –and in far more varied forms that can be grasped by the ideal types that have recently become influential...” (Cox, 2002:106-7).

Therefore, defining concrete unities of capital's scale division of labor is important in capturing varied scalar struggles over the state space. At this point, this thesis argues, Bryan's identification of capital with different spatial forms of circuits of capital accumulation provides significant clues in thinking such concrete unities. Bryan argues that neither the separation of capital as industrial, commercial and finance capitals nor the division of foreign and national capital provides us with a complex and varied picture of capital accumulation process within contemporary capitalist relations. Instead, he identifies four forms of different spatial articulation of production, realisation and reproduction process of the circuit of capital within capital accumulation: the national circuit, the global circuit, the investment-constrained circuit and market-constrained circuit. In this framework, national capital is the capital which must produce, sell and reinvest in the same national space. Therefore, this fraction of capital is associated with the import-competing industries and thus tends to support protection of national state space. However, global capital is the capital which can produce, sell and reinvest beyond the borders of a nation state. Thus, it is likely to support undoing of the spatial barriers of the national space. However, there is one significant capital differing from such opposition. The investment-constrained capital can sell

products on global markets, yet can not consider production beyond a national space. Thus, it is integrated into the international capital accumulation process at the level of exchange. Finally, Bryan defines the market-constrained capital which can invest internationally, however can only sell within national markets (Bryan, 1987 quoted in Glassman, 1999:679-681). In this framework, each capital within such spatial circuit of capital accumulation involves different scalar strategies over state policy and state space, which lays the foundations for new divisions among capital, labour and territorial agents as well as new alliances between them.

Table 1: Circuits of Capital and International Accumulation

Spatial Forms of Capital	Production (C., P., C')	Realisation (C-M')	Reproduction (M-C')
National Capital	National	National	National
Investment-constrained Capital	National	International	national
Market-constrained Capital	National	National	international
Global Capital	National	International	international

Source: Dick Bryan, *The Chase over the Globe*, quoted in Oguz, 2005:23.

C., P., C': the production of commodities

C'-M': realisation of commodities through the act of exchange

M'-C': reproduction of capital (allocation of revenue to new production)

Bryan's identification is important to show that different fractions of capital, depending on their scale division of labour, benefit from different kinds of state policies each of which reflects different state spaces. Such identification also reveals the basis of spatial alliances between different capitals and labour over state policies and spaces. For example, as Glassman (1999:680) mentions, both investment-constrained domestic capitals and global capital can benefit from state policies promoting exports and thus argue for the rescaling of state space towards such engagement. In this sense, a certain state policy and state space can be

produced together by domestic and foreign fractions of capital. Also, as with the state's scalar division of labour there may be conflicts among domestic capitals with different scale divisions of labor. Space of the politics of money, for instance, often appears as the major irresolvable conflict between capitals engaged in different forms of accumulation (Bryan, 1995, quoted in Oguz, 2005:23). However, it should be noted that Bryan's identifications seem to ignore subnational spaces towards which capital's scale division of labor has increasingly turned through various (sub) contracting relations since the crisis of the 1970s. Therefore, Bryan's identification of capital with different spatial articulations of the circuits of capital should also be considered in terms of subnational space. This is especially important for understanding different scalar struggles, be bottom-up as well as top-down, around the rescaling of state space (see Cox, 2002).

To sum up, it is not the economy but the capital accumulation process embodying circulation of value through the contradictory unity of fixity in space and flows over space within the forms of productive, commodity and money capital which leads to the production of space as an ensemble of links, connections, networks and circuits in and through people.⁷ Furthermore, as this process inevitably leads to the expansion of commodity, money and productive capital under the pressure of the tendency towards overaccumulation and devalorisation, capital's scalar division of labour always undergoes changes, and a new scalar division of labour with different characteristics in terms of forms of capital is created at larger geographies. Since each one is endowed with different compositions of the spatial contradictory unity of capital, different social agents

⁷ We consciously use the term 'in and through' because, as Bonefeld (1992:103) remarks, capital can exist only in and through labour. This is due to the specific aspect of capitalist social relation as comprising of the dual form of labour within capital, that is concrete and abstract labor (Elson, 1979). While the former refers to the forms of socialisation in which surplus labour is extracted from the worker; the latter points to the circulation of extracted labour to be realized as value beyond such forms. Therefore, capital is formed both in concrete labour and through abstract labour (Gough, 2004a:189). However, it should be noted that it is the dominance of the abstract labour in the circulation of value over concrete labour in production that gives the social relations capitalist character. In sum, drawing upon Harvey's historical-geographical Marxism, capital's rescaling process here is understood as in and through the contradictory composition of spaces of concrete labour and of abstract labour under the dominance of the latter.

revealed in it pursue different scalar struggles at various levels in response to the contradictions of the circulation of value. Therefore, there appear varied and even conflicting scalar strategies among social agents over social relations including the state. Scaling of social relations and state into hierarchical scaffolding of intertwined spaces, in this sense, is produced through such scalar strategies and struggles, and articulated by particular political projects aiming at particular class relations within the circulation of value. Therefore, as Smith emphasises,

“the construction of scale is not simply spatial solidification or materialization of contested social forces and processes; the corollary also holds. Scale is active progenitor of specific social relations. In a literal as much as metaphorical way, scale both contains social activity and at the same time provides an already partitioned geography within which social activity takes place... It is geographical scale that defines the boundaries and bounds the identities around which control is exerted and contested” (1993:101).

However, as the circulation of value continuously imposes increasing velocity of accumulation and creating more-surplus value to be circulated, every scalar configuration of class relations is under the threat of the law of value with increasing spatial mobility of commodities and money capital, increasing pressure over productive capital towards devalorisation and, in turn, intensifying destructive power of abstract labour over concrete labour. A corollary is the increasing emergence of scalar struggles over capitalist production, social reproduction and the relation of state and economy among class agents with unequal social power stemming from the different capital's scale division of labour.

The recent fundamental rescaling process in the wake of global crisis of accumulation, in this framework, reflects neither the internationalization of the economy nor the increasing power of the markets against the national state but the reimposing of the law of value by dominant capitals through the neoliberal political strategy in response to the overaccumulation and crisis of surplus extraction stemming from the over-politicization of production, social reproduction and the relation of state and economy which had emerged out of the post-war scalar construction of social relations (Cox, 2002; Gough, 2004b; 2005).

The main aims of the neoliberal strategy is to remove all the barriers to the circulation of capital towards more profitable lines, with its never ending search for branches and forms where the cost of production is as low as possible. The implication of this process is the increasing integration of capital accumulation on a world space through the creation of more surplus value in the form of abstract labour (Ercan and Oguz, forthcoming; Gough, 2005). In this way, the discipline of the law of value (equalization of all the differences under the dominance of global total social circuit of capital) is imposed on existing scalar configuration of social relations. Since the national state (space) embodies existing (scalar) socialisation forms of the relations between capital and labour in a strong manner, it has been much exposed to the law of value pressing the reduction of national barriers to trade, state's intervention to capital movements and to civil society. National state space, then, has been put into the process of fundamental rescaling.

However, such rescaling process is proceeded by particular political projects emerging out of the contradictions and class relations within capital accumulation process and developed through class struggle. In other words, national state space has been rescaled within the uneven development of capitalist accumulation between and within countries and through the struggle of class agents revealed in capital's different scale divisions of labour. The implication of such uneven development of capitalist accumulation is hidden in the distinct character of recent rescaling. While domestic capitals in the core capitalist countries have increasingly oriented to the integration of global circuit of money capital in the wake of overaccumulation from the 1970s on, the ones in the peripheral countries tend to integrate with the international capital by integrating with the world market, attracting the overaccumulated global capitals in the form of money capital, or cooperating with international productive and money capitals in order to use local opportunities (Ercan and Oguz, forthcoming).

2.4. Concluding Remarks

Throughout the discussions in this chapter, this thesis seeks to constitute a conceptual framework so as to understand the essential dynamics of current

changes in capitalist social relations together with their spatial dimensions. As mentioned before, current social relations have, on the one hand, led to the emergence of a global space in and through which people implicitly or explicitly become much integrated. On the other hand, the same social relations have given rise to differentiated spaces such as subnational regional scale. This thesis comes to the conclusion that what lies behind this complex picture is, contrary to the neoclassical, institutionalist and regulationist arguments, capital accumulation process which spans and relates the economic and the political through the class relations it has to be related. Following Harvey's insightful considerations of the relation of capital accumulation and space, this thesis also argues that such process also involves highly spatial contradictions. Moreover, Cox's concept of capital's scale division of labour provides the thesis with a conceptual lens for capturing different spatial forms of such contradictions. Furthermore, Bryan's identification of capital with different spatial moments of circuit of capital in relation to state policies enables the thesis to understand different spatial strategies by capital factions towards state policies with both divergent and convergent aspects. In sum, this thesis argues for a more spatialized conceptual framework in order to properly acknowledge the changes in social relations (including state) with spatial aspects without falling into the trap of functionalism and pluralism.

In the light of this conceptual framework, the following chapter will provide a picture of recent tendencies within the national state form towards regionalized governance which increasingly appears in the form of Regional Development Agencies. The fourth chapter will then focus specifically on the process of construction of spatial scale in relation to the investigation of recent attempts towards a more subnational form of regional governance within Turkish state space.

CHAPTER 3

RESCALING OF SOCIAL RELATIONS TOWARDS SUBNATIONAL REGIONAL SPACE

“The need for a constantly expanding market chases the bourgeoisie over the whole surface of the globe...The bourgeoisie has through its exploitation of the world market given a cosmopolitan character to production and consumption in every country...In place of the old wants, satisfied by the production of the country, we find new wants, requiring for their satisfaction the products of distant lands and climes. In place of the old local and national seclusion and self-sufficiency, we have intercourse in every direction, universal interdependence of nations...National one-sidedness and narrow-mindedness become more and more impossible, and from the numerous national and local literatures, there arises a world literature” (Marx and Engels, Communist Manifesto, quoted in Harvey, 2000:25)

“There is a potentially dangerous underestimation within the Manifesto of the powers of capital to fragment, divide, and differentiate, to absorb transform, and even exacerbate ancient cultural divisions, to produce spatial differentiations, to mobilize geographically, within the overall homogenization achieved through wage labour and market exchange” (Harvey, 2000:40)

There is still no better definition of the dynamic and expanding nature of the capitalist social relations than the above quote from the Communist Manifesto written more than a century and a half ago. Since the world crisis of capitalist social relations of the 1970s, capital relation has increasingly expanded all over the world by changing all fixed structures and prevailing relations, and creating a remarkable world market. In the wake of such crisis, the dominant sections of capital across the world have increasingly adopted neoliberal policies of deregulation, privatization and marketization which have paved the way for reducing or demolishing existing barriers to flows of capital (with money, commodity and productive forms) across space. A corollary has been the

increasing integration of economic and political relations across the world, as what Communist Manifesto above portrays is the bourgeoisie's chase over the globe. However, such a direction towards creating a homogeneous global space has proceeded through diversifying social relations at different spatial scales, as the quote from Harvey mentions. The world on the one hand has appeared as a smooth space of flows and networks; on the other hand, it has emerged as the partitioned spaces of social relations. Over the three decades, economic and political relations have become simultaneously more localised or regionalised and more internationalised. Much of the literature on the current phase of capitalist globalisation has pointed that contemporary economic development is predicated upon locally and/or regionally organised complexes of firms that are globally operating. Furthermore, contemporary national states have increasingly devolved some of their functions to local and regional institutions so as to better promote industrial development. Local and/or regional interventionist state is welcome at a time when national states have been increasingly forced to withdraw from economic intervention.

Three issues come forward in this process. First, the downward rescaling of economic and political relations to subnational local and regional spaces has on the part of capital appeared to be a crucial political strategy as much as upward rescaling to supranational spaces since the 1980s. What is the logic of the downward rescaling of social relations for capital seeking to demolish the barriers to flows of capital across space? Second, subnational regional scale has recently superseded both the national scale and the local scale that was much favoured in the beginning of neoliberal strategy. How are we to understand the recent slight shift from the local to the subnational regional scale in the fashionable process of downward rescaling? Lastly, there has increasingly appeared the setting up of regional institutions with a considerable power on regional economic and social development such as the Regional Development Agencies (RDAs) within even strongly-centralised nation states. Why do such centralised states need to constitute the RDAs? What do the RDAs represent within the context of the rescaling of state power? In what follows, we will try to answer these questions in

reference to the neoliberal political strategy and its spatial contradictions. Moreover, the EU, with a considerable rescaling towards subnational regional scale, will be taken as a crucial example of the tendencies mentioned above.

3.1. Neoliberalism and the Rise of Local Scale

Neoliberalism has emerged as a dominant political strategy of dominant sections of capital across the world in the late 1970s. It was a strategic political response to the crisis of capitalist social relations, which had grown out of Keynesian forms of corporatism, and manifested itself in struggles of labour, residents, masses and tensions among capital factions. It depends on an essential argument that open, competitive and free market which is liberated from all forms of state interventions provides the optimal conditions for economic and social development (Jessop, 2002:454).

According to Tickell and Peck, neoliberalism is a form of jungle law that breaks out when economic growth slows down and social compromise collapses. In this respect, “the ascendancy of neoliberalism represents a regulatory hole, one element of market regulation but which represents the absence of a new institutional fix” (Tickell and Peck, 1995:369). Therefore, in contrast to the Fordist Keynesian period, when national state was the pre-eminent spatial fix at which social conflicts were contested and social compromises settled over localities, neoliberalism has led the localities to compete for mobile investment and to involve market relations in a way that provides no mechanisms for coordination among them. In this sense, Tickell and Peck argue that local economic initiatives represent the essence of neoliberalism with no regulatory form, and thus contribute to its destructive operation (1995: 379).

Similarly, Swyngedouw tends to conceive neoliberal political strategy as a process leading to the rise of global-local disorders which had once been settled within a particular scalar configuration under the dominance of national state (1997: 153). According to him, as capitalist economic organisations inherently involve tensions, conflicts and socio-spatial power relations, economic order would inevitably break down without a territorially organised institutional

arrangement which regulates markets and social integration. The scalar containment of a series of socio-economic tensions and conflicts through the crucial role of national state over the local space permitted a steady operation of economic organisation during the Fordist Keynesian period. For Swyngdeouw, local state scale in this period depended on the homogeneous national state scale and was limited to the space of community relations (1997:154). However, it was not a completely stable scalar configuration but a dynamic, conflictual and contested scalar configuration of which the relations of spaces of production and reproduction were more problematic. The tendency towards internationalisation of production as a way of escaping national boundaries of regulation, Swyngdeouw (1997:155-6) argues, has appeared to be a fundamental dilemma within Fordist-Keynesian scalar configurations depending on spatial nexus of production and reproduction, and caused growing tension among nested scales within national state space. For him, neoliberalism has accentuated such tendency and imposed internationalizing market imperatives on existing scalar configurations, which have resulted in the process of glocalisation in which institutional/regulatory arrangements are shifted both upwards from the national scale to the supranational or global scales and downwards to the local scales in order to correspond to the internationalising economic activities of firms that are locally placed (Swyngdeouw, 2004:37). In this context, the rise of local (state) scale represents the 'local' part of current scalar configuration of new "global-local disorders", albeit in a more contested and conflictual way than the Fordist-Keynesian one.

