

FORMATION AND REPRESENTATION OF INTERESTS IN TURKISH
POLITICAL ECONOMY: THE CASE OF MÜSİAD (INDEPENDENT
INDUSTRIALISTS' AND BUSINESSMEN'S ASSOCIATION)

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MURAT ÇEMREK

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I certify that I have read this thesis and in my opinion it is full adequate, in scope and in quality, as a thesis for the degree of Doctor of Philosophy in Political Science and Public Administration.

Assistant Professor Hootan Shambayati
Supervisor

I certify that I have read this thesis and in my opinion it is full adequate, in scope and in quality, as a thesis for the degree of Doctor of Philosophy in Political Science and Public Administration.

Professor Ergun Özbudun
Examining Committee Member

I certify that I have read this thesis and in my opinion it is full adequate, in scope and in quality, as a thesis for the degree of Doctor of Philosophy in Political Science and Public Administration.

Associate Professor Mehmet Okyayuz
Examining Committee Member

I certify that I have read this thesis and in my opinion it is full adequate, in scope and in quality, as a thesis for the degree of Doctor of Philosophy in Political Science and Public Administration.

Assistant Professor Ömer Faruk Gençkaya
Examining Committee Member

I certify that I have read this thesis and in my opinion it is full adequate, in scope and in quality, as a thesis for the degree of Doctor of Philosophy in Political Science and Public Administration.

Assistant Professor Filiz Başkan
Examining Committee Member

Approval of the Institute of Economics and Social Sciences

Professor Kürşat Aydoğan
Director

ABSTRACT

FORMATION AND REPRESENTATION OF INTERESTS IN TURKISH POLITICAL ECONOMY: THE CASE OF MÜSİAD (INDEPENDENT INDUSTRIALISTS' AND BUSINESSMEN'S ASSOCIATION)

Murat Çemrek

Department of Political Science and Public Administration

Supervisor: Assistant Professor Hootan Shambayati

June 2002

This thesis examines the case of *Müstakil Sanayici ve İşadamları Derneği*-MÜSİAD [Independent Industrialists and Businessmen's Association] to evaluate the formation and representation of interests within transformation of the Turkish political economy in the last two decades. The relatively liberalization in Turkey with further integration into the global markets led the development of civil society but it has not meant the waning of the "strong state" tradition. Thus, MÜSİAD as other Turkish business associations has been very dynamic to develop strong adaptability vis-à-vis strong state. The study benefits from Truman's "disturbance," Olson's "collective action" and Salisbury's "exchange" theories to delineate the emergence, development and mobilization of the association as well as the theories of pluralism, corporatism and clientelism to explore the essence of interest representation in Turkey.

The thesis analyzes the institutional framework and organizational structure of MÜSİAD and argues that the role of Islam for the association has been quite functional providing a common bond for its members, motivation to (re)gain the markets in the Islamic world captured by non-Islamic forces and a way of moderating the labor. MÜSİAD's reference to the East Asian model was also parallel to its Islamic discourse blended with its emphasis on moral and communitarian values. 1997 has been a turning point for MÜSİAD in its de-emphasis of its ideological pillars as Islam and East Asian economic development model. Following the economic crisis in East Asian countries and the February 28 process, MÜSİAD retreated from its references to both factors. In short, the examination of MÜSİAD is illuminating in terms of illustrating the depth and extent of the Islamic business activity in Turkey as well as the rise of new business elite that could develop a challenging culture vis-à-vis the state.

Keywords: Interest Group, Political Economy, Turkey, Islam, State

ÖZET

TÜRKİYE EKONOMİ POLİTİĞİNDE ÇIKAR OLUŞUMU VE TEMSİLİ: MÜSİAD (MÜSTAKİL SANAYİCİ VE İŞADAMLARI DERNEĞİ) ÖRNEK ÇALIŞMASI

Murat Çemrek

Siyaset Bilimi ve Kamu Yönetimi Bölümü

Tez Yöneticisi: Yrd. Doç. Dr. Hootan Shambayati

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Bu tez MÜSİAD (Müstakil Sanayici ve İşadamları Derneği) örnek çalışmasını son yirmi yıldaki Türkiye ekonomi politikindeki dönüşüm dahilinde çıkar oluşum ve temsilini değerlendirerek incelemektedir. Küresel pazarlara daha fazla eklenme ile Türkiye'deki göreceli liberalleşme sivil toplumun gelişmesine yolaçtıysa da, bu "güçlü devlet" geleneğinin sönmesi anlamına gelmedi. Bu nedenle, MÜSİAD Türkiye'deki diğer işadamları dernekleri gibi güçlü devlet karşısında güçlü adaptasyon geliştirmek de gayet dinamik oldu. Çalışma Truman'ın "kargaşa," Olson'un "kollektif eylem" ve Salisbury'nin "mübadele" teorilerinden derneğin ortaya çıkışı, gelişmesi ve mobilizasyonunu; pluralizm, korporatizm ve klientelizm teorilerinden de Türkiye'deki çıkar temsilinin esasını tasvir etmek için faydalanır.

Tez kurumsal çerçevesi ve örgütsel yapısını inceleyerek, dernek için İslam'ın rolünün üyeler arası ortak bağ oluşturmak, İslam dünyasında gayr-i-Müslim güçlerce ele geçirilmiş pazarları (tekrar) kazanmak ve emeği ehliştirmek gibi oldukça fonksiyonel bir anlamı olduğunu iddia eder. MÜSİAD'ın Doğu Asya modeline referansı da ahlaki ve cemaat değerlerine vurguyla harmanlanmış İslami söylemi ile paralellik arzetyken, 1997 yılı MÜSİAD için İslam ve Doğu Asya ekonomik kalkınma modeli gibi ideolojik dayanaklarına vurguyu kaldırdığı bir dönüm noktası olmuştur. Dernek, Doğu Asya ülkelerindeki ekonomik kriz ve 28 Şubat süreci nedeniyle her iki referansından geri adım attı. Kısaca, MÜSİAD'ın incelenmesi Türkiye'deki İslami ticari faaliyetin derinliğini ve kapsamı ile devlet karşısında meydan okuyucu bir kültür geliştirebilen yeni bir işadamları seçkinler topluluğunun incelenmesi açısından aydınlatıcıdır.

Anahtar kelimeler: Çıkar Grubu, Ekonomi Politik, Türkiye, İslam, Devlet

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List of English Abbreviations

CB	: Central Bank
CDs	: Certificates of Deposits
CEOs	: Chief Executive Officers
CP	: Contentment Party [Saadet Partisi-SP]
CU	: Customs Union
CUP	: The Committee of Union and Progress [İttihat ve Terakki Cemiyeti-İTC]
DP	: The Democrat Party [Demokrat Parti-DP]
DTP	: The Democratic Turkey Party [Demokratik Türkiye Partisi-DTP]
DLP	: The Democratic Left Party [Demokratik Sol Parti-DSP]
EU	: European Union
FRD	: Foreign Relations Department
GDI	: Government Debt Instruments
GDP	: Gross Domestic Product
GNP	: Gross National Product
GUP	: Grand Unity Party [Büyük Birlik Partisi-BBP]
IBF	: International Business Forum
IMF	: International Monetary Fund
ISI	: Import-Substituting Industrialization
JP	: The Justice Party [Adalet Partisi-AP]
JDP	: Justice and Development Party [Adalet ve Kalkınma Partisi-AKP]
MP	: The Motherland Party [Anavatan Partisi-ANAP]
NMP	: The Nationalist Movement Party [Milliyetçi Hareket Partisi-MHP]
NOP	: The National Order Party [Milli Nizam Partisi-MNP]
NSC	: National Security Council
NSP	: National Salvation Party [Milli Selamet Partisi-MSP]
NWP	: Nationalist Working Party [Milliyetçi Çalışma Partisi-MÇP]
PM	: Prime Minister
PSBR	: Public Sector Borrowing Requirement
RDP	: Reformist Democracy Party [İslahatçı Demokrasi Partisi-IDP]
RPP	: The Republican People's Party [Cumhuriyet Halk Partisi-CHP]
SEEs	: State Economic Enterprises

- SDIF : Savings Deposit Insurance Fund
SDPP : Social Democratic Populist Party [Sosyal Demokrat Halkçı Parti-SHP]
SPO : State Planning Organization
SSC : State Security Court
TIS : Turkish-Islamic Synthesis
TL : Turkish Lira
TPP : The True Path Party [Doğru Yol Partisi-DYP]
VP : The Virtue Party [Fazilet Partisi-FP]
WP : The Welfare Party [Refah Partisi-RP]

List of Turkish Abbreviations

- ASKON : Anadolu Aslanları İşadamları Derneği [The Anatolian Lions Businessmen's Association]
DEMSİAD : Demokrat Sanayici ve İşadamları Derneği [The Democratic Industrialists' and Businessmen's Association]
HAK-İŞ : Hak İşçi Sendikaları Konfederasyonu [The Confederation of Right Worker Unions]
İŞHAD : İş Hayatında Dayanışma [The Association for Solidarity in Business Life]
KOBİs : Küçük ve Orta Büyüklükteki İşletmeler [Small and Medium Size Enterprises]
MÜSİAD : Müstakil Sanayici ve İşadamları Derneği [Independent Industrialists and Businessmen's Association]
SESİAD : Serbest Sanayici ve İşadamları Derneği [The Free Industrialists' and Businessmen's Association]
TİSK : Türkiye İşveren Sendikaları Konfederasyonu [The Turkish Confederation of Employers' Unions]
TOBB : Türkiye Ticaret, Sanayi, Deniz Ticaret Odaları ve Ticaret Borsaları Birliği [The Turkish Union of Chambers and Stock Exchanges]
TTGV : Türkiye Gönüllü Kültür Teşekkülleri [Turkish Voluntary Cultural Organizations]
TÜSİAD : Türk Sanayicileri ve İşadamları Derneği [The Turkish Industrialists' and Businessmen's Association]

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CHAPTER I

INTRODUCTION: INTEREST GROUPS AND INTEREST GROUPS POLITICS

1.1. Introduction

During the first half of the 1990s, the *Müstakil Sanayici ve İşadamları Derneği*- MÜSİAD [Independent Industrialists and Businessmen's Association] became popular in the public agenda, which came to its peak during the *Refahyol* -the coalition of Welfare Party-WP [Refah Partisi-RP] and True Path Party-TPP [Doğru Yol Partisi-DYP]- government led by Necmettin Erbakan during July 1996-June 1997. When I decided to study MÜSİAD, the Refahyol government had just fallen down and this, in turn, affected MÜSİAD negatively. The secular media showed MÜSİAD and its members backing *irtica*, religious reactionism, financially, which undermined the legitimacy of the association. Thus, the examination of MÜSİAD is illuminating in terms of illustrating the depth and extent of the Islamic business activity in Turkey as well as the rise of new business elite that could develop a challenging culture vis-à-vis the state. In order to analyze MÜSİAD, one needs to understand the developments of the political economy of Turkey in 1980s and in 1990s.

The political and economic developments in Turkey led to the emergence of MÜSİAD, in a response to the needs that originated with the transformation of the political economy during the 1980s. Moreover, Islamic business networks such as special finance houses and multi-share holding companies grew to be important actors on the economic scene. In fact, 1980 was a milestone in the history of Turkish political economy due to both the structural adjustment program introduced on 24 January and the military coup of 12 September. Until

this period, Turkish state-business relations were shaped according to the directives of an interventionist state that could dominate and manipulate the business class. However, in the 1980s, the global economic and political developments necessitated a further integration of Turkey into the global financial and commodity markets. This integration process resulted in a shift from an import-substituting industrialization (ISI) model to export-oriented policies, which meant a relative liberalization of the Turkish economy.

Following the transition to parliamentary democracy in 1983, the gradual liberalization of the Turkish society gave previously repressed identities a chance for public visibility. Through the approach of the military rule to integrate Islam into Turkish nationalism -crystallized in the Turkish-Islamic Synthesis (TIS)- the Islamic identity increased its visibility in the public sphere. This public visibility came to fore with diversified activities such as public broadcasting, education networks, publications, holding companies and other civil society organizations. Moreover, the relatively free political atmosphere and the fragmentation of the center-right and center-left parties led to the incremental rise of Islamist politics, and of the WP. This process of relatively liberal restructuring also increased the numbers and the intensity of civil society organizations and their activities, which became more dynamic especially after 1990. Thus, all these developments opened the path for the emergence of a new business elite organized in MÜSİAD. In short, this study is to evaluate the dynamics of this transformation of the Turkish political economy and the rise and fall of Islamist politics by examining the case of MÜSİAD.

Twelve young businessmen with Islamist leanings in İstanbul founded MÜSİAD on May 5, 1990. MÜSİAD soon became the largest voluntary business

association in Turkey with almost 2500 members, 27 branch offices and 45 overseas focal points in 35 different countries. MÜSİAD's ideological basis is rooted in Islamic religiosity and in the needs of *Küçük ve Orta Büyüklükteki İşletmeler-KOBİs* [Small and Medium Size Enterprises]. Originating from Anatolian towns, this new business elite led by MÜSİAD has challenged the established business elite and the existing institutions while preserving its own traditional and religious values. It also accelerated the globalization of production in Turkey facilitating the mobility of global capital through collaboration with the international system.

MÜSİAD represents the “outsider” business class isolated from state incentives. Beside the political-economic dimension, there is a cultural aspect to the organization that is based on reinterpretation of Islam and *Anadoluluk* (Anatolianship). MÜSİAD reinterprets the popular religious norms and practices in accordance with the needs of free-market economy by emphasizing the importance of material wealth and hardwork. This attempt at reconciling capitalism and Islam has involved MÜSİAD in the construction and representation of this new type of bourgeoisie who benefited from being Islamic and oppositional within the rhetoric of general industrial progress and export. Thus, MÜSİAD referred to the East Asian countries that succeeded in developing their economic resources despite their traditional belief systems.

For MÜSİAD, Islam is not an obstacle before economic development. However, MÜSİAD's religious standpoint has not only been a rhetorical trope as the association has also formulated concrete projects for economic union among Islamic countries, e.g. Cotton Union Project. In *Anadoluluk*, Anatolia is more than a geographical location. It connotes the traditional attitudes fostered with

Islamic moral values as well as the isolation of the petite bourgeoisie from state resources. One has to keep in mind that MÜSİAD headquarter is in İstanbul where approximately the quarter of the membership is located.

1997 happened to be a turning point for MÜSİAD forcing it to reevaluate its discourse about Islamic-orientation and East Asian model of development since both of them resulted in a disappointment. The close links of the organization with the *Milli Görüş* (National View) Parties; the WP and Virtue Party-VP [Fazilet Partisi-FP] in our study, has diminished since the February 28 process both accelerated the end of the Refahyol government and brought a court file for the closure of MÜSİAD. Thus, MÜSİAD found itself isolated in the political arena. Moreover, the East Asian crisis forced the leadership of the organization to reconsider its enthusiasm for the East Asian model of development after these countries had fallen into heavy economic crises one by one. Despite all, MÜSİAD did not give up referring to Islamic moral values in shaping its communitarian approach.

Why was MÜSİAD established? How is MÜSİAD represented in the political economic order? Whom does MÜSİAD represent? How is MÜSİAD organized? How is the MÜSİAD-government relationship institutionalized? What are the aims of MÜSİAD? What are the priorities in the field of economic policy? Which channels of access does MÜSİAD utilize? How is MÜSİAD's relation with other business associations? The present study addresses itself to these questions as the main ones.

This PhD thesis on MÜSİAD is based on the following arguments:

1. All social units emerge in relation with the social, political and economic structures encompassing them. These external

factors not only pave the path for the formation of social units but also shape them. As a result of mutual relation, in time social units shape these external factors. In this context, MÜSİAD poses an interesting case since it is in the intersection of Islamic politics and political economy of Turkey in 1980s and 1990s when Turkey was exposed to a noticeable transformation. This historical analysis also provides us the basis to develop an understanding about the hinterland of the organization. The emergence and historical development of MÜSİAD is quite meaningful since it is the result of the rising civil society organizations and their activities as well as the conflict between small and big businesses.

2. We need a multi-theoretical approach to understand interest group formation and interest groups politics in Turkey due to the Turkish state's dominance vis-à-vis the interest groups. This, in turn, oriented the Turkish business associations to recognize the historical legitimacy of the state and they adapted themselves according to this essential trait. However, in the establishment process of the business associations, we observe a challenging discourse vis-à-vis the state, which wanes in time. For example *Türk Sanayicileri ve İşadamları Derneği*-TÜSİAD [The Turkish Industrialists' and Businessmen's Association] supported the military intervention in 1980 and stood beside the military bureaucracy in the fall of the

Refahyol government despite its heavy emphasis on democracy. MÜSİAD also started to underline state incentives more than Islamic ethics following the February 28 process.

3. MÜSİAD appears as the product of a particular societal environment where the state has a very significant role in shaping economy and society, and of a particular historical period characterized by certain important changes in domestic and global patterns of production and trade. This period involved the questioning of the traditional role of the state in the economy and its significant revision. This liberal orientation in the economy also resulted in changes in the political front that came hand in hand with the increase of visibility of Islam in the public sphere.
4. MÜSİAD has employed Islam functionally as a cultural-ideological factor supported mostly with secular-economic communitarian notions like *Anadoluluk* to bind its members in a coherent community, to secure markets and moderate labor. At the last instance, economic aspirations are more significant than Islam since MÜSİAD is a business organization. Thus, the fragility and vulnerability, read flexibility, of this Islamist discourse challenging the state was mainly observed in MÜSİAD's decreasing its emphasis on Islam following the February 28 period.
5. MÜSİAD symbolizes both "traditional(ism)" and "modern(ity)" simultaneously and develops a synthesis of these

traits within an Islamist identity that is highly colored with Turkish nationalism and reference to the Ottoman imperial past. However, due to its association with political Islam –close links with the WP and VP- the legitimacy of the organization has been under question confronting various difficulties at political and legal levels. MÜSİAD’s functional Islamist identity represents the class interests within a revival of Islamic civilization and forms a network organization transforming traditional KOBİs’ economic mentality to globally integrated export-oriented business.

6. MÜSİAD is the association of the rising new business elite trying to get recognition for the isolated business groups. Thus, the examination of this association is quite illuminating in terms of the depth and extent of Islamic business activity to understand the transformation in Turkish political economy in the last two decades.

The first chapter outlines the theoretical framework of formation and development of interest groups and interest groups politics. The chapter delineates the interest groups from different aspects. The literature review section compares Truman’s “disturbance theory,”¹ Olson’s “collective action theory”² and Salisbury’s “exchange theory”³ to comprehend interest groups’ formation

¹ David B. Truman, *The Governmental Process: Political Interests and Public Opinion* (New York: Alfred A. Knopf, 1951).

² Mancur Olson, *The Logic of Collective Action: Public Goods and the Theory of Groups* (Cambridge, MA: Harvard University Press, 1968).

³ Robert H. Salisbury, “An Exchange Theory of Interest Groups,” *Midwest Journal of Political Science*, February 1969, Vol. 13 No. 1, pp. 1-32.

and survival. The section on modalities of interest representation explores the literature on pluralism, corporatism and clientelism and compares them with each other to develop a better understanding of interest group politics.

The second chapter uncovers both the historical-political framework of the business associations and the development of the legal framework in Turkey. The literature review section examines books of Robert Bianchi,⁴ Metin Heper⁵ and Ayşe Buğra⁶ to comprehend Turkish state-business relations within a theoretical approach. The chapter also focuses on the voluntary business association formation in Turkey with reference to Türkiye İşveren Sendikaları Konfederasyonu-TİSK [Turkish acronym for the Turkish Confederation of Employers' Unions], the Conference Board of Economic and Social Issues, and the emergence of TÜSİAD.

The third chapter explores the emergence and the development of MÜSİAD in conjunction with Truman's "disturbance theory" through two variables of disturbances- rise and fall of Islamist politics in Turkey and transformation of Turkish political economy from different angles in the last two decades.

The fourth chapter benefits from Olson's "collective action theory" and Salisbury's "exchange theory" to delineate the mobilization and development of MÜSİAD. Olson's approach of exclusive material selective benefits to prevent the free-rider problem is obvious in MÜSİAD's activities, publications, trips and

⁴ Robert Bianchi, *Interest Groups and Political Development in Turkey* (Princeton: Princeton University Press, 1984).

⁵ Metin Heper, *The State Tradition in Turkey* (Walkington: Eothen Press, 1985) and Metin Heper, ed. *Strong State and Economic Interest Groups: The Post-1980 Turkish Experience* (Berlin and New York: Walter de Gruyter, 1991).

⁶ Ayşe Buğra, *State and Business in Modern Turkey: A Comparative Study* (Albany, N.Y.: State University of New York Press, 1994).

etc. Salisbury's theory interrelating the group's survival upon a mutually advantageous exchange of benefits between the leader and the members is also helpful to understand MÜSİAD as well as solitary benefits -social rewards deriving from participation in group activities- and purposive benefits -rewards associated with ideological or issue-oriented goals. The chapter also analyzes the institutional framework and organizational structure of MÜSİAD through the historical background and *Anadoluluk* as a cultural basis for network formation in the last two decades.

The fifth chapter discusses the ideological background of MÜSİAD to understand the structure and the identity formation of the association. The chapter analyzes the transformation of the role and the function of Islam for MÜSİAD in conjunction with the Milli Görüş parties, especially WP-VP, and the consequences of the February 28 process. The chapter also focuses on the transformation of the emphasis on the East Asian development in relation to the economic crisis in East Asian countries. The chapter pays attention to TÜSİAD as the *other* in the identity of MÜSİAD and delineates MÜSİAD and interest group politics.

The last chapter is the concluding chapter in which I discuss the findings and contributions of the thesis to theory through some generalizations based on the Turkish case and in particular on MÜSİAD.

1.2. Theoretical Framework

In this part, I will outline the theoretical framework of interest groups and modalities of interest representation. Firstly, I will evaluate the relations among state, economy, and interest groups focusing on the definition, functions, the differences between interest groups in different countries and their interaction

with the state. I will assess interest group power in relation to different variables of legitimacy, size, ability to form coalitions with other groups and financial resources influential in policymaking process. In the literature review section, I will compare Truman's "disturbance theory," Olson's "collective action theory" and Salisbury's "exchange theory" to understand the formation, mobilization and maintenance of interest groups. I will also pay attention to public interest groups to compare them with the economic interest groups in general, and business associations in particular.

