

THE GENIE SHOULD BE OUT OF THE BOTTLE: UNDERSTANDING THE MYSTERY OF HOUSING PRODUCTION IN CONTEMPORARY TURKEY

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WHY HOUSING?

The housing question is more than what can be seen on the surface. It is more than a source of ranting and easy money, and the crazy projects of the neoliberal governments. It is more than a thing which is exchangeable in the realm of equivalences. It is more than fictitious capital or a stock which can be bought and sold in the market place. Housing is ‘a special kind of commodity’, which is produced for exchange in the market place. It is both the things that I listed above and more. It is a social relationship which is dominated by the capitalist relations of production. The mystery of housing as a commodity comes from the historical, institutional and structural conditions through which it is produced. On the one hand, housing production is dependent on the general laws of capital accumulation at the most abstract level; on the other hand, it is historically mediated within particular social formations.¹ Understanding the mechanisms of the mediation of the house-building sector through different phases of capital accumulation and different forms of state has great importance in order to capture the “real concrete”: production of housing as a commodity, the formation of the house-building industry and its transformation into the real-estate sector. The aim is then not to study mass housing construction and urbanization in itself, but to approach these subjects through a study of the restructuring processes of the state, of capital accumulation and of class relations in the neoliberal era.

The formation of capital accumulation and state (re)structuring in Turkey, as a late comer country, has had a dual character from the very beginning. Firstly, capitalism in Turkey has always been developed and transformed in relation to its integration into the international circuits of capital. Secondly,, internal class structure and the conflicts and alliances among classes have various impacts on the phases of capital accumulation and Turkish state restructuring. That is to say, the international circuits of capital, internal class structures and (re)structuring of Turkish state should be conceptualized in a relational way. Housing as a unit of analysis provides a great opportunity to see these interrelations because the specificity of housing as a commodity and the house-building sector as an industry invites our particular attention to the periodization of capitalism, internal class structures and the role of the Turkish state. Why does studying housing production provide this opportunity?

The transformation of house-building production into the real estate sector with its all circuits means the victory of exchange value over use-value in terms of the housing question. This victory cannot be understood without giving reference to the formation of capital accumulation and the changing

patterns of it. Although Marxist geographers theorized the complex relationship between capital accumulation, accumulation crises and the investment into the built environment via “capital-switching approach” by using the concepts of “creative destruction”², “spatial fix”³, “scalar fix”⁴ and “accumulation by dispossession”⁵, the formation of the real estate sector in the Turkish context has structural differences compared to the developed countries. Thus, while Marxist geography makes a great contribution to understanding the inner and dialectical relationship between capital accumulation crises and urbanization, these types of analyses tends to underestimate the peculiar role of the state in the production of built environment, especially in terms of late comer countries.

Real Concrete: Turkish Mass Housing Administration as the Failure of ‘Successful State Restructuring’

In the late 1980s, the Turkish Mass Housing Administration (TOKI) was founded to ‘enable’ the housing market to solve the housing problem in accordance with the World Bank’s key policy document, entitled *Housing: Enabling Markets to Work*⁶. That is, with reference to the report, it was argued that there is a need for a new conceptualization of the ‘effective state’ and the building of ‘economic institutions of capitalism’ became the prerequisite of economic development⁷. IFIs’ housing policies shifted in parallel with the new conceptualization of state society relations. According to the World Bank’s recent policy paper entitled *Systems of Cities: Harnessing the Potential of Urbanization for Growth and Poverty Alleviation*, although the general principles of enabling markets are still valid, the enabling markets approach in itself is ‘far too sanguine’ in terms of solving the housing problem for the poor⁸. There is a need to combine the enabling principles with “sensible policies and pragmatic approaches to urban planning and targeted subsidies for the urban poor”.⁹ Even though the definition of the policies for this second phase of enabling are quite vague, it is possible to claim that, with reference to the post-Washington discourse, there was a need to restructure the state to make it more ‘effective’ in terms of dealing with the housing and urban issue.

Although Turkey’s housing market structure was different from other developing countries, it took quite a similar path with the others and relied on private sector production to solve the housing question. At the beginning of the 2000s, it became obvious that the enabling markets approach in itself was ‘far too sanguine’ in terms of solving the housing problem and there is a need to go beyond enablement of the private sector through restructuring state institutions in order to reach economic and social objectives. TOKI was restructured along these lines through a series of legislations and it became the highest urban planning institution in Turkey, which caused widespread social discontent because of its unaccountable public authority on the housing market.