Following similar theoretical premises, Brenner (2004a, 2004b) focuses on the emergence of local scale in parallel to capitalist globalisation. According to him, the rise of local scale has begun to appear in the late 1970s when national governments were pressured to rationalise their allocations to local governments due to the crisis of Fordist political-economic order which essentially stems from the decline of Fordist production, the rise of flexible production systems and the globalisation of economic relations (Brenner, 2004b: 161-171). The crucial outcome of such national fiscal squeeze was to force local governments to find new financial resources through an active mobilization of local economic

development projects. Brenner argues that localities in this period have begun to be recognized as having their own developmental trajectories and problems rather than as the sub-units within a homogeneous national economic space (Brenner, 2004a:466). He conceives this period as an endogenous development process from below without an extensive reliance on national subsidies. It however represents the localised strategies of crisis management rather than an emergence of local scale for economic development. By the 1980s, in contrast, as Keynesian forms of regulations had been abandoned through the introduction of neoliberal policies, national preconditions of Keynesian spatial division of labour have been eroded and localities have been increasingly left to fend for themselves in securing local development. The result was the emergence of a new picture of economic development across space in which while many large-scale industrial regions were disappearing, particular cities with flexible economic relations dominated by advanced infrastructure were appearing to be nodal points within the global world (Brenner, 2004a: 467-9). Therefore, economic development was no longer conceived as spreading from developed cores to the poor peripheries according to the spatial division of labour within each national state space, but instead as concentrating into the more competitive localities within wider flows of economic activities. A corollary, Brenner argues, has been to replace the Fordist-Keynesian nationalizing scale-making project with glocalizing scale-making project which aims to position strategic local spaces within the global or supranational circuit of capital (2004a:473-4). In this context, what has provided such a change in the scale of economic and political relations is regarded as neoliberalism. Brenner argues as follows:

“...[n]eoliberalism must be viewed as a concerted political strategy through which qualitatively new forms of state-economy relations have been constructed, at various spatial scales, in order to subject the majority of the population to the power of market forces whilst preserving social protection for the strong” (2004b:200).

Thus, Brenner considers the rise of local scale as a process stemming from neoliberal policies with pure market relations operating at the world space, as do the other authors above. In these accounts, local economic initiatives are conceived as part of a new phase of local politics in which local development is subordinated to the economic performance, entrepreneurships and competitiveness within global flows of capital. Therefore, the global mobility of capital that brought along neoliberal policies of deregulation and marketization is essentially seen as a crucial moment in the rise of local economic initiatives and local scale.

Such a formulation of the rise of the local scale in relation to neoliberalism seems to be quite right since there has been a growth of the local economic initiatives and state scales across the world since the 1970s. However, in fact, it seems to provide one side of the picture when the essential features of local economic initiatives and state scale are carefully taken into consideration. In contrast to what neoliberalism regards as deregulation, marketization and individualisation, they have much involved non-market relations, forms of collaboration between firms, business, state and trade unions. Furthermore, much of the literature points that what is remarked as the rise of local scale through local competitiveness within the global economy depends not on individual firms' and deregulated local economies' successes within global markets but varied forms of non-market relations, intervention and partnerships within localities (see Cox, 1993; Storper, 1997). In this sense, it is safe to argue that the rise of local scale has embodied something more than neoliberal policies and global flows of capital.

Eisenschitz and Gough (1996) argue that although there have been essential relations between neoliberalism and the rise of local scale, the majority of local economic initiatives have involved quite different strategies that are more close to (neo) Keynesian interventionism than the principles of neoliberalism. Local economic initiatives have taken on particular network relations and forms of collaboration between the local state and sections of capital and labour which emphasise market failures and the need to non-market coordination rather than

marketization, raise particular forms of intervention rather than deregulation, address particular forms of fixity of capital rather than flows of it, and favour a somewhat interventionist forms of state rather than the minimal and market-driven. In this regard, despite the fact that the politics of locality has been recast under neoliberalism, Eisenschitz and Gough suggest, the rise of local scale is much related with neoKeynesianism⁸ which seeks to counterbalance neoliberalism with an attention to the fixed aspects of contradictory circulation of capital accumulation such as socialisation of productive capital and labour power, use value and its technical and organisational substance (1996; 1998).

What lies behind such a nuanced formulation of the rise of local scale is the recognition of capitalist societies as embodying not the separated realms of the economy and the political but the inherent contradictory relations of the fixity and movement in the circuit of capital accumulation process (see Chapter 2). As Communist Manifesto remarks, the inherent tendency of capital to grow and accumulate can only be realised by expanding their production, customer markets and sources of input across borders in different ways, which leads to the creation of world market in which increasing flows of capital eliminates the weaker ones due to their inability to compete with the others. However, as value can only be produced through organising social relations towards productive relations, such an aspect of capital as expanding value essentially depends on particular social relations of networks, durable interdependencies, and non-market relations within particular territories. This dependency is so contradictory that it involves antagonism and mutual dependency at the same time (see Harvey, 1999[1982]). Furthermore, as mentioned in the previous chapter, capital has involved different forms, be it commodity, money and productive, throughout its contradictory movements in time and across space, with different degrees of spatial contradictions because of their varied territorial dependencies (see especially Gough, 1991, Cox, 1998). In this sense, it is in the very nature of capitalist social

⁸ The authors use the term of neo-Keynesianism not to refer to the demand management policies in postwar period. They underline that they preferred such terms because local economic initiatives resemble Keynesian policies “in seeking to address market failures through pragmatic forms of coordination between capital, labour, residents and the state” (Eisenschitz and Gough, 1996:435).

relations that there have always been varied spatial strategies over the contradictory circuits of capital accumulation.

According to Gough (1996: 392), what neoliberalism provides is not the absence of regulatory forms and social disorder stemming from the overall dominance of market relations, but, instead, the regulation by value operating across the world. He argues as follows:

“Neoliberalism seeks to unleash the therapeutic processes contained in capitalist value relations. By minimising state ownership and regulation and by lifting geographical barriers to the flows of commodities and money capital it imposes the discipline of value with full force on both individual firms and sectors and labour. Deregulation and privatization allow capital to flow out of insufficiently profitable lines and into more profitable ones. They allow obsolete forms of regulation and coordination to be abandoned and thus clear the ground for new ones to emerge. Much inefficient and overvalued capital is devalorised, reducing the aggregate capital within particular industries, areas and the economy as a whole with a claim on the profits currently being produced, thus tending to increase the corresponding profit rates...This is not ‘disorder’: on the contrary, it is the imposition of order based on private responsibility and on value in the marxist sense” (1996:392-3).

Conceived in this way, neoliberalism appears as a particular (spatial) political strategy aiming to overcome the socio-spatial contradictions of the so-called Keynesian forms of social relations that are caused by increasing socialization of relations of production expressed in state production and regulation, institutionalised labour market, infrastructures and processes of reproduction within territories (Eisenschitz and Gough, 1996: 439). The more such forms of socialization increased, the greater accumulation was obtained yet with the consequences of overaccumulation and the tendential fall of the rate of profit (Harvey, 1999 [1982]: 192-3). A corollary was the increasing politicization of capitalist social relations which was manifested in different realms of social life. Faced with such situation, dominant sections of capital, initially in the core capitalist countries which have much suffered from the overaccumulated capital, have strongly raised an offensive attack on labour to increase the rate of profit

through restructuring prevealing social relations in more profitable lines. The most popular way of such restructuring was to close less profitable sectors and places, and to shift more profitable ones as well as to disintegrate stages of production across spaces (Massey, 1984). Furthermore, money capital became more internationally mobile both in order to enable such shifts in production and to lend to states, firms and state suffering from economic stagnation. In addition, firms increasingly tended to increase international trade as a way of reducing their costs of production, especially wages. In this sense, the intensification of international flows of capital was further used to weaken strongly-organised labour which was conceived to be urgently eliminated to increase surplus value extraction. In effect, the increased spatial flows and easier mobility have appeared on the part of capital to be the most proper strategy against the crisis of capital accumulation. Reducing nation states' barriers to trade, money flows and productive investment, neoliberalism thus has taken on the political form of capital's strategy of spatial flows (see Gough, 2005).

In this respect, what neoliberalism has essentially proposed is not the issue of forms of socialisation within each localities with which much of the literature relates neoliberalism such as local governance and entrepreneurships (see Jessop, 1997), but rather the issue of the mobility of capital through localities across the world space. As Gough (2005) said, neoliberalism tends to conceive social relations as embodying fragmented, pulverised and tendentially homogeneous space. If so, what is the logic of the rise of local scale under the dominance of neoliberal policies?

The answer lies in the dependency of flows of capital on the socialisation of productive capital and labour power within particular territories in a contradictory manner. As mentioned above, different forms of capital involve such contradictory dependency with different degrees. It is because of such differentiation that capital's increased tendency to flow across space has paved the way for changing power relations among capital. For example, such tendency enhanced financial capital's power relative to productive capital, as money is less dependent on space than productive capital which has to sink in particular spatial

structures. In this way, money capital has taken the dominant role over productive capital and state policies. However, financial capital needs strong productive capital so as to appropriate some part of surplus value because value is created only through productive capital. In addition, productive capital also needs more productive forms of socialisation within particular territories in response to the increasing flows of capital. All these tendencies towards the socialisation of productive capital and labour power within territories have addressed some productivist strategies which, in contrast to neoliberalism, are much involved in space rather than through space. Gough (2005) argues that such tendencies were initially perceived and realised by some sections of capital rather than others, such as industrial and commercial capital rather than financial capital, or small and medium industrial firms rather than larger ones. Furthermore, productivist strategies may come from capital as a whole when the need for socialisation reaches a particular degree causing problems for the circulation and reproduction of capital.

In this framework, local economic initiatives increasingly appeared on the part of some capital as an initial and the most proper strategy in response to the neoliberal therapeutic processes of regulation by value. Localism has provided capital with both organising forms of socialisation such as non-market coordination among capital, labour and state, and simultaneously maintaining discipline on labour for extracting more surplus value. As Gough (1996:394) said, “firms, unions and community groups have been moderate in their demands on local economic policy-making and willing to accept realistic compromises, partly because of the extreme pressures of competition on localities, and partly because of the powerful ideology of ‘the locality uniting to solve its problems’.” Therefore, the local scale was assumed to overcome the economic and political problems of national Keynesianism, the fall of the rate of profit and overpoliticisation of social relations, at the same time. It was such assumption that led localism to be a crucial and applicable strategy in a world dominated by neoliberalism (Gough, 2003b:30).

Nevertheless, localism was not a resolution of the contradictions within capital relations but a new spatial form of them. Furthermore, such spatial form involved, and accelerated, intense contradictions which needed wider spaces to be even provisionally 'fixed'. Firstly, local scale began to be very weak to carry out particular fixed forms of capital such as big infrastructural investments as productive capital needs stronger socialisation in the circuit of capital accumulation. Moreover, neoliberal policies exacerbated such weakness by imposing short-term profits on firms and cutting spending on state (Eisenschitz and Gough, 1996:443). Secondly, a set of crucial economic and political relations which local initiatives have attempted to address such as labour market relations or interventionist policies, i.e. productivist investments and developmental policies, operates in wider spaces (Gough, 2003b:32). This made the local scale insufficient to provide productive capital with stronger and wider forms of socialisation in the circuit of capital accumulation. Thirdly and crucially, local economic initiatives at particular local scales which have already strong forms of socialization were more successful than the others with poor interlinkages, labor power and infrastructure. The consequence was the increasing flows of capital and technical rents from the latter to the former, which led to the increasing uneven development among localities (Eisenschitz and Gough, 1996:443). In sum, the rise of the local scale in a short time ended up with its social and spatial limits in addressing socialisation of productive capital and labour power, which echoed in what has been generally called as the crisis of neoliberalism during the 1990s.

3.2. Crisis of Neoliberalism, Neo-Keynesianism and the Rise of Subnational Regional Scale

1990s have witnessed the destructive operation of the law of value across the world with the result of the elimination of not only weak and overaccumulated capital but also productive forms of capital. As mentioned above, it was a time when productivist strategies came from capital as a whole when the need for socialisation reached a particular degree causing problems for the circulation and reproduction of capital. Even in its American and British heartlands, the so-called

neoliberalism appeared to be an unsustainable strategy and it was replaced by a more socially interventionist and ameliorative form revealed in the Third Way challenge of Clinton and Blair administrations (Peck and Tickell, 2002:386). In this respect, a number of commentators tend to call such transformation as the “roll-out” phase of neoliberalism in which some regulatory elements are introduced. It is argued that neoliberalism in this phase, contrary to the “roll-back neoliberalism”, is increasingly associated with political forms of social regulation and concerned with the regulation of market failures (Peck and Tickell, 2002:389; Jessop, 2002: 456).

Following the above approach, Brenner (2004a; 2004b) further argues that such shift has proceeded through particular rescaling towards subnational regional space. According to him, the roll-back neoliberalism led to the emergence of a particular glocalizing scale-making process in which localities in national state space are increasingly positioned within global flows of capital and subordinated to the economic performance, entrepreneurships and competitiveness. However, being pressured by short term succession and the absence of powerful governance, local economic initiatives and entrepreneurships failed to sustain economic development beyond the short-term and increased the intensification of uneven development (Brenner, 2004a:476). For him, such increased uneven development also undermined national state’s existing operational unity and regulatory coherence, and, in effect, led to governance failures, conflict between territories and legitimation deficits. In this respect, he argues that many Glocalizing Competition State Regimes (GCSRs), the rescaled formation of national state spatiality that brought along the glocalizing scale-making project in the 1980s, have developed various forms of institutional restructuring and rescaling in order to manage the uneven development across localities and regulate the consequences of the global economy. It is in this sense, he remarks, that the distinct aspects of such rescaling are to design new institutional structures that modify state spatiality to contain the regulatory deficits stemming from the period of the rise of the local scale. According to Brenner,

“whereas the rescaling of urban governance during the 1970s and 1980s was catalyzed primarily through strategies to manage economic crisis and to promote industrial regeneration, the rescaling projects of the 1990s have been mediated increasingly through initiatives designed to contain the governance failures associated with previous rounds of state rescaling” (2004a:477).

In this context, Brenner argues that subnational regional scale or metropolitan scale appeared to be a crucial site for such rescaling projects during the 1990s (2004b:228). He suggests that such rescaling has tended to take two opposed forms. In the first form, the model of local entrepreneurship is transposed onto the subnational regional scale. For Brenner, such form is intended to resolve the contradictions of local entrepreneurship through the integration of localities into the larger territories which are supposed to promote a more integrated and competitive economic space for global capital. Brenner criticizes such model for maintaining “unchecked” spatial concentration, interspatial competition and uneven development. On the other hand, in the second form the dynamics of unfettered interlocal competition are provisionally resolved through promoting regulatory institutions at the regional space. Brenner conceives this form as modifying some of the disruptive effects of uneven development and reintroducing a downscaled form of spatial Keynesianism (2004b:478). However, he puts that “which mixture of these opposed glocalization strategies prevails within a given national, regional or local institutional environment hinges upon political struggles in which diverse social forces strive to influence the geography of state regulatory activities towards particular ends” (2004a: 478).