The chapter also explores the theoretical framework of interest groups politics through the literature on pluralism, corporatism and clientelism. I will also explore the comparison between neo-corporatism and authoritarian corporatism as well as the comparison between corporatism and pluralism to develop a better understanding of interest groups representation. I will delineate clientelism based on patronage-clientele relations to understand interest groups politics in transitional societies. Most fundamentally, there is consensus that these are ideal types and that no polity actually conforms to either model. Lastly, I will highlight MÜSIAD in relation to its formation and the interest group politics in Turkey in which it is embedded.

1.3. State and Interest Groups

State is one of the essential preconditions for economic growth. Paradoxically, it is also the source of man-made economic decline.⁷ The increased importance of the state in the contemporary world, being the crucial

⁷ Douglass C. North, "A Framework for Analyzing the State in Economic History," *Economic History*, 1979, Vol. 16, [pp. 249-259] in *The State: Critical Concepts*, Vol. 2, John A. Hall, ed. (London; New York: Routledge, 1994), p. 325.

factor in the institutionalization of the market, necessarily brings us to evaluate its relations with private interests. In this context, the study of interest groups is one way in which political science could advance beyond the confines of studies of institutions and begins to explore the links between politics and society.

Any effort to characterize the policy-making process must include at the same time an analysis of both the organization of the state and the organized factions, parties and interest groups that seek to influence the state. Both sides of the policymaking equation, the state and organized interests, are important determinants of policy outcomes, and each interacts with the other to produce a distinctive national system of politics and policymaking.⁸

Interest groups and state agencies can be allies, and each provides the other with valuable resources. State policies may, naturally, have the effect of creating organized interests where none had existed before. Government activity may promote interest group formation, which in turn may produce interest group influence. Thus, governance can also be viewed in interest group terms and the ability of interest groups to influence government policies has certain implications on bureaucratic policy formulation, implementation and administration.⁹

Interest groups are generally defined as organizations separate from the government, even though often in close partnership with it. They attempt to influence public policy by advancing a particular sectional interest or cause.¹⁰

⁸ Frank R. Baumgartner and Jack L. Walker, "Educational Policymaking and the Interest Group Structure in France and the United States" *Comparative Politics*, April 1989, Vol. 21, p. 273.

⁹ Scott R. Furlong, "Interest Group Influence on Rule Making" *Administration and Society*, July 1997, Vol. 29, No. 3, p. 325.

¹⁰ Graham K. Wilson, *Interest Groups* (Oxford: Basil Blackwell, 1990), pp. 1-8.

Interest groups are often conceptualized interchangeably with “pressure groups” to reflect their activity of exerting pressure on governmental agencies. In this context, interest groups differ from a “lobby” that has the sole purpose of influencing legislation or the execution of policy.¹¹ Conventionally, political parties seek to constitute the government, whereas interest groups try only to influence it. As a result, apparent purposes of interest groups are always narrower than that of political parties.¹² On the other hand, interest groups like political parties constitute a form of political participation and they resemble political parties in many of their activities, i.e., political campaigning for candidates, making campaign contributions, screening appointments for public office, and formulating policy alternatives.¹³

Almost inevitably, all interest groups perform certain functions: (1) providing information to public officials to assist in designing policies; (2) seeking to persuade policymakers to pursue courses of action in the best interests of the organization and its members; (3) communicating with members, keeping them apprised as to what the government is doing, educating them about the political process, and refining support.¹⁴ The primary function of interest groups is no longer perceived solely as that of articulating and transmitting demands of the society into the political process; but also socializing citizens, organizing

¹¹ Geoffrey K. Roberts and Alistairs Edwards, *A New Dictionary of Political Analysis* (London: Edward Arnold Inc., 1991), p. 66, David, Robertson, *The Penguin Dictionary of Politics* (London; New York: Penguin Books, 1993), pp. 240, 396-397, Jack C. Plano, Robert E. Riggs and Helenan S. Robin, *The Dictionary of Political Analysis* (Santa Barbara, California: ABC-Clio Inc., 1982), p. 61.

¹² Graham K. Wilson, *Interest Groups in the United States* (Oxford: Clarendon Press, 1981), pp. 1-6.

¹³ Graham K. Wilson, *Interest Groups*, p. 173.

¹⁴ Joel Krieger and [et al.] (eds.), *The Oxford Companion to Politics of the World* (Oxford; New York: Oxford University Press, 1993), p. 433.

consensus, contributing to the policy-making process, implementing laws and the like.¹⁵ There are several tactics available to interest groups in democracy: control of information and expertise, electoral activity, use of economic power, public information campaign, violence and disruption, legal action and etc. Interest groups, to actualize their *raison d'être*, often resort to such direct actions as mass rallies, letters to politicians and press, committee negotiations, deputations to government agencies, campaigning for the election of sympathetic candidates or the recruitment of existing legislators, cooperation with official institutions and lobbying.¹⁶

In short, there are also considerable differences in the acceptance of interest groups in different countries parallel to: (1) the attitude prevailing towards interest groups in the political culture; (2) the degree to which interest groups achieve a high density of membership; (3) the degree of unity or fragmentation of interest groups; (4) the degree to which interest groups play a prominent role in policymaking; (5) the tactics of interest groups; (6) the differences in constitutions and political institutions and (7) the institutional focus of interest groups.¹⁷

1.4. Interest Group Power Variables

Interest groups need to be influential to survive and attract new members. In this context, Williams Keefe saw group power as a function of several factors including its size, its volume of financial resources, the cohesiveness of its membership, the skills of its leadership, its prestige, the geographical distribution

¹⁵ Graham K. Wilson, *Interest Groups*, p. 8.

¹⁶ David Robertson, *A Dictionary of Modern Politics* (London: Europa Publications, 1993), p. 241.

¹⁷ Graham K. Wilson, *Interest Groups*, pp. 18-23.

of its membership, the group's determination and intensity, its ability to form alliances, and the compatibility of its purposes with the traditional values of society.¹⁸ Similarly, J. A. Thurber notes,

The power of interest groups depends on their resources (such as money, total membership, and the dispersion of members) and their ability to transform those resources (such as leadership and communication) into action toward an objective (such as passage of a law or regulations) without resistance from other actors (such as groups and government institutions).¹⁹

One variable concerning a group's ability to influence the policymaking process relates to the amount of emphasis it places on participating in policymaking through formal and informal ways. Financial capacity is one obvious variable that will demonstrate a group's propensity to participate and subsequently influence policy.²⁰ Financial resources offer advantages such as allowing interest groups to hire staff, develop expertise, participate on advisory committees, and pursue other efforts to influence policy. Therefore, an interest group's budget dedicated to lobbying policymaking agencies is an important element in demonstrating a group commitment to this area of policy development.

The ability to form coalitions with other groups also has an impact on the ability to influence the political agency. One would therefore expect that a group, more successful in forming coalitions, has a greater ability to influence rule making. Influence may vary because of the different amount of resources

¹⁸ William Keefe, *Congress and the American People*, 3rd ed. (Englewood Cliffs, NJ: Prentice Hall, 1988), pp. 32-33.

¹⁹ J. A. Thurber, "Dynamics of Policy Subsystems in American Politics" in Allan J. Cigler and Burdett A. Loomis, eds., *Interest Group Politics*, (Washington, DC: Congressional Quarterly Press, 1983), p. 338.

²⁰ Kay Lehman Schlozman and John T. Tierney, *Organized Interests and American Democracy* (New York: Harper and Row, 1986), p. 14.

available, the opportunities to influence the executive branch, and the propensity for some kinds of groups to concentrate on the executive branch more than others.²¹

The legitimacy of an organization also affects its ability to influence the policymaking process. Legitimacy serves as a measure of credibility and knowledge of the political arena and policy. Although legitimacy may be a difficult concept to operationalize, the age of an organization may represent a good substitute. One would expect that the older the group the more legitimate it is in the eyes of policy makers. Older groups have had more time to gather information, make contacts, understand the governmental process, and learn the ropes of policy making. Long life also suggests more influence on the rule-making process.²²

The size of an interest group membership may also affect its influence. A large membership may provide substantial resources and a certain amount of legitimacy to the organization although a large membership may be difficult to mobilize. Therefore, larger membership will increase an interest group's ability to influence the policymaking process. One would therefore expect that as a group's access increases, so its ability to influence rulemaking increases.²³ However, the large group size may affect the cohesion among group members negatively, which increases the free-rider problem. Thus, in small size groups, members easily develop the causal relation between their individual contribution and the attainment of collective goods to be obtained. This provides the

²¹ Scott R. Furlong, "Interest Group Influence on Rule Making," pp. 327-328.

²² *Ibid.*, p. 329.

²³ *Ibid.*, p. 330.

elimination of the free-rider problem and increases the attraction of the group for potential members.

1.5. Literature Review on Interest Groups

The US-American political scientists have mostly shaped the literature on interest groups. Moreover, interest groups have been significant throughout the history of US politics. Yet, political scientists have regularly debated the meaning of interest groups for understanding a country's political processes. Writers such as Arthur Bentley,²⁴ Elmer Er Schattschneider,²⁵ David B. Truman,²⁶ Earl Latham,²⁷ Robert A. Dahl,²⁸ Mancur Olson,²⁹ Grant McConnell,³⁰ Theodore J. Lowi,³¹ Robert H. Salisbury,³² Norman Frolich, Joe Oppenheimer, Oran R. Young,³³ James Q. Wilson,³⁴ Jeffrey M. Berry,³⁵ Terry M. Moe,³⁶ Russel

²⁴ Arthur Bentley, *The Process of Government*, (Chicago: University of Chicago, 1908).

²⁵ Elmer Er Schattschneider, *Politics, Pressures and the Tariff* (New York: Arno, 1935) and Elmer Er Schattschneider, *The Semi-Sovereign People: A Realist's View of Democracy in America* (New York: Holt, Rinehart and Winston, 1960).

²⁶ David B. Truman, *The Governmental Process: Political Interests and Public Opinion* (New York: Alfred A. Knopf, 1951).

²⁷ Earl Latham, *The Group Basis of Politics: A Study in Basing Point Legislation* (Ithaca, New York: Cornell University Press, 1952).

²⁸ Robert A. Dahl, *Who Governs? Democracy and Power in an American City* (New Haven: Yale University Press, 1961).

²⁹ Mancur Olson, *The Logic of Collective Action: Public Goods and the Theory of Groups* (Cambridge, MA: Harvard University Press, 1968).

³⁰ Grant McConnell, *Private Power and American Democracy* (New York: Alfred A. Knopf, 1966).

³¹ Theodore J. Lowi, *The End of Liberalism: The Second Republic of the United States* (New York: Norton, 1979).

³² Robert H. Salisbury, "An Exchange Theory of Interest Groups," *Midwest Journal of Political Science*, 1 (1969), pp. 1-32.

³³ Norman Frolich, Joe Oppenheimer and Oran R. Young, *Political Leadership and Collective Goods* (Princeton: Princeton University Press, 1971).

³⁴ James Q. Wilson, *Political Organizations* (New York: Basic Books, 1973).

Hardin³⁷ and Jack L. Jr. Walker³⁸ conceptualized interest groups to be at the core of the political system in their studies.³⁹

Traditional studies on interest groups basically derived from the “group theory of politics.” This approach conceived politics as a process of allocation of social values and resources. Thus, this process could be separated through examination of the groups taking part in and potentially influencing the decision-making process.⁴⁰

Interest groups were conceptualized as providing a mediating structure standing between the state and the citizen. Bentley’s studies opened up a new chapter in group theory of politics and were later elaborated by Truman and Latham. Ultimately, their attempts aimed at understanding politics from the perspective of interest groups rather than developing theoretical arguments on interest groups. Thus, Truman defined interest groups as “any group that on the basis of one or more shared attitudes makes certain claims upon other groups in society for the establishment, maintenance or enhancement of form of behavior that are implied by shared attitudes.”⁴¹

³⁵ Jeffrey M. Berry, *Lobbying for the People: The Political Behavior of Public Interest Groups* (Princeton: Princeton University Press, 1977).

³⁶ Terry M. Moe, *The Organization of Interests: Incentives and the Internal Dynamics of Political Interest Groups* (Chicago: University of Chicago, 1980).

³⁷ Russel Hardin, *Collective Action* (Baltimore: John Hopkins University Press, 1982).

³⁸ Jack L. Jr. Walker, “The Origins and Maintenance of Interest Groups in America” *American Political Science Review*, 1983, Vol. 77, pp. 390-406 and Jack L. Jr. Walker, *Mobilizing Interest Groups in America: Patrons, Professions, and Social Movements* (Ann Arbor: University of Michigan Press, 1991).

³⁹ Frank R. Baumgartner and Beth L. Leech, “The Multiple Ambiguities of ‘Counteractive Lobbying’” *American Journal of Political Science*, Vol. 40, No. 20, May 1996, p. 521.

⁴⁰ *Ibid.*, p. 520.

⁴¹ David B. Truman, *The Governmental Process*, p. 33.

The literature on social movements developed along a parallel path. In the 1950s and 1960s, analysts generally attributed the emergence of social protest movements to some kind of societal dysfunction paving the path for the emergence of interest groups. Social protest, a form of expression seen as entirely distinct from conventional interest group participation, was the product of some kind of social breakdown, a function of anomie, of society's failure to provide "intermediary associations" "relative deprivation," or some kind of "aggregate psychological disorder."⁴²

Truman related the creation of organizations and participation of people with their desire to protect their interests vis-à-vis disturbances and changes in their social environment.⁴³ Then, such disturbances and changes in the socio-economic medium will consequently result in the disequilibria in the set of organized groups as well as the emergence of new organizations to re-establish the balance. Truman's disturbance theory, suggesting that interest groups are organized to protect a threatened interest, has received the most extended attention.

Truman exemplified "disturbances" rather than giving a clear-cut definition of the concept. He cited recessions, wars, inflation, discrimination, and increased governmental activity as phenomena that have generated group formation. To demonstrate his theory, Truman examined the history of major farm groups in the United States. He argued that the National Grange, the Farmers Alliance, the Farm Bureau, and the Farmers Union all emerged between

⁴² Neil Smelser, *Theory of Collective Behavior* (New York: Free Press, 1963); Eric Hoffer, *The True Believer: Thoughts on the Nature of Mass Movements* (New York: Harper & Row, 1951); William Kornhauser, *The Politics of Mass Society* (Glencoe, Illinois: Free Press, 1959); Ted Robert Gurr, *Why Men Rebel* (Princeton: Princeton University Press, 1970), p. 24.

⁴³ David B. Truman, *The Governmental Process*, pp. 57-61.

1867 and 1900 “out of the increased interaction of farmers in response to intense disturbances of their accustomed behavior.”⁴⁴

Truman specifically gave voice to the post-war pluralist notion that interest group participation in the political process is an inherent characteristic of the US-American system and he traced the origins of interest groups to their external political environment. Truman argued that two interrelated processes lead to group formation. The first was “societal change” meaning that society evolves and becomes more complex in which new interests emerge while others fade. However, societal change alone cannot account for group mobilization. The unorganized constituencies become organized as a result of general societal change and specific “disturbances” derive individuals to support group endeavors. In short, Truman argued that individuals reacting to social change and/or disturbances with shared interests band together to stabilize relations among themselves when these interests are threatened. In this framework, Truman took an optimistic view of the natural wisdom of society that competing groups will spontaneously arise and an “invisible hand” will secure social checks and balances, stability, reasonable share for all.⁴⁵

In this context, Truman’s disturbance theory helps us partially to understand the emergence of MÜSİAD. The transformation of Turkish political economy during the 1980s brought several disturbances resulting in a societal change and prompted new interests and their organizations. The implementation of liberal policies in the economic field paved the path for the emergence of new entrepreneurs of small and middle size firms prospering in this decade. Despite the liberalization policies, the state kept its importance in the economy. These

⁴⁴ Ibid., p. 87.

⁴⁵ Ibid., p. 33.

new entrepreneurs were not given access to state resources, which oriented them to organize in a new business association, MÜSİAD, at the beginning of the 1990s.

In the 1960s, scholars began questioning Truman's disturbance theory prompted by Clark and Wilson's decisive study "Incentive Systems: A Theory of Organizations,"⁴⁶ and Mancur Olson's *Logic of Collective Action: Public Goods and the Theory of Groups*, began to examine how groups overcome the substantial barriers to mobilization. Political scientists increasingly turned their attention to the internal dynamics of interest groups rather than Truman's external factors. A number of scholars began to push the field back to the study of lobbying and other influence-seeking activities⁴⁷ since Truman's disturbance

⁴⁶ Peter B. Clark and James Q. Wilson, "Incentive Systems: A Theory of Organizations" *Administrative Studies Quarterly*, 1961, Vol. 6. No. 2, pp. 129-166.

⁴⁷ Jeffrey M. Berry, *Lobbying for the People*; J. David Gopoiian, "What makes PACs Tick? An Analysis of the Allocation Patterns of Economic Interest Groups" *American Journal of Political Science*, 1984, Vol. 28, pp. 259-281; Andrew S. McFarland, *Common Cause: Lobbying in the Public Interest* (Chatham, NJ: Chatham House, 1984); Richard Smith, "Advocacy, Interpretation, and Influence in the U.S. Congress" *American Political Science Review*, 1984, Vol. 78, pp. 44-63; John R. Wright, "PACs, Contributions, and Roll Calls: An Organizational Perspective" *American Political Science Review*, 1985, Vol. 78, pp. 400-414; John R. Wright, "Contributions, Lobbying, and Committee Voting in the U.S. House of Representatives" *American Political Science Review*, 1990, Vol. 84, pp. 417-438; Kay Lehman Schlozman and John T. Tierney, *Organized Interests and American Democracy*; Gregory A. Caldeira and John R. Wright, "Organized Interests and Agenda-Setting in the U.S. Supreme Court" *American Political Science Review*, 1988, Vol. 82, pp. 1109-1127; Janet M. Grenzke, "PACs and the Congressional Supermarket: The Currency is Complex" *American Journal of Political Science*, 1989, Vol. 33, pp. 1-24; David Vogel, *Fluctuating Fortunes: the Political Power of Business in America* (New York: Basic Books, 1989); William P. Browne, "Organized Interests and Their Issue Niches: A Search for Pluralism in a Policy Domain" *Journal of Politics*, 1990, Vol. 52, pp. 477-509; Richard L. Hall and Frank W. Wayman, "'Buying Time' Moneyed Interests and the Mobilization of Bias in Congressional Committees" *American Political Science Review*, 1990, Vol. 84, pp. 797-820; John Mark Hansen, *Gaining access: Congress and the Farm Lobby, 1919-1981* (Chicago: Chicago University Press, 1991); Jack L. Jr. Walker, *Mobilizing Interest Groups in America*; Lawrence S. Rothenberg, *Linking Citizens to Government: Interest Group Politics at Common Cause* (New York: Cambridge University Press, 1992); Scott Ainsworth, "Regulating Lobbyists and Interest Group Influence" *Journal of Politics*, 1993, Vol. 55, pp. 41-56; Scott Ainsworth and Itai Sened, "The Role of Lobbyists: Entrepreneurs with Two Audiences" *American Journal of Political Science*, 1993, Vol. 37, pp. 834-866; William P. Browne and Won K. Paik, "Beyond the Domain: Recasting Network Politics in the Post-reform Congress" *American Journal of Political Science*, 1993, Vol. 37, pp. 1054-1078; Kevin B. Grier and Michael C. Munger, "Comparing Interest Group PAC Contributions to House and Senate Incumbents, 1980-1986" *Journal of Politics*, 1993, Vol. 55, pp. 615-643; John P. Heinz, Edward O. Lauman, Robert L. Nelson and Robert Salisbury, *The Hollow Core: Private Interests in*

theory was a *demand-side* theory focusing on the conditions under which individuals will join in a collective action. Supply was not an issue due to the fact that societal conditions would produce a demand for group formation to materialize which formed the skeleton of these studies.

Olson emerged as a devastating critique of Truman's disturbance theory and reasoned that individuals are not to organize for their collective interests unless problems of collective action are properly solved through "selective benefits." Olson argued that selective -mainly material incentives exclusively available to members- benefits are the most critical resource that a political organization could have. Olson also reasoned that there are significant barriers to group formation. Primary among them is the "free-rider" instinct among individuals. Rational individuals often will not participate in collective activities if they can enjoy the benefits without doing so.⁴⁸ In short, he observed the availability of the common good for free-riders as the obstacle to participation in collective action.

Olson basically disagreed with Truman's correlation between the proliferation of associations and the social disturbances because he found subordination of individual interest to group interest insufficient to explain voluntary associations. Moreover, Olson criticized the overemphasis of the commonality of individual interests in the formation of collective action, which de-emphasizes the act of a rational individual to obtain collective goods. In sum,

National Policymaking; Lucig H. Danielian and Benjamin I. Page, "The Heavenly Chorus: Interest Group Voices on TV News" *American Journal Of Political Science*, 1994, Vol. 38, pp. 1056-1078; Kevin B. Grier, Michael C. Munger and Brian E. Roberts, "The Determinants of Industry Political Activity, 1978-1986" *American Political Science Review*, 1994, Vol. 89, pp. 797-820.

⁴⁸ Anthony J. Nownes and Grant Neeley, "Public Interest Group Entrepreneurship and Theories of Group Mobilization" *Political Research Quarterly*, Vol. 49, No.1 March 1996, p. 120.

he argued that it is foolish to assume that disturbances will stimulate group formation without taking the cost of participation in a group for an individual into consideration whether in time, money or labor.

Olson argued that no rational individual would assume these costs unless two conditions are met: (1) the likely benefits resulting from participation exceed benefits achieved without participation and (2) benefits exceed the costs of membership and participation. The precise reason behind these two constraints proved is the so-called free-rider problem that occurs when a collective good is sought. Because such goods are non-divisible, all regardless of whether or not they participated can share them equally. In addition, since collective goods appeal to such a potentially broad population, the perceived advantage to the group by any single individual's membership will likely be calculated as insignificant. Thus, the costs of membership would most often be seen as outweighing benefits.

For interests seeking collective goods, therefore, neither of the aforementioned conditions for participation are likely to be met. The only way in which a potential group could get around this dilemma and attract members, for Olson, was if: (1) exclusive selective benefits -available only to members, such as magazines, discounts, travel, insurance and etc.- are offered in addition to the group's collective goals; (2) memberships is made compulsory, or (3) the group is small enough to allow any individual's impact upon the achievement of the group's objectives seem sufficiently noticeable so that the benefits of participation would be seen to outweigh the costs.⁴⁹ Parallel to Olson, MÜSIAD offered exclusive selective benefits such as periodicals, mass travels to foreign

⁴⁹ Mancur Olson's *The Logic of Collective Action*, pp. 1-52.

countries, conferences, panels and *karz-i-hasen*, a special interest-free lending system, to overcome the free-rider problem.