This paper aims to understand the restructuring of TOKI as an ‘effective state’ institution and asks why TOKI has eliminated mechanisms of any participation in decision making after the 2000s. Does this authoritative tendency belong to the particular stage of Turkish economic development?

The dominant explanation, in both state and academic levels, is based on approaching TOKI as the ideal example of the failure of the Turkish state in terms of building effective state institutions to

enable the national housing market¹⁰. But why? What are the reasons of these failures? Is it about bureaucrats? Is it about inefficient business environment? Or both? Is it enough to say that this is a typical situation for any “developing country” which has been defined many times as a rentier state, crony capitalist state, a third world state which has corporatist past or strong state tradition? As I will argue in the following sections, the methodological reference point of these discussions are ‘market oriented institutionalism’, which became dominant after the 1990s with the institutional turn of the international financial institutions cannot provide satisfactory explanations. This is why the Administrative era that I am discussing provides a great opportunity to show the explanatory power of market-oriented institutionalism and its limitations.

In this paper, I will map out the *market-oriented institutionalist* line of thought, as it appeared in the questions that I listed above. Secondly, I will speculate on the possible answers that can be derived from these questions. Then, I will build an alternative perspective to formulate the questions and put forward an alternative theoretical tool kit to approach the administration.

TOKI OR ENABLING THE HOUSING MARKET THROUGH STRENGTHENING THE EXECUTIVE

The foundation of TOKI in 1984 can be thought as the very first outcome of the 12 September 1980 military coup. It is an obvious outcome of the rise of the executive initiated by the military. It is a central regulatory public institution that was tasked with providing necessary conditions to enable the construction of mass housing projects. The State’s role in mass housing construction was providing cheap credits to the contractors, developers and construction firms. Its main duty was to secure the formation of mass-scale housing production, in contrast to the pre-capitalist-hybrid forms of the housing production. The administration took a share from the state’s budget and this is how it provided cheap creditors for the contractors. After the 1997 economic crises, TOKI faced many financial difficulties and became a useless state institution.

After being idle for almost ten years, TOKI was reborn as an enormously powerful institution in 2003. The government’s ‘Emergency Action Plan’ declared its major urban aims as the ‘regeneration’ of squatter areas and provision of social housing for low-income groups¹¹. Although the plan sounds like a welfare policy on urban land markets and housing markets, this piece argues that the main aim of the government is the restructuring of the state as an active agent in the market since the state needs to finance itself in the era of austerity. TOKI’s institutional restructuring is a part of ‘effective state’ formation and expansion of state capacity. Between 2002 and 2015, TOKI has been empowered through a series of legislations.

In 2003, the law numbered 4964 made important changes in the public procurement law in favor of TOKI. According to this law, mass housing projects were exempted from many rules and restrictions of the procurement law. Unlike the other tendering processes, TOKI can initiate development projects for mass housing construction without providing the details of the development project; without conducting an environmental impact assessment; without having the tenure of the land; without expropriation of the land; without procuring the land; without preparation of development plans and zoning. Additionally, the revenue-sharing

projects of TOKI are exempt from the public procurement law since it is accepted that these projects do not require public expenditures. In 2011, another considerable change was introduced regarding TOKI's procurement process by the law numbered 6111. While TOKI was excluded from public procurement process determined by the law numbered 4964 regarding the mass housing projects, thanks to this law it is exempt from the procurement law for all its projects.

Aside from TOKI's power as the investor originating from the changes in public procurement process, it is empowered with various tax exemptions. In 2006, with the law numbered 5492, it was decided that TOKI will give the lowest construction fees and need not pay anything more than these fees. In 2008, the Administration was excluded from stamp tax with the law no 5766. In the same year, based in the law numbered 5783, it was decided that TOKI does not have to fulfill legal formal requirements or notarization requirements regarding its construction based activities. In 2010, the legal regulation introduced by the law numbered 5953, which made an amendment of the real estate tax law, TOKI's lands and plots were exempted from real estate tax.

After the many legal changes (especially the Land Office Law), TOKI became the main land-developer of the Turkish housing market, which means 54% of the currently available land stock is owned by the Turkish state.¹² Additionally, with the legal changes in the public procurement process and various tax exemptions, TOKI became the biggest employer that announces tender for the construction sector since almost 500 different scale construction companies are working for TOKI.¹³ According to the previous vice-president of TOKI, the administration works with different scale companies for different projects.¹⁴

HOW DOES MARKET-ORIENTED INSTITUTIONALISM APPROACH INSTITUTIONAL RESTRUCTURING IN GENERAL AND TOKI IN PARTICULAR?