Brenner’s consideration of the rise of subnational regional scale is quite compatible with current social reality. During the 1990s, subnational regional scale has become a crucial site for economic and political governance across the world (see the special issue of *Space and Polity*, 2005). In addition, devolution of some functions to the regional scale was introduced in the period of the so-called ‘roll-out neoliberalism’ (Cox, 2005). Nevertheless, his considerations suffer from the premises of regulationist analysis and thus misleadingly conceive ‘the success’ of the local economic initiatives as the failure, and even the absence, of political

regulation. In contrast, as Eisenschitz and Gough (1996:443) said, local scale has achieved particular success in addressing socialisation of productive capital and labour power while maintaining discipline over labour. In this sense, it has also provided capital with a model for what can be achieved at the subnational scale (Gough, 2003b:32). Therefore, the crisis of local scale rather emerged when the local economic initiatives needed wider socialisation in order to develop more productive relations and surplus value in their contradictory relations with global flows of capital. It was in this context that the so-called regulatory deficits appeared in different ways at different spatial scales (Eisenschitz and Gough, 1996:443,449). Furthermore, different forms of capital perceived such deficits in different ways and developed different strategies. Therefore, the search for forms of socialisation within territories has proceeded through various scalar strategies among social actors at different spatial scales. That's why; such forms were constructed by a large set of contradictions of capitalist social relations and by different political projects formed within these contradictions. In this sense, contrary to Brenner's two invariant models and their mixtures, regional scale is driven with highly conflictual and contradictory relations, which have limited its stability.

Gough (2003b; 2004a; 2005; forthcoming) seeks to underline such conflictual and contradictory relations within the rescaling of economic and political relations. As for the rise of subnational regional scale, he argues that it represents a new phase not just in neoliberalism but also what he calls as neo-Keynesianism (forthcoming). According to him, in so far as achieving a remarkable success in addressing the socialisation of productive capital and labour power under the dominance of neoliberalism, local economic initiatives also deepened uneven development and accelerated flows of capital across the world which might turn into much more pressure over productive capital to extract more surplus value. In the face of such pressures, productive capital has increasingly tended to develop particular (scalar) strategies aiming to organise more productive forms of socialisation while maintaining, and even increasing, discipline on labour (2003b:32). It is in this context that some aspects of state intervention ranging

from the particular state investments to the arrangements of labour market relations have been much demanded to more directly involve capital accumulation process and to enhance productive capital in terms of competitiveness (2005:10). In other words, the logic of Keynesianism in the sense of addressing market failures and of improving productive cooperation between capital, labour and the state within particular territories without politicizing social relations has increasingly appeared on the part of productive capital to be a crucial strategy in response to the homogenizing operation of value across the world (Gough, forthcoming). Furthermore, such logic has begun to be to some extent shared by other forms of capital as the operation of value gets out of hand with the results of destruction of strong socialisation and of increasing speculative flows (Gough, 2005:9).

In this framework, the notion of ‘governance’ which stands for collaboration among capital, labour and the state became an institutional form of such productive and territorial strategies. Gough suggests that it has been constructed at different spatial levels with different degrees since the need to address socialisation varies at different spatial scales (forthcoming). What makes the subnational regional scale rise in this context, according to Gough, is that it has initially appeared, on the part of productive capital sunk into particular localities, to be a more proper scale of such (neo) Keynesian politics by both providing wider territories for productivist strategies and simultaneously maintaining discipline on labour, that is setting aside all conflicts in order to improve the competitiveness of the region (2003b:32). He underlines the importance of subnational regional scale for capital as follows:

“Regional economic institutions promised to overcome some of the scalar limitations of local economic policies, while reproducing the latter’s consensual class relations. The regional level is sharply disciplined by international economic flows; and it may be possible to create a regional solidarity which can keep internal conflicts muted” (2003b: 32).

However, he adds that subnational regional scale has arisen with its conflicts and contradictions since different forms of capital with different spatial aspects have different types of socialisation and thus develop different scalar strategies over regional scale (Gough, 2003b:33). In general, while productive capital tends to pursue a strategy of territorial integrity through which flows, exchanges and collaborations are assumed to be organised within territories they operate, financial capital is liable to defend a strategy of opening up territories to the greater flows. However, the picture is not so simple. As capital's scale division of labour has varied across the world space throughout the neoliberal therapeutic process of 1980s, there have appeared different spatial forms of circuit of capital accumulation at the same scale each of which benefits from different degrees of spatial integrity at different spaces (Gough, 2003b:33, see also chapter 2). Therefore, although it appears to be a consensual model for addressing socialisation on the part of capital, subnational regional scale has involved conflictual and varied interests stemming from different spatial forms of the circuit of capital. In this regard, its construction goes hand in hand with contradictions of capital accumulation, struggles at different spatial scales and diverse political projects formed within them (Gough, 2004a).

What Gough emphasises as the contradictory, varied and politically-constructed aspects of the rise of subnational regional scale can be best found in the current shift in the discourse of the influential agencies of global capitalism and the EU project. Since mid-1990s the world-wide influential agencies of global capitalism such as IMF, WB and OECD has strongly imposed the states to constitute a particular set of productivist strategies. Furthermore, subnational regional scale has been proposed as the most favourable space of such productivist strategies. For example OECD quite clearly points to the destructive consequences of flows of capital across the world space and proposes developing productivist strategies within subnational regional scale as follows:

“It is easy to see that export-led development can lead to regional economic growth; however this perspective alone is unable to suggest how or when development will occur...Lessons from the Asian and Mexican financial crises of

the late-1990s clearly suggest that development from within is as important as the growth of external economic relations if territorial units are to control facets of their futures... In order to diminish regional vulnerability to the effects of increasing economic volatility, policies must focus on local asset creation and management and on enhancing locally based competencies. These are increasingly recognizable advantages in a globalising world” (OECD, 2001:192).

Therefore, at the world level, subnational regional scale is rather seen as a way of avoiding the uncontrollable wave of financial crisis. Furthermore, it is conceived as more integrating with the global flows of capital through mobilizing its spatial specificities. In this sense, it is safe to argue, global capital has pursued a scalar strategy of limited territorial integrity over subnational regional scale. On the other hand, the EU, newly emerging supranational state scale, constructed a particular model of regional governance and organised most of its structural funds addressing industrial development, labor market regulations and social reproduction at the subnational regional level. In addition, the EU tends to develop structural funds to construct strongly-integrated subnational regional scales in which the partnerships of capital, labour and state are assumed to produce productive relations (Gough, 2003b). Therefore, in contrast to OECD, the EU has adapted a more neo-Keynesian strategy over subnational regional scale. However, it has been continuously undermined by the flows of capital at wider scales, and pressured to be more open to the flows of capital (Gough, 2004a).

3.2.1. European Union and Subnational Regional Scale

Subnational regional policies have been used since the 1950s in European countries. Until the mid-1970s, they were widely seen as the crucial tools for redistributing welfare state provisions within national state space. They were also institutionalised in a number of major European city-regions such as London, Rotterdam, Frankfurt, Strasbourg and so on. Such regional institutions were conceived by the central states as rationalizing welfare services and coordinating administrative tiers within the centrally organised intergovernmental relations (Brenner, 2004a: 462). By the mid-1970s, however, there has been a fundamental

change in both regional policies and institutions in parallel to the global crisis of Keynesianism. In this period, nation states increasingly reduced their redistributive regional policies and began to abolish such regional institutions. Therefore, economic growth was increasingly conceived as the endogenous development of each territory. As Brenner (2004a: 469) said, the consequence was the reconcentration of economic growth into particular territories with a result of increasing uneven development within national state space.

During the same period, the process of European integration has accelerated with the constitution of an internal market, which allows flows of capital to operate beyond the constituent nation states (Bieler and Morton, 2001). However, such process has proceeded through increasing attention to subnational regional development. As Gough (2003b: 31) mentioned, a set of structural funds and initiatives has been organised for regional development to promote industrial restructuring, labour market adjustments and social reproduction since 1970s. The Single European Act of 1986 considerably emphasized the importance of harmonious, balanced and sustainable development of economic activities across Europe, and addressed the need to develop poor regions via European Structural Funds (Bayraktar, 2002:22). In 1988, a further step was taken in this way. The EU Commission increased its structural funds for regional development and constituted a set of principles for regional policy. In this context, the principle of partnership was defined as the essential mechanism in the operation of such funds. Through the principle of partnership, local and regional bodies were required to actively get involved in the planning, decision making and implementation of the regional funds. In this way, subnational regional authorities were firstly recognized as the partner of regional development process in the EU (Ertugal, 2005:5). In 1993, the principle of partnership was further extended to involve civil society such as trade unions, industrial associations and non-governmental organisations. In addition, the principle of programming was also conceived as another essential mechanism in the EU's regional policy. With this principle, in contrast to its previous operation through individual projects, the use of regional funds were required to be formed within larger programmes. In this sense, the

EU's regional funds began to be a part of larger developmental strategies. Furthermore, the principle of concentration was taken as another crucial instrument in regional policy. Such principle, which identifies the priority of objective regions in using the structural funds was assumed to prevent the use of funds from concentrating into wealth regions and to contribute to the balanced development across the EU (Reeves, 2005:2). In a similar vein, the principled operation of the EU's regional funds have also gained territorial form of NUTS 2 regions within national state space since 1988. The NUTS 2 regions were established as a territorial unit of statistics for the implementation of regional policies. In consequence, as Keating (1998) put, all these policies towards regional development have served the emergence of subnational regional initiatives for getting the regional funds, which have gained the EU's second largest budget item with an allocation of 200 billion euro for the period of 2000-06. Thus, the European integration process has brought along the rise of subnational regional scale within nation states while constituting wider space for flows of capital beyond them.

The establishment of Regional Development Agencies (RDAs) has appeared to be a crucial form of such process within European countries ranging from Germany, Italy and England to Poland during the 1990s (Brenner, 2004a:477; Kayasü, et.al., 2003:37-8). The RDAs are conceived as the boards comprising mainly of business people, local state and civil associations, with responsibilities for certain economic development and social policies within subnational regional spaces. They are intended to provide intra-regional interlinkages, networks and reflexive social relations through which regional economies are assumed to benefit from global flows of capital (Kayasü, et.al., 2003:9). It is such process that led many commentators to argue that the most efficient and appropriate scale for social and economic development within contemporary global economic conditions is the subnational regional scale and that the RDAs are the states' institutional realization of this spatial and economic imperative for development (see Amin, 1999; Storper, 1997). Nevertheless, the examples of the construction of subnational regional scale through establishing

the RDAs within European countries have shown that it is not simply an organizational response to the industrial restructuring and so-called global economy but rather the outcome of a highly conflictual process proceeding through competing political projects over the regional scale (see for the Portugal case, Syrett and Silva, 2001). Furthermore, the British experience of subnational regional scale during the 1990s seems to quite clearly argue that it is something beyond the organisational change in the scale of economic and political governance.

3.2.2. Britain's Experience of Subnational Regional Scale Through the RDAs

The British⁹ state space has highly centralised aspects in terms of economic governance. Although remarkable economic policies have been conceived at localities along the neoliberal strategy since the late 1970s, they have been carried out through particular agencies rather than local authorities (Gough and Eisenschitz, 1993:26). In this regard, such aspects of British state have remained throughout the 1980s. In addition, in spite of involving particular regional policies and institutions, England has never had a separated subnational regional scale of economic and political relations. They were controlled and administrated by central state (Karasu, 2005: 197). In relation to the EU, however, the issues of regional dimension to national policies, institutional collaboration at a regional level and the development of regional state institutions have been a current issue in British political life since the 1990s (Yaşar, 2003:60).

In this framework, firstly, in 1991 England state space has been firstly reconsidered into eight different subnational spaces for statistical purposes in line with the EU's regional policy. The Conservative Party government further took a decision of establishing Government Offices (GORs) for such regional spaces in 1994. The GORs were intended to coordinate and organise central state institutions at the regional level. They were also thought to access and use the EU's regional funds (Karasu, 2005:202). In this regard, the EU's regional policies

⁹ The term British here should be understood not as United Kingdom, which includes Scotland, Wales and Northern Ireland, but rather England.

were a key factor in establishing the GORs (Yasar, 2003:60). However, the Conservative Government designed the GORs not to devolve some aspects of state power but rather to facilitate the operation of central state bodies at the regional level. In this sense, the GORs represented an additional body of the central state at the regional level (Karasu, 2005:204). It is because of such aspects of them, some commentators argued, that the GORs did not succeed in creating institutional capacity for mobilizing regional dynamics and providing regional development (Gibbs and Jonas, 2001 quoted in Kayasü, et.al, 2003:39).

In contrast to the Conservative Government, Labour Party has exposed its political commitment towards the strong devolution of state power to the regional space since the 1990s. In its published consultation document, “A Choice for England” , Labour Party proposed to redefine the GORs in particular ways that is more open and more accountable to the regions and localities, arguing that localities need coordinating at wider spaces for economic development and democratic governance, instead of competing with each other (Karasu, 2005:206). A further step in this context was taken by Labour Party with a proposition of establishing the RDAs which are assumed to operate under the control of elected regional assemblies, with responsibilities for regional developmental strategies (Yaşar, 2003:61). In 1998, after the British general election, the new Labour Part government established the RDAs with a board appointed by central government. The RDAs were designated as the unelected non-departmental public bodies consisting of business people, local authorities, trade unions and civil associations. They were mainly charged with developing and implementing regional developmental strategies in collaboration with local and regional actors. In this context, the objectives of the RDAs were defined as follows: promoting regional economic development and regeneration, advancing business investment, efficiency and competitiveness, increasing employment levels, assisting with the development of relevant skills, encouraging sustainable forms of development (Kayasü, 2003:41). In order to carry out such objectives, the RDAs were given a remarkable state power ranging from the provision of grants to the firms, the land and property development, rural economic development to the innovation

strategies and coordination of training. In addition, the use of the EU's regional funds and national state's restructuring funds were defined under the authority of the RDAs (Karasu, 2005:212-3). Alongside the RDAs, Labour Party government formed Regional Chambers which are composed of representatives of local authorities and various business sectors and supposed to operate as the consultative body of the RDAs in each subnational space. The Labour Party further proposed to develop Regional Chambers into Elected Regional Assemblies (ERAs) in its manifesto for the June 2001 general election (Gough, 2003b:24). For this aim, a particular referendum on whether an ERA should be set up which would have control over the RDA was held in North East Region of England in 2004. Although the vote was strongly against an elected assembly, the government declared that its attempts for constituting the ERAs will remain (Karasu, 2005:218).