Olson's theoretical success was based on its significance on initiating an ample literature on the collective action problem formulating significant barriers to interest group formation, ignored in Truman's *disturbance theory*. His theory also stressed incentive structure as an important determinant of interest group's ability to mobilize and survive while appealing to supporters.⁵⁰

In the aftermath of Olson's famous book, the scholarship on interest groups has developed by both assuming that an inherent link exists between the external purposes of a group and the means by which it attracts members. Rational choice theorists conceived of interest groups as working for policies that enable them to provide selective benefits to their members, typically at the expense of non-members. At about the same time, however, another group of scholars, struck by the rapid growth of public interest groups, focused on the tendency of some groups to pursue collective goods that did not selectively benefit their members. Rather, members joined because they agreed with the public goods preferences of the group. At the very least, the absence of the members' insistence on selective material benefits enabled such organizations to pursue policies involving larger public goods.⁵¹ Subsequent studies have

⁵⁰ Patrick Dunleavy, "Group Identities and Individual Influence: Restructuring the Theory of Interests Groups" *British Journal of Political Science*, 1988, Vol. 18, pp. 21-49; Norman Frohlich and Joseph Oppenheimer, "Beyond Economic Man: Altruism, Egalitarianism, and Difference Maximizing" *Journal of Conflict Resolution*, 1984, Vol. 28, pp. 3-24; John Mark Hansen, "The Political Economy of Group Membership" *American Political Science Review*, 1985, Vol. 79, pp. 79-86; Terry M. Moe, *The Organization of Interests* (Chicago: University of Chicago, 1980); Robert H. Salisbury, "An Exchange theory of Interest Groups," 1-32; James Q. Wilson, *Political Organizations* (New York: Basic Books, 1973).

⁵¹ Andrew S. McFarland, *Public Interest Lobbies: Decision-Making on Energy* (Washington, DC: American Enterprise Institute, 1976); Jeffrey M. Berry, *Lobbying for the People*; David Vogel, "The Public-Interest Movement and the American Reform tradition" *Political Science Quarterly*,

demonstrated that individuals also respond to a variety of “extra-rational” incentives including efficacy, fairness, civic duty and morality⁵² as well as solitary benefits -social rewards that derive from associating in group activities. Thus, purposive benefits -rewards associated with ideological or issue-oriented goals- also play an important role in motivating group membership.⁵³ Moreover, empirical studies have shown that many individuals join groups to receive non-economic benefits such as fun, camaraderie, and a good feeling derived from promoting a worthwhile cause.⁵⁴

We can observe the importance of purposive benefits in the development of MÜSİAD, with reference to Islam and locality. MÜSİAD referred to Islamic morality and *Anadoluluk* to develop the group identity as “outsiders” that could not get close to state resources. This approach shaped the name of the organization as “independent” and MÜSİAD leader cadre claimed that the great tycoons of Turkey have been dependent on the Turkish state. MÜSİAD also benefited from a reinterpretation of Sufism with its market-oriented comment of Islam. This interpretation was heavily blended with reference to communal

1981, Vol. 95, pp.607-627, Kay Lehman Schlozman and John T. Tierney, *Organized Interests and American Democracy*.

⁵² Russel Hardin, *Collective Action*; Howard Margolis, *Selfishness, Altruism, and Rationality: A Theory of Social Choice* (Cambridge, MA: Cambridge University Press, 1984); Gerald Marwell and Ruth E. Ames, “Experiments on the Provision of Public Goods I: Resources, Interests, Group Size, and the Free-Rider Problem” *American Journal of Sociology*, 1979, Vol. 84, pp. 1335-1360; Terry M. Moe, *The Organization of Interests*.

⁵³ Russel Hardin, *Collective Action*; Howard Margolis, *Selfishness, Altruism, and Rationality* and Jack H. Nagel, *Participation* (Englewood Cliffs, NJ: Prentice Hall, 1987).

⁵⁴ Jeffrey M. Berry, *Lobbying for the People*; Allan J. Cigler and John Mark Hansen, Constance E. Cook, “Participation in Public Interest Groups” *American Politics Quarterly*, 1984, Vol. 6, pp. 129-166; R. Kenneth Godwin and Robert Cameron Mitchell, “Rational Models, Collective Goods, and Non-Electoral Political Behavior” *Western Political Quarterly*, 1982, Vol. 35, pp. 160-180; David Marsh, “On Joining Interest Groups” *British Journal of Political Science*, 1976, Vol. 6, pp. 257-272; Terry M. Moe, *The Organization of Interests*; Andrew S. McFarland, *Common Cause: Lobbying in the Public Interest*; Robert C. Mitchell, “National Environmental Lobbies and the Apparent Illogic of Collective Action” in Clifford Russell, ed. *Collective Decision-Making* (Baltimore: Johns Hopkins University Press, 1979), pp. 87-121.

bonds similar to the East Asian development model as well as issue-oriented goals of more export and developing their own business. MÜSIAD also provided friendship among members by organizing picnics, pilgrimage and *umre* tours.

Critics of Olson approached the world of interest groups as a far more diverse and complex place, full of varied and multi-dimensional group structures and incentives, to organize. Perhaps the starkest evidence of the deficiencies of Olson's model, according to critics, has been the massive proliferation of interest groups since the political, social and economic conjuncture of 1970s, what Mahood calls the "participation revolution."⁵⁵ Olson's portrait of the individual as "a fully rational actor" with a near-perfect knowledge of costs and benefits has been quite suspicious for his critics. A number of influential studies have challenged this assumption in fields ranging from voting behavior to bureaucratic behavior and public policy.⁵⁶ Rather than the fully "rational minimizer of costs" and "maximizer of benefits," William Kelso wonders if man, as a "social animal of limited rationality and limited knowledge," is a bit more prone to the influences of emotion, ideology, fear, spite, altruism, or obligation than Olson would allow.⁵⁷ This is why people also organize in public interest groups although they get nothing as benefit.

Critics of Olson also observed that there are obvious structural changes in interest group organization that Olson did not foresee such as agents, alliances, patronage, and etc. Beyond these, the theory of selective incentives could be

⁵⁵ H. R. Mahood, *Interest Group Politics in America: A New Intensity* (Englewood Cliffs, NJ: Prentice-Hall, 1990), p. 1

⁵⁶ Angus Campbell, et al., *The American Voter* (New York: John Wiley & Sons, 1976); Herbert A. Simon and James G. March, *Organizations* (New York: John Wiley & Sons, 1958); Thomas Dye, *Understanding Public Policy*, 6th ed. (Englewood Cliffs, NJ: Prentice-Hall, 1987).

⁵⁷ William Kelso, *American Democratic Theory* (Westport, CT: Greenwood Press, 1978), p. 100.

more useful in understanding only certain types of organizations in certain situations, namely those which feature a clear free-rider problem such as trade unions on behalf of better wages. However, organizing on behalf of ecological goals has far less visible and quantifiable benefits. Their advocates also see these goals and benefits as being crucially important. As a result, the free-rider problem may not emerge since e.g. environmentalists would not mind sharing the benefits of clean air with the ones who did not contribute towards that goal. Thus, the intangibility and perceived overwhelming significance of such benefits are probably enough to convince concerned individuals that their small share on behalf of the cause is worth making.⁵⁸

Critics continued that rather than merely being aggregations of co-equal individuals seeking a given benefit; interest groups can be seen as having considerable differentiation among their membership, with some members significantly more important than others. For example, scholars have long stressed the role of the entrepreneur whose skill, risk-taking, and dedication to a cause or goal is said to have the potential to add a huge and crucial element of support.⁵⁹ Some also focused on the group's leader, whose job it is to design and administer a group's founding structure.⁶⁰ Students of interest groups also noted that groups are increasingly reliant upon professional agents such as lawyers, lobbyists, or consultants who are often quite skillful at achieving influence or

⁵⁸ Steven M. Davis, "Environmental Politics and the Changing Context of Interest Group Organization" *The Social Science Journal*, Vol. 33, No. 4, p. 354.

⁵⁹ Robert H. Salisbury, "An Exchange theory of Interest Groups," pp. 1-32; Norman Frohlich, Joe Oppenheimer and Oran R. Young, *Political Leadership and Collective Goods*.

⁶⁰ Terry M. Moe, *The Organization of Interests*; James Q. Wilson, *Political Organizations*.

effective mobilization.⁶¹ In many cases, it is the skill of such agents rather than a group's overall membership or resources, which determines group success.

Where do(es) an interest group's incentive structure(s) come from? Who makes decisions regarding the mix of benefits offered to members? Robert H. Salisbury answered, "the group entrepreneur ... [who] invests his capital to create a set of benefits which he offers at a price to a market."⁶² Instead of focusing on what motivates members to support interest groups, Salisbury focused on the entrepreneur who administers and designs a group's incentive structure. Salisbury argued that the group's survival rests upon a mutually advantageous exchange of benefits between the group leader and group supporters. Thus, Salisbury's exchange theory acknowledged that a successful group needs a leader able to choose that "right" mix of benefits to offer supporters.

Salisbury centralized the entrepreneur and conceptualized interest groups as exchange relationships between entrepreneurs and members. The entrepreneur invests group resources as benefits offered to the members.⁶³ The group entrepreneur obtains a good job at a good wage, power, prestige and personal fulfillment while group members receive three types of benefits: material, solitary, and purposive. Material benefits are tangible rewards such as goods or services that have monetary value, solitary benefits are social rewards that derive

⁶¹ Robert Salisbury, John P. Heinz, Edward O. Laumann, and Robert L. Nelson, "Who Works with Whom? Interest Group Alliances and Opposition" *American Political Science Review*, 1987, Vol. 81, pp. 1217-1234.

⁶² Robert H. Salisbury, "An Exchange theory of Interest Groups," p. 17.

⁶³ For further information see, Robert H. Salisbury, *Interests and Institutions: Substance and Structure in American Politics* (Pittsburgh and London: University of Pittsburgh Press, 1992).

from associating in-group activities and purposive benefits are rewards that stem from involvement in a group that pursues collective goods.⁶⁴

The entrepreneur determines group constituency and increases the awareness of group members' collective identity. The construction and perpetuation of group identity is dependent on the relations of power, distribution of resources, and dominant norms within the group. This identity including common mentality, behaviors, and ceremonies alleviates the free-rider problem and mobilizes collective action. Social identities based on religion, norms and ideology form the basis of interest group organization. This understanding is quite valid in the identity formation of MÜSIAD shaped with reference to Islamic moral values. In short, Salisbury stated that the quality of the entrepreneurship/group leadership is the crucial variable in determining the interest group formation. Ultimately, group survival depends upon a mutually beneficial exchange between a group entrepreneur and group members as Wilson stated: "whatever else organizations seek, they seek to survive."⁶⁵ Thus, an entrepreneur's primary goal is to ensure group survival.

But what else do entrepreneurs seek? First, the typical entrepreneur wants the organization to exercise policy influence. Second, entrepreneurs value autonomy from members. Thus, investing resources for a maximum return does not necessarily mean seeking support designed to yield a maximum monetary return. The rational calculus of maintenance of the entrepreneur includes more than simply survival. It balances the desire to ensure group survival with the desires to maintain autonomy and to exercise policy influence. In the search for

⁶⁴ Peter B. Clark and James Q. Wilson, "Incentive Systems: A Theory of Organizations," pp. 129-166.

⁶⁵ James Q. Wilson, *Political Organizations*, p. 10.

income maintenance and in expenditure decisions, entrepreneurs are careful to consider how a given decision will affect the group's policy influence. Thus, they seek out sources of support that do not threaten or harm the group's policy influence. Salisbury suggested that the roles of the organizer and the entrepreneur might be conceptually identical. Thus, it is the job of both the organizer and the entrepreneur to adjust an incentive structure to attract financial support for group mobilization and survival.⁶⁶ However, some studies of group development argued that group mobilization and group maintenance are radically different processes.⁶⁷

The basic exchange theory framework had a critical defect in underestimating the role of external patrons within group formation. Empirical studies of group formation suggested that many groups, especially public interest groups, rely heavily upon patron's "seed money." Exchange theory was appealing because it focused on overcoming the barriers to group formation, which relies heavily upon the effort and abilities of the group entrepreneurs.

In short, when we compare these three theories we observe that Truman's disturbance theory had argued that societal change creates conditions for interest group formation. However, Olson's collective action theory underlined the importance of exclusive selective benefits to overcome the free-rider problem in the emergence of interest groups. Salisbury's exchange theory suggested the examination of group incentive structures and entrepreneurial activity to explain interest group formation and mobilization.

⁶⁶ Robert H. Salisbury, "An Exchange Theory of Interest Groups," p. 29.

⁶⁷ Jon Elster, *The Cement of Society: A Study of Social Order* (New York: Cambridge University Press, 1989); Norman Frohlich and Joseph Oppenheimer, "I Get by with a Little Help from My Friends" *World Politics*, 1970, Vol. 23, pp. 104-120.

Beside the theoretical framework delineated above, interest groups could be basically classified into two categories of public and economic interest groups. Interest group scholars theoretically support the advantage of economic oriented interest groups, particularly business associations, in obtaining influence. They believe that the limited scope associated with business groups facilitate efforts to influence policy⁶⁸ since every policy is weighed by its anticipated impact on economic development.⁶⁹ Economic interest groups are for particular economic interests. Business associations and labor unions are the main examples of economic interest groups that depend on membership fees for mobilization and survival. Thus, economic interest groups need to satisfy their members in order to attract new ones. The economic theory of regulation maintains that political processes can be analyzed as the interaction of rational utility maximizing politicians and constituents who exchange wealth transfers for votes and money. The politicians allocate benefits across interests so as to maximize votes or net wealth.⁷⁰ Therefore, interest groups associated with business interests will have more influence on rulemaking than citizen groups.

Public interest groups, on the other hand, are organized to demand a public good for the benefit of all people rather than group members. They might be dependent upon patron support for mobilization but they have to develop a membership basis for survival. At the below, I will discuss public interest groups and try to explore if MÜSIAD carries public interest group characteristics.

⁶⁸ J. M. Hanson, "The Political Economy of Group Membership" *American Political Science Review*, 1985, Vol. 79, pp. 79-96; Mancur Olson's *The Logic of Collective Action: Public Goods and the Theory of Groups* (Cambridge, MA: Harvard University Press, 1965); J. Q. Wilson, *The Politics of Regulation* (New York: Basic Books, 1980).

⁶⁹ Paul Brace and Audrey Jewett, "The State of State Politics Research" *Political Research Quarterly*, Vol. 48 No. 3, September 1995, p. 662.

⁷⁰ Rainald Borck, "Ideology and Interest Groups" *Public Choice*, No. 88, p. 147.

1.6. Public Interest Groups

Jeffrey Berry notes that public interest groups “seek a collective good, the achievement of which will not selectively and materially benefit the membership or activists of the organization.”⁷¹ Although Olson’s “free rider” seems to annul possibilities for emergence of groups explicitly concerned with collective goods, public interest groups form, survive, and advocate policy change.⁷² Indeed, members of such groups derive satisfaction from participating, often even in the absence of selective benefits. This suggests that some individuals are willing to make personal sacrifices in order to participate in public interest advocacy. They may indeed view political participation not as a cost, but as a benefit in itself. The circumstances under which large numbers of people are willing to take this view, however, are limited both in occurrence and duration.⁷³

For most public interest groups, Walker argued, mobilization is dependent upon attracting patronage, not members. Downplaying the role of entrepreneurship Walker concluded “...a successful set of political organizations representing a constituency will not come into being, no matter how energetic the leaders of the movements may be, unless institutions can be identified that will serve as sponsors or patrons for their efforts.”⁷⁴

⁷¹ Jeffrey M. Berry, *Lobbying for the People* (Princeton: Princeton University Press, 1977); 7 in Anthony J. Nownes and Grant Neeley, “Public Interest Group Entrepreneurship and Theories of Group Mobilization,” p. 126.

⁷² Jeffrey M. Berry, *Lobbying for the People* (Princeton: Princeton University Press, 1977); Jane J. Mansbridge, ed. *Beyond Self-Interest* (Chicago: University of Chicago Press, 1990).

⁷³ Anthony J. Nownes and Allan J. Cigler, “Public Interest Group and the Road to Survival” *Polity*, Vol. 27, No. 3 Spring 1995, p. 380.

⁷⁴ Jack L. Jr. Walker, *Mobilizing Interest Groups in America: Patrons, Professionals, and Social Movements* (Ann Arbor: University of Michigan Press, 1991), p. 196 in Anthony J. Nownes and Grant Neeley, “Public Interest Group Entrepreneurship and Theories of Group Mobilization,” p. 124.

Walker found that most of the public interest groups in the US received large donors in the form of seed money from foundations, the federal government, or corporations. He also found that many public interest groups rely heavily upon patrons for maintenance income.⁷⁵ Group founders, whether they are recruited by patrons or activated by disturbances, are high-status individuals. Thus, anything that expands the entrepreneurial pool indirectly stimulates group activity. Patrons are responsible for some group formation. Thus, Walker states that the proliferation of public interest groups is attributable partially to patron activity.⁷⁶

Patrons are crucial for initial mobilization for public interest groups. However, the key to long-term survival is the ability to maintain a large membership base that can be drawn on dues and large contributions.⁷⁷ Walker argued that most public interest groups depended more on patrons than on members for survival. He indicated that without patrons they would consist solely of a “small set of highly unstable insurgent groups.”⁷⁸ Thus, studies of group mobilization continued to focus on group supporters -the patrons and

⁷⁵ Jack L. Jr. Walker, “The Origins and Maintenance of Interest Groups in America” *American Political Science Review*, 1983, Vol. 77, p. 404 and Anthony Nownes and Grant Neeley, “Toward an Explanation for Public Interest Group Formation and Proliferation: ‘Seed Money,’ Disturbances, Entrepreneurship, and Patronage” *Policy Studies Journal*, Vol. 24, No. 1, 1996, p. 77.

⁷⁶ Jack L. Jr. Walker, “The Origins and Maintenance of Interest Groups in America” *American Political Science Review*, 1983, Vol. 77, pp. 390-406; Jack L. Jr. Walker, *Mobilizing Interest Groups in America: Patrons, Professionals, and Social Movements* (Ann Arbor: University of Michigan Press, 1991).

⁷⁷ Anthony J. Nownes and Allan J. Cigler, “Public Interest Group and the Road to Survival,” p. 379.

⁷⁸ Jack L. Jr. Walker, “The Origins and Maintenance of Interest Groups in America” *American Political Science Review*, 1983, Vol. 77, 404 in Anthony J. Nownes and Allan J. Cigler, “Public Interest Group and the Road to Survival,” p. 381.

members who provide groups with the resources they need.⁷⁹ Similarly, Walker⁸⁰ suggested that while virtually all public interest groups receive substantial patron support in the earliest stages of their development, many older, more established groups receive little or no patron support. Finally, there is no compelling theoretical reason to believe that the mobilization and maintenance processes resemble one another. For example, decisions that make sense at the earliest stages of group development such as not to seek members or to abstain from lobbying may not make sense later.⁸¹ Thus, there is a gap in the literature on group development. While the importance of patrons in group formation and maintenance is universally accepted, there has been little attention focused upon the increasingly relevant group-patron exchange.

What can threaten a group's policy influence? One possible answer is loss of credibility. Credibility could be threatened when a group becomes too dependent on patronage that does not represent real constituents. Credibility could be lost when the group takes money from patrons that are unpopular with its members and primary patron supporters.⁸²

Walker approaches the question of group formation from a novel perspective. While he accepts the exchange theory framework and all it implies about the importance of the entrepreneur, he breaks rank with other scholars when he argues that it is the patrons, not the members, upon which entrepreneurs

⁷⁹ John Elster, *The Cement of Society*, Norman Frohlich and Joseph Oppenheimer, "I Get by with a Little Help from My Friends," pp. 104-120.

⁸⁰ Jack L. Jr. Walker, "The Origins and Maintenance of Interest Groups in America" *American Political Science Review*, 1983, Vol. 77, pp. 390-406 and Jack L. Jr. Walker, *Mobilizing Interest Groups in America*.

⁸¹ Anthony J. Nownes and Grant Neeley, "Public Interest Group Entrepreneurship and Theories of Group Mobilization," p. 120.

⁸² Anthony J. Nownes and Allan J. Cigler, "Public Interest Group and the Road to Survival," p. 390.

rely for funds.⁸³ However, he dismisses the impact of disturbances when he states: “Political action is seldom a spontaneous outburst growing out of frustration, anxiety, or personal tension.”⁸⁴ Patronage is absolutely crucial to group mobilization, however, it is less important for interest group maintenance. In short, not patronage but membership is the key to successful long-term maintenance for most public interest group. Thus, it is a mistake to conclude that a public interest group cannot survive without patron support.

Most public interest groups believe that members are the key to influencing public policy rather than leaning on patron and thus spend an inordinate amount of group resources on seeking member support. Patronage is an important part of many public interest groups’ long-term survival strategy. But members are absolutely critical to long term survival because they provide the most stable and dependable source of long-term financial support especially during financially rough times. Government patronage is not dependable either, because of the volatile nature of politics. In short, the trendy nature of external patrons makes entrepreneurs reluctant to rely too heavily on them. A membership base, however, is more stable, dependable and reliable.⁸⁵ Finally, any compelling explanation of public interest group mobilization must take patronage into account. They also need to develop a membership base for group survival in the long run.

⁸³ Anthony J. Nownes and Grant Neeley, “Public Interest Group Entrepreneurship and Theories of Group Mobilization,” p. 124.

⁸⁴ Jack L. Jr. Walker, *Mobilizing Interest Groups in America: Patrons, Professionals, and Social Movements* (Ann Arbor: University of Michigan Press, 1991), p. 185.

⁸⁵ Anthony J. Nownes and Allan J. Cigler, “Public Interest Group and the Road to Survival,” pp. 391-394.

Consequently, MÜSIAD being an economic oriented interest group has shown some public interest group characteristics, e.g. seeking the revival of Islamic civilization as a collective good. Some prominent MÜSIAD members have functioned as patrons sponsoring activities such as international fair organizations. Moreover, MÜSIAD like most public interest groups paid attention to develop a large membership basis in order to survive.

1.7. Modalities of Interest Representation

In this section, I will highlight interest groups politics through the comparative literature of modalities of interest representation as pluralism, corporatism and clientelism to understand the relations of state and economic interest groups in general, and business associations in particular.