Market-oriented institutionalism emerged when the failures of the Washington Consensus development paradigm became increasingly evident after the outbreak of a series of financial crises in Mexico, East Asia, Brazil, and Argentina. The decade of 1990s was described as the international financial contagion, crony capitalism capital flights, lack of transparency and government failures by many politicians, policy makers and academics. It was accepted that there was a need to formulate a new development paradigm. Stiglitz became the flagship of the new paradigm, which I called market-institutionalism, through refuting the minimal state obsession of the Washington Consensus.

The works of Acemoglu, Rodrik and Stiglitz are chosen to discuss the fundamentals of market-centered institutionalism. They are the most influential figures on the preparation of the road-map of policy proposals written by international financial institutions. Their approach rests on three grounds. Firstly, the capitalist market economy needs design and support since it is a social system that cannot be left to it¹⁵. Secondly, since the predictions of convergence have not realized, there is a need to explain the divergent and uneven development of global capitalism¹⁶. Lastly, there is a need to focus

on the history of capitalist development in order to go beyond the ahistorical assumptions of the classical economics¹⁷

Approaching TOKI through Market-Oriented Institutionalism

As a first statement, TOKI as a national institution can be different from housing institutions in other countries as long as it works for convergence of exchange relations for the national and international markets. They define institutions with reference to the North and argue that economic convergence does not necessarily cause convergence of institutional forms¹⁸.

Secondly, in the Turkish case, the ‘invisible hand’ of the housing market simply does not exist. The lack of information in land markets, tenure structures, zoning laws and regulations of the formal housing market causes severe problems for both buyers and sellers¹⁹. Externalities and imperfect knowledge limit the capacities of the housing market. Thus, TOKI’s centralized power to appropriate land, to zone the land, to have partnerships with private companies, and to plan urban regeneration projects are seen as a necessity to institutionalize the invisible hand of the market.

Thirdly, the question is no longer whether the institutions matter or not, but, ‘which institutions matter and how does one acquire them. According to Stiglitz²⁰ and Rodrik²¹, in between the laissez-faire model of Washington Consensus and socialist heavy state planning model, there is a wide spectrum that developing countries formulate. The proper balance should be found between autonomy and embeddedness of the state²². Acemoglu states that both strong states and weak states create distortions in the economy and they act as impediments to economic development²³. But how? How should the states achieve the optimal balance between state and the government? And in particular: Is TOKI able to find the balance between state intervention and the market? The general question is answered by them in a very open ended way. They argued that the only way to create the effective institutions is *Getting the Institutional Setting Right*.

Fourthly, in order to get the institutional setting right Stiglitz advises two important strategies for the developing states. First of all, policy makers need to identify the state capacities and formulate the role of government in accordance with these capacities. Secondly, since the government’s capacities are not their destinies, policy makers need to develop strategies to expand state’s capacity²⁴. What should be expected from the state is to formulate capacity-enhancing reforms through introducing better incentive structures. Rodrik argues that the most critical institutional challenge is to restructure institutions for going beyond the rent transfer between ‘unscrupulous businessmen’ and ‘self-interested bureaucrats’²⁵. Stiglitz warns the readers about two important limitations of the state, which are that states are potentially less responsive about possible supervision compared to the private sector and it has an inherent lack of credibility. For the market-oriented institutionalist account, the state is a potentially corrupted institution that needs to be balanced with market intervention.

Why did TOKI not Able to Get the Institutional Setting Right?

Without any doubt, TOKI is a necessary institution to make the housing market work. TOKI’s institutional restructuring after the 2000s can be seen as an attempt to increase Turkish state’s capacity

in housing sector. TOKI's capacity was increased by series of laws which were mostly legalized as decrees force of law without any parliamentary discussion. The new profit-sharing model which is developed by TOKI after the 2000s to finance low-income housing can be seen as another attempt to enhance the institutional capacity. Without taking any share from the state budget, TOKI gained its autonomy. TOKI became an embedded institution through making 9 percent of national housing production.

But how did this institution become the nodal point of the corruption scandals? Why was not it able to find the right balance between the state and the market? Why does it discourage investors to work with TOKI? Is it about the very nature of state as a potentially corrupted institution, as Stiglitz warns us many times? Is it about not being able to change the political institutions in Turkish context, as Acemoglu points out? Is it about, rent-seeking state bureaucrats and the self-interested entrepreneurs, as Rodrik insists on?