The process of the emergence of the RDAs within England state space has been generally explained in two ways. The first explanation rather underlines the increasing importance of regional economies with particular internal linkages and reflexive relations within global economic conditions. In this regard, the RDAs are conceived as the recognition of the importance of such regional economies by the British government. For example Deas and Ward (2000) argue that the RDAs have been set up to better organise regional economic potentials and institutions towards regional development. Such an interpretation can be supported by the fact that Labour Party Government defined the industrial clusters and demanded the RDAs to foster such clusters (see DTI, 2001:2). However, as Gough (2003b:26) said, such report also said that industrial geography in Britain has no particular spatial agglomeration corresponding to the officially-defined subnational regional space (see DTI, 2001:20). In addition, and more importantly, such an interpretation could not clarify why current industrial clusters are producing, and need, particular state devolution whereas the previous ones did not (Gough, 2003b:26). Another explanation is to privilege the EU's regional policies and the Labor Party's political strategy of decentralization in the emergence of the RDAs within England state space. It is reinforced by the fact that the increasing attention

on the subnational regional scale has coincided with the revitalization of the regional policies through the EU's reform of 1988. Nevertheless, the EU's regional policies do not require Member States to set up the RDAs but the institutional correspondence at the subnational regional level such as the GORs established by the Conservative Government. In this context, a relevant reason might be thought as Labour Party's political commitment to decentralize state power as a way of reducing centralist tendencies within British state and of enhancing democratic control on state policies. However, as Gough (2003b:26) mentioned, "the failure of the government substantially to unshackle the local authorities, and the government continuation of the policy of the previous conservative government of setting up new mechanisms to bypass the local authorities and deal directly with local institutions, indicate that the Labour Party leadership lacks any principled commitment to decentralization". If so, what are the dynamics behind the setting up of the RDAs within the British state?

The revival of regional development policies in Britain brought along the emergence of the crisis of local economic initiatives in the late 1980s. As Eisenschitz and Gough (1993: 248) remark, the fragmented nature of the local economic policies in Britain on the one hand have suffered from neoliberal flows of capital and on the other hand promotes them. The consequence was the increasing uneven development across the Britain in the late 1980s, resulting in the so-called 'Sun-Belt' of southern England. In response to such uneven development, the fragmented local economic initiatives have developed some attempts for enhancing local authorities, coordinating localities and thus pressured to depart from the Conservative Party's strategy of weak local government under the dominance of neoliberalism (Gough and Eisenschitz, 1996:212-3). Nevertheless, as frequently underlined, the liberal roots of British capital have long provided very significant strengths to the British financial capital, which is called as the City of London, over British political economy and thus limits the political power of productive capital and of medium and small capital in comparison with other European countries (Gough and Eisenschitz, 1996:212). Furthermore, European integration process alongside the wider spaces for flows

of capital has increased the power of the City of London over sections of capital and labour with the results of increased flows of capital, the decline of socialisation of productive capital and uneven development across Britain. A corollary was the intensification of the demands from labour, sections of labour at local scales to combat the decline of socialisation and uneven development through state interventionism (Eisenschitz and Gough 1993: 271).

In this framework, subnational regional space appeared to be a crucial site among British capital. While local economic initiatives have increasingly attempted to jump their scale towards regional space as a way of overcoming the lack of coordination among localities and the fragmentation of local economic policy, British financial capital conceived subnational regional space as a new space of investment and thus as an opportunity to increase its investments. Indeed, by promising to overcome the spatial limits of local economic initiatives and reproducing the disciplinary relation of them, subnational regional governance appealed to both sections of capital (Gough, 2003b:32). In addition, the leaderships of the trade unions, too, have supported the construction of subnational regional scale because it appeared to address new socialisation of capital and labour power within regions and to reduce the employment problems of the depressed regions (Gough, forthcoming). What is more, the EU's increasing regional funds have fostered the local economic initiatives' strategy of jumping up to the subnational regional scale (Keating, 1998). However, subnational regional space appeared not only to be a crucial site of struggle between capital and labour but also a site of struggle for different socialisation projects due to the fact that different forms of capital pursue different socialisation projects within different territories. In this context, the process of articulating these different socialisation projects within subnational regional space has developed with highly contradictory and conflictual struggles through different political projects (Gough, 2003b:33).

Firstly, Labour Party's challenge of devolution through setting up of the RDAs within British state appeared on the part of local economic initiatives to be a significant achievement in their scalar strategies. However, their lack of

authority over a number of other key actors within their regions, the central state institutions' control over them and their financial dependencies on the central state's budget have promoted a limited spatial integrity of subnational regional space within the British state space, in parallel to the spatial vision of British financial capital. The lack of spatial integrity of subnational regional space was then criticized by some sections of capital, trade unions and some community groups for making regional economies weak in relation to flows of capital (Gough, 2003b:34). Therefore, they increased their pressures to enhance regional integrity. The government's recent attempts for constituting Elected Regional Assemblies have appeared to be a political response to such demands without disturbing financial capital's spatial vision. However, this means a shift in the control of economic policy from an unelected RDA to an elected regional assembly, which involves different interests and conflicts. In this way, the elected regional assemblies are liable to become a vehicle for particular popular demands on regional firms and central state policies which break with the way subnational regional scale is expected to address socialisation of productive capital and labour power while maintaining depoliticization (Gough, 2003b:35). In this sense, the process of the construction of subnational scale within British state remains open to struggle, to various political strategies and thus to change.

3.3. Concluding Remarks

This chapter seeks to understand the logic of the downward rescaling of economic and political relations at a time when capitalist social relations have gained global characteristics. Although sharing the view that neoliberal strategies of increasing internationalisation of economic relations across the world space have fragmented national state spatialities into local spaces competing for mobile capital, it argues that what provide the rise of local scale are rather the local economic initiatives addressing particular forms of socialisation of productive capital and labour power within local territories. It is suggested that the so-called neoliberal policies of deregulation, marketization and individualisation should be considered in terms of the essential contradictory relations of the fixity and the

movement in the circuit of capital accumulation process. Conceived in this way, neoliberalism appears to be a particular political strategy of increased spatial flows and of easier mobility of all forms of capital across the world space in the pursuit of more profitable lines. Therefore, the rise of local scale as a space of considerable economic and political relations should depend on something more than neoliberal spatial flows. This chapter argues that it was the depoliticized socialisation of productive capital and labour power that made the local scale such an attractive space to initially productive capital and then capital as a whole. However, it is also argued that local scale was not a resolution of such essential contradictory relations in the circuit of capital accumulation process but a new spatial form of them. By accelerating capital accumulation process through new productive relations, local productive relations also led to the increasing uneven development and faced its social and spatial limits. This chapter suggests that it is in this context within which recent tendency of the shift from the local scale to the subnational regional scale should be understood. In addition, contrary to the prevailing arguments that conceive such shift either as the social and spatial reflection of global economic conditions (new regionalism) or the new durable and invariant spatial fix corresponding to the new mode of regulation (regulationist approach), this chapter argues that it involves the essential contradictions of capital accumulation process; it is developed through struggles at different spatial scales and articulated by different political projects. Therefore, all of these factors limit its 'efficiency' and 'stability'.

This chapter further examines the increasing subnational regional policies within the process of European integration since the 1980s. While demolishing the barriers to the flows of capital across the European space, European capital has attempted to construct subnational regional scale involving particular economic and political relations through its increasing regional funds. The most popular way of such construction across the EU has been the setting up of the RDAs with a considerable power on regional development policies within nation states. However, the investigation of the emergence of the regional scale in Britain showed us that the task of the setting up of the RDAs is not a construction of

well-operating institutional structures for getting the EU's regional funds but an attempt to articulate different territorially fixed patterns of class relations and different (spatial) political projects at the same space. It is because of such articulation that, this chapter concludes, the scaling of economic and political relations at the subnational regional scale provides new inter and intra-class tensions, which might make the regional scale strongly politicized in such a way as to damage what capital demands over regional scale. In the following chapter, we will go into the details of such articulation with specific reference to the politics of scale in the Turkish state space.

CHAPTER IV

POLITICS OF SCALE IN THE TURKISH STATE SPACE: THE CASE OF REGIONAL DEVELOPMENT AGENCIES

“state is the specific material condensation of a relationship of forces among classes and class fractions” (Poulantzas, 1978:129)

“... social relations have social space for support...This entails a spatialization of political theory, including a critique of deterritorialized abstractions which, at the same time takes into account localities and regions...This entails as well a reconsideration of the economy in terms of space, of the flux of stocks, of mobile elements and stable elements, in short, of the production and reproduction of space.” (Lefebvre, 1978 quoted in Brenner, 2004b: 69)

4.1. A General Overview

In parallel to the changes in capitalist social relations at the world level in the wake of global crisis of capitalist social relations in late-1970s, there have been radical economic and political transformations through the introduction of neoliberal policies in Turkey since 1980. Tünay defines such transformations as founded on the new accumulation strategy by Turkish capital with a particular aim of opening to the international markets in its competitive sectors via state's economic incentives (Tünay, 2002:190-191). The essential dynamics lying behind the new accumulation strategy was the social and spatial limits of inward-oriented capital accumulation process, which basically revealed itself in the form of the need for foreign money on the part of the capital that reached its limits within domestic markets (Ercan, 2002). Faced with such limits, Turkish large scale capitals sought to integrate with global markets through export-promotion as a way of increasing surplus value. The process of integration with global markets by Turkish capital has however proceeded in relation, albeit in an unequal manner, with a new form of internationalisation of capital at the global level (Ercan and Oguz, 2005). In this context, national developmentalist state as an

institutionalised form of relations between economic and political in the process of inward-oriented capital accumulation urgently appears, on the part of both international capital and Turkish capital, as a strategic form which is assumed to be recomposed in a market-oriented manner (Yalman, 2002: 19-20).

One of the important effects of such recomposition has been on the position of the localities within Turkish state space. Under the national fiscal squeeze stemming from the neoliberal policies, localities were much pressured to develop a set of strategies to supply infrastructures for their own local economic development and inward investment. The most popular strategy that localities developed was the use of international credit capital. In this way, localities, in contrast to their characteristic of the space of reproduction of labour power within national developmentalist state form, began to emerge as the space of remarkable capital investment within a broader space of international flows of capital (Sengul, 2003a:201-2). Such direction within localities towards space of capital accumulation was accelerated through increasing state incentive for establishing Organised Industrial Districts embodying small and medium-sized capital across the inner Anatolian cities (Muftuoglu, 2005), which led to a discernible change in the geography of industry mainly agglomerated within Marmara Region in the course of national developmentalist state between 1960s and 1980 (Eraydin, 1992:128-34, cf. Tekeli, 1981). In tandem with the rise of localities, remarkable responsibilities for spatial planning, social services and economic development were devolved to the local state (Sengul, 2003a:200). However, this process did not reach such a degree that the spatial matrix of national developmentalist state as embodying the subnational localities within a scalar dominance of national state would be replaced by another spatial matrix. It was a rather limited change in the scale of political and economic relations.

Nevertheless, the process of recomposition of social and political relations in Turkey has gained a new step in 1990s through the institutional harmonisation with particular international bodies such as IMF, World Bank and, remarkably, the European Union (Bedirhanoğlu *et al*, 2004). Especially, after the acceptance of Turkey as a candidate for the full membership by the European Union in 1999,

Turkish political and economic structures have been put in the EU's accession process. In this process, a considerable change in the scale of Turkish national state space has increasingly come to the political agenda because a more regionalised governance with remarkable power on subnational regional development policies is one of the pre-accession conditions imposed by the EU since 1997. The introduction of a more localised governance within Turkish state space has long been on the public agenda since 1980s and supported by domestic capital in different ways (see for example TUSIAD, 1997). However, it was rather formed with the particular goal of compensating for fiscal constraints on localities through enabling individual local entrepreneurship without providing any comprehensive development strategy among localities (Sengul, 2003a: 202-4). Instead, arguing for a planned development within regional scale embodying interconnected local economies, such a regionalised governance seems to provide a distinguishing development strategy in terms of both its content and scale. It would be clearer when the following arguments on national developmentalist state are considered:

“With the foundation of State Planning Organisation as a Constitutional requirement, not only the necessary importance of planning in the economic development had been emphasized, but also planning or planned development had been the symbolic expression of the attempts for new hegemonic strategy...In other words, planning as an hegemonic apparatus founded on the consent of different social groups was to constitute new democratic order” (Yalman, 2002:16).

Following our theoretical argument that interests vary at different spatial scales due to the capital's scale division of labour, we can then add that because it geographically points to the national scale, national development planning also remarks scalar characteristics of such hegemonic projects. Moreover, referring to the preludes by Poulantzas and by Lefebvre above, we can further argue that national development planning as the specific form of state is the scalar condensation of power relations among classes and class fractions with different spatial interests. In this sense, a more regionalised governance with a claim of distinct regional development policies involves a change in the scalar

condensation of power relations among classes and class fractions with different spatial interests. Furthermore, in so far as arguing for a planning or planned development, such a regionalised governance implies the hegemonic struggles among classes and class fractions with different scalar strategies.

This chapter investigates the process of, and the competing struggles by classes and factions for and around, changes in the scale of Turkish state space towards a subnational regional scale. In this context, the most prominent change concerns the Law on establishing Regional Development Agencies (hereafter, RDAs) with a distinct power on regional development policies and planning for the NUTS 2 regions collecting Turkish 81 provinces into 26 subnational statistical regions. Whereas Turkish government (Justice and Development Party), taking the majority of the seats in parliament in 2002, declared the Law on RDAs as a crucial part of its Urgent Action Plan, it couldn't be passed until February, 2006. The Law in its final form, however, has gained a rather different form, reflecting the changes in the scale of state space as the outcome of class struggle with different scalar aspects. In what follows, we will analyse such scalar struggles through a study of the Law on RDAs.

The following part of this chapter presents the historical approach to the regional scale and regional planning within Turkish state space by following the concepts, terms and institutions used and proposed by State Planning Organisation within its Five-Year Development Plans since 1963. In this part, the processual aspects of changes in the scale of political and economic relations are portrayed in relation to the capital accumulation process. The third part further analyzes the process in terms of capital's scale division of labour. In this part, two different economic organisations as representing significant points of reference in understanding the relation of capital accumulation process and space are investigated in terms of their scalar strategies for regional development. The fourth part specifically deals with the Law on RDAs around which different social actors with different scalar aspects develop different scalar strategies. This chapter will be concluded with a general evaluation.

4.2. Regional Scale within Turkish State Space

Turkish state formation was formally constituted as a national unitary state with no legal definition of ‘the region’ but the province. The provincial level is the basic unit of scalar organisation of Turkish state formation. It has been firmly controlled and dominated by the governorship as the representative body of central state, although involving two main elected bodies, the special provincial administration and the municipalities (Güler, 2005). In this respect, Turkish state space can be considered as the scalar form of social relations within a centrally organised national state. It is within such scalar form that local state space has conventionally been constructed through rather clientalist forms of representations whereas central state has been dominated by considerably-organised forms of representation of classes and factions (Sengul, 2003a:198-199).

However, the regional scale has sometimes been involved in Turkish state space in different ways. The regional scale first enters into Turkish national state space through establishing official regional inspectorships in 1927 which aims to control particular ethnic and political dynamics at particular regions within an order of national unity (see Koçak, 2004). Such regional inspectorship was assumed to follow and control local dynamics including local officers and, if necessary, to hold particular state power upon them so as to secure the local order in the name of Turkish national state. In this sense, five different regional spaces collecting particular provincial units into a single space of state power were formulated in between 1927 and 1947 within Turkish state space (Bayramoğlu, 2005:44-49)¹⁰. Nevertheless, since being constructed by the only specific aim of securing national unity with a provisional institutional apparatus, these regional spaces were not influential in changing scale of the relations between state and society. In 1952, the practice of the official regional inspectorships was already cancelled (Bayramoğlu, 2005:49).