1.7.1. Pluralism

Pluralism is conceptualized as a condition in which political power is dispersed amongst a wide variety of social groups. Schmitter defines pluralism as:

A system of interest representation in which the constituent units are organized into an unspecified number of multiple, voluntary, competitive, non-hierarchically ordered and self-determined (as to type or scope of interest) categories which are not specially licensed, recognized, subsidized, created or otherwise controlled in leadership selection or interest articulation by the state and which do not exercise a monopoly of representational activity within their respective categories.⁸⁶

According to the pluralist model, interests groups are numerous and autonomous. Pluralist interest group politics is relatively permeable to the entry of new groups, and groups arise and get involved in politics at their own

⁸⁶ Phillippe Schmitter, "Still the Century of Corporatism?" *Review of Politics*, Vol. 36, 1974, p. 101.

initiative rather than at the command of the state. In pluralism, interest groups have the freedom of choosing political battles and political arenas to fight against.

Pluralism pictures politics through the interaction of interest groups based on individual members' interests. However, pluralists do not develop a clear-cut conception of *collective good* and are skeptical about the state's ability in generating collective goods. The role of the state is to maintain the market process without interfering⁸⁷ while functioning as a mediator/arbiter among organized interests as the "helpless victim of interest groups." Pluralism idealizes "a sociopolitical system in which the power of the state is shared with a large number of groups, interest organizations and individual members represented."⁸⁸ Thus, the state is not a constituent part of interests but it rather remains external to those interests, setting boundaries, rules and incentives. Briefly, pluralism puts forward that a socio-economic equilibrium could be achieved through freely competing interest groups without state intervention in distribution of collective goods and thus largely reduces the role of the state.

Pluralists admit the influence of business associations on policy decisions in capitalist democracies. However, interests of politicians and bureaucratic cadres and counter-groups could counterweigh in restraining the domination of business.⁸⁹ Dahl defined a dynamic pluralist society based on the dispersion of political resources, strategic locations, and finally bargaining positions. Then, the

⁸⁷ Charles Edward Lindblom, *The Intelligence of Democracy: Decision Making Through Mutual Adjustment* (New York: The Free Press, 1965), p. 3.

⁸⁸ Roberta Prestus, "The Pluralist Framework" in *Frontiers of Democratic Theory*, Henri S. Kariel, ed. (New York: Random House, 1970), p. 280.

⁸⁹ Charles Edward Lindblom, *Politics and Markets: The World's Political-Economic Systems* (New York: Basic Books, 1977), p. 189.

numerical and/or financial power of interest groups is not sufficient to explain indeterminate policy outcomes if environmental conjecture providing opportunities and constraints are not taken into account.⁹⁰

1.7.2. Corporatism

Corporatism is the institutional fusion of political representation and economic intervention.⁹¹ Corporatism is applied to the structured representation of functional interests in the process of policymaking and this refers to the interdependence of the interest groups and the state. Schmitter defines corporatism as:

A system of interest representation in which the constituent units are organized into a limited number of singular, compulsory, non-competitive, hierarchically ordered and functionally differentiated categories, recognized or licensed (if not created) by the state and granted a deliberate representational monopoly within their respective categories in exchange for observing certain controls on their selection of leaders and articulation of demands and supports.⁹²

As to the emergence of corporatism, Philippe C. Schmitter proposes that “corporatism (in its ‘societal’ or ‘state’ varieties) seems to be related to certain basic imperatives or needs of capitalism to reproduce the conditions for its existence and continuity to accumulate further resources.”⁹³

Individuals in the corporatist paradigm are only allowed to pursue their own interests and enjoy the right and guarantee of private property as long as they serve social solidarity and do not violate public interest. In such context, state occupies a central place vis-à-vis interest groups as the “[s]tate may not be

⁹⁰ Robert Dahl, *Democracy and Its Critics* (New Haven and London: Yale University Press, 1989), p. 252.

⁹¹ Bob Jessop, *State Theory: Putting Capitalist States in Their Place* (Cambridge: Polity Press, 1990), p. 120.

⁹² Phillippe Schmitter, “Still the Century of Corporatism?” p. 98.

⁹³ *Ibid.*, p. 109.

an arena for which they [interest groups] compete but a constitutive element engaged in defining, distorting, encouraging, regulating, licensing and/or repressing the activities of associations.”⁹⁴ This relationship between the state and the interest groups determines the dominant authority and relative autonomy of the former over the latter. The structuration of interest groups is partly if not completely determined by

[t]he public policy towards associations and political culture. This means the direct impact of the state in shaping or initiating group development and the importance of certain enduring attitudes and values, particularly among the political elite and the associational leadership in influencing the group behavior.⁹⁵

In corporatist theory, society should consist neither of isolated individuals nor of hostile classes but rather of corporations. These vertically organized bodies would structure the social order on the basis of their own economic and social functions. Each corporation would represent a group with a common function in the social division of labor, and individuals would act socially and relate to each other through the corporations to which they belonged. At the level of politics the state should be organized on a corporate basis with the representation of citizens indirectly through the corporations, but not as individual electors. These corporations would also exercise controlling and regulatory functions on their individual members in addition to their representational role. Moreover, theorists of corporatism such as Schmitter and Drucker argue that the corporations are the primary actors in the political process. Thus, in some states, e.g. Austria and Sweden, corporations are granted

⁹⁴ Philippe C. Schmitter, “Reflections on Where the Theory of Neo-Corporatism Was Gone and Where the Praxis of Neo-Corporatism May Be Going” in *Patterns of Corporatist Policy Making*, Gerhard Lechmburch and Philippe C. Schmitter, eds. (Beverly Hills: Sage, 1982), p. 260.

⁹⁵ Robert Bianchi, *Interest Groups and Political Development in Turkey*, pp. 28-29.

institutional recognition with corporate interests involved in both the formulation and the execution of policy, so combining representative and administrative roles.⁹⁶

In sum, corporatists advocate a system, combining private property with the rejection of socially disruptive market forces. Thus, corporatism was presented as a *third way*, an alternative to both capitalism and socialism.

The corporatist institutions were invariably associated with fascism in Hitler's Germany and Mussolini's Italy. However, current usage identifies a distinction between state or authoritarian corporatism -found in such systems as Salazar's Portugal or Franco's Spain- and liberal/societal or neo-corporatism - emerged increasingly within capitalist democracies. Neo-corporatism in advanced capitalist societies develops as a consequence of the growing monopoly power of interest organizations. However, authoritarian corporatism is a design imposed by the state.

Neo-corporatism arises from the tendency for interest organizations in mature capitalist countries to develop representational monopolies. Its preconditions include centralized interest organizations representing both capital and labor. These organizations have the capacity to apply coercive sanctions against members who break the terms of collective agreements. Where neo-corporatism has developed most fully, it is often under social democratic governments. These governments have compensated for the structural weakness of labor compared to capital by ensuring some form of parity for labor

⁹⁶ Nigel Ashford and Stephen Davies, eds. *A Dictionary of Conservative and Libertarian Thought* (London: Routledge, 1991), pp. 54-56.

organizations in corporatist institutions.⁹⁷ Thus, we often label countries neo-corporatist in which single interest groups -licensed, recognized or encouraged by the state- enjoy the right to represent their sector of society. These interest groups work in partnership with the government in both the formulation and implementation of public policies.

Neo-corporatism should be distinguished from the traditional corporatism of pre-industrial Europe, the authoritarian corporatism of the fascist type. In fascist regimes, like Hitler's Germany and Mussolini's Italy, the state regulated and controlled the political and economic life through the medium of occupational groups, by placing itself above them. The occupational groups, which were hierarchically ordered and nationwide in character, had no legal independent personality. The officers of these corporations had to provide a guarantee of loyalty to the state. Hence, the occupational groups, unlike in neo-corporatism, were not empowered to protect the rights of individuals indirectly.

Authoritarian corporatism describes a number of political regimes in Latin America, including post-1964 Brazil, Mexico and Peru, and also the dictatorships of Mussolini and Salazar. The limited extent of liberal democracy and popular participation, the dominance of a ruling elite and their relatively undeveloped industrial economies mark these systems. Corporatist institutions permit the disciplining and control of the labor, while allowing relatively inefficient and backward industrial interests a considerable degree of protection from international competition. Licensed associations are created as intermediaries between the state and economic producers, which have the effect of restricting the independent organizational activities of producer groups.

⁹⁷ Vernon Bogdanor, ed. *The Blackwell Encyclopaedia of Political Institutions* (Oxford; New York: Blackwell Reference, 1987), pp. 154-155.

In authoritarian corporatism, it is the state that controls or grants recognition to occupational groups. Thus unlike neo-corporatism, the state's task is not to regulate, but organize, even impose, cooperation in its relations with interest groups. Theoretically, in authoritarian corporatism the state controls both business associations and trade unions. However, the state, in practice, subordinates and controls only trade unions for the market process to work and for a solution to industrial conflicts. This is because, no matter how much the state intervenes in the economy of a country, it has to protect and support the entrepreneurs for the perpetuation of capitalism.⁹⁸ In short, state regulates/imposes labor in the interest of capital.

The emergence of neo-corporatism is traced to the post-World War II era, when the task of reconstruction of war-wrecked Europe imposed the need for the development of effective forms of cooperation among labor, capital and the state. The imperative of reconstruction and development led to a situation in which the gap between the pursuit of class interests and its social implications was largely bridged.⁹⁹

The concept of neo-corporatism also went hand in hand with another concept called welfare state. This implied the provision of economic security for the overwhelming majority of the population through a large public sector and a considerable sense of social solidarity. Welfare state is the result of demanding to manage the capitalist economy through achieving steady economic growth and maintaining full employment within an interventionist but democratic form. As the burden on the government grows, its intervention in economy increases

⁹⁸ Phillippe Schmitter, "Still the Century of Corporatism?" *Review of Politics*, Vol. 36, 1974, p. 109.

⁹⁹ Wyn Grant, "Introduction" in *The Political Economy of Corporatism*, Wyn Grant, ed., (London: MacMillan, 1985), p. 3.

accordingly while interest groups become more influential in the politico-administrative process. Thus, the neo-corporatist models arouse interest and admiration during the economic and political crisis of the 1970s for their potential ability to cope effectively with oil shocks and inflation.

The conditions for the existence of a neo-corporatist interest group system are depicted as: (1) societies in which social class has constituted an important division; (2) relatively few and centralized interest groups representing the major economic interests; (3) the willingness to compromise among interest group leaders and government officials; (4) the widespread acceptance of functional representation, i.e. the belief that people's interests can be represented legitimately by economic organizations such as unions or employers' organizations as well as by elected politicians and (5) a relatively centralized state. Such conditions for neo-corporatism are met sufficiently in relatively a few countries, although neo-corporatism has been a relative tendency not an absolute one.¹⁰⁰ Cawson views the internal cohesion and the discipline of the business association in neo-corporatism through their relationship with the state because legitimacy and authority come from the state that the association depends on rather than their internal constituency.¹⁰¹ In this context, the centralization of interest groups with the state's supervision on them emerges as a precondition for the emergence of neo-corporatism.

Similarly, the presence and absence of neo-corporatism has been closely tied to the degree of stateness; neither a too strong nor a too weak state furnishes an appropriate environment for the emergence of neo-corporatism. The state

¹⁰⁰ Graham K. Wilson, *Interest Groups*, pp. 22,109,114-119.

¹⁰¹ Alan Cawson, *Corporatism and Political Theory* (Oxford and New York: Basil Blackwell,1986), pp. 9-11.

should be strong enough to maintain its autonomy from interest groups, yet it should not be so strong that the state elites can impose their own notion of public interest to be imposed upon society.¹⁰² In this context, the Turkish state with its historical legitimacy has been too strong, which provided the state elite to explore their own understanding of public interests. They also did not permit the development of particular sectoral interests. This, in turn, blocked the development of neo-corporatism and pluralism in Turkey.

The state in neo-corporatism is merely the society politically organized as the product of social solidarity. Besides being a political agency, the state has also a moral and economic role. As a moral agency, the state promotes the public interest by guarding the overall collective conscience. Thus, this guardianship exists beyond and above the several occupational interests and the state keeps its legitimacy by serving the public interest in its daily functioning. The state does not hand the regulation of the economy totally in relation to its role in economy. The state, on the other hand, as an economic agency, has certain regulatory functions that it shares with occupational groups. Thus, the relations between the state and these groups develop on the basis of reciprocity but not subordination. In other words, in order to protect the public interests, the relations between the state and these groups emerge as the norm of cooperation on the basis of mutual interdependence. For instance, the state generally plays an active role in shaping the economic development by planning the economy as a whole or for individual sectors.¹⁰³

¹⁰² Philippe C. Schmitter, "Reflections on Where the Theory of Neo-Corporatism Was Gone and Where the Praxis of Neo-Corporatism May Be Going," p. 260.

¹⁰³ Birgitta Nedelmann and Kurt G. Meier, "The Theories of Contemporary Corporatism: Static or Dynamic?" in eds., Philippe Schmitter and Gerhard Lehmbruch, *Trends Towards Corporatist Intermediation* (London: Sage, 1979), p. 111.

The state also judges its decision on inter-occupational disputes. However, the positioning of the occupational groups between the state and the individuals provides the stability of the system despite disputes. The system might result in authoritarian corporatism when the weakly development of these occupational groups allows the repression of the state.¹⁰⁴

Public policy, in neo-corporatist countries, is made through close consultation with occupational groups enjoying a monopoly of rights to represent their constituent members. These generally highly centralized groups are provided with responsibilities to contribute and implement government policies. Thus the political decision-making process does not function according to the supremacy of the parliament, even parties and parliament exists. The ruling party or parties may be taking its decisions through approval of formally represented organized interest groups.¹⁰⁵

Neo-corporatism, for Streeck and Schmitter, is both an effort to discipline the inevitable factions arising in a market economy and to arrange interest groups more convenient with the requirements of this market economy.¹⁰⁶ Neo-corporatism has become most strongly institutionalized in Austria and/or Sweden where a powerful labor movement has become a *social partner* with the peak employers' association and the state in negotiating economic and social policies. On the other hand, authoritarian corporatism tends to be associated with peripheral or dependent capitalist regimes in which the state is powerful vis-à-vis

¹⁰⁴ Şebnem Gülfidan, *Big Business and the State in Turkey: The Case of TÜSİAD* (Istanbul: Boğaziçi University, 1993), p. 15.

¹⁰⁵ Ibid., p. 16.

¹⁰⁶ Wolfgang Streeck and Philippe C. Schmitter, "Community, Market, State – and Associations? The Prospective Contribution of Interest Governance to Social Order" in *Markets, Hierarchies and Networks*, G. Thompson, et al. eds. (London, California, and New Delhi: The Open University and Sage Publications, 1991), pp. 227-241.

the labor and bourgeoisie, such as those in Latin America. In neo-corporatist countries, unlike the authoritarian countries, liberal political culture is still preserved. These countries form governments on the basis of free elections, enjoy democratic rights and have interest groups, which are free to withdraw from their partnership with the government.

1.7.3. Comparison of Pluralism and Corporatism

In Schmitter's view, pluralism and corporatism share a number of basic assumptions: (1) the growing importance of formal associational units of representation; (2) the persistence and expansion of functionality differentiated and potentially conflicting interests; (3) the interpenetration of public decision areas; (4) the decline in importance of territorial and partisan representation; (5) the secular trend toward expansion in the scope of public policy and (6) the mushrooming role of permanent administrative staffs, of specialized information, of technical expertise and, consequently, of stable oligarchy.¹⁰⁷ There are also differences between pluralism and corporatism. In a pluralist system a large number of voluntary associations compete with each other for members, resources and access to government in order to influence the direction of public policy. However, in a corporatist system there are a limited number of non-competitive organizations with compulsory or semi-compulsory membership. These organizations have a privileged status and they co-determine public policy with the government. They are also responsible for its implementation by disciplining their members to accept bargained agreements.

Three key features of corporatism distinguish it from pluralistic processes of interest group politics. The first is the monopoly role played by corporatist

¹⁰⁷ Phillippe Schmitter, "Still the Century of Corporatism?" p. 124.

bodies; the second is the fusion of the representative role with that of implementation; and the third is the presence of the state both in licensing monopoly representation and in co-determining policy. In pluralist theory interests are seen as existing before organization and political mobilization, whereas in corporatist theory the state is identified as a crucial agent in shaping interests and affecting the outcome of group processes. Pluralist theory draws a sharp distinction between the public and the private and interprets society as an aggregation of individuals. In contrast, corporatist theory focuses on organizations and social groups, and highlights the extent to which formally private bodies perform public tasks. The corporatist organizations take their identity from the function that they perform in the social division of labor. Thus, a mutually interdependent relationship between the state and certain organizations develops to the extent that the latter can mobilize their constituent membership in exchange for favorable public policy decisions.

In neo-corporatism, the occupational groups are re-established as legally constituted groups. They play a social role instead of expressing only various combinations of particular interests like in pluralism. These occupational groups are positioned between the individuals and the state. They have a high degree of internal autonomy in the form of authority to resolve conflicts both within their own members and in relation to other occupational groups. They also check and restrain the state's interference in their autonomy, thereby, protecting the rights of individuals. Thus, neo-corporatist systems of interest representation contrast with pluralist systems in which a multiplicity of groups often competes with each other to represent the same interest. These interest groups also compete with each

other for influence and form temporary alliances with other interest groups or government agencies on an *ad hoc* basis.

Many democracies display mixed patterns, with some issue areas relatively neo-corporatist and others more pluralistic. In most countries no single pattern obtains for the making of policy in all issue areas. The formulation of foreign policy, i.e. is less likely to entail regularized bargaining with interest groups than is the making of agricultural policy. Hence, there may be pockets of pluralism or corporatism within a country that cannot be placed easily into either category. Whatever the variations within and across democracies, however, it is clear that no contemporary democracy functions without some form of private associational life.¹⁰⁸

Briefly, corporatist theory has launched a strong challenge to pluralism as a model of interest group politics. Moreover, it is becoming clear that corporatism and pluralism should not be seen as exclusive alternatives, but as end points on a continuum according to the extent to which monopolistic and interdependent relationships have shaped the interest organizations and state has become established.¹⁰⁹

1.7.4. Clientelism

The clientelistic relationship is mainly based on a reciprocal exchange of economic and political resources with support, loyalty, votes and protection in

¹⁰⁸ Joel Krieger, and [et al.] (eds.), *The Oxford Companion to Politics of the World*, pp. 433-434.

¹⁰⁹ David Miller, ed., *The Blackwell Encyclopedia of Political Thought* (Oxford, New York: Blackwell, 1987), pp.104-106

“democratic” politics.¹¹⁰ This reciprocal basis of the patronage-clientele relation provides the “voluntary” character through the expectations of mutual benefits. However, the patron gets more due to the inequality of the relation.¹¹¹ According to Robert R. Kaufman,

clientelist power relations have both an instrumental and a particularistic quality, which distinguishes them from a number of other types of authority relationships. For instance, there is no contractual component in the relationship as in the feudal authority.¹¹²

In this framework, the scope of governmental activities determines the extent of clientelistic relationships in a society. Moreover, clientelistic distributions are essentially particularistic distributions, not universally accessible as the essence of patronage-clientele network.

Clientelism describes informal power relations between individuals or groups in unequal positions, based on the exchange of benefits. Clientelism, then, refers to

a personalized and reciprocal relationship between an inferior and a superior commanding unequal resources, moreover in contrast to the ideal type of bureaucratic relationship the norms of rationality anonymity and universalism are largely absent from the patron-client nexus.¹¹³

Kaufman views clientelism as a special type of dyadic exchange, distinguishable by the following characteristics: (1) the relationship occurs

¹¹⁰ Shmuel Noah Eisenstadt and Luis Roniger, *Patrons, Clients and Friends: Interpersonal Relations and the Structure of Trust in Society* (Cambridge: Cambridge University Press, 1984), p. 48.

¹¹¹ Rene Lemarchand, “Comparative Political Clientelism: Structure, Process and Optic” in Shmuel Noah Eisenstadt and Rene Lemarchand, eds., *Political Clientelism, Patronage, and Development* (London: Sage, 1981), p. 15.

¹¹² Robert R. Kaufmann, “The Patron-Client Concept and Macro-Politics: Prospects and Problems,” a paper prepared for delivery at the annual meeting of the American Political Science Association, Washington, 1972, pp.2-3 in *Big Business and the State in Turkey: The Case of TÜSIAD*, Şebnem Gülfidan (Istanbul: Boğaziçi University, 1993), p. 18.

¹¹³ Rene Lemarchand and Keith Legg, “Political Clientelism and Development”, *Comparative Politics*, Vol.4, January 1972, p. 151.

between actors of unequal power and status; (2) it is based on the principle of reciprocity - a self-regulating form of interpersonal exchange- the maintenance of which depends on the return of each actor's expectations to obtain by rendering goods and services to the other; (3) the relationship is particularistic and private, anchored only loosely in public law or community norms.¹¹⁴ Basically, patron -a person with higher status- takes advantage of his/her authority and resources to protect and benefit client -somebody with an inferior status- who reciprocates with support and services. In complex societies, clientelist networks allow for more complex multilateral relationships. Patrons are the "gatekeepers" who establish the connection between the central power distributing resources to the masses to the extent they reciprocate.

Political scientists distinguish between a traditional clientelism involving notables and a new clientelism involving organizations.¹¹⁵ The old clientelism is of a personal and affective nature. The patron relies upon his/her prestige and the client shows devotion and gratitude. However, the new clientelism involves only tangible benefits. Patrons control political organizations and use public resources such as employment, pensions, social benefits and etc. while clients, professional associations i.e., reciprocate with the vote. In each type of clientelism, relationships are both voluntary and coercive, based not upon collective solidarity, but upon particular interests. Decolonization and problems of national integration in developing countries increase the need for patronage of both the

¹¹⁴ Robert R. Kaufmann, "The Patron-Client Concept and Macro-Politics: Prospects and Problems," p. 17.

¹¹⁵ For further information, see Alex Weingrod, "Patronage and Power" in *Patrons and Clients in Mediterranean Societies*, Ernest Gellner and John Waterbury, eds. (London: Duckworth, 1977), pp. 323-337 and Mario Caciagli and Frederick. P. Belloni, "The 'New' Clientelism in Southern Italy: The Christian Democratic Party in Catalonia" in *Political Clientelism Patronage and Development*, Samuel Eisenstadt and Rene Lemarchand, eds., pp. 35-57.

old and new types. Clientelism also results from urbanization and immigration in industrial countries, leading to the destruction of traditional institutions, ethnic, linguistic and religious fragmentation and arbitrariness in the distribution of resources.¹¹⁶

Patron-client systems are guided by a common logic despite variations in setting. They arise in hierarchical societies, where individuals and groups compete at each level of the hierarchy. However, there is a scope for collaboration between those at different levels. The link between patron and client is often expressed in terms of personal obligations, such as godparenthood and/or communal solidarity. Ethnicity in its myriad forms provides a powerful vehicle for clientelism because it reinforces cross-linkages as a basis for political action. Underlying it all, however, clientelism is an eminently rational struggle for control of political and economic resources that can also cut across ethnic barriers when the logic of competition requires.