I think none of these questions are powerful enough to explain why TOKI failed to build a transparent and efficient national housing market. Since the questions are not about the contradictory process of market formation, their answers to them cannot be the real answer. They cannot go beyond theories of absence,; for example, lack of capacity, lack of transparency, lack of efficiency...

For me, since the task of science is 'to reduce the visible and merely apparent movement to the actual inner movement', there is a need to formulate a different question.

FORMULATING ALTERNATIVE FRAMEWORK

The rise of TOKI as an uncontrollable public institution beyond almost any democratic control is the very outcome of the need of effective state restructuring in the current phase of capital accumulation. The "fetishism of state capacity" is the fetishism of well-functioning markets without any impediment. Approaching state above and beyond politics cannot provide tools sufficient to understanding the complicated relationship between state and the market. So it becomes impossible to make an institutional analysis beyond descriptions of effective, rentier, corrupted states and bureaucrats.

This is why there is a need to approach the state in an alternative way. With reference to Poulantzas, I argue that the capitalist state as a social relation which 'incorporates into its heart the class struggle itself'²⁶. Each corruption scandal and the failure of effective state restructuring is the outcome of the contradictions of capital accumulation.

Critical Approach to TOKI

Firstly, in contrast to market-oriented institutionalism, TOKI does not determine the social groupings in the housing sector. TOKI as a state apparatus is the materialization of class relation and it is the very outcome of the contradictions of capital accumulation in the present phase of capitalism.

Secondly, there is a need to go beyond methodological individualism based on the assumption of utility maximization and rationality of both individuals and ruler (state)²⁷. It explains the corruption as the natural outcome of the permanent tension of interests between ruler and agents. It does not give a satisfactory explanation for the failure of the effective state except blaming self-interested motives of the bureaucrats. In contrast, I propose to conceptualize social classes with reference to the relations of productions, and social formation. In addition, there is a need to distinguish fractions of classes in order to explain their relationship with the state. In the case of TOKI, it is obvious that, the housing market is divided between small-scale and big-scale investors. TOKI supports different scales in different projects. Moreover, in the current phase of capitalism, the housing market emerges as an opportunity for national capital, who produce, sell and reinvest in national space²⁸. TOKI's corrupted relationship with the different fractions of capital should be seen as a complex outcome of the investment constraints of the capitalist classes in contemporary phase.

Thirdly, in contrast to the market-oriented institutionalist approach, the state is not organized as diffuse decision centers in which the plural interests of the 'power groupings' or 'pressure groups' represent their interests²⁹. The capitalist state is organized as a result of dominance of one of the powers above others. The dominance of executive over parliamentary in the contemporary phase is not a technical error in the operation of state. In contrast, the rise of the executive, as an institutional reality of our age, is the outcome of structural modifications in the relations of production in the current phase of capitalism. The decline of the parliament, the institutions of the representative democracy and the power of political parties in favor of the executive, bureaucracy and the state administration are the main characteristics of the authoritarian statism, which is materialized in TOKI³⁰. TOKI, above the municipalities and other local governments, is the only body to formulate housing projects. Since market-oriented institutionalism does not make a connection between the state and its economic role in different historical conjunctures, it is unable to analyze why TOKI's institutional structure drastically changes after the 2000s and how it excludes any participatory mechanism in housing policy.

Lastly, the institutional structure of the state is reorganized in relation to its economic role. For the case of TOKI, it is important to ask how previously 'marginal' or unprofitable fields like housing became important for the valorization, reproduction and revalorization of capital³¹. The state's integration to the subordination of totality of socio-economic fields to the capital accumulation process results in remarkable politicization of popular struggles related to these spheres³². State loses its legitimacy since people be aware of the fact that social policies, like housing, are directly connected to the interests of the capital. As a result, certain major contradictions emerged within the state between its economic role and its role in maintaining order³³. This is why TOKI's housing policies, especially in terms of urban regeneration, cause many social discontents all over the Turkey.

CONCLUSION

In order to understand the mysterious rise of the housing production in the Turkish case, there is a need to ask the following question: Why does this particular content, the capitalist state, take this particular authoritative form? To provide a scientifically satisfying answer, there is a need to study institutions by going beyond the market-oriented institutionalist paradigm. There is a need to go beyond the fetishism of the effective state in order to see how capitalism in the contemporary phase turned into authoritative institutions for the sake of the market and at the expense of any democratic intervention as it is seen in the TOKI example. The Turkish State's role in both the formation and the deepening of the housing sector is vital, so an analysis without state theory cannot enlighten the housing question in Turkish case.

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