¹⁰ These bounded territories as the space of the inspectorships were quite remarkable in terms of representing the specific aim of such scaling : Diyarbakır, Edirne, Erzurum, Elazığ and Adana where Kemalist national state project had some conflict as to issues of ethnicity, religion and territorial security were defined as the center place of the inspectorships.

The term of region once more enters into political agenda along with the period of so-called planned development. As stated above, State Planning Organization (hereafter, SPO) was established as a crucial part of a particular hegemonic strategy by Turkish emergent industrial capital seeking to grow up within domestic markets through import-substitution. SPO was considered to direct social, economic and natural resources towards expanding domestic market which is assumed to operate in favour of society as a whole through the Five-Year National Development Plans in collaboration with private sector (Yalman, 2002:14-6). In this framework, regional policy was seen as an inseparable part of the process of national development. The first Plan (1963-1967) clearly underlines regional policies within national development as follows:

“The national plan was based on essentially on sector studies and surveys of various branches of activity. These studies, however, had to be implemented by careful regional analysis. Regional planning serves to ensure development based on interregional balance, the distribution of public services on lines designed to promote a more equitable income distribution, rational development of regions according to their potential resources and to find solution to excessive urbanization and population problems (DPT, 1963 quoted in Demsek, 2003:41).

In this framework, remarkable planning projects for particular regional spaces where there were considerable social and economic potentials to be incorporated in national development such as Eastern Marmara Planning Project, Zonguldak Project, Çukurova Regional Project were first developed by SPO. In this sense, regional spaces were rather conceived as part of the national state space supporting inward oriented capital accumulation. However, in parallel to the appearance of the social and spatial consequences of inward oriented capital accumulation and increasing social power of the workers, the inequalities between regions were much mentioned within Five-Year National Development Plans. In this sense, the term “backward regions” was first used in the Second Plan (1968-1972). According to the plan, backward regions should be supported by state investment and subsidies in order to sustain a balanced national development. The plan proposed the constitution of a ‘growth center’ within backward regions by state investments such as big industries or infrastructures which are expected to

attract capital and to overcome the disadvantages of spatial uneven development (DPT, 2000a). In this context, some state institutions dealing with big infrastructural investment were increasingly founded within artificially-constructed regional spaces as the efficient units of state services at the provincial level (Bayramoğlu, 2005:60).

In comparison to its first introduction into Turkish national state space, regional space began to be more apparent through the definition of particular spaces of planning, development or state services in the first two planned periods of the inward-oriented capital accumulation process. However, there was no constant definition of regional state space. The term region was generally used for different purposes ranging from pointing to the geographical differences in terms of topography and climatic conditions to the efficient units of spatial organisation of state services which might vary according to different services (Dulupçu, 2005:106). Moreover, regional spaces were constructed by the central state through redistributive policies embodying state investment in building and plant and biasing of infrastructure spending towards backward regions in order to alleviate social and spatial consequences of uneven development for the inward-oriented capital accumulation within national space. Therefore, its existence and durability essentially depended on the efficient operation of inward-oriented capital accumulation process at the national scale. However, the relation was not one-sided and so simple. As far as regional and/or local development depended on redistributive policies directed and administrated by the central state, it was carried to the political arena, albeit on a cross-class basis, by various social actors in different ways, mostly through political parties (see Sengul, 2003a: 198-9). A corollary was the increasing political pressure on capital accumulation dynamics.

Such a political situation was quite explicitly expressed in the Third Plan (1973-1977) when the inward oriented capital accumulation process faced economic and political pressures in the early 1970s. The Third Plan argued that the attempts for alleviating the differences in development across regions in a short period of time led to the irrational and unfair distribution of economic resources, and thus decreased the velocity of capital accumulation (Bayramoğlu,

2005:60). In this respect, the Plan raised the need for a particular principle of redistributive policy across regions. The result was the separation of subnational spaces in terms of their priority in development (DPT, 2000a). Therefore, the issue of spatial development was no longer conceived in reference to the balance between regions including some egalitarian assumptions, but the priority of some regions over others. In so doing, the Third Plan clearly left a particular claim of a balanced spatial (regional) development within national space that was involved in the first two Plans. Thus, spatial uneven development inherent within capital accumulation process was taken into the Plan as an ideological premise.

The following Five-Year Development Plans by SPO followed this basic premise. A particular regional development policy of ‘the priority regions in development’ has been a constant feature of Development Plans since then (Bayramoğlu, 2005:80). Within such regional policy, the constitution of the Organised Industrial Districts (hereafter, OID) has been proposed as a crucial means of challenging regional inequalities since the Fifth Plan (Müftüoğlu, 2005: 380). In the fifth, sixth and seventh Plans, although the terms region, regional differences and regional development were remarkably underlined, there were no crucial suggestions about regional development except for the OIDs (Bayramoğlu, 2005:81). On the other hand, some conventional redistributive regional policies remained for some specific regions. The South-eastern Anatolia (GAP) project is a quite important case in this regard. The GAP project, which overlaps with the geographical region of South-eastern Anatolia, was to develop irrigation and energy production in a predominantly Kurdish populated and poor region where Kemalist national state project has historically been weak. Therefore, such a regional project has also involved national state’s particular political strategies. The GAP project has a distinctive regional development administration headed by the central state to coordinate investment in the region (Ertugal, 2005:13). It is one of the cases where conventional regional policies have to some extent remained for specific purposes.

Nevertheless, ‘The Report on Regional Development between 1996 and 2000’ prepared by SPO in reference to the eighth five-year development plan

remarks a considerable change in the approach to regional policies. In this report, the so-called globalization (global economy) is taken as a new social reality which involves both opportunities and threats for national development. Furthermore, it is argued that subnational regional economies with strong linkages, interdependencies between different sectors and reflexive relations provide the best case for benefiting from the global flows of economy. In this context, the report states that regional policies, albeit compatible with new conditions, should come to the agenda after the long silence on them since 1970s (DPT, 2000a).

The eighth five-year development plan (2001-2005) follows the basic assumption of this report. The plan argues that small and medium sized capitals with different spatial specificities have gained increasing economic role within the global economy. Local and regional economies, in this sense, have been an important part of national development. In this framework, the Plan suggests, space and spatial differences across the country are becoming more important in constituting development strategies. Therefore, traditional planning for development based on the aspatial sectoral analysis is no longer adequate in the face of competitive economic relations involving complex spatial specificities. At this point, the Plan reclaims regional planning as a necessary link between national priorities with sectoral analysis and local demands with spatial differences (DPT, 2000b:67). It is regional planning through which, the Plan assumes, both national development plans will involve the spatial differences and local potentials will be mobilized. In this framework, the eighth Plan announces that the attempts for constituting local industrial clusters with entrepreneurship, innovation and specialisation will be supported and institutionalised by SPO (DPT, 2000b:63). Therefore, SPO is allowed to make arrangements and organize field units in necessary centers so as to prepare, implement, coordinate and monitor progress in regional plans (DPT, 2000b:68).¹¹ In this line, a new scale of

¹¹ In this framework, SPO has recently developed some regional development projects such as Eastern Anatolia Project and Eastern Black Sea Region. The main aim of these regional projects is the realisation of regional development through developing competitive spatial specificities within the global economy in cooperation with public sector, private entrepreneurship, local governments and other non-governmental institutions (see DPT, 2000c; DPT and JICA, 2000).

planning at the provincial level has also been introduced into scalar hierarchies of planning within Turkish state space. The provincial development plan in cohesion with regional development is considered to be prepared by governorships in cooperation with local actors in order to make localities more competitive.

On the other hand, the eighth five year development plan has a particular strategic target regarding Turkey's accession process into the EU. In the Plan, it is clearly stated that Turkish regional policies are developed in cohesion with EU regional policies (DPT, 2000b:25). What such a strategic target involves is a more regionalised governance model which requires a regional classification of national state space and a distinct subnational regional institution for regional development (see CEC, 2002:110). The implication of these requirements for Turkey would be a remarkable rise of subnational regional scale within Turkish state space.

In sum, there has been a quite interesting process of the rise of regional scale within Turkish state space. Although it has no stable counterpart within Turkish state space, subnational regional state space had provisionally been constructed for different purposes. In the first decades of the Turkish Republic, a particular form of subnational state space was constructed in order to control certain regional political dynamics within an order of national unity. The establishment of official regional inspectorships linking local spaces directly into central state was the institutional form of this regional state space. In parallel to the inward-oriented capital accumulation process, regional state spaces were seen as ensuring national development in a more balanced manner. The principal form of such regional spaces has been the development projects embodying central state investment in building and plant and biasing of infrastructure spending towards backward regions. Such redistributive policies for a more balanced development were reformulated as they were challenged by the essential dynamics of capital accumulation process. In this period, regional development projects were progressively reduced in terms of their budget and scope. With the new forms of integration to global markets through the export-promotion strategy in the 1980s, this tendency was much more accelerated. Furthermore, the issues of development in this period were left to rather local individual actors and their

entrepreneurships towards getting plants in the OIDs and connecting with international markets. In other words, the inherent tendency of uneven spatial development within capital accumulation process was conceived as a development strategy for the localities within national space. Nevertheless, there has been a remarkable shift to the issues of development and planning in the five-year development Plans since 1990s. It is now argued that societies are increasingly required to organise spatial specificities at subnational regional spaces to achieve economic development within the global economy. Therefore, two significant changes in scale of economic and political relations are assumed at the same time. While capital accumulation process which had been essentially conceived in reference to national scale has shifted upwards to supranational and global scale, developmental strategies including some forms of state intervention are downscaled to the regional scale.

What are the essential dynamics behind such a twin scalar change in the economic and political relations? Who are the social actors demanding such a crucial change in the scale of economic and political relations? The following part tries to find adequate answers to such questions by investigating capital's scale division of labour within Turkey.

4.3. Recent Changes in the Geography of Industry and the Rise of Local Economic Actors

Turkey (Ottoman Empire) is a country which welcomed capitalism in the late 19th century in a particular way by linking international capitalist centers and some port cities such as Istanbul and Izmir through trade. On this social and historical basis, capital accumulation process in Turkey has begun with big regional differences between such cities especially Istanbul and inner Anatolian cities. Although such regional inequalities remarkably changed in favour of the latter in the first decades of the modern Turkish Republic due to its political claim to create a national state across Anatolia, the essential dominance of the former over the latter did not change (Sengul, 2001:71-2). As Ercan (1999:44) puts, in this period the inner Anatolian regions except for Ankara were involved in the

capital accumulation process only via providing commercial capital with cheap raw material and labour power. However, there appeared some differences in this picture when the industrial capital apparently unfolded throughout the period of inward-oriented capital accumulation. A crucial study of the differentiation of the economic development across different regions in this period conceived Turkish national space as comprising of three different economic groups in which the cities of Antalya, Icel, Adana and Antep are separated from other Anatolian cities (Tekeli, 1981). Nevertheless, such a separation was not the result of a fundamental economic development of the above cities but an increasing uneven regional development across the country. A large amount of productive capital has increasingly concentrated in, and accumulated through, the city of Istanbul and its surroundings during the inward-oriented capital accumulation process (see Tekeli, 1981:382)

However, recent surveys on the geography of industry in Turkey have pointed to significant changes in the geography of industry across the country (see Pınarcıoğlu, 2000; Eraydın, 1992; 2004). In these surveys, some regions in inner Anatolia such as the cities of Denizli, Gaziantep, Kayseri, Konya and Çorum are signed as the new industrial foci achieving crucial success in economic development through connecting with international markets (Eraydın, 2004:66-71). Furthermore, what underlies such success in economic development is remarked as the rise of small and medium firms at particular localities through export-promotion towards international markets (see Filiztekin and Tunalı, 1999). Moreover, the specific aspect of such firms is said to be their use of local specificities including labour market relations in a more collaborative and flexible manner (Eraydın, 2004:80-2). In terms of capital's scale division of labour, such firms can therefore be considered as newly-emerging local capital which can get involved with the circuit of capital through producing for international markets at local spaces.

Such firms have also tended to constitute particular economic organisations as a way of defending their interests at different levels. However, as small and medium-sized capitals have engaged in different relations with

international markets, such organisations have taken on different forms representing divisions among capital (Vorhoff, 2000:339-43). Eraydın argues that newly-emerging local capital seeking to further integrate with international markets has found officially-organised Chambers of Commerce and Industry less dynamic and flexible, and preferred constituting new economic organisations (2004:84). In this sense, there have recently appeared two remarkable local economic organisations: The Independent Industrialists' and Businessmen Association (MUSIAD, in Turkish) and Turkish Enterprises and Business Confederation (TURKONFED, in Turkish).

4.3.1. The Independent Industrialists' and Businessmen Association (MUSIAD)

MUSIAD is mainly comprised of small and medium-sized firms which were generally founded in mid-1980s (Buğra, 2004:134). It was established in 1990 by young businessmen and now has reached nearly 3000 members. MUSIAD with about 10,000 firms is said to have 35 billion-dollar share in the Gross National Product (Keyman and Koyuncu, 2005:117). The main force that has led MUSIAD to grow to such a degree is its members who have rapidly grown up through export promotion in the cities of Kayseri, Konya, Denizli and Bursa (Vorhoff, 2000:325).

MUSIAD has a particular view against large scale Turkish capital which has gained remarkable accumulation during the history of modern Turkey. According to this, what lies behind the failures of Turkish economy to benefit from the global economy is the historical symbiotic relations between the central state and large scale capital. Such problematic relation has led to both corruption in the political sphere and the emergence of a rentier capitalist class over economy, with the results of unproductive and awkward economic relations (MUSIAD, 2004:103). On the other hand, small and medium sized capital which has appeared in different Anatolian cities along with the restructuring of the economy based on export-promotion has achieved remarkable economic success and provided significant contributions to the Turkish economy on their own foots.

However, the strong dominance of rentier capitalist class over the Turkish economy and political life has put various impediments to the development of small and medium sized capital as well as the Turkish economy. Therefore, in order to compete in global markets there is an urgent need to restructure the Turkish economy in a way that supports small and medium sized capital which is productive and dynamic (MUSIAD, 2005a).

In this framework, MUSIAD offers the downsizing of the central state towards local government as an essential way of overcoming the above difficulties in the economy. In a report on Turkish economy in 2003, MUSIAD clearly puts it as follows:

“One of the most important problems in Turkey is the resistance by the privileged sections of the society to the process of democracy and liberalisation which would cause removal of their privileges. In this process, the downsizing of state amounts to the disappearance of problematic relations in political life and dominance of bureaucracy over economic relations...Despite the prevailing political claims of the downsizing of state in Turkey, they have not been realised and a comprehensive reform in public administration could not be achieved.... However, Justice and Development Party, acquiring the majority of the seats of the parliament in the general elections on November 3rd, 2002, has a great chance in building public administration...The Basic Framework Draft Law on Public Administration, which is addressed by Omer Dincer (the permanent undersecretary of Prime Minister) on 3rd November, 2003, is an important step to realise the devolution in state power and the constitution of referee-state” (MUSIAD, 2004:102).