Clientelism nonetheless suffers detrimental defects. It is inherently inefficient because it is devised to meet particularistic rather than universal goals. It emphasizes distribution rather than production and is often “parasitic” on the productive economy. It erodes any appeal to common values while encouraging ethnic conflict and often leading to pervasive cynicism. Such political stability depends more on buying the support of key groups than on establishing any basis for legitimacy. Ultimately, clientelism must be seen as a barrier to political development.¹¹⁷

Consequently, clientelism by definition is hierarchical, based on the dyadic, informally organized and particularistic relations between

¹¹⁶ Vernon Bogdanor, ed. , *The Blackwell Encyclopaedia of Political Institutions*, p. 108.

¹¹⁷ Joel Krieger, and [et al.], eds. , *The Oxford Companion to Politics of the World*, pp. 688-689.

superiors/subordinates. When clientelism integrates people in the social and political systems, it does so in a dyadic way, which prevents the restructuring of society along associational lines. A clientelist collectivity tends to be less stable and more fluid than other forms of association. In corporatist and pluralist forms the relationship between groups and the state is controlled by the formal requirements of the law. On the contrary, clientelism manifests informality and flexibility. In sum, clientelism performs fragmented, personalized and most importantly uninstitutionalized forms of interest representation at different levels such as at government, party and/or bureaucracy.

1.8. Conclusion

This study has been framed narrow to provide an analytical framework to explore Turkish political economy and Turkish business associations as interest groups, especially MÜSİAD. Through the literature review on interest groups and interest groups politics above, one can easily observe similar paradigms among rival theories. Therefore, this study argues that formation, functioning and institutional relations of interest groups with each another as well as with the state are the results of the political-economic structure in which interest groups are located. Then, the state keeps itself as the most important variable to determine the institutional framework of interest groups. This is especially valid in the Turkish context due to the historical framework in which the state kept its strong hand on interest groups and state elite defined public interest without taking particular interests into consideration.

Truman's disturbance theory is very helpful to understand the formation of MÜSİAD that emerged and developed as a result of the disturbances created within the transformation of Turkish political economy in the 1980s and the

1990s. These two decades were the years of rapid change in Turkey: further integration into the world economy via globalization on the one hand, and enactment and implementation of liberal policies to form a more free-market economy on the other. Moreover, the emergence of Islamic politics hand in hand with urbanization and industrialization could be depicted as other disturbances. All of these opened the path for the emergence and development of new entrepreneurs of KOBİs organized under MÜSİAD.

Olson's collective action and Salisbury's exchange theories permit us to explain the remarkable development of MÜSİAD. Parallel to Olson's arguments, MÜSİAD overcame the free-rider problem by exclusive selective benefits such as periodicals, mass travels to foreign countries, conferences, panels and special interest-free owning system, *karz-ı-hasen*, explained in detail in chapter 4. In addition to these material benefits, MÜSİAD largely used extra-rational benefits as Islamic morality, locality and the group identity as "outsiders" which could not get close to state resources. This approach shaped the name and ideology of the association strictly underlining that the great tycoons of Turkey have been dependent on the Turkish state. Moreover, MÜSİAD also used purposive benefits such as the reinterpretation of Sufism with a market-oriented understanding of Islam and heavy reference to communal bonds similar to the East Asian development model. MÜSİAD paid attention to issue-oriented goals of more export and developing their own business. MÜSİAD also provided social opportunities among members by organizing picnics, pilgrimage and *umre* tours. MÜSİAD leadership cadre and the headquarter professional employees have been quite successful in exchanging these material and non-material benefits with members in the survival and development of the organization.

I have also dealt with the theories of pluralism, corporatism –its varieties of “neo” and “authoritarian” corporatism– and clientelism as well as their comparisons to identify modalities of interest group representation politics in general. Pluralism entails a system of interest representation in which political power is dispersed amongst unspecified number of voluntary, competitive, non-hierarchically ordered social groups. Thus, the state is to function as a mediator/arbiter among freely competing organized interests without interfering. In the Turkish context, the formation of TÜSİAD in 1970s opened the path for the development of pluralism. However, the historical legacy of the Turkish state over interest groups did not provide viable options to foster pluralism in Turkey since the civil society has always been weak and oppressed vis-à-vis the highly centralized state since the Ottoman period., discussed in chapter 2. The implementation of liberal policies and transition to free-market economy in the 1980s resulted in a mentality change encouraging private business activities rather than state interference in economy. Thus, the establishment of MÜSİAD was the result of increasing pluralist tendencies in Turkey. Parallel to TÜSİAD’s establishment to voice the demands of Turkish big industrialists, MÜSİAD emerged to represent Anatolian petite bourgeoisie isolated from state resources as “outsiders” previously.

Corporatism necessitates the institutional fusion of political representation of functional interests in the process of policymaking and the interdependence of the compulsory, non-competitive and licensed interest groups and the state. In this framework, the state organized on a corporate basis occupies central place and the corporations exercise controlling and regulatory functions on their individual members in addition to their representational role. The main

difference between the varieties of corporatism -neo-corporatism and authoritarian corporatism- is that: the former develops as a consequence of the growing monopoly power of interest organizations, both capital and labor, in advanced capitalist societies. However, authoritarian corporatism is imposed by the state to regulate and control political and economic life through occupational groups. In the authoritarian model, state regulates labor in the interest of the capital. In the Turkish context, the historical over strength of the state permitted the state elite to explore their own understanding of public interests blocking the development of particular sectoral interests. This, in turn, blocked the development of neo-corporatism. The establishment of *Türkiye Ticaret, Sanayi, Deniz Ticaret Odaları ve Ticaret Borsaları Birliği*-TOBB [The Turkish Union of Chambers and Stock Exchanges] in 1950 was a step to form an authoritarian corporatist model imposing the creation of compulsory-membership-based business associations through law. However, the political elite manipulated TOBB rather than taking their demands into consideration. These developments prevented the development of corporatism in Turkey, delineated in chapter 2.

Clientelism needs reciprocal exchange of particularistic economic and political resources with support, loyalty, votes and protection within a patronage-clientele network. Following the transition to a multi-party system and further urbanization process in Turkey, governing parties employed political patronage in personal links despite the establishment of either compulsory or voluntary business organizations.

In short, Turkish interest group politics represent a unique mix of pluralism, corporatism and clientelism. MÜSİAD has emerged and has become the largest Turkish voluntary business association with various branches in

Turkey and overseas offices in many countries in such a framework of interest group politics. Despite this organizational success, MÜSİAD could not show the expected influence on governmental policies especially due to two reasons. First, the Turkish state historically did not take interest groups into consideration in policymaking. Second, the February 28 process, as famous in the society, put MÜSİAD into a position of the financial castle of reactionism in Turkey. This image of the organization converted the state's elite suspicion to enmity, which blocked its lobbying power. Moreover, political elites also did not want to get in the same picture with MÜSİAD members eroding the association's credibility.

CHAPTER II

STATE- BUSINESS RELATIONS IN TURKEY

2.1. Introduction

In Turkey, “the high level of stateness”¹ resulted in such an interest representation that was shaped by the confrontations and conflicts between state and political elites. Political elites’ understanding of public good has been sometimes in conflict with the conceptualization of the state elites. The state elites also regarded themselves as the guardians of the state and always saw group solidarity as a threat of “a potential cause for the disintegration of the state.”² This approach was a residue of the historical legacy of the Ottoman Empire. Thus, the Turkish business community that preferred to remain opportunistic rather than entrepreneurial and constructive³ could not transform into a “class” having a culture of autonomous economic power and norms.

The state-business relations in Turkey have not been institutionalized to the extent that the political elites’ accepting business community as a partner in the policy-making process. This is partly due to the “strong state tradition” inherited from the Ottomans in which the state was almost completely sovereign and

¹ Metin Heper, “Politics and Society in Turkish Political Experience” in *State, Democracy and the Military: Turkey in the 1980s*, Metin Heper and Ahmet Evin, eds. (Berlin and New York: Walter de Gruyter, 1990), p. 2.

² Binnaz Toprak, “Civil Society in Turkey,” in *Civil Society in the Middle East*, A. R. Norton, ed. (Leiden: E.J. Brill, 1996), p. 118.

³ Metin Heper, *The State Tradition in Turkey* (Walkington: Eothen Press, 1985), p. 102.

autonomous vis-à-vis civil society⁴ and the concomitant role of the civil and military bureaucracies in the Turkish political life. The Turkish state has controlled business associations rather than being responsive to their demands.

Historically, Turkish interest groups have been regulated by the categories of legislation as *dernekler* (ordinary voluntary associations), *kamu kurumu niteliğindeki meslek kuruluşları* (professional organizations in the form of public institutions or public professional organizations), and *sendikalar* (trade unions).⁵ Moreover, the Turkish legislation limited the representation of the associational life due to an excessive institutionalization from above. This resulted in ineffective and inefficient associations. In sum, a large number of individual businessmen applied personal ties to influence the political process indirectly.⁶

In this chapter, I will explore both the historical-political framework of the business associations and the development of legal framework. In the literature review section, I will compare books of Robert Bianchi, Metin Heper and Ayşe Buğra⁷ on the state-business relations in Turkey. The historical framework will cover both the Ottoman period and the Republican era in which I will also delineate

⁴ Y. Yishai, "The Guardian State - A Comparative-Analysis of Interest Group Regulation" *Governance –An International Journal of Policy and Administration*, 1998, Vol. 11, No. 2, p. 160-171.

⁵ Ergun Özbudun, "The Post-1980 Legal Framework for Interest Group Associations," in *Strong State and Economic Interest Groups: The Post-1980 Turkish Experience*, Metin Heper, ed. (Berlin and N.Y.: Walter de Gruyter, 1991), p. 41.

⁶ Şebnem Gülfidan, *Big Business and the State in Turkey: The Case of TÜSİAD* (Istanbul: Boğaziçi University, 1993). p. 104.

⁷ Robert Bianchi, *Interest Groups and Political Development in Turkey* (Princeton: Princeton University Press, 1984), Metin Heper, ed. *Strong State and Economic Interest Groups: The Post-1980 Turkish Experience* (Berlin and New York: Walter de Gruyter, 1991), Metin Heper, *The State Tradition in Turkey* (Walkington: Eothen Press, 1985), and Ayşe Buğra, *State and Business in Modern Turkey: A Comparative Study* (Albany, N.Y.: State University of New York Press, 1994).

the legislative framework of associational activity in Turkey. I will first discuss the formation of TISK and the Conference Board of Economic and Social Issues that paved the path for the emergence of TÜSİAD. TÜSİAD is important since it functioned as a reliable model for the succeeding of voluntary business associations as MÜSİAD. In the concluding section of this chapter, I will explain why the Turkish historical, politico-economic context and legal framework have not been adequate for neither pluralist nor neo-corporatist strategies. This chapter will provide a comprehensive historical outline of interest group politics in which MÜSİAD is to emerge.

2.2. Literature Review

Robert Bianchi, covering the Republican period until 1980, discusses the emergence of interest groups in Turkey with a comparative study of Western Europe, Latin America, and Southeast Asia in which he questions the role of interest groups at different stages of modernization. He examines both pre-modern Ottoman social organization and Republican practices of ruling elites regarding legitimate interest representation.

According to him, the Ottoman-Turkish polity historically encouraged the basis for the emergence of corporatist policies and structures while inhibiting pluralist ones. Bianchi views the Turkish state's attempt to corporatize the associational life in the early 1950s as conceptualization of neither *state* nor *societal* corporatism of Schmitter's typology but as an unusual and unstable mix of these two types. The leading role of the state initiatives and political party strategies in

restructuring interest representation and political participation was influential in this process. The motivation was the desire to develop “organized democracy”⁸ amidst uneven but rapid economic development. Thus, Bianchi attributes a degree of industrial planning based on perceived objective interests, which ignores the “irrational” dimensions of political behavior.

Bianchi relates the emergence of competing means for structuring interest representation with the historical shifts in the relative importance of interest groups and tensions in Turkish politics. He examines political culture and public policy to account for variance in their influence and strategies, which includes comparative analysis of interest group activity and leadership in different sectors. According to Bianchi, Turkish interest groups operate primarily as channels of expanded political participation or as agents of greater social control. In sum, Bianchi suggests that party politics, associational legislation, and military interventions shaped the patterns of associational life in Turkey.⁹

He notes that the public policy in regard to interest groups has been eclectic and has in various ways contributed to representational dualism. This provided opportunities for dissatisfied group leaders to turn to alternative voluntary associations to attain their specific interests that they could not get through corporatist organizations.¹⁰ After the transition to multi-party politics in the 1950s, large membership-based, weak, competing, and easily manipulated interest groups

⁸ Robert Bianchi, *Interest Groups and Political Development in Turkey*, p. 338.

⁹ *Ibid.*, p. 193.

¹⁰ *Ibid.*, p. 115.

came to the stage within a policy of “debilitating pluralism.”¹¹ From 1960 to 1980 a series of weak governments pursued neo-corporatism by extending privileges to certain groups, thus fostering their dependence. These governments simultaneously imposed restrictions on the uncooperative groups. This dualist environment of interest representation intensified demands for participation and distribution. The governments shifted the demands of those who opposed results in the corporatist arena into an expanded pluralist arena. This in turn functioned as the hotbed of the political opposition. In addition, as Bianchi noted:

In modern Turkey the ongoing competition between pluralist and corporatist modes of representation has been a recurrent source of conflict in the relations of differentially organized interests with the state and with one another. But the intensity and broader implications of these conflicts have varied substantially in different historical periods depending on the degree and nature of linkages between associations and political parties.¹²

Bianchi argued that, in modern Turkey no comprehensive system of interest representation either pluralist or corporatist has ever arisen. Pluralist and corporatist structures co-existed while competing for predominance in each historical period and in all major interest sectors. According to him, however, corporatist rather than pluralist interest representation has been the main model since

in terms of organizational strength, financial soundness, control over rewards and sanctions against members, and effective access to authoritative decision-makers, the corporatist network enjoys a clear superiority over the still sprawling and fragmented pluralist network.¹³

¹¹ Ibid., pp. 141-142.

¹² Ibid., pp. 356-357.

¹³ Ibid., p. 350.

Turkey's emerging system of corporatism relied heavily on the initiative and coercive power of the state. He found this development quite compatible with the étatist tradition of Turkey where there have been strong cultural inhibitions to private interest articulation and representation. This prevented strong and competent articulation of business interests and enabled governments to manipulate the business community. Moreover, the corporatist arrangements were also valid for business groups since their creation by the state was not a new phenomenon for Turkey but also the general tendency of the Turkish political culture.¹⁴

Like Bianchi, Metin Heper argues that the interest group politics in Turkey fits neither pluralism nor corporatism in a comprehensive manner. Each pattern of interest group politics has a particular logic behind the type of business-state/government relations. Pluralism depends on a type of government basically responsive to civil society and neo-corporatism necessitates a harmonious relationship between the state and civil society. Thus, none of the cited patterns of interest group politics would be encountered in a frame dominated by a strong state as in Turkey.¹⁵

Heper essentially characterizes Turkish politics as a strong state tradition vis-à-vis a weak periphery inherited from the Ottoman Empire. He asserts that the Ottoman-Turkish state tradition differs significantly from the various modalities of European feudalism in the degree of "stateness" and the *Gemeinschaft-Gesellschaft* continuum. There was no estate tradition in the Ottoman Empire like those found in

¹⁴ Ibid., p. 73.

¹⁵ Metin Heper, "The State and Interest Groups with Special Reference to Turkey" in *Strong State and Economic Interest Groups*, p. 4.

France and Germany, which constituted a countervailing power against the center. In Heper's approach, the degree of stateness shapes the political development process and the place of interest group activity in this process.¹⁶

However, in the Ottoman state "the periphery is almost totally subdued by the center ... [which] on its own set the norms of the polity ... keeping everybody in its place and protecting the subjects."¹⁷ This, in turn, shaped the Ottoman political culture and created a "ever-present tension ... derived from the bureaucratic center's nervousness toward the periphery and the periphery's effort to circumvent the center whenever it could."¹⁸ This structural tension between the center and the periphery continued during the Republican period. The new bureaucratic elite of the Republic followed the path of their late Ottoman predecessors in keeping the state central for transforming the community. In the early Republican period, public policy formation did not result from an aggregation of interests. It was imposed by the state on people in the name of "enlightening them"¹⁹ since politics was to be guided by rational ideas formulated by the bureaucratic elite instead of interests.²⁰

Heper argued that state-business politics in Turkey has been characterized by the regulation from above. During the early Republican period, although business associations were licensed, the purpose behind this arrangement was not to enable them to play an intermediary role but to control them politically. The governments

¹⁶ Ibid., p. 6.

¹⁷ Metin Heper, *The State Tradition in Turkey*, pp. 14-15.

¹⁸ Ibid., p. 16.

¹⁹ Ibid., p. 50.

²⁰ Ibid., pp. 77-79.

were not very responsive to businesses associations. Thus, Turkish associational life had little influence on decision-making process, even in the preparation of five-year-plans aiming to help business in developing strategies for future investments. This led businessmen to behave in a pragmatic manner and they by-passed their business associations to establish personal relations with the government authorities and to co-opt top-level bureaucrats. In short, in Heper's view, neither state corporatism, neo-corporatism, nor pluralism but clientelism or rather paternalism explains state-business relations in Turkey.²¹

Ayşe Buğra developed a new perspective and analyzed Turkish business formation with reference to the political determinants of interest group activity. She viewed the difference between Bianchi's analysis and Heper's emphasis on the state tradition as not too significant. She sympathized with Heper about the pattern of interest group politics to be shaped by the historically established configuration of state-civil society relationship.²² However, she did not assign a passive role to civil society in its interaction with the state as Heper had done.

In societies where both state authorities and business leaders cooperate, business associations acquire a quasi-public role in addition to the simple pursuit of material gain. However, in Turkey, the weakness and vulnerability of the private business associations vis-à-vis the state is likely to hamper the development of voluntary business associations. Thus, Buğra argued that the emergence of a European type neo-corporatism in Turkey is unlikely due to the differences between the Turkish history of associational activity and the European history. The reluctance

²¹ Metin Heper, "The State and Interest Groups with Special Reference to Turkey," p. 17.

²² Ayşe Buğra, *State and Business in Modern Turkey*, p. 227.

of Turkish political authorities to accept business associations as the legitimate medium of interest representation is the main characteristics of state-business relations in Turkey. Even the governments accepting the private interests as the engine of economic growth and development regard the organized pursuit of interests along class lines as socially disruptive and politically dangerous.²³

Buğra asserted that the oscillations between pluralism and corporatism, highlighted by Bianchi, reflect the nature of the political progress in Turkey. The absence of a clear strategy defining the legitimate domain of state intervention and the private pursuit of interest brought ambiguity in the relations between state and business community in Turkey. She evaluated these oscillations as perfect manifestations of the Turkish legal system as a mechanism of inter-mediation in state-business relations and its failure to contribute to the emergence of a stable policy network. She is in conformity with Heper that the dominant pattern of interest group politics is shaped by the Turkish state tradition. However, Heper determined the “extent” of state intervention as the major factor shaping the character of associational activities while Buğra’s emphasis shifted toward the “form” of state intervention as the main determinant of societal differences in interest group politics and its social implications.²⁴

Historically, the Turkish state has been the dominant force over the evolution and the structuring of the private business community since “[A]fter the foundation of the Republic, the state continued to occupy a central place in the business life of

²³ Ibid., p. 229.

²⁴ Ibid., p. 261.

the country.”²⁵ Thus, Turkish business community did not emerge as an independent socioeconomic class driven to influence the overall political decision-making process but it evolved as a state-dependent economic agent. Buğra argued that while the Democrat Party-DP [Demokrat Parti-DP] favored private enterprise, “their efforts in this direction were of a nature to foster not ‘the spirit of entrepreneurship’, but rather the ‘spirit of profit.’”²⁶ Buğra also mentioned the lack of self-confidence in the Turkish business community in terms of their economic mission. The low prestige of business as an acceptable economic activity shaped the role of business organizations to be channels for state-economic alliances rather than institutional representation of specific business interests. The macroeconomic and financial policies perpetuated this dependency, which shaped the attitudes of the Turkish businessman. As Buğra argues:

the stereotypical Turkish businessman is a nonspecialized, shortsighted rent-seeker... [who] tr[ies] to maximize the opportunities and avoid risks that stem from the policy process, relying more on relationships of personal trust than on their professional organizations to overcome their difficulties.²⁷

Given the economically and politically unstable environment in Turkey, Buğra evaluated Turkish businessman as a “rational entrepreneur” who diversifies investment activities and maximizes short-term profits as possible. In this context, the absence of the well-established financial markets and financial instruments until the 1980s oriented businessmen to invest in real estate purchases. This was a rational portfolio investment choice although it was a speculative activity rather than

²⁵ Ibid., p. 43.

²⁶ Ibid., p. 121.

²⁷ Ibid., p.169.

production. However, Buğra argues that since the 1980s, Turkish business community has emerged as a more organized socioeconomic unit that contests the power of the state when its interest is at stake.

In short, Buğra believes that, unlike their Western and some late-industrializing Asian counterparts, business associations in Turkey have remained dependent on the state that has been the major factor determining business outlook and behavior. This prevented business community to gain any autonomy.

Consequently, MÜSİAD emerged in such an environment where interest representation is mainly determined by the strong hand of the state that controls the business community. Thus, MÜSİAD underlined the autonomy of the business community and it was a challenge to the long historical tradition of Turkish state-interest groups relations. However, this challenge was short-lived due to weak positioning of the association vis-à-vis the state, which became evident following the February 28 process. Following this theoretical explanation of Turkish state-business relations, I will explore the historical-legislative framework in which this set of relations developed since the Ottomans.

2.3. Historical Background

2.3.1. Ottoman and Early Republican Era

The Ottoman *lonca* (guild) system, based on *ahi* (brotherhood) solidarity, functioned as an administrative link between the state and the Muslim artisan community rather than the representation of their interests in Ottoman society. The chief officers of the guilds, the *kethüdas* or *kahyas*, were the agents of the state, commonly recruited from retired officers, but not the spokesmen of their guilds,

who kept the guilds under state domination.²⁸ It is important to note that, in MÜSIAD's publications, the organization traces its cultural roots back in the *ahi* culture as a historical model.²⁹

In the Ottoman state the modern types of interest groups started to emerge as modified versions of traditional guilds within the new legal framework of the *Tanzimat* (Reform) period (1839-1876). These professional associations and consultative bodies to government were supposed to work in close cooperation with the Ministry of Trade. Their role was to promote trade, and later industry, and to organize their members.³⁰ The second constitutional period (1908-1918) witnessed an extraordinary proliferation of organizational activity³¹ thanks to the liberal Law of Association of 1909. This law even permitted associations founded by minorities for cultural, literary, or philanthropic purposes to express demands for greater autonomy.³² This resulted in the establishment of 12 political parties, 37 political or social associations, 157 chambers of commerce in various provinces and 51 associations of small businesses, and sale-credit cooperatives.³³ Then, the Committee of Union and Progress-CUP [İttihat ve Terakki Cemiyeti-İTC] government attempted to regulate the activities of these Chambers through a law

²⁸ Metin Heper, "The State and Interest Groups with Special Reference to Turkey," p. 12.

²⁹ *Çerçeve*, 1993, Vol. 1, No. 4, p. 50 and *Çerçeve*, 1998, Vol. 5, No. 21, p. 97.

³⁰ Metin Heper, "The State and Interest Groups with Special Reference to Turkey," p. 15.

³¹ Binnaz Toprak, "Civil Society in Turkey," p. 90.

³² Robert Bianchi, *Interest Groups and Political Development in Turkey*, p. 112.

³³ Binnaz Toprak, "Civil Society in Turkey," p. 90.

enacted in 1910 in accordance with their policy of creating a national bourgeoisie under state control.³⁴

In short, the semi-official business associations in the Ottoman period were weak and under government control. The state created associational groups to be controlled and rewarded materially by the state in turn for their support. This resulted in the increase of state's autonomy vis-à-vis these associations, which would continue in the Republican period.

The intensity of interest representation has varied substantially in the different historical periods of the Republican era. During the single-party period, 1923-1946, all types of associations were clearly subordinated to the single-party-centered authoritarian state. This, in turn, suppressed the expression of interest representation through either pluralist or corporatist structure.

The founding fathers of modern Turkey led by Mustafa Kemal Atatürk chose to catch up with the “contemporary civilization,” namely Western civilization, through rapid industrialization and the creation of a national bourgeoisie. Corporatist arrangements seemed the most suitable path to reach this aim without activating class conflict.³⁵

The first Law of Chamber of Commerce and Industry was enacted in 1920. About fifty existing Chambers of Commerce gained the legal status of public corporate bodies under the jurisdiction of the Ministry of Commerce. Membership

³⁴ Mehmet. O. Alkan, “Sivil Toplum Kurumlarının Hukuksal Çerçevesi 1839-1945,” [The Legal Framework of Civil Society Associations] in *Tanzimattan Günümüze İstanbul'da STK'lar* [Civil Society Associations in İstanbul since Tanzimat], Ahmet N. Yücekök, İlder Turan and Mehmet O. Alkan, eds. (İstanbul: Türkiye Ekonomik ve Toplumsal Tarih Vakfı, 1998), pp.113-114.

³⁵ Robert Bianchi, *Interest Groups and Political Development in Turkey*, p. 94.

was compulsory for the Muslim tradesmen and non-Muslim citizens' membership was possible if they volunteered.

Following the establishment of the Turkish Republic in 1923, Turkish associational life was transformed in accordance with the consolidation of the single-party hegemony of the Republican People's Party-RPP [Cumhuriyet Halk Partisi-CHP].³⁶ The first Republican legislature implemented a law in 1924 defining the Chambers of Industry and Trade as public associations serving the public interest by promoting trade and industry under the tutelage of the Ministry of Trade. The Secretary General of the Chamber of Industry and Trade was to be a civil servant from the Ministry of Trade.³⁷ The chambers based on compulsory membership were established to regulate industrialists and merchants (1925), craftsmen (1925), exporters (1936), lawyers (1938), and journalists (1938-46). In these chambers civil servants mostly populated administrative committees and managerial staff. Foreigners were excluded from membership.³⁸

The associational life was more limited under the étatist policies of the 1930s. The enactment of the Law 3512 in 1938 made the formation of associations almost impossible, except the apolitical associations whose activities were limited to charity or beautification.³⁹ The main associations of this period were *halkevleri* (people houses) and *köy enstitüleri* (village institutes) that were formal extensions of

³⁶ Binnaz Toprak, "Civil Society in Turkey," p. 90.

³⁷ Mehmet. O. Alkan, "Sivil Toplum Kurumlarının Hukuksal Çerçevesi 1839-1945," pp. 66-67.

³⁸ Ayşe Buğra, *State and Business in Modern Turkey*, p. 240.

³⁹ Robert Bianchi, *Interest Groups and Political Development in Turkey*, p. 113.

the RPP and disseminated nationalist and secularist propaganda among the urban and rural masses.⁴⁰

In 1943, new regulations came to fore to control and regulate activities and financial resources of associations. The Turkish state extended its control over the activities of the Chambers of Trade and Industry and Commercial Exchanges. This was justified by reference to the absence of professional morality and discipline manifested in the business community, as evidenced black-market activities in the World War II years. This Law of 1943 enabled the Ministry of Trade to set up chambers as well as to expand or narrow down the jurisdictions of the chambers or dissolve and re-establish them. Both the associational laws of 1938 and 1943 reflected the atmosphere of the étatist period marked by a strong suspicion of any social initiative undertaken autonomously from the state.

The end of the World War II and transition to a multi-party politics in Turkey in 1946 brought liberalizing winds and a new Law of Associations was enacted in 1946. According to this law, associations could be established without state permission. The courts were recognized as the sole authority to dissolve associations. Interest groups increased rapidly both in number and in variety. Their interaction with each other, with political parties, and with different governmental institutions brought the important new dimension to the politics. This emergence and diffusion of interest group politics implied the development of Turkish society through “the art of association.”⁴¹

⁴⁰ Mehmet. O. Alkan, “Sivil Toplum Kurumlarının Hukuksal Çerçevesi 1839-1945,” p. 57.

⁴¹ Robert Bianchi, *Interest Groups and Political Development in Turkey*, pp. 3-4.

Consequently, during the Republican period, especially the single party years (1923-1945), the chambers were expected to play a semi-official role through serving the public interest, defined by the state elite, as the chambers of the late Ottoman era had done. 1946-1950 period was a transition to a relatively liberal medium from repressive authoritarian politics. Thus, in this period activities of the chambers were liberalized following the termination of the Ministry of Economy and Commerce tutelage.

2.3.2. 1950-1980

The advent of the DP to the government in 1950 was a turning point in Turkish politics, which symbolized the emergence of relative liberalism. The government's formal control over the chambers was somewhat released. The chambers could appoint their own General Secretary while the government kept its authority to postpone elections of chambers.⁴² During the 1950s, the Chambers flourished, both in number and in social significance because of the recognition of social and market forces by the government.

The legislation of the Chamber Activity Regulation declared in 1950 replaced the 1938 Law. Despite several subsequent changes related to the rights and responsibilities of the Chambers, the 1950 Law formed the legal basis of interest group activity to a large extent. Through the Law 5590 in 1950, TOBB was established as the umbrella organization of compulsory-membership-based business associations. TOBB was "to function in an advisory capacity on economic affairs as

⁴² Ayşe Buğra, *State and Business in Modern Turkey*, pp. 241-242.

may be requested by the Commissions of the Turkish Grand National Assembly or Ministries [and] to fulfill such other functions as may be assigned by the Ministry of Economy and Commerce.”⁴³ The law largely eliminated the tutelage of the Ministry over the Chambers. TOBB functioned as a public body while representing specific industrial and business interests under close surveillance of governments.

In 1958, TOBB began allocating import quotas to individual importers and to register and control the imported goods. These functions naturally enhanced the significance of TOBB for its individual members. On the other hand, this development did not bring political autonomy to TOBB. In 1958, a new law to postpone the elections of governing bodies of the TOBB was enacted which empowered the DP government to interfere in the TOBB electoral process. This interference became a tradition if the governments regarded the opposition in the chambers as a challenge to the authority of the government.⁴⁴

In the 1950s, the DP governments increasingly engaged in patronage politics using a carrot-stick model in relation to chambers. The governments rewarded the members of the chambers in return for their support of the government and harassed the ones who opposed it. The businessmen were made to understand that their associations’ governmental support depended on their conformity with the outlook of the government policy. It was clear that an independent orientation of interest articulation and representation simply would not be allowed. Toward the end of the 1950s, as DP grew politically weaker, it made certain attempts to reconcile with the Chambers by increasing their powers.

⁴³ Ibid., pp. 239-240.

⁴⁴ Ibid., p. 242.

In sum, the leadership of the TOBB, until the very end of the DP rule, carefully avoided any manifestation of sympathy or even interest in the views of other parties. However, this resulted in the abolition of all the governing bodies of the TOBB and local chambers following the coup of 1960 since military authorities evaluated them as the extensions of the defunct DP.

The 1961 Constitution, a product of the 1960 military intervention, expanded the scope of basic rights and liberties, e.g. trade unions got the right to strike, including the freedom to form associations. This empowered TOBB and the individual local chambers against the government.⁴⁵ Despite the considerable uncertainty within the business community about the attitudes of the new regime vis-à-vis business, the role of TOBB increased through participating in the establishment and the functioning of the State Planning Organization (SPO). TOBB also participated in the preparation of the First Development Plan. Nevertheless, with the advent of the Justice Party- JP [Adalet Partisi-AP], the successor of the DP, to power, TOBB gradually returned to previous situation in which its social strength was determined through its identification with the government in power. The JP governments held summit meetings with TOBB to get consultation on economic matters with respect to their semi-official status. However, the pro-business stand of the government did not necessarily mean its respect for business associations and their advises.⁴⁶

⁴⁵ Ibid., p. 243 and Robert Bianchi, *Interest Groups and Political Development in Turkey*, p. 115.

⁴⁶ Hootan Shambayati, "The Rentier State, Interest Groups, and the Paradox of Autonomy: State and Business in Turkey and Iran" *Comparative Politics*, April 1994, Vol. 26, No. 3, p. 314.

The JP's approach to TOBB was clarified when Necmettin Erbakan won TOBB elections in 1969 through a campaign against JP candidates.⁴⁷ Erbakan's success was based on his enthusiastic mobilization of the alienated Anatolian petite bourgeoisie that was at a disadvantageous position compared to commercial and industrial tycoons of İstanbul, and İzmir largely controlling the TOBB leadership. Erbakan attracted these small and middle size business owners by criticizing "regionally uneven industrialization" and defining the TOBB leadership as the "comprador-Masonic minority."⁴⁸

Following Erbakan's success, the JP government transferred TOBB's privilege to allocate import licenses to the Ministry of Trade. This weakened TOBB's resources and accelerated the removal of Erbakan following the nullification of the elections by the JP government.⁴⁹ The government gave TOBB's authority of allocating import licenses back in return of pro-JP stand of the new leadership. This showed the JP's sympathy towards the İstanbul-centered big businesses which left the Anatolian petite bourgeoisie to be the stronghold of the *Milli Görüş* parties led by Erbakan, and eventually of MÜSİAD which will be explained in chapter 5. This process resulted in the formation of the National Order Party-NOP [Milli Nizam Partisi-MNP] in January 1970 under Erbakan's leadership.⁵⁰

⁴⁷ Robert Bianchi, *Interest Groups and Political Development in Turkey*, p. 256.

⁴⁸ Hootan Shambayati, "The Rentier State, Interest Groups, and the Paradox of Autonomy," p. 316.

⁴⁹ Robert Bianchi, *Interest Groups and Political Development in Turkey*, p. 257; Şebnem Gülfidan, *Big Business and the State in Turkey*, p. 34 and Ayşe Buğra, *State and Business in Modern Turkey*, pp. 243-244.

⁵⁰ Hootan Shambayati, "The Rentier State, Interest Groups, and the Paradox of Autonomy," p. 316.

The military intervention of 12 March 1971 brought the withdrawal of the import quota allocation privilege of TOBB and limited its role in the realm of interest representation. The JP authorities acted very instrumentally in passing the Law of Associations No. 1630 in 1972. This law permitted the JP governments to keep TOBB under further control by allowing the government to withdraw TOBB's privileges to control and register prices of imports and the ability to dissolve chambers. This law also indicated that

[A]ssociations may not organize meetings or publish materials with the purpose of praising a political party, a corporate personality, a community, a dead or living person whose aims or activities have been put under ban by law on account of their regimes, doctrines, or ideologies.⁵¹

During the 1970s, despite this law business and labor associations were more politicized.⁵²

In short, during the 1960s and 1970s, the business community became more dependent on the governmental support to survive due to the ISI model. Thus, the import quotas had been the major source of government influence on the commercial sector in which TOBB had the authority to issue import licenses. These licenses determined the permission to export commodities not freely exportable out of Turkey. Following the withdrawal of this licensing right after the military intervention of 1971, the representative function of TOBB was continuously restrained since the civilian governments controlled the organization strictly. This led to the emergence of TÜSİAD, as a result of the dissatisfaction of the big industrialists with TOBB policies.

⁵¹ Ergun Özbudun, "The Post-1980 Legal Framework for Interest Group Associations," p. 44.

⁵² Robert Bianchi, *Interest Groups and Political Development in Turkey*, p. 173.

2.3.2.1. The Voluntary Business Association Formation in Turkey

Initially business association activity in Turkey was limited to Chambers, later TOBB, with compulsory membership and under close government control until the late 1960s. The brief period of the First Development Plan between 1962-1968 marked an exception because TOBB had little influence on the policy process in channeling the demands of their members to government authorities. The formation of Turkish voluntary business associations began in 1960s, but they became significant mainly in the late 1970s and especially in the 1980s.

Buğra explains the emergence of such a distinct group of businessmen and their voluntary associations in Turkish context with reference to two factors of significance. First, the development of the private sector in the 1950s and 1960s had brought along a group of big businessmen whose social power was enhanced by the significance of their activities for the national economy. Second, the social developments of the 1960s and 1970s led certain factions of the big business community to reconsider their position as a class vis-à-vis the totality of the Turkish society and its future.⁵³ Moreover, since membership was compulsory in TOBB controlled by government, businessmen were in need of founding independent business associations for voicing and recognition of their specific demands. The political environment provided by the 1961 Constitution also functioned as a catalyst

⁵³ Ayşe Buğra, *State and Business in Modern Turkey*, p. 237.

in orienting a small group of businessmen to consolidate their social position as a class, which paved the path for the establishment of TİSK and TÜSİAD.

In the 1960s, TİSK emerged as a voluntary business association and warned the business community about the labor militancy.⁵⁴ However, a small number of big businessmen reacted against the alarmist attitude of TİSK. This resulted in the establishment of a forum, the Conference Board on Economic and Social Issues, to discuss social, economic and political problems and to find moderate solutions for these problems within capitalist system. This forum, designed as a tripartite organization, tried to bring bureaucrats and politicians, certain prominent academicians, and members of the business community together. The Board paved the path for the emergence of TÜSİAD that believed in the necessity of a solid status for the business community and a social consensus within a politico-economic environment rather than alarmist attitude of TİSK.⁵⁵

2.3.2.1.1. TÜSİAD

The competition among various segments of the business community increased due to a scarcity of foreign exchange and credit⁵⁶ and the big industrialists believed that they did not have the weight they thought to have deserved in TOBB.⁵⁷ The declaration signed by 145 large industrialists publicly announced the

⁵⁴ Ibid., p. 246.

⁵⁵ Ibid., p. 247.

⁵⁶ Hootan Shambayati, “The Rentier State, Interest Groups, and the Paradox of Autonomy,” p. 315.

⁵⁷ Yeşim Arat, “Politics and Big Business: Janus-Faced Link to the State” in *Strong State and Economic Interest Groups*, p. 135. According to her the establishment date is 2 April 1971.

establishment of TÜSİAD on August 2, 1971.⁵⁸ TÜSİAD claimed to represent the interests of the private sector that has incrementally reached to acquire an influential position in Turkish political and economic life.

TÜSİAD's emergence signified an important development in a decade of political polarization and increasing uncertainties in the politico-economic life of the country.⁵⁹ In the TÜSİAD charter, the basic aims of the association were listed: improving the image of the private sector, advancing its legitimate economic interests, functioning as a research body to inform the public and the government to formulate policies in line with the members interests, and promoting public welfare through free enterprise.⁶⁰ TÜSİAD became noticeable with an advertising campaign in the newspapers as a means of protesting the Ecevit-led government in the late 1970s.⁶¹ Following the fall of this government, TÜSİAD was even identified as “the association that toppled the government” and after the 1980 military intervention as “the association that defended the coup's raison d'être both at home and abroad.”⁶²

TÜSİAD was founded by a small group of businessmen, owners-managers of holding companies, who were suspicious about the social legitimacy of the business community in Turkey.⁶³ The twelve leading Turkish businessmen who founded TÜSİAD -Vehbi Koç (Koç), Nejat Eczacıbaşı (Eczacıbaşı), Sakıp Sabancı

⁵⁸ Şebnem Gülfidan, *Big Business and the State in Turkey*, p. 25.

⁵⁹ Celal Nazım İrem, *The Interest Groups-state Interface: The Case of Turkish Industrialist and Businessmen's Association* (Ankara: Unpublished Master's Thesis, Bilkent University, 1990), p. 110.

⁶⁰ Şebnem Gülfidan, *Big Business and the State in Turkey*, p. 26

⁶¹ Metin Heper, “The State and Interest Groups with Special Reference to Turkey,” p. 18.

⁶² Şebnem Gülfidan, *Big Business and the State in Turkey*, p. i.

⁶³ Ayşe Buğra, “Class, Culture, and State: An Analysis of Interest Representation By Two Turkish Business Associations” *International Journal of Middle East Studies*, 1998, Vol. 30, p. 524.

(Sabancı), Selçuk Yaşar (Yaşar), Raşit Özsaruhan (Özsaruhan), Ahmet Sapmaz (Güney Sanayi), Feyyaz Berker (Tekfen), Özakat (Özakat), İbrahim Bodur (Bodur), Hikmet Erenyol (Joint Stock Co. Electro-Metallurgy), Osman Boyner (Altınıyıldız) and Muzaffer Gazioğlu (Joint Stock Co. Cement Industries)- were the industrial tycoons of Turkey. The leadership of TÜSİAD was deeply inspired by the societal model of Western countries in the era of late capitalism. According to Buğra, their communality of sociopolitical outlook to assure a solid status for the business community as a social class in a stable environment brought these individuals under the same roof.⁶⁴ Thus, TÜSİAD, a class organization *par excellence*, sometimes has found itself in conflict with other members of the business community due to its wider class interests.

TÜSİAD's stance for the principles of a mixed and planned economy model, to protect democratic government and free enterprise, was explicitly stated in the Founding Members' Memorandum⁶⁵ which called for government planning to minimize instability by supporting private industry. TÜSİAD kept its faith in strategic planning both to realize rapid economic growth and to formulate a better wealth distribution to avoid social disruptions. The same approach continued throughout the 1980s when TÜSİAD demanded for reforms favoring privatization, decentralization and further democratization.

TÜSİAD's demands sometimes generated important frictions with the government in the second half of the 1980s. TÜSİAD's criticisms of government interventionism met with public declarations by government authorities that

⁶⁴ Ayşe Buğra, *State and Business in Modern Turkey*, p. 246.

⁶⁵ *Ibid.*, p. 249.

TÜSİAD was surpassing the limits of legitimate associational activity. The three young businessmen –Ömer Dinçök (1987-1988), Cem Boyner (1989-1990) and Bülent Eczacıbaşı (1991-1992)- were successive second-generation presidents of TÜSİAD. They kept uncompromisingly critical attitudes toward The Motherland Party- MP [Anavatan Partisi-ANAP] government policies. The first generation kept more prudent stand in reacting to the critical speeches by Dinçök and his successor Boyner by warning them to speak for themselves but not for the association. The prudence of the elder members of TÜSİAD was based on the wisdom that the government can give businessmen as well as take away from them through discretionary methods. The elder members saw this critical stand of the young presidents dangerous to provoke government hostility against all members of the association, even the whole business community.⁶⁶ So, TÜSİAD could not be politically effective in opposition⁶⁷ since the association could not present solidarity among members in its organizational stance vis-à-vis the government. Thus, the relations between voluntary organizations and the state in Turkey had turned into an open and bitter political and personal confrontation at the end of the 1980s.⁶⁸

Şebnem Gülfidan argues that TÜSİAD and its activities manifested a combination of clientelist, pluralist and corporatist patterns which varied according to the ideology and the economic policies of the ruling party, the degree of challenge from the labor, the political structure of the country and TÜSİAD-government

⁶⁶ Ibid., p. 247.

⁶⁷ Murat Çokgezen, “New Fragmentations and New Cooperations in the Turkish Bourgeoisie” *Environment and Planning C: Government and Policy*, October 2000, Vol. 18, No. 5, p. 535.

⁶⁸ Metin Heper, “Interest Group Politics in Post-1980 Turkey Lingering Monism” in *Strong State and Economic Interest Groups*, p. 172

interaction.⁶⁹ Between 1974-1980, TÜSİAD both strived to restructure the Turkish economy and to promote the interests of big industrialists while improving the balance of power in favor of the private sector. TÜSİAD attempted to utilize both formal and informal channels of access to achieve these goals. However, when these tactics, as well as close links with the Prime Ministers, proved ineffective in the late 1970s, TÜSİAD attempted to exert concerted pressure on the government through the mass media. This method proved very successful and the Ecevit government resigned in November 1979. The successive Demirel government adopted the 24 January 1980 economic measures in harmony with TÜSİAD's demands. During the military rule in 1980-1983, three TÜSİAD members served as ministers and through these close links TÜSİAD obtained most of the favors it asked from the government in return of its support for the military regime.⁷⁰

After the transition to the parliamentary politics in 1983, the MP government responded to the business community individually rather than on an associational basis as cited above. Prime Minister (PM) Özal was knowledgeable about the interests of the private sector as a former member of TÜSİAD, Chairman of the Metal Industry Industrialists Union, and the coordinator in the Sabancı Holding.⁷¹ Özal centralized economic decision-making, which provided him the means to reward or punish individual members of the bourgeoisie according to their positioning vis-à-vis the government.⁷²

⁶⁹ Şebnem Gülfidan, *Big Business and the State in Turkey*, p. 109.

⁷⁰ *Ibid.*, p. 71, 91.

⁷¹ Yesim Arat, "Politics and Big Business: Janus-Faced Link to the State," p. 141.

⁷² *Ibid.*, p. 144.