Therefore, MUSIAD explicitly relates its arguments on the economy to the ones on state. From the point of MUSIAD, the transformation of Turkish economy into a more efficient and productive one requires the transformation of Turkish state not only in terms of social aspects but also spatial ones. Such a spatial view is much apparent in MUSIAD’s recent report on the Turkish economy. In this report, MUSIAD argues that small and medium-sized firms as the crucial force of Turkish export-oriented economy can only respond to the competitive nature of the global economy through establishing dynamic forms of

governance at the regional level. Nevertheless, because of its highly centralised characteristic, the Turkish state has been inadequate in mobilizing and preparing local and regional actors to the global economy. Therefore, some aspects of state power should be devolved to the regional spaces where local and regional dynamics are mobilized in a more efficient manner (MUSIAD, 2005a:63).

In this context, regional development and its planning are seen as an important part of such devolution. In its report on Regional and Sectoral Development, MUSIAD argues that “Turkey needs serious regional development policy and strategy which will shed light on the strategy of restructuring in economy” (MUSIAD, 2005b:264). However, it is noted that regional development policies, in contrast to conventional understanding, are now considered to be prepared and implemented through an active involvement of local and regional actors. For this purpose, MUSIAD tends to conceive the RDAs as an institutional form of such involvement. In the report, MUSIAD argues that:

“It is necessary to support the real entrepreneurship and investments. For this purpose, it is very important to define the regional inventory. At this point, the first step among the others which are needed should be the setting up of the Regional Development Agencies in an efficient manner. The RDAs should be designed as the real institutional structures with the power in terms of competence, provided with the necessary instruments for intervening and largely comprised of the local actors” (MUSIAD, 2005b:264)

4.3.2. Turkish Enterprise and Business Confederation (TURKONFED)

Another rising economic organisation of capital based on the changing geography of capital accumulation within Turkey is the recently-founded TURKONFED. It is the national confederation of the regionally-based federations of industrialist and business organisations. Although it was founded in 2004, TURKONFED dates back to the 1990s when some small and medium-sized capital has formed province-based industrialist and business organisations with the support of Turkish Industrialists’ and Businessmen Association, an influential organisation of large-scale Turkish capital (TURKONFED, 2005).

TURKONFED defines itself as a volunteer confederation of the associations with small and medium-sized firms that were organised at newly-defined NUTS-2 regions (TURKONFED, 2005a:3). The main characteristics of these nearly 8,000 firms is that they exclusively depend on the export-promotion towards international markets and achieved significant export volume without a remarkable state support (Interview, 2006a). In addition, TURKONFED has a particular claim that it significantly represents civil society at local and regional space, and thus has a crucial potential to promote an efficient harmony between the local and the national within global economic conditions (TURKONFED, 2005b). The process of the foundation of TURKONFED remarks the social and spatial characteristics of the small and medium-sized capital. The Secretary General of TURKONFED tells this process as follows:

“Recognizing the increasing importance of small and medium-sized capital, during the 1990s Turkish Industrialist and Businessmen Association (TUSIAD) has supported the foundation of industrialist and business organisations (SIADs) in different Anatolian cities which would then constitute the bases of TURKONFED. Before the foundation of TURKONFED, such organisations were on the one hand making their analysis of competitiveness with foreign firms, on the other hand, dealing with the economic, political and social problems of their own regions. With the change in the legal framework as regards the Law on the associations, however, the idea of setting up of distinct associations based on both space and sector, which is supposed to create a considerable synergy among them has appeared. In addition, the process of Turkey’s accession to the EU was coming closer and we much expected the negotiations between the EU and Turkey to be started as soon as possible because such process would bring the foreign capital seeking to invest in Turkey along. But, the essential requirement for Turkey was to picture investment opportunities and get down to work on them across the country, which needs an active involvement of the business associations at both sectoral and regional level. In this way, both SIADs and the firms which are the components of them needed to be developed in terms of institutional thickness. For this reason, five regional federations with 48 SIADs, one sectoral federation including eleven sectorally-based organisations and TUSIAD came together and constituted TURKONFED” (Interview, 2006a).

In other words, TURKONFED was born out of the process in which small and medium-sized capital has sought to integrate with international markets in a more competitive manner. Local and regional specificities such as raw material, labour power and locational advantages are seen, at this point, as the means of attracting money capital, constituting partnership and getting competitiveness in global markets. Therefore, a particular spatial strategy aiming to connect the subnational with supranational spaces is needed for small and medium-sized capital. In this context, the Confederation is considered to relate spatial specificities with the sectoral dynamics, and to address the voices of such capital at different spatial levels, be it local and regional, national and international level. Satisfying such socio-spatial needs of small and medium sized capital seem to form the basic aim of TURKONFED. Enis Saruhan, the chairman of TURKONFED, summarizes its fundamental targets as follows: to contribute to the constitution of regional, sectoral and national economic policies; to constitute the suitable platforms in order to deliver businessmen's problems to both public opinion and relevant state institutions; to contribute to the provision of development of international integration and competitiveness through developing regional and sectoral development visions; to develop projects for using regional and sectoral potentials (TURKONFED, 2005a:3).

On the basis of such targets, TURKONFED gives priority to the regional development and public administration reform in its own action plan (TURKONFED, 2005a: 14). According to TURKONFED, regional development strategies are the outcome of globalization. The process of globalization has increased the importance of local economies and enabled local enterprises to connect directly with global markets. However, in the face of increasing competitiveness it is necessary to organise small and medium-sized productive capital and local and regional spaces in particular ways as competing with other firms and spaces (TURKONFED, 2005b:2). In this sense, reform in Turkish public administration through remarkable devolution to local state and, specifically, the setting up of Regional Development Agencies with a considerable power on regional development processes are the urgent issue of

Turkey on the road towards increasing integration the with global world. Therefore, the issue of regional development is not a matter belonging to a particular region but to Turkey, which needs to develop a developmental strategy in response to the new conditions of economy (TURKONFED, 2005:3).

4.4. The Construction of Subnational Regional Scale within Turkish State Space

4.4.1. Subnational Regionalism at the Intersection of the Local, National and the International

As mentioned before, localities have been left to provide their own economic development in parallel to the introduction of neoliberalism since 1980s. While removing existing spatial division of labour across the country, neoliberal policies forced localities to much integrate with international markets through attracting capital to invest. In this process, the particular position of the localities within Turkish state space as the spaces of reproduction of labour power has changed, and localities have begun to appear as the spaces of capital investment through attracting flows of capital across the globe (Sengul, 2003a:201-2). Nevertheless, the 1990s have shown us that such a political strategy has provided no crucial solution to the economic and political problems that have increased with neoliberal policies, and ended up with a crisis of the (local) state (Sengul, 2003a: 202).

Depending on their scale division of labour, different social actors have experienced this process in different ways and thus developed different strategies over state. At the local level, there have increasingly appeared local alliances towards developing particular local development strategies led by local capital which has grown up through the export-promotion during the 1980s. In such strategies, local capital and alliances have sought to take on particular forms of representation within existing state structures, be it local or national state (see Bayırbag, 2005b). In addition, the local scale has been increasingly conceived as an inadequate space for productive and infrastructural investment, labour market relations and developmental strategies in the face of competitive conditions of

international markets (see Ertugal, 2005:15). For this reason, local alliances have increasingly engaged in region-wide economic coordination and demanded the central state to devolve the task of constituting the inventory of the region and of determining regional plans, and to increase state incentives for local and regional development.¹² Subnational regional scale, in this context, appears for them to be a more suitable space through which they can integrate with international markets in a more competitive and collaborative manner.

At the national level, there has been a common view that such failures of neoliberal policies are the results of the incompatibility of state institutions with the new conditions of the economy. In this respect, radical reforms in public administration towards strengthening localities in relation to international markets have been a current issue since the 1980s (Ersoy, 2003:41). However, there has been no remarkable change in the existing public administration system due to the absence of a certain consensus among classes and fractions (Sengul, 2003a:203). Turkish Industrialists' and Businessmen's Association (TUSIAD), the very influential actor in Turkey's neoliberal direction, has long pointed to the need for a change in public administration, and supported a particular view on localisation. In its early report on a new state model for the 21st Century, the existing public administration system is regarded as excessively centralist with no allowance for dynamic and flexible operation of localities in relation to the international markets. It is suggested that the centralist aspects of Turkish state should be abandoned in particular ways so as to allow local governments to

¹² The Aegean Economy Development Foundation (EGEV) provides a fascinating example of local alliances and local capital's rising scalar strategy upwards to the regional level in relation to international markets. The foundation was first established by a particular local alliance with the leadership of local capital as a non-governmental organisation which aimed to introduce the city of Izmir to the national and international investors in 1992. Since 1995 EGEV has begun to engage in region-wide economic coordination, regional strategies and plans. Furthermore, the foundation signed a particular protocol with the SPO which allows the foundation to constitute regional inventory and develop regional strategies to be submitted to the SPO. Such a shift in scale of activities upwards to the subnational regional level is explained as a necessary part of the local development process: "The results of our studies about the local problems, potentials and opportunities reveals us that none of them can be realised without collaborating with other provinces around Izmir. Any economic attempts, be it developmental plan or inventory, depending on only Izmir can not achieve a remarkable success" (<http://www.egev.org/index.php?t=ana&catid=2&geoid=0&sid>, the date of download: 16.11.2005).

develop more entrepreneurships in the global economic conditions. In this sense, the administrative and financial autonomy of the local state is presented as a condition for providing local entrepreneurship and local development. However, TUSIAD tends to emphasize the financial autonomy of the local state much more than the administrative one. While, for the latter, TUSIAD only proposes to achieve new divisions of task and authority between the central and the local governments, it suggests a fundamental elimination of the resource dependency of the local governments on the central state (TUSIAD, 1995:18)¹³.

Such a view is clearly indicated in TUSIAD's following report on local governments. In this report, TUSIAD points to the recent local experiences of entrepreneurships and industrial development in some Anatolian cities in relation to international markets, and celebrates them for creating their own local economic development without getting central state's incentives in different ways (TUSIAD, 1997:8). In addition, TUSIAD underlines that Turkish public administration system has led to the emergence of crucial difficulties in the operation of such local entrepreneurships and industrial development due to its highly centrally-organised aspects. For TUSIAD, the consequences have been the increasing unemployment in localities, migration to big cities and, in effect, intensifying economic and political problems (1997:9). At this point, the strengthening of local authorities through a particular restructuring of public administration is suggested as a way of overcoming the difficulties of the local development process. However, TUSIAD argues that such restructuring should increase the role of the central state as the agent enforcing national targets, principles and controls while releasing a remarkable devolution of authority to manage to the local dynamics (TUSIAD, 1997). In this sense, TUSIAD argues for a distinct scalar strategy over the state in which the autonomy of local scale is strictly limited to operate within the principles of the national scale accepted by

¹³ In its report on optimal state, TUSIAD states as follows: "The administrative and financial autonomy of local governments should be ensured. In order to achieve this, a division of tasks and authority between the central and local governments should be achieved. As for financial autonomy, the resource dependency of local governments to central governments for financial autonomy should be eliminated or should be decreased significantly"(TUSIAD, 1995:18).

the central state. Thus, both the difficulties of local entrepreneurship and the economic and political pressure over the central state are assumed to be resolved. In this framework, TUSIAD has recently welcome subnational regional scale as the more proper scale for such a resolution of Turkey's economic and political problems in terms of its spatial scope. Such a view on subnational regional scale is clearly stated by Umit Ozmen, the Deputy Secretary General of TUSIAD, as follows:

“In the short term, Turkey will encounter crucial disintegration from the agricultural areas, and thus have significant problems of employment. The big cities would be faced with big waves of migration. Therefore, we need to solve such problems in their own places. To create subnational regional economic centers is important to solve these problems in their territories” (Interview, 2006c).

On the other hand, subnational regional scale has also been important for particular international actors with different interests. Since the 1990s, OECD has suggested national states to constitute an active regional governance as a way of benefiting from the opportunities of globalisation (Bayramoğlu, 2005). In its report on the regulatory reforms in Turkey, OECD clearly requires Turkey to strengthen subnational governance in order to regulate the economy in a more efficient manner (OECD, 2002:46, 49). In its recently published report, OECD also underlines subnational regional governance in terms of improving small and medium sized capital towards integrating with international markets (OECD, 2004). In the report, such capital is assumed to play a crucial role in the Turkish economy but suffers from capital investment, access to modern technologies and weak competitiveness. In this respect, Turkey is recommended to constitute a more active regionalised governance which will improve small and medium-sized capital in terms of access to financial markets in order to develop the competitiveness of Turkish economy (OECD, 2004:10-12). Moreover, IMF and WB are crucially involved with the process of restructuring of Turkish state towards subnational regional scale. While IMF puts forward the foundation of active subnational governance as one of the conditionalities of the short-term

loans to be given to Turkish state (Niyet Mektubu, 2003), WB requires the Turkish state to establish regional development projects and strengthen regional institutions in using its Programatic Financial and Public Sector Adjustment Loan (PEPSAL) programs (Güler, 2003:5-6).

As for the construction of subnational scale within the Turkish state, the most influential international agent, however, is the EU. Since 1997, regional policy and regional governance have become one of the important conditionalities of the EU in the accession process. As a candidate country for the EU, Turkey has been increasingly challenged towards a more regional governance. In the Progress Report in 2002, for example, EU Commission stated as follows:

““[T]urkey should strengthen its administrative structure for managing regional development by developing inter-ministerial coordination and integrating partnership principles at all levels of planning, both at central and regional levels (i.e., by setting up regional development authorities at NUTS 2 level)” (CEC, 2002:110).

In sum, the construction of subnational regional scale within Turkish state has appeared at the intersection of the local, national and international actors with different scalar interests. While local capital which seeks to integrate with international markets through export-promotion has pursued a strongly-constructed regional scale in which state intervention and spatial specificities are much used in favour of the regional priorities, large scale capital has defended a particular subnational regional scale operating within nationally-defined priorities and targets. Furthermore, international agents favour a more regional governance through which local capital can easily access, and connect with, international money capital. Such conflicts and compromises among different capitals has become much more complex when the Justice and Development Party (JDP) came to power in 2002 by addressing a radical reform program in public administration towards a regionalised governance. Therefore, the Law on establishing regional governance has appeared to be a focus of the struggle among social actors over the scale of economic and political relations.