TÜSİAD members developed personal links rather than association-based links with the MP government enjoying the concentration of power in the executive with the 1982 constitution. This approach of businessmen did not lead to an influence on the government in this period. However, this brought sets of informal relations of *clientela* type,⁷³ which influenced TÜSİAD and its activities negatively. Thus, TÜSİAD lost its business association characteristics to articulate its interests in the period prior to 1980.⁷⁴ The government preserved its autonomy and was reluctant to collaborate with TÜSİAD or TOBB in an institutionalized manner. Moreover, TÜSİAD, paradoxically, supported the government in all elections since the government's general economic policies were harmonious with the big business to enable them to compete in the foreign markets⁷⁵ and loyalty to the MP became a criterion for privileged access to resources.⁷⁶

TÜSİAD always complained about political instability due to government crises and constant changes in economic policies. Thus, TÜSİAD obviously endeavored to carry out a class mission on behalf of the business community vis-à-vis the political elite but not state elite. This was proved by the association's support for the 1980 military intervention.

⁷³ Celal Nazım İrem, *The Interest Groups-state Interface*, p. 6.

⁷⁴ Murat Çokgezen, "New Fragmentations and New Cooperations in the Turkish Bourgeoisie," p. 535.

⁷⁵ Şebnem Gülfidan, *Big Business and the State in Turkey*, pp. 110-111.

⁷⁶ Celal Nazım İrem, *The Interest Groups-state Interface*, pp. 113-114.

TÜSİAD, at the present writing, represents 469 members⁷⁷ composed of owners/managers of the biggest industrial and financial tycoons of Turkey with their relatively homogenous approach to macro-economic policies. This relative small and homogenous structure with remarkable industrial and financial capacity of its members provides TÜSİAD with means to influence the governments. TÜSİAD membership provides a privileged label for its members as being members of a small but influential community, which has access to government more easily when compared to MÜSİAD members. Thus, internal conflicts within the association are discouraged to prevent damage to the organization. However, from time to time internal conflicts emerge. TÜSİAD individual members solve their own problems through their personal connections with the political elite and higher echelons of the bureaucracy.⁷⁸ Moreover, TÜSİAD refrains from public confrontation with other business associations as much as possible, which was noticed in their relations⁷⁹ either with TOBB or MÜSİAD.

The need for an institutional change in TÜSİAD was especially felt in the 1990s, which oriented the association to seek new strategies and revise its membership criteria for the access of businessmen from central and east Anatolia. TÜSİAD also promoted relations with the regional voluntary business associations. However, TÜSİAD's rapprochement policy was responded by the reluctance of these associations perceiving this as TÜSİAD's strategy to increase its power and

⁷⁷ http://www.haberturk.com/look_.asp?N_Id=45789&ad_id=9 25 January 2002. In the 32nd General Congress of TÜSİAD with the participation of new 40 members the number of members increased 469.

⁷⁸ For further information see the results of questionnaire in Şebnem Gülfidan, *Big Business and the State in Turkey*.

⁷⁹ Yeşim Arat, "Politics and Big Business: Janus-Faced Link to the State," p. 138.

legitimacy rather than supporting their cause.⁸⁰ However, TÜSİAD has been deaf to MÜSİAD's invitation for common action but it did not make any explanation about it.

TÜSİAD adopted further inner democratization especially in the chairman election through curbing the power of the Advisory Council that could previously determine the successor chairman. TÜSİAD, paradoxically, repeated its pro-military stance following the 28 February process as it performed after the 1980 military intervention despite its reports demanding more democracy and upper hand of civilian government vis-à-vis the bureaucratic cadres, improving human rights, reform of the judiciary, minimization of the state in economy via privatization.

TÜSİAD has taken further steps in the name of international lobbying through opening offices in Washington and Brussels to endorse Turkey in the global politico-economic subjects. This is important because TÜSİAD wants to get involved in the international decision-making process on Turkey by the World Bank and the International Monetary Fund (IMF) as well as the European Union (EU).

Consequently, TÜSİAD has been both a voluntary business association and a part of the ruling elite. It is more a part of the regime than a part of the civil society. In the past it has acted with the state elite in opposition to governments.⁸¹ This is in accordance with its class project of capital accumulation through the state rather than the market composed of emerging rivals. Although TÜSİAD sometimes embraces

⁸⁰ Hayrettin Özler, *State and Business in Turkey: Issues of Collective Action with Special Reference to MÜSİAD* (Unpublished PhD Thesis, University of Strathclyde, April 2001), p. 233.

⁸¹ D. Lovatt, "Islam, Secularism and Civil society," *The World Today*, 1997, Vol. 53, Nos. 8-9, pp. 226-228.

more radical criticisms against the regime, it does not challenge the status quo since it is a part of it.

2.3.3. 1980s

In 1950, TOBB was established and during 1950-1970 corporatist structures developed and functioned as alternative networks to mobilize supporters and/or neutralize opponents. In 1970, the foundation of TÜSİAD showed the widespread discontent of interest representation even by the relatively privileged sections of the associational leadership. In the 1970s the pluralist networks developed but this did not decrease government's use of importing licenses vis-à-vis the businessmen.

On January 24, 1980, the minority government led by Demirel announced a major stabilization and economic liberalization program. This event marks a shift from a state-dominated, heavily interventionist economic model towards a neo-liberal and market-oriented one under the auspices of the World Bank and IMF. This program, supported by the business community, developed a set of policies to determine a permanent transformation of the economy and the nature of state-business relations for the first time,⁸² which will be explored in chapter 3. After the military intervention on September 12, 1980 the military government seemed ready to collaborate with the business groups. It was a remarkable opportunity for the Turkish business community since they were historically distrusted, often viewed as a “speculator.”⁸³

⁸² Ziya Öniş, “The Political Economy of Islamic Resurgence in Turkey: The Rise of the Welfare Party in Perspective” *Third World Quarterly*, Vol. 18, No. 4, p. 749.

⁸³ Şebnem Gülfidan, *Big Business and the State in Turkey*, p. 29.

The 1982 constitution, a product of the military government, was designed to strengthen the executive authority. Thus, it put interest groups under much stricter governmental controls in comparison with the 1961 Constitution, which enlarged associational activity in Turkey. The 1982 constitution aimed to keep interest groups activity under political control with further depolitization of the society “within a comprehensive social, economic, and political blueprint.”⁸⁴ Article No. 33 of the 1982 Constitution and the Law of Associations No. 1908 in 1983 prohibited professional associations, business associations, trade unions and civil servants to engage in political activities by getting or giving support to any political party, or to participate any joint action with other associations. The Law foresaw the supervision of associations by the Ministry of the Interior Affairs and their dissolution by the judiciary.⁸⁵

Compared to the 1961 Constitution, the 1982 Constitution enlarged the scope of exceptional circumstances permitting the temporary suspension of association activities by administrative authorities. The overall aim of the military rule was to prevent the recurrence of the pre-1980 dysfunctional politicization of the interest groups. Thus, the 1982 Constitution defined Chambers as public professional organizations

established with the objectives of meeting the common needs of members, facilitating their professional activities, ensuring the development of the profession, safeguarding professional discipline and ethics in order to ensure integrity and trust in relations among their own members and with the public

⁸⁴ Ergun Özbudun, “The Post-1980 Legal Framework for Interest Group Associations,” p. 41.

⁸⁵ Ibid., p. 45.

while limiting their public functions.⁸⁶ The government was empowered to request the dissolution of a chamber of commerce on the grounds that its criticisms of the government's economic policy were itself a political activity. The designers of the post-1982 regime determined the role of interest groups to act in a docile and loyal manner while expressing their views only on matters directly pertaining to their particular domain of activity. Thus, the role of interest groups was kept to regulate members' behaviors.⁸⁷

The constitutional restrictions binding associational life were either repealed or amended following the transition to parliamentary politics in 1983. The discourse of strengthening the civil society went hand in hand with the proliferation of associations and their activities in relative independence from the state, which failed to control the civil society. Table 1 shows the remarkable increase in the number of associations in Turkey during the 1980s and the 1990s.

⁸⁶ Ibid., pp. 46.

⁸⁷ For detailed evaluation of the 1982 Constitution with respect to the interest groups politics, see Ibid., pp. 41-53.

Table 1. No. of Newly Establishing Associations according to Years in Turkey⁸⁸

Years	Number of Associations
1980	598
1981	471
1982	478
1983	413
1984	2830
1985	2675
1986	2742
1987	2366
1988	2539
1989	2920
1990	3244
1991	3335
1992	3696
1993	4305
1994	5289
1995	5766
1996	5310
1997	5907
1998	6312
Total	61196

Following the transition to parliamentary politics in 1983 the MP governments followed the approach of the military government. However, Turgut Özal was not eager to establish formal channels of cooperation with business organizations.⁸⁹ Moreover, Özal sometimes threatened TÜSİAD with closure when the leadership of the association criticized the economic policies of his government. Özal was suspicious of the sincerity of TÜSİAD members in their support for liberal

⁸⁸ C. Bağcı, *NGO Proliferation in Post-1980 Turkey and a Turkish NGO in Rural Development: The Case of the Development Foundation of Turkey*. (Unpublished PhD Thesis, University of Manchester, 1999), p. 100 in Hayrettin Özler, *State and Business in Turkey*, p. 152.

⁸⁹ Ayşe Buğra, *State and Business in Modern Turkey*, p. 245.

economy.⁹⁰ When TOBB also severely criticized consequences of government's economic policies such as high interest rates and inflation, the reaction of the government was typical: Özal accused TOBB of getting involved in politics.⁹¹

Keeping good relations with the government on a personal level has been a more effective strategy in the 1980s for commercial groups rather than establishing their autonomous associations to confront it. In the occasional meetings with the representatives of major commercial groups to discuss economic matters, Özal was more inclined to instruct interest groups than exchange views with them. Özal could easily condemn the business associations engaging in political activity. Thus, throughout the 1980s, both TOBB and TÜSİAD were to have a rough time in their relations with the government.⁹²

The MP governments put down structural amendments changing the political economy of Turkey. These amendments, however, did not imply a decline in the significance of the state for business activity. Moreover, the state kept its dominant role vis-à-vis the business community intact and even strengthened significantly when compared to the previous periods of the Republican era. The state policies were marked by a strong element of particularism, which enhanced the incoherence of the economic strategy.⁹³ In sum, the MP government with its pro-business stand encouraged the pursuit of private interests through the presentation of particular

⁹⁰ Yeşim Arat, "Politics and Big Business: Janus-Faced Link to the State," p. 146.

⁹¹ Metin Heper, "Interest Group Politics in Post-1980 Turkey Lingering Monism," p. 167.

⁹² Ibid., p. 166.

⁹³ Ayşe Buğra, *State and Business in Modern Turkey*, pp. 263-265.

problems by individual businessmen. This, in turn, undermined the business associations' strength either compulsorily or voluntarily established.⁹⁴

In the post-1980 period, as in the preceding era, business interests were encouraged to be represented through hierarchically organized bodies of public professional associations. The subjection of business to governmental decisions, the government's influence on elections to the higher bodies of the TOBB and that of the individual chambers of commerce continued during the 1980s. Thus, during the post-1980 period, the chambers continued to function as quasi-bureaucratic arms of governments. They helped governments to set and enforce the standards for certain professions; performing distribution of credits, purchase of government-subsidized products, issuing licenses for the export commodities and the like. They also directed the economic activities of the private sector to prevent the clash with overall economic policy of the government.⁹⁵ Briefly, the MP governments' unsympathetic approach to democracy did not encourage the development of interest group politics.⁹⁶

During the 1980s, the term "interest group" kept its pejorative connotation. It was still not adequate for businessmen to speak about group interests since the only legitimate interest was public interest to be defined by the state. The business community was to perform economic activities in harmony with the government policies. This oriented the business community to justify business with reference to

⁹⁴ Ibid., p. 238.

⁹⁵ Hasan Cemal, *Özal Hikayesi* (Ankara: Bilgi Yayinevi, 1989), p. 74.

⁹⁶ Metin Heper, "Interest Group Politics in Post-1980 Turkey Lingering Monism," p. 164.

its social value related to its positive implications and to pursue their interests in a particularistic manner.⁹⁷ Thus, during the 1980s, voluntary associations, in general, and business associations, in particular, had no other way except acting in a very hesitant way towards the MP governments.⁹⁸

In the 1980s, the successive MP governments took important steps for the institutional basis of a self-regulating free-market system to restructure economy. This process went hand in hand with the reorganization of the state apparatus through centralization of decision-making by enlarging the powers of the executive branch in general. According to Heper, during the 1980s, state-business relations in Turkey kept the remarkable signs of monism in the absence of both pluralism and neo-corporatism as the state's autonomy vis-à-vis interest groups was deepened.⁹⁹ Özal, with his exclusive inner circle of ministers and technocrats, famous as Özal's princes, had the last word on all the critical economic decisions. They by-passed the traditional civil bureaucracy, the parliament, the political parties, and the business groups in such a decision-making process. This structure, in turn, widened the gap between the state and business associations not only because of a further centralization of the economic decision-making process but also due to the implementation of more restrictive legal restraints on interest group activity. In this context, the MP governments kept themselves remote from all other interest groups including TOBB. Only towards the end of the 1980s, the MP government became interested in TOBB elections and kept a close eye on the elections and the members

⁹⁷ Ayşe Buğra, *State and Business in Modern Turkey*, pp. 256-257.

⁹⁸ Metin Heper, "Interest Group Politics in Post-1980 Turkey Lingered Monism," p. 172.

⁹⁹ *Ibid.*, p. 173.

of the executive boards of the TOBB. Moreover, the government preferred to bypass both TOBB and voluntary business associations. Thus, the government favored dealing with the businessmen on an individual basis to get their support for its policies.

The business community was ever ready to keep harmonious relations with the government since they did not want to be ruined by selective measures adopted by the governments. Under these circumstances, the pervasion of the business associations was inevitable due a lack of confidence about their political efficacy. Thus, the businessmen preferred to have direct individual contacts with government agencies since they could not easily participate in policy formulation as a group. Consequently, government regulation from above continued in Turkey during the 1980s due to the lack of effective pluralist and neo-corporatist interest group politics.¹⁰⁰ Briefly, the ability of business associations was limited by the reluctance of the government to establish formal channels of contact to discuss policy issues with businessmen.¹⁰¹

Consequently, during the 1980s structural adjustment for the establishment of a free-market-oriented economy represented a break with the import substitution strategy of the past decades. In this period, one could observe the state-business relations emerging as an elaborate network of personal ties based on individual interests with the top-level officials of the public bureaucracy and/or ministries and even sometimes with the PM himself. In sum, the system imposed by the state

¹⁰⁰ Ibid., p. 175.

¹⁰¹ Ayşe Buğra, *State and Business in Modern Turkey*, p. 259.

promoted clientelistic relations between the political authorities in charge of the economy and the representatives of business associations.¹⁰²

2.4. Conclusion

This chapter explained the historical framework of Turkish interest group politics. The legal structure developing since the Ottoman period has influenced the development of interest group politics hand in hand with developments in the fields of society, politics and economy. However, it must be noticed that more important than legal structure is the overall structure of the economy, society, and politics of competing interests. With the advent to multi-party politics, political parties also functioned as platforms of interest articulation. The diversification of social structure within a developing capitalist economy resulted in the proliferation of the associational life since the 1950s.

The Turkish state tradition with its unresponsive attitudes to civil society resulted in a pattern of interest group politics determined by the upper hand of the state. Such conceptualization imposed the political elite a weak and vulnerable position vis-à-vis the state elite who formulated state norms and insisted on the political elite to act in conformity within this framework. Thus, a development of pluralism in Turkey was difficult, if not impossible.

The idea of representing particular, especially business, interests has not been socially acceptable in Turkey. This has prevented the development of neo-corporatist form of interest representation. Moreover, the governments have not been

¹⁰² Ersin Kalaycıoğlu, “Commercial Groups: Love-Hate Relationship with the State” in *Strong State and Economic Interest Groups*, p. 87

apt to develop neo-corporatist arrangements for fostering their legitimacy. Turkey has also lacked the strong presence of social democracy and strong trade union movement that can lead to neo-corporatism. Thus, the Turkish political elite and individual businessmen chose to establish personal relations, which depolitized and weakened the business associations. Even corruption became a mechanism to solve problems within such a legally framed structure, which also led to socio-political crises and in the erosion of ethical values.¹⁰³

According to Heper, the 1980s provided developments favorable both to the advent of pluralism and neo-corporatism. The attempted privatization of the State Economic Enterprises (SEEs), the decentralization of government and the orientation for a relatively free-market economy could be cited as the developments for the flourishing of pluralism. Moreover, developments adequate for neo-corporatism included a significant reconstruction of the economy, taking interest groups for cooperation and a gradual weakening of the official ideology, Atatürkism -the basis of the state elite's formulation of public interest.¹⁰⁴ However, none of them could achieve a basis to define interest group politics in Turkey since the state kept is strong hand over interest groups.

Turkey followed a development strategy based on heavier interventionism and protectionism since the 1930's étatist policies. Thus, the state seemed as the major source of uncertainty for business activity since the domains of business

¹⁰³ Üstün Ergüder, "The Turkish Party System and the Future of Turkish Democracy," in *Turkey: Political, Social and Economic Challenges*, Çiğdem Balım and [et al.], eds. (Leiden: E. J. Brill1995), p. 64.

¹⁰⁴ Metin Heper, "The State and Interest Groups with Special Reference to Turkey," p. 23.

activity and that of state intervention in Turkey remained ambiguous for a long time. This prevented the improvement of a self-confident bourgeoisie enjoying a hegemonic position. However, some members of the business community could overpass this ambiguous environment through particularistic and informal relations with political authorities.¹⁰⁵ Thus, the Turkish business community could not transform into a class but they remained as the extension of the creation of a national bourgeoisie since the CUP rule of the late Ottoman period.

Business activity within uncertain politico-economic medium due to the uneven state intervention has always contributed to the vulnerability of the private sector vis-à-vis the state. Turkish business community has always tried to participate in the decision and rule-making process with the government. However, business associations, either compulsory or voluntary, could not be successful in promoting specific business interests since the pursuit of these interests were largely carried out through personal links of individual members with the political elite. This paved the path for strengthening of the business community on an individual basis while increasing its dependency on the Turkish state. Such a relation led the state to refuse the consolidation of the public role of the business associations as in the neo-corporatist states. Thus, business associations were weakened and state authorities undermined the meaning and significance of these associations for their members.

Consequently, the associational culture in Turkey historically has been a dependent and a highly politicized dimension of Turkish modernization. One could note that state-business relations in Turkey hardly developed through neo-corporatist or pluralist lines. The strong state tradition of Turkey with a weak civil society

¹⁰⁵ Ayşe Buğra, "Class, Culture, and State," p. 524.

paved the path for the political elites to benefit from the personal network based on the direct individual contacts with businessmen. This, paradoxically, resulted in the weakening of business associations with their dissatisfaction of these clientelistic ties even individual members of the business community benefited.

CHAPTER III
TURKISH POLITICAL ECONOMY IN 1980-2000:
RISE AND FALL OF ISLAMIST POLITICS IN A
TURBULENT ECONOMY

3.1. Introduction

In the first chapter, I explained Truman's disturbance theory relating the creation of interest groups with people's desire to protect their interests vis-à-vis disturbances and changes in their social environment. These disturbances could be recessions, wars, inflation, discrimination, and increased government activity. Like Truman, I will approach to comprehend the emergence and the development of MÜSİAD through two variables of disturbances in the last two decades. The first is the rise and fall of Islamist politics in Turkish society. The second is the transformation of Turkish economy. Both of these disturbances during the 1980s resulted in a societal change and prompted new interests and their organizations, i.e. MÜSİAD that emerged in 1990. In short, the implementation of liberal policies in the economic field and the development of a relatively free political atmosphere paved the path for the emergence of new entrepreneurs of small and middle size firms prospering in the 1980s. The rise of Islamist politics went hand in hand with the development of this Anatolian petite bourgeoisie who wanted to protect their authentic moral values fostered by Islam and tradition. Despite all, these new entrepreneurs' isolation from state resources oriented them to organize in a new business association, MÜSİAD.

In this chapter, I will delineate the rise and fall of Islamist politics within the historical context of the last two decades. In the 1980s, Islam was recognized as an important part of Turkish national identity by both the military government (1980-1983) and the Özal-led governments (1983-1989). This recognition was kept intact in the early 1990s, paving the path for the success of the WP in 1994 local and in 1995 general elections. The success of the WP resulted in the staunch warning of the military, the guardians of Kemalism. The Islamic development was repressed in the name of the struggle against religious reactionism to keep the secular Republic through the well-known 28 February process. The developments in this process negatively affected MÜSİAD whose members were evaluated as the funders of religious reactionism.

The chapter will also examine the political economy of Turkey in the 1980s and the 1990s. First, in a brief account I will discuss the political and economic framework of the last two decades. The second part will explain the 1980 Adjustment Program shaping the economic policies of the following period and its prominent result of export-orientation policies in the 1980s. Then, I will delineate the transformation of Turkish state's role in economy in the last two decades. I will also explore how these developments affected KOBİs and Islamic-oriented enterprises in the same era. The concluding section is composed of the summary of the chapter and the importance of the last two decades for the emergence and development of MÜSİAD, which will be further detailed in the chapters on MÜSİAD.

3.2. Political Level

3.2.1. The Military Government Period: 1980-1983

The Iranian Revolution in 1979 opened a new chapter in world politics when Ayatullah Khomeini returned to Iran and declared the establishment of the Islamic state short after. The speculation that the message might draw a similar response elsewhere in the Islamic world¹ brought the question mark into minds of people about Turkey. Turkey carried great potential as a neighbor of Iran and as a country that was the seat of the Caliphate for a long time. Moreover, the chaotic political climate of the late 1970s in Turkey bolstered this anxiety. The question was whether the Islamic revival in Turkey would pose a threat to the survival of the modern Turkish state and would undermine Turkey's relations with the West.²

On September 6, 1980, the "Save Jerusalem" mass rally staged by the National Salvation Party-NSP [Milli Selamet Partisi-MSP] in Konya was the last straw: the demonstrators marched in long robes and fez and carried green flags while shouting slogans calling for the restoration of the Sharia. Some of the participants refused to stand up during the playing of the national anthem. The result was harsher than the NSP anticipated as this rally functioned as a catalyst in accelerating Turkey's third military intervention on September 12, 1980.³ Kenan Evren, head of

¹ İlkey Sunar and Binnaz Toprak, "Islam in Politics: The Case of Turkey," *Government and Opposition*, 1983, Vol. 18, No. 4, p. 421.

² Richard Tapper, "Introduction" in *Islam in Modern Turkey; Religion, Politics and Literature in A Secular State*, ed. Richard Tapper (London: I.B. Tauris, 1993), p. 1.

³ Erik J. Zürcher, *Turkey: A Modern History* (London: I. B. Tauris, 1993), p. 282 Jeremy Salt,

the military junta and the President in 1982-1989 period, said: “...The events in Konya marked the extent of *irtica*... [and] showed us the imminent danger and its nature.”⁴

Despite the importance of Islamic-oriented protests for the military intervention, the military government did not try to eliminate Islam from politics at all. Moreover, the integration of Islam into the state’s nationalist ideology was especially realized during the military government period, 1980-1983. The military authorities -the bastions of secularist Kemalism- attempted to instill Islamic values into the population through the education system. Thus, the compulsory religious education both in the primary and secondary levels was put in the curriculum, as stipulated by the Article 24 of the new 1982 Constitution.⁵

Islam was used as a prop for Turkish nationalism, not as a rival to it. There was a structural transformation from the military’s previous staunch views on religion and politics as was evident in the reconciliation of the two of them. Kenan Evren quoted verses from the Koran as a reference point to justify the secular policies of the government. In sum, the military government aimed to find a middle ground between Islam and the state since Islam’s role was considered as an important factor to unite the nation.

“Nationalism and the Rise of Muslim Sentiment in Turkey,” p. 16.

⁴ Kenan Evren, *Devlet Başkanı Kenan Evren’in Söylev ve Demeçleri 1980-1981* [Speeches and Declarations of President Kenan Evren] (Ankara: TBMM Basımevi, 1981), 17 and *Kenan Evren, Kenan Evren’in Anıları*[Memoirs of Kenan Evren], Vol. I (İstanbul: Milliyet, 1990), p. 220.

⁵ “Education and instruction in religion and ethics shall be conducted under the state supervision and control, and instruction in religious culture and moral education will be compulsory in the curricula of primary and secondary schools.” in T. C. Anayasası, 3rd ed. (Ankara: Seçkin Yayınevi, 1996), p. 46, Article no. 24 and paragraph no. 4. and Andrew Mango, “The Consolations of Religion in Turkey” in *Aspects of Religion in Secular Turkey*, Malcolm Wagstaff, ed., (Center for Middle Eastern and Islamic Studies University of Durham, 1990), p. 16.

In this historical context, the 1982 constitution might be regarded as a “brilliant perversion” from the original Kemalist discourse in the sense that it placed more emphasis upon “Turkish historical and moral values.”⁶ Thus, the state elite recognized Islam with regard to its importance, at least, in maintaining Turkish identity and unity, as a crucial antidote to communism and fractional and divisive movements. As Heper notes, “[A]lthough absolutely opposed to the utilization of religion for political purposes, the military proved itself to be more congenial on the issue of the role of the religion in society than the post-Atatürk bureaucratic intelligentsia had ever been.”⁷

The military regime formulated a new approach, without abandoning the secular character of the state, under the banner of Turkish-Islamic Synthesis (TIS) as a new ideological formulation.⁸ This was originally formulated by a group of intellectuals, mostly university professors, who established a club named *Aydınlar Ocağı* (Intellectuals’ Hearth). In the 1980s, the members of the Hearth kept important bureaucratic and governmental positions and greatly influenced the decision-making process.⁹ This group of people conceptualized religion as the essence of Turkish culture. They basically asserted that the Turkish nation was best represented in the triangle of family, mosque and barracks. However, according to their approach, this representation was ruined as a consequence of imitating the West blindly. In order to overcome this defect, the state should take an active role in

⁶ Metin Heper, *The State Tradition in Turkey* (Walkington: Eothen Press, 1985), p. 146.

⁷ Ibid. p. 134.

⁸ Richard Tapper, “Introduction,” p. 11.

⁹ Binnaz Toprak, “Religion as State Ideology in a Secular Setting: The Turkish-Islamic Synthesis” in *Aspects of Religion in Secular Turkey*, p. 10.

formal education and support development of national music, literature and visual arts.¹⁰ Though such an approach aimed to re-establish the hegemony of the Kemalist paradigm, it also contributed to the Islamic revivalism in Turkey and permitted the increase of Islamic visibility in the public sphere.

TIS aimed at an authoritarian but not an Islamic state in which religion was seen as the essence of culture and social control. Thus, religion should be fostered in the education system but not politicized.¹¹ Levent Köker indicates that the military government wanted to overcome the legitimacy crisis of the state and to create consent for the consolidation of state power in 1980s by paying lip service to the TIS.¹² Thus, religion became the most significant determinant of Turkish national identity and the tenets of Turkish nationalism remained intact bolstered by Islam. In short, the secularist aspect of the Kemalist project was replaced by a reinterpretation of Turkish-Islamic history and incorporation of Islam into nationalist credo in the 1980s.

Consequently, the 1980s represented a crucial turning point for the Islamist movement, which found not only greater mass support but also more opportunities to establish itself. The military perceived the role of Islam connecting the individual and state and serving as a unifying force between different classes and strata of the society. Thus, the military wanted to benefit from Islam not in the political sphere but as a cultural entity in their efforts to create a new system of ethics by

¹⁰ Ibid. , p. 10-12.

¹¹ Hugh Poulton, *Top Hat, Grey Wolf and Crescent: Turkish Nationalism and the Turkish Republic* (London: Hurst & Company Publishers, 1997), p. 184.

¹² Levent Köker, “Hangi Demokrasi, Hangi Refah?” [Which Democracy, Which Refah?] *Birikim*, No. 91. Kasım 1996, p. 49.

emphasizing the unifying trait of religion. This provided Islamic culture more visibility in the public sphere fostering the basis for the rise of Islamist politics until the end of 1990s.

3.2.2. Özal's Period: 1983-1989

Following the approval of the new Constitution by a referendum in 1982, on November 6, 1983, the general elections were held and the MP led by Turgut Özal became the victorious party. According to Nilüfer Göle, Özal's MP "combined loyalty to Muslim conservatism with a strong commitment toward economic liberalism, one that reoriented the Turkish economy to export to world markets."¹³ This approach was based on engineering pragmatism with cultural conservatism, which she terms "Islamic social engineering,"¹⁴ and defined Özal and his team as "Muslim engineers."¹⁵ According to Göle, Özal had built "a party not emphasizing 'utopian Islamism' but instead capitalizing on the heritage and ideal with faith."¹⁶ Özal saw religion as an important factor -both an object and a subject- in the transformation process of Turkey.¹⁷ Thus, he praised the moral principles of Islam

¹³ Nilüfer Göle, "Authoritarian Secularism and Islamist Politics: The Case of Turkey," in *Civil Society in the Middle East*, ed. A. R. Norton (E. J. Brill Leiden, 1996), p. 30.

¹⁴ Ibid., p. 31 and see Nilüfer Göle, "Engineers and the Emergence of a Technicist Identity," in *Turkey and the West: Changing Political and Cultural Identities*, Metin Heper, Ayşe Öncü and Heinz Kramer, eds. (London: I. B. Tauris, 1994).

¹⁵ Nilüfer Göle, "Küçük Dünyalar ve Tarih" [Small Worlds and History] in *Nokta*, Özel ek, 17 April 1993.

¹⁶ Nilüfer Göle, "Authoritarian Secularism and Islamist Politics," p. 43.

¹⁷ Mehmet Barlas, *Turgut Özal'ın Anıları* [Memoirs of Turgut Özal], (2nd ed.), (İstanbul: Sabah Yayınları, 1994), p. 201.

and argued that the economic problems the country faced had their origin in being estranged from the Islamic ethical system.¹⁸

Özal perceived the principle of secularism as the guarantee for religion rather than something contrary to religion and defined it as nobody's interference on any other one's belief system. In this context, he indicated that secularism was an issue for the state and not for the individuals, and identified himself as a pious Muslim, not a secularist.¹⁹ Özal developed a synthesis of modernization and Islam, which was also welcomed by the religious segments of the society. Özal's understanding of Islam was the basis for his attitude to liberalism, in which he emphasized individualism and the minimization of the state, parallel to his famous three freedoms: freedom of thought and speech, freedom of faith/religion and freedom of enterprise.²⁰ This approach is similar with the understanding of MÜSİAD on Islam and market, which facilitated the meetings of the association and Özal before his death.

Consequently, recognition of Islam at the state level and its improved public visibility with the military government period proliferated in the succeeding Özal's governments as well as prospering at the societal level through relatively liberal policies of the era.

¹⁸ Ibid. , 203.

¹⁹ *Hürriyet*, İstanbul daily, 3 March 1990.

²⁰ Turgut Özal, *Turkey in Europe and Europe in Turkey* (revised English edition) (Northern Cyprus, Nicosia: K. Rustem & Brother, 1991), p. 311; Turgut Özal, *Değişim Belgeleri: 1979-1992* [Documents of Change: 1979-1992] (İstanbul: Kazancı Matbacılık, 1993), p. 98 and Ergun Özbudun, "Özal ve Demokratikleşme" [Özal and Democratization] in *Devlet ve Siyaset Adamı* [Statesman and Politician], İhsan Sezal, ed. (İstanbul: 20 Mayıs Eğitim Kültür ve Sosyal Dayanışma Vakfı- Çetin Ofset, 1996), p. 109.

3.2.3. The 1990s

In the first half of the 1990s, the TPP kept the basic tenets of Turkish nationalism bolstered with Islam as the policy of 1980s.²¹ Moreover, especially during the 1990s, the official parameters and principles were challenged by various discourses of identity/differences, discourses ranging from religious fundamentalism to ethno-nationalism, from human rights to civil rights, from multiculturalism to post-national constitutional citizenship. Turkish politics during the 1990s has been characterized by ambiguity and uncertainty. The Turkish state and its political actors faced with the legitimacy and representation crisis increasingly detached from the changing nature of societal affairs and social demands. For instance, neither the Republican vision of citizenship nor as its most essential element, secularism, was able to perform their role in creating responsible selves suitable to the project of modernity.

The Islamic revivalism in Turkey basically proposed to rename and to reconstruct Muslim identity by freeing it from traditional interpretations of Islam and challenging the Kemalist modernization process promoted by reforms.²² In this framework, Islam as the major faith of the nation stands at the very core of the debate and the Islamist movement in Turkey seems to have two main concerns. First, it is a part of the struggle for recognition of Islamic identity and for its incorporation into the public sphere. Second, it is an attempt to offer a comprehensive model for pluralism in contemporary societies. Thus, this could be

²¹ Hugh Poulton, *Top Hat, Grey Wolf and Crescent*, pp. 199-204.

²² Nilüfer Göle, "Secularism and Islamism in Turkey: The Making of Elites and Counter-Elites," p. 59.

easily observed in the discourses and activities of MÜSİAD through making Islam more visible in the public sphere with references to religious moral values in economy.

The Islamists' claim is that the dominance of the secular nationalist modernization project in Turkey since the early 1920s has created an identity crisis in the country. They argue for the recognition of identity differences in the public arena and their incorporation into the state institutions. Their reaction to the Kemalist modernity project has taken a form of the politics of pluralism, and of identity and citizenship. For the Islamists, the main problem has been the exclusion of the Islamic ethos from public discourse and the inclusion of an alien secular nationalism into the larger society.²³ In short, the Islamist movement in Turkey developed its own reading of modernization, which could also be observed in MÜSİAD as a modern business association in structure. This reading is to keep Islam and traditional local values intact in integration with the modern global world.

The relations between Islam and state in Turkey in 1990s were shaped by the WP's success in politics. On July 19, 1983 the WP was established under the chairmanship of Ali Türkmen who was replaced by Ahmet Tekdal later. When the referendum of September 6, 1987 lifted the ban on the pre-1980 leading politicians, Erbakan returned as the official leader of the "reconstituted NSP" in the Second General Congress of the WP on October 11, 1987.²⁴

²³ M. Hakan Yavuz, "Turkey's Imagined Enemies: Kurds and Islamists", *The World Today*, April 1996, pp. 99-101.

²⁴ Ruşen Çakır, *Ne Şariat Ne Demokrasi: Refah Partisini Anlamak* [Neither Sharia Nor Democracy: To Understand Welfare Party] (Metis Yayınları: İstanbul, 1994), pp. 19, 24 and M. Hakan Yavuz, "Political Islam and the Welfare (Refah) Party in Turkey," *Comparative Politics*, October 1997, Vol. 30, No.1, p. 71.

In the 1990s, the WP managed to break out of its previous minority role and became a “mass party with ideological skeleton.” The noteworthy point in the 1990s is the October 20, 1991 general elections. The alliance of the Nationalist Working Party-NWP [Milliyetçi Çalışma Partisi-MÇP]²⁵ and the Reformist Democracy Party-RDP [Islahatçı Demokrasi Partisi-IDP] was established under the banner of the WP. The slogan of “The believers united in the WP” and the theme of the revival of the *Kuvay-ı Milliye* (National Militia Forces of Turkish Independence War), was emphasized despite the pragmatic, even opportunistic, calculations that were the basis of the alliance in reality. The WP wanted to show this *ittifak* (alliance) as an *iltihak* (accession),²⁶ and many Islamist politicians unrealistically expected the same.

The alliance success was 16.88 per cent of the votes and 63 seats in the parliament. Nevertheless, the alliance did not last long and on November 15, 1991, fifty-two days after the elections, the nineteen NWP-oriented deputies resigned, as did the three RDP-oriented ones. This pseudo alliance was over because the coalition government was established between Süleyman Demirel’s TPP and Erdal İnönü’s Social Democratic People’s Party-SDPP [Sosyal Demokrat Halkçı Parti-SHP].²⁷ In short, this result provided WP a step to expand its electoral basis in the next elections.

In the municipal elections held on March 27, 1994, the WP got 19.0per cent of the votes and gained 6 metropolitan municipalities, including Ankara and

²⁵ This party changed its name to the Nationalist Action Party-NAP [Milliyetçi Hareket Partisi] in 1992.

²⁶ Ruşen Çakır, *Ne Şeriat Ne Demokrasi*, pp. 28, 39.

²⁷ *Ibid.* , pp. 32-36.

İstanbul, and 22 city municipalities. This electoral success continued on December 24, 1995 general elections. The WP got 21.3per cent of the national votes and 158 seats in the parliament, which was welcomed by the leaders of the movement as the fruit of the zealous working for more than a quarter century. After great maneuvering, the WP, the largest group in the parliament, formed a coalition government with the TPP under the leadership of Tansu Çiller on June 28, 1996 after a difficult short MP-TPP government. The coalition government took vote of confidence -thanks to the Grand Unity Party-GUP [Büyük Birlik Partisi-BBP] on July 8, 1996 and ended on June 18, 1997 due to the resignation of Erbakan under the pressure of the military.

The Refahyol government was hit by two important events. First, the National Security Council (NSC) meeting held on February 28, 1997 became the catalyst for the toppling of the government. The military wing of the Council warned the PM about the religious reactionism and to take necessary precautions. The event was important since the ultimatum of the top generals was evaluated as a new type of coup and the coming period was called the February 28 process. The Islamic activities were banned as they were seen as an extension of reactionism in which MÜSİAD was accused too. The effects of this process will be explored in the section in chapter 5. Second, on May 21, 1997, Vural Savaş, the Chief Public Prosecutor of the Republic, filed a case against the WP with the claim that the WP had become the focus of the activities against the secularism principle of the Constitution and demanded its closure. Moreover, he accused the WP of bringing the country into the

brink of a “civil war.”²⁸ According to the judgment of the Constitution Court, the WP was closed on January 15, 1998 and Erbakan was punished by being banned from politics for five years with other five prominent figures of the WP. After the closure, most of the WP deputies joined the VP established on December 17, 1997.

In April 18, 1999 elections, the VP entered the parliament as the third major party with 105 deputies and 15.41 per cent of the votes in the general elections and 23 per cent of the votes and 680 municipalities in the municipal elections.²⁹ Following the elections, the refusal of Ms. Merve Kavakçı, the VP deputy, to take off her veil at the oath-taking ceremony in the General Assembly of the parliament provided the Chief Public Prosecutor of the Republic with the opportunity to file a suit against the VP for its closure.³⁰

Despite these exclusionary and delegitimizing efforts, a gradual, yet profound, social transformation has taken place at the grassroots level as a result of the creation of alternative social, cultural and economic spaces. The Islamic-oriented groups have used these alternative spaces to create their own parallel society to attract culturally and economically excluded groups. For instance, deregulation of

²⁸ Burhanettin Duran, “Approaching the Kurdish Question via *Adil Düzen*: An Islamist Formula of the Welfare Party for Ethnic Coexistence” *Journal of Muslim Minority Affairs*, 1998, Vol. 18, No. 1, p. 123 and *Refah Partisi Ön Savunma* [Pre-Defense of Welfare Party] (Ankara: ?, 1997) and *Refah Partisi Esas Hakkında Savunma* [Welfare Party’s Defense on Essence] (Ankara:?, 1997). For further information see *Hürriyet*, 22 May 1997 and other daily newspapers of the same day.

²⁹ Murat Çemrek, “Gereği Görüşülüp Düşünüldü: FP’nin Temelli Kapatılmasına...” [We conclude that VP is to be Permanently Closed...] *Tezkire*, Vol. 10, No. 22, September 2001, p. 17.

³⁰ The VP was closed on 22 June 2001 after a long court period and two new Islamic-oriented parties emerged as the Saadet Partisi-SP (Contentment Party-CP), led by the former VP leader Recai Kutan, and Adalet ve Kalkınma Partisi-AKP (Justice and Development Party-JDP) led by the former popular mayor of İstanbul metropolitan municipality, Recep Tayyip Erdoğan. This was also a split between the traditionalist and modern wings of the VP. For further information, see Ziya Öniş, “Political Islam at the Crossroads: From Hegemony to Co-existence” *Contemporary Politics*, 2001, Vol. 7, No. 4, p. 292.

broadcasting has empowered Islamic voices to express themselves on diverse radio stations, television channels, magazines and newspapers. In fact, the democratization of Turkish politics has also assisted in bringing Islam into the public sphere, as politicians have required to address the religious aspirations of the electorate.³¹ New alternative spaces such as MÜSİAD and the new TV stations, have served to empower Islamic groups in Turkey.³²

3.3. Economic Level

3.3.1. A Brief Account of Turkish Economy in 1980-2000

The year 1980 is a crucial turning point in the history of Turkish economy. The previous economic system had been dominated with the characteristics of financial repression based on negative real interest rates, a heavy tax burden on financial earnings, and high liquidity reserve requirement ratios. Moreover, the second half of the 1970s in Turkey was characterized by remarkable political and economic instability. On the economic side, the major balance of payments crisis of the late 1970s corresponded to the combined impact of two factors: the collapse of the dominant ISI model of development³³ and external shocks due to the extreme increases of oil price. On the political side, succeeding weak coalition governments further contributed to economic instability by postponing the necessary structural

³¹ For further information about the development of Islam in the public sphere see *James Pettifer, The Turkish Labyrinth: Ataturk and the New Islam* (London: PenguinBooks, 1998).

³² M. Hakan Yavuz, "Towards an Islamic Liberalism? The Nurcu Movement and Fethullah Gülen" *Middle East Journal*, Autumn 1999, Vol. 53, No. 1, p. 585.

³³ For further information on the ISI model and its repercussions in Turkey, see Anne O. Krueger, *Foreign Trade Regimes and Economic Development: Turkey* (New York: National Bureau of Economic Research, 1974), Maxwell J. Fry, *Finance and Development Planning in Turkey* (Leiden: E.J.Brill, 1972) and Henri J. Barkey, *The State and the Industrialization Crisis in Turkey* (Boulder: Westview Press, 1990).

adjustment process. These governments were unable to control and stop terrorism and urban violence, threatening the daily security of the average citizen. In such a medium, it was not surprising that the military intervened for the third time in civilian politics, on September 12, 1980.

Following a long period of state-dominated, heavily interventionist and inward looking economic policy and the failure of two stabilization programs in 1958 and 1970, Turkey commenced an extensive reform program in 1980.³⁴ The minority government led by Süleyman Demirel intended to liberalize the economy on a sustainable growth path through export-led policies while reducing inflation on permanent basis. Then, austerity measures, famous as January 24 Measures, signified the shift towards a market-oriented economic model and the integration of Turkey into the global commodity and financial markets. The first step was the financial deregulation by liberating interest rates on loans and deposits in July 1980.³⁵ However, the government kept control on interest rates for preferential credits in areas, i.e. export, agriculture and certain categories of investment. Also, certificates of deposits (CDs) emerged as the new financial instruments of the regulatory framework.³⁶ This process was also part of a broader global trend under

³⁴ For further information on several aspects of the Turkish adjustment program, see collection of essays in Tevfik F. Nas and Mehmet Odekun, eds. *Liberalization and the Turkish Economy* (New York: Greenwood Press, 1988), Tosun Arıcanlı and Dani Rodrik, eds. *The Political Economy of Turkey: Debt, Adjustment and Sustainability* (London: Macmillan, 1990) and Ziya Öniş, ed. *State and Market: The Political Economy of Turkey in Comparative Perspective* (İstanbul: Boğaziçi University Press, 1998), Korkut Boratav, Oktay Türel and Erinç Yeldan, “The Turkish Economy in 1981-92: A Balance Sheet, Problems and Prospects” *METU Studies in Development*, 1995, Vol. 22, No. 1, pp. 1-36.

³⁵ For the developments in the financial sector since 1980, see Işık İnelbağ and N. Bülent Gültekin, “Financial Markets in Turkey” in *Liberalization and the Turkish Economy*, pp. 129-140.

³⁶ For further information, see G. Sak, *Public Policies Towards Financial Liberalization: A General Framework and an Evaluation of the Turkish Experience in the 1980s* (Ankara: Capital Markets

the auspices of the World Bank and IMF. In short, the adjustment program was welcomed as a “model” by the international community and supported by generous structural adjustment loans, debt relief, and technical aid.³⁷

Despite the military intervention on September 12, 1980, the military authorities kept the implementation of the program intact by keeping Turgut Özal, the architect of the 24 January Measures, giving him the post of Deputy Prime Minister in the military cabinet. In the 1981-82 period, the financial liberalization continued through the removal of the ceilings on deposit interest rates to maintain positive real rates of interest. This approach was based on the presumption that higher saving and concomitant higher investment would be achieved while decreasing the need for external finance. The program succeeded in terms of real economic growth, “relatively” low inflation rate, liberalized external trade regime and financial system and further integration of the domestic economy within international one during period 1981-82.³⁸ Thus, the 1980-83 military rule period was characterized by stabilization, trade liberalization, deregulation of industrial and financial markets through