4.4.2. Politics of Scale within Capital through the Law on the Regional Development Agencies (RDAs)

The construction of subnational regional scale within Turkish state space has become a current issue as a crucial conditionality of Turkey's accession to the EU. On this road, the first step was the creation of new statistical units at the regional level called NUTS 2 regions. In 2002, by collecting 81 provinces into 26 new regions with geographical and economic similarities Turkish state space welcomed subnational regional units. After the Justice and Development Party's coming to power in November, 2002, the accession process accelerated due to JDP's essential commitment to the integration with EU. JDP promised to meet all the EU criteria on regional policy, including the setting up of the Regional Development Agencies as subnational regional institutions. In its Urgent Action Plan, JDP declared that the RDAs with a considerable power in determining regional development policies, implementation of the EU's structural funds and state investments will be established at NUTS 2 regions in accordance with the Turkey's accession to the EU (AEP, 2003: 42)

In this way, JDP addressed the first draft of the law on the RDAs on November 19, 2003, as the significant part of its political project, which was the "change in state for conducting changes" (Basbakanlık, 2003:152-3). The draft was then revised with little correction in writing in the December 2, 2003. In these drafts, the RDAs were conceived as subnational regional structures comprised of elected local authorities, local businessmen and civil associations under the leadership of provincial governors, with a considerable power on their territories through determining regional development plans and strategies. As Gülöksüz (2004) puts, such a change in state institutions involved considerable changes in forms of representation, access to particular national and international funds, use of natural resources and public services, all of which implied a crucial change in power relations among social actors. Therefore, the draft Law was proposing not only a change in scalar hierarchies in state institutions and state space but also, in this way, recomposing the power relations among classes and class factions. It is such aspects of the draft law on the RDAs which led to a remarkable division

among social actors with different spatial interests stemming from their scale division of labour. In this sense, the draft law appeared as a crucial site of struggle where different social actors sought to impose their own interests through different scalar strategies over state space. The law on the RDAs was passed in January, 2006 long after the JDP brought it into the political agenda, with a different scalar composition of economic and political relations.

4.4.2.1. First Draft Law: Towards a Construction of Distinct Regional Scale

“In the past, the meal was prepared by the cooker at the center and served to the regions. Both the cooker and the meal are now to be at the regions.” (Interview, 2006b)

The first draft law on the RDAs was addressed on November 19, 2003. It was then revised with little correction in writing on December 2, 2003. In these propositions, the RDAs are conceived as regional structures comprised of elected local authorities, local businessmen and civil associations under the leadership of provincial governors. Furthermore, the RDAs are endowed with a considerable state power in constituting regional development strategies and allocating national and international regional funds, of which the EU's are the most important, with nearly 30 billion Euro for a year.

The first draft law defined the tasks and functions of the RDAs in the paragraph of Article 4. According to this article, the RDAs were given the power on “[p]reparing regional development strategies and programs, or getting them prepared, in a participatory manner including private sector, civil associations and public agents in accordance with the National Development Plan” (SPO, 2003: 2). In the same article, the draft law also provided the RDAs with “[u]sing the allocations from central budget based on the projects and the EU's funds and other international funds with the approval of the State Planning Organization in the frame of the regional development strategies and programs” (SPO, 2003: 2). In addition, the draft Law gave the RDAs a particular task of “assisting the

preparation of the provincial development plans and adapting them to the regional development” (SPO, 2003:2).

The first draft law suggests a fundamental change in the existing scalar nature of economic and political relations. With this draft law, some crucial aspects of state functions so far carried out at the national scale such as regional planning, the use of national and international fund programmes and the provision of grants to firms are to a significant extent devolved to the subnational regional scale. What is essentially involved in such a scalar change is the changing power relation among social actors in terms of their access to particular decision making sites, representation of their interests and, in effect, their influence on social relations, as they have different spatial logics stemming from their scalar division of labour. For this reason, the draft Law received different responses from different actors, and led to a crucial struggle over scale.

At first, there appeared to be remarkable divisions within the Turkish capitalist class. While MUSIAD and TURKONFED supported such devolution towards subnational scale, TUSIAD, the influential business association in Turkish political life and the initiator of former decentralization in Turkish state, remarkably took a critical stance against the Law. From the point of MUSIAD, the Law rightly corresponded to the new conditions of global economy and provided small and medium-sized capital with the institutional and financial support it needed. Furthermore, by proposing the shift of considerable state power to the subnational scales, the draft Law would break the centralist tradition inherent within Turkish state which has long put impediments to dynamic, flexible and productive operation of the economy. According to MUSIAD, small and medium-sized firms have much suffered from such centralist tradition, although they needed more state incentive, technological innovation and productive economic policies in order to compete within global markets. In this respect, the Law would create a more suitable economic and political condition in which small and medium-sized firms could operate in a more efficient and competitive manner (Interview, 2006b; see also MUSIAD, 2004:102-4).

For similar reasons, TURKONFED supported the first draft law as well. For TURKONFED, the draft law was a crucial step in mobilizing local potentials and promoting regional development through an active involvement of local enterprises in the decision making processes (TURKONFED, 2005). Yet, according to TURKONFED the draft law should have been prepared in a collaborative manner with different branches of business operating at different levels, especially with voluntary economic organisations such as TURKONFED and TUSIAD. Nihan Ozcetin, the secretary general of TURKONFED, told that the presentation surpassed the essential assumption that a more competitive economy is only created through more collaborative relations at both the local and national levels, which conceived the RDAs as excessively politicized institutions. The consequences would be a non-efficient operation of the RDAs (Interview, 2006a). In this respect, while supporting the attempt for a considerable devolution of state power towards the regional scale, TURKONFED argued for a more collaborative scaling of economic and social relations in which different branches of businessmen could easily access the decision making process without any political commitment.

On the other hand, TUSIAD apparently took a critical stance against the JDP's first draft law on the setting up of the RDAs. For a long time, TUSIAD has raised a view of devolution of power within Turkish state formation through which local state including both governorship and municipalities were assumed to organise and finance their development strategies without demanding any financial support from the central state (see TUSIAD, 1997). Furthermore, it stated that "the centralist and protectionist approach of the state in public administration should be abandoned" (TUSIAD, 1995:18). However, despite such a clear commitment, TUSIAD addressed some critical points against the JDP's proposition of the Law on Public Administration Principles which framed the first draft law on RDAs. Omer Sabancı, the chairman of TUSIAD, clearly stated them as follows:

"Local administrative services should be controlled by the centre in terms of national principles, targets and standards. However, there are not enough sentences to provide particular control mechanisms in the Law on Public

Administration Principles...In a more localised administration model [to be brought along JDP's proposition], there will appear a risk of providing the unity in administration and controlling the operation of transferred services in terms of national targets, principles and standards" (Sabancı, 2004: 8-9).

Such an emphasis on the importance of the principles and targets defined at the national scale specifically echoed within TUSIAD's approach to regional development. In its recently-published report on regional development, it is insisted that, rather than the shift of policies from national scale to regional scale, contemporary global economic relations require an involvement of local and regional spatial specificities in the macro economic policies defined at the national scale. (TUSIAD, 2005a: 59). The report strongly remarks that:

"The relations between different spaces have become intensified and complex and the importance of the integrity of relations within a particular space have become much apparent in the contemporary economic relations. Conventional sectoral analyses and the policies depending on them have been inadequate in such new conditions. Therefore, the integration of sectoral analyses with spatial ones and more efficient policies depending on such integration have become a current issue...In this respect, it is necessary to reconfigure the relations between the national level and local level in a stronger manner than ever before (TUSIAD, 2005a:57, 59).

In other words, TUSIAD conceives changes in the scale of economic and political relations towards the subnational scale in particular ways as proceeding along with the determining power of national scale over local and regional scales. This point is clearly stated by Umit Izmen, the deputy secretary general of TUSIAD, in our interview as follows:

"The shift of some functions of the state towards subnational regional scale is a necessary process along with the emergence of global economic relations. The traditional centrally-constituted planning and developmental strategies are no longer adequate in the face of globalisation which remarks the increasing role of spatial specificities at different regions in economic development. In this respect, economic development should be much more involved with local and regional specificities. However, what lies behind successful and sustainable economic development is the well-organised and coordinated organisation of regional

specificities in relation with macro economic policies. It is especially important not to turn to the fault of populism in national developmentalism, yet this time at the regional level. Therefore, the shift of some aspects of national state power towards regional scale should be carefully designed and coordinated at the national scale (Interview, 2006c).

Another critical stance against JDP's proposition came from the trade unions, that are nationally organised, and leftist political parties. In these objections, changes in the scale of economic and political relations were related to the capitalist dynamics and their increasing assault on labour. However, capitalist dynamics were generally seen as the operation of some international bodies such as World Bank, IMF, OECD and the EU (see Güler, 2003). Therefore, the shift of state power to the subnational scale was generally conceived as driven by international capital seeking to exploit new spaces through fragmenting the unity of national space (Koç, 2003; Güler, 2004). The outcome of such shift, it was argued, would be the disintegration of national space which would undermine any economic development project in favour of labour. Thus, labour movements and some leftist parties increasingly took up a position of defending national state space against JDP's proposition (see Yol-İş, 2003; Keskinok, 2003; KIGEM, 2003; Güler, 2005, *Ekonomik ve Sosyal Kalkınma Hareketi*, 2005).

Therefore, the crucial struggle over the scale of social and economic relations among classes and class fractions has misleadingly taken a form of struggle between the national (priorities or state) and the local (democracy or development). The result was increasing 'national' pressure over the draft law, which ended up with the withdrawal of the law on the RDAs by the government.

4.4.2.2. Amendments to the First Draft Law: Centralisation of the RDAs

"To design the RDAs as the regional arm of the SPO, to give no place to the civil society and businessmen and to continue the centralist tradition, as in this draft Law, amounts to the waste of the opportunity of mobilizing local and regional dynamics" (TURKONFED, 2005c:2)

JDP proposed the law on the RDAs, albeit in a revised manner, in the context of the new political agenda in January 19, 2005. In such form, while the law is no longer prefixed with ‘regional’, the preparation of regional development planning is taken over from the RDAs. In addition, State Planning Organisation functions as the national coordinator over the RDAs. According to the revised draft law, State Planning Organisation (SPO) is responsible for coordinating and controlling the RDAs. In this scope, SPO makes the necessary decisions regarding regional development, follows the implementation of regional plans and programs, determines the allocation of national and international funds towards regional development, and provides the operation of the RDAs in line with the national plans and programs (TBMM, 2005: 27).

In this revised law, the RDAs are no longer conceived as having a considerable power in determining regional development strategies. According to the law, the RDAs are mainly to “provide local administrations with technical support in the planning process and to support the activities and projects in accordance with the regional plan and programs, to observe and evaluate the process of implementation of the activity and projects supported by SPO, and to send the results to SPO” (TBMM, 2005:28). In contrast to the first law, there is no task and functions of preparing regional plans and strategies given to the RDAs. The Law assumes that SPO is the only institution for determining and preparing regional plans and strategies. The implication of such an assumption is the establishment of the RDAs with no remarkable power over regional space.

As to the executive committee of the RDAs, there is no difference between the first draft law and the last one. The revised draft law suggests a committee comprised of elected local authorities, local businessmen and civil associations under the leadership of provincial governors, as does the first draft law. However, in terms of the involvement of local businessmen, the executive committee is constituted in a more official manner. The chairmen of the Chambers of Trade and Industry, officially and nationally-organized businessmen association, are appointed as the constant members of executive committee. The committee therefore embodies governor, mayor, chairman of the General Provincial

Assembly, chairmen of the Chambers of Trade and Industry, and the three representatives of private sector and/or civil associations elected by the Development Committee, the consultative organ appointed by the government (TBMM, 2005: 35).

The EU evaluates this Law as a crucial improvement in regional policy and regional governance for Turkey's accession process. However, the EU further suggests Turkey to constitute more active regional structures in regional governance. For the EU, the current dominant position of the SPO in both preparing and implementing regional development plans is to be confined to preparing macro strategies. The EU Commission, in its annual report on Turkey's accession, suggests as follows:

“Turkey may consider delegating responsibility for sectoral strategy, implementation and monitoring to the sectoral ministries and to regional structures so that the State Planning Organization could focus on its planning mandate and its role as a coordinator. The establishment of, and provision of institution building support to, permanent structures, namely to Regional Development Agencies, could go a long way to redressing the shortfall in administrative capacity at regional level” (CEC, 2005:103).

In other words, the EU suggests the setting up of the RDAs with a considerable power on sectoral strategies, implementation and monitoring of regional planning. Such RDAs are also, the EU argues, important in constituting favourable environment for domestic and foreign capital investment (CEC, 2005:97-100). In sum, the draft law is not found as completely compatible with the EU's suggestion.¹⁴

A remarkable critical position against the revised Law is taken by MUSIAD and TURKONFED. From the point of MUSIAD, the renewed Law represents a backward step from the first one which considerably encourages local

¹⁴ This point was also mentioned by the Commission of Adaptation to the EU, a commission of Turkish Grand National Assembly, in the official discussion on the draft law. Some members of the Commission found the role of the SPO over the RDAs incompatible with the EU accession process (TBMM, 2005:17). However, it is important to note that the EU's so-called *acquis communautaire* regarding regional development just covers the general framework and institutional structure at the regional level. Therefore, each country is left to constitute its own regional structures for regional governance and coordination of structural funds (see CEC, 2005:101).

and regional actors to compete in global markets through developing their local potentials. According to MUSIAD, “what lies behind such a back step is the remaining power of the rentier economic forces who have benefited from the centralist tradition in Turkish political life and their resistance against localisation” (Interview, 2006b). MUSIAD argues that such centralist forces have sought to connect with globalisation through internationalisation but not localisation:

“Turkish economic and political elites have on the one hand directed Turkey towards adjusting to the outcomes of globalisation and restructured the state and economy policies in line with international norms, on the other hand, they have showed remarkable resistance to its other outcomes, that is localisation in economic and political relations” (Interview, 2006b).

In contrast, localisation is a necessary aspect of globalisation, as firms only survive in global markets through using their local and regional specificities. For this reason, contemporary states have increasingly established active regional institutions for investigating the particular spatial specificities, determining developmental strategies and providing institutional and financial support (MUSIAD; 2005a:64). As the revised law takes over the functions of regional planning and allocation of regional funds from the RDAs, it brings not an active board mainly comprised of local and regional actors but a new controller arm of the center (MUSIAD, 2005a:65).

TURKONFED has criticized the revised draft law for similar reasons as well. According to TURKONFED, the Law tends to conceive the SPO as an agent operating beyond a national coordinator among the RDAs, with a constant authority over the preparation and implementation of development plans and strategies. In addition, TURKONFED remarks that the RDAs are not regarded as having a particular institutional capacity over their decisions. Their tasks and functions are considered to provide local administrations and firms with technical support. As the Law gives a limited role to the RDAs in economic development, it does not incorporate the dynamics of local and regional potentials into the RDAs (TURKONFED, 2005c:1). The composition of the executive committee of the

RDAs is also seen as one of the problematic aspects of the RDAs. For TURKONFED, by appointing the chairmen of the officially-organised Chambers of Trade and Industry as the representatives of the businessmen, the Law does not take into consideration the role of voluntary economic organisations such as TURKONFED which are more democratic, close to the civil society and have increasing potential in economic development (TURKONFED, 2005c:2). Following these critical considerations, TURKONFED demands that the government should reconfigure the RDAs in a more democratic manner by stating that “the Law on the RDAs is a crucial opportunity and should not be wasted” (TURKONFED, 2005c; 2005d).

Under this pressure, JDP took a decision to postpone the legislation process of the draft Law in June, 2005 when the law was discussed in the General Board of the National Assembly. However, TUSIAD supported the revised draft Law and demanded the government to pass the law as soon as possible. In the meeting of its High Consultative Committee in December, 2005, TUSIAD criticized the government for being late in passing the law on the RDAs. Omer Sabancı, the chairman of TUSIAD, said that “it is impossible to understand why Regional Development Agencies are still pending” (TUSIAD, 2005b:3). Shortly after TUSIAD raised its critiques against the government, JDP decided to complete the legislative process of the last version of the Law on the RDAs. The law was passed in January, 2006.

4.4.3. Concluding Remarks

This chapter outlined the process of construction of subnational regional scale in the Turkish state space with reference to the the Law on the RDAs proposed by JDP as a significant part of its political project. As involving one of the pre-accession conditions imposed by the EU, the establishing subnational regional scale through setting up of the RDAs has been a current issue in the process of Turkey’s accession to the EU. However, this chapter reveals that subnational scale has long, on the part of Turkish capital factions and Turkish state, appeared to be a crucial issue. In parallel to the introduction of neoliberal

policies with the support of large scale domestic capital in 1980s, the space of economic development has been gradually shifted downwards to the subnational local spaces as a way of reducing, and even demolishing, nation state's redistributive policies. Furthermore, during the period there have appeared productive capital at local spaces seeking to integrate with global markets through using local specificities. Therefore, the devolution of some aspects of state power to subnational local spaces has been continuously raised by newly-emerging local productive capital. In addition, the chapter shows that as reaching a particular degree that facing social and spatial limits of local scale in relation to international markets, local productive capital have increasingly developed a rising spatial strategy upwards to regional space, and demanded the construction of regional scale in which some aspects of state intervention are assumed to be involved. In sum, the downward rescaling of economic and social relations towards regional scale have recently emerged to be a new foci of socio-economic development, on the part of capital as a whole.

However, the chapters revealed that such a downward rescaling are involved capital accumulation process in which different forms of capital with different spatial aspects pursue different scalar strategies over social relations. While newly-emerging local productive capital has supported a considerably autonomous regional scale in relation to national scale that provides a remarkable allowance for using spatial specificities according to regional priorities and linking regions with international markets, large scale domestic capital which recently gained a remarkable internationalised spatial aspects within its accumulation process has argued for a particular downscaling as proceeding along with the determining power of national scale over local and regional scales with a claim that global economic conditions require an involvement of local and regional specificities in the macro economic policies defined at the national scale in a stronger manner than ever before. On the other side, international capital has recommended, and required, Turkey to constitute more regionalised governance through which local and regional specificities including local productive capital are assumed to much involve international markets.

Therefore, subnational regional space appeared a crucial issue of struggle among capital factions with different scalar strategies in terms of giving a long-term structural character to their own (spatial) interest. In this context, the Law on the RDAs aiming to change the scale of economic development has taken on such scalar struggles among capital factions. This chapter showed that changes in Law on the RDAs correspond to different rescaling of social relations, reflecting different interests and power relations.

CHAPTER 5

CONCLUSION

In this thesis, we tried to analyze the current tendency within contemporary capitalism to shift some aspects of economic and political relations towards subnational regional space with specific reference to the Turkish case. We put forward three basic assumptions. The first is that as social forms have inextricably involved spatial aspects such as national state or regional development, space should be actively taken into consideration in the analysis of capitalist social relation. Secondly, as representing a taken-for-granted separation of capitalist social relations, neither the economic nor the political provides us with an essential starting point. Instead, capital accumulation process with the contradictory relations of fixity and mobility should be taken into account since it spans and relates the economic and the political with their spatial aspects. Thirdly, as the circuit of capital involves different phases of production, realisation and reproduction, different spatial articulations of them identify different capital factions benefiting from different kinds of state policies each of which reflect different state spaces. On the basis of these assumptions, this thesis methodologically argued that economic and political forms of social relations are integral to particular socio-spatial power relations and changes in spaces of them are associated with the changes in power relations among social actors. Therefore, it was suggested that the current shift of some economic and political forms of social relations towards subnational regional space should be studied in terms of the socio-spatial power relations among classes and class fractions, articulated by particular political projects and developed through class struggle.

In this framework, we firstly developed a particular conceptual lens through which to (re) consider capitalist social relations with their spatial aspects. Both mainstream theoretical approaches and critical ones are evaluated in this regard. On the part of the former, there has been increasing recognition of the spatial aspects within the analysis of social relations. Although originally conceiving social relations as operating over natural and neutral spaces of market

exchanges, neoclassical social theory, for example, has recently begun to involve particular spatial assumptions by pointing to some spatial structures as embodying more advantages in market exchanges. Moreover, the institutionalist approach has already involved the notion of space and spatial differences because of its main premise that economy is not a collection of atomized individuals (including firms and markets) but a composition of social, cultural and institutional aspects specific to particular territories. In spite of their remarkable attention to spatial aspects of social relations, we argued, both approaches suffer from their initial distinction of the economic and political in analyzing capitalist social relations. While the former conceives spatial structures as something that can be technically organized towards creating more advantages in economic exchanges, the latter thinks them as the evolutionary-cultivated things, which determine the economic development of territories. Therefore, spaces of social relations and changes in them are stripped away of their socially-produced aspects by being reduced either to the outcomes of market exchanges or to the evolutionary processes. As the 1990s progressed with the failures of the neoliberal paradigm, however, both neo-classical and institutionalist approaches have increasingly turned to each other due to their common assumption of the determining power of so-called economy. Since then, subnational regional space is assumed to provide economically efficient spatial structures in which particular scale of economies (neoclassical argument) or reflexive social relations (institutionalist argument) have been created. In doing so, both arguments consider changes in spaces of social relations as a technical-organisational matter corresponding to an efficient operation of so-called economy, and thus ignore the contradictions and conflicts within social relations.

Coming to critical approaches, that are regulationist and strategic-relational approaches, we argued that both approaches continue, and suffer from, the above taken-for granted separation of the economic and political, albeit in different ways from the mainstream ones. While the regulationist approach seeks to define a durable spatial correspondence between economy (regime of accumulation) and political (mode of regulation) in a rather functionalist manner,

the strategic-relational approach points to the incessant search by various political forces through hegemonic projects to provide reproducible social regulations within particular spatial fixes in response to the incomplete nature of capital relation. We suggested that although the latter provides us with the fruitful conceptual lens in thinking the varied and contradictions of capitalist social relations in different spaces, both approaches fail to overcome the functionalist tendencies coming along with such initial separation and thus oscillate between economic functionalism and political pluralism. Furthermore, the notion of space is just considered in reference to the political, conjunctural, contingent and specific. Contrarily we argued that as, for example, seen in the so-called capitalist economy, which must operate through particular socialisation of labour within particular spaces, space is also internally related to the economy, the structural, the abstract, the general.

Through the discussion with both mainstream and critical approaches, we therefore came to the conclusion that capitalist social relations with their spatial aspects can only be adequately grasped through the capital accumulation process, which spans and relates the economic and the political. We then sought to construct a conceptual framework for a spatialized analysis of capitalist social relations. At this point, David Harvey's crucial insights on capital accumulation process as the contradictory relation of the fixity and the movement of capital are considered to be a crucial point of departure for such an analysis because they underline both capital accumulation process and its spatial character. Moreover, drawing on Kevin Cox's attention to the operation of the same capital accumulation process within different spatial scales, we secondly proposed the concept of capital's scale division of labour as a way of conceiving value production process operating at different spatial scales within the same relation. Lastly, we found that Dick Bryan's separation of capital factions in terms of their different spatial articulations of different moments of accumulation process is useful for identifying various social agents that would be revealed along the different capital's scale division of labour. This thesis argued such conceptual lens could provide us with a more fruitful theoretical framework in understanding the

current capitalist social relations, which have increasingly constructed a world space while dissolving into various fragmented spaces.

Having outlined a spatialized theoretical approach, this thesis examined the tendency to shift some aspects of economic and political relations to the subnational spaces since the late 1970s. In this part, while sharing critical approaches' general view of that neoliberal policies have led to the rise of the subnational local and regional scale by removing national state's redistributive policies through financial austerity, we suggested that they have provided one side of the picture. What made the local scale rise were also the remarkable power of local economic initiatives which involved non-market coordination, particular forms of intervention and socialisation of labour power in a contradictory manner with the neoliberal agenda of marketization, deregulation and the free movement of capital. In other words, the local space has appeared as the new form of the inherent contradiction of the fixity and the movement of capital.

At a more concrete level, following Gough and Eisenschitz's considerations, we suggested that the current shift of some economic and political forms towards subnational space should be analysed in the context Keynesian form of the essential contradictory relation of the socialisation of productive capital and labour power within particular territories and value production and flows of capital within wider territories. In this way, this thesis argued that dominant sections of capital have increasingly tended to develop neoliberal strategy of reducing spatial barriers to the flows capital (with money, commodity and productive forms) as a way of raising the rate of surplus value in production and eliminating overaccumulated capital. However, such a strategy has also paved the way for eliminating not only weak capital but also productive capital through its spatial flows seeking to reap the most beneficial opportunities across the world which would end up creating an uncontrollable wave of devalorization of capital assets. Therefore, neoliberal strategy of flows of capital has led capital factions to develop more productive social relations in different ways depending on their scale division of labour in order to avoid the destructive operation of law of value. A corollary was the increasing need for the organisation of particular socialisation

within particular spaces. It was in this context, we argued, that the local socialisation of capital appeared on the part of capital factions to be a most proper strategy because it promised to organise various forms of socialisation without invoking politicization through localism, setting aside all conflicts in order to develop locality. We however suggested that there have essentially been two conflictual capital strategies for local scale, melding into each other: neoliberal strategy of opening up localities to the flows of capital and the neo-Keynesian strategy of territorial integrity aiming to create more productive socialisation at the local scale. In this regard, we argued that local scale as the space of socialisation of capital has not solved such inherent contradiction within capital but created new spatial tensions which forced different forms of capital to develop new spatial strategies.

The crisis of so-called neoliberalism and the rise of subnational regional scale in 1990s were seen in this framework. In contrast to general consideration of the shift of some aspects of economic and political relations to subnational regional space as the attempt for managing regulatory deficits of neoliberalism, this thesis suggested that such shift also stems from considerable success of local economic initiatives in addressing socialisation of capital. As local socialisation of productive capital developed, capital accumulation process has accelerated with its contradictory outcomes, the need to more productive forms of socialisation in response to the increasing flows of capital in wider territories. It was in this context the so-called regulatory deficits (indeed, the need to new forms of socialisation) appeared in different ways at different spatial scales. We further argued that different forms of capital with different spatialities have experienced the above contradiction in different ways and developed different strategies for new forms of socialisation at different space. In this framework, as providing wider territories for productivist strategies and simultaneously maintaining discipline on labour through regionalism, subnational regional space has initially appeared on the part of productive capital sunk into particular localities, to be a more proper scale for increased (neo)Keynesian productivist strategies. However, subnational regional scale has also involved conflictual and varied interests

stemming from different spatial forms of the circuit of capital. In this regard, we argued that its construction has gone hand in hand with contradictions of capital accumulation, struggles at different spatial scales and diverse political projects formed within them.

At this point, this thesis suggested that recent attempt for setting up of the Regional Development Agencies (RDAs) within Turkish state should be considered as the rescaling of social relations towards subnational regional space in that it proposes particular changes in scale of economic and political relations through a redefinition of spatial boundaries of development (indeed, socialisation of labour power and capital) within subnational regions. Therefore, the attempt for setting up of the RDAs has appeared to be a part and parcel of social power relations among classes and class factions. It is because of such aspect of the RDAs that, we argued, the law on the RDAs became an arena of politics of scale between different social agents with different spatial characteristics.

On the part of capital, there have been four active social agents struggling for the law on the RDAs, with different scalar strategies. While the EU has apparently imposed Turkish government to set up the RDAs having more direct relations with supranational bodies and actors in the process of Turkey's accession, TUSIAD as the representative body of Turkish large scale capital and the very influential actor in the process of recomposition of domestic class relations along with the neoliberal strategy of internationalizing flows of capital, clearly suggests that the RDAs should be set up as operating under the control of national principles and targets. On the other hand, MUSIAD and TURKONFED, the two capital organisations mainly comprised of the local productive capital seeking to integrate with international markets, have demanded socialisation of labour power and capital within subnational regional spaces in a strong manner that allows for a remarkable devolution in state power to the subnational bodies. In this regard, shifting scale of state power on regional planning to subnational regional space is regarded by them as the most important issue in the setting up of the RDAs within Turkish state.

This thesis argued that such different scalar strategies among the social agents stem from their different capital's scalar division of labour involving different socio-spatial tensions and power relations. The EU and other international bodies such as IMF, WB and OECD for example approach to the rescaling of economic and political relations towards subnational regional space as the matter of attracting money capital seeking to invest in particular spaces embodying productive forms of socialisation, expressing the demands of overaccumulated capital in the core capitalist countries. In this respect, a more direct relation between subnational regional spaces and supranational spaces under the command of the latter is seen as the most proper political strategy because it provides such overaccumulated capital with spatial mobility to exploit new spaces. According to the TUSIAD, however, rescaling of social relations towards subnational spaces should not reduce the power of national space in favour of supranational spaces but much demand national scale to organise and coordinate them. In this respect, particular rescaling towards subnational spaces proceeding through the determining power of the national are much favoured by TUSIAD. In contrast, MUSIAD and TURKONFED mainly supported by newly-emerging local productive capital consider such rescaling as constructing distinct productive linkages between local capital, state and labour within subnational regions so as to develop their competitiveness within global economy. Therefore, an active involvement of subnational regions into global economy appears on the part of MUSIAD and TURKONFED to be a specific political strategy over social relations. In this framework, this thesis argued that changes in scale of social relations does not express social power but also constitutes them.

However, changes in scale are formed through the struggle between social agents with different social power relations. We argued that changes in the drafts of the law on the RDAs best reflect such struggle, resulting in changes in scale of social relations. While the first draft law assumes remarkable shift in space of state power on planning and development towards subnational regions along with the demands of local and supranational actors, the second one which also constitutes the final form of the law reclaims them upwards to national space and

thus proposes a limited rescaling towards subnational regions. During the constitution of the law, we observed, the above social actors have tried to shape it in particular ways corresponding to their scalar strategies by using their social power relations. In this sense, what we call as the centralization of the RDAs through the last version of the law reflects a particular domination of the TUSIAD's strategy over the scalar configurations of social relations in Turkey. However, it still defines the RDAs as comprised of local capital and gives particular roles to local actors in preparing developmental issues within regions. In other words, the law on the RDAs has appeared as the outcome of the simultaneous interactions among capital factions with different class power stemming from their capital's scale division of labour.

In sum, this thesis seeks to show that changes in scale of social relations are associated with class relations and developed through class struggle. The case of the setting up of the RDAs within Turkish state space further revealed that the rescaling of social relations should be thought both as a process and a relationship, in which capital's scale division of labour that remarks the process is considered with the interactions among social agents that defines the relationship.

Lastly, it should be noted that the process of rescaling of social relations towards subnational regions have also remarkable impacts to be considered in terms of the relation of capital and labour within contemporary capitalist relations. In contrast to the general tendency towards internationalizing flows of capital across the world space, the socialisation of labour power are downscaled to the fragmented and partitioned spaces through drawing subnational regional boundaries. In this way, the contradictory relation of concrete and abstract labour within capital is redefined in favour of the latter. A corollary is no doubt the increasing subordination of the labour to the capital. Therefore, it would be argue that labour movements have been in an urgent need to upscale concrete aspects of labour while decreasing flows of capital across the space.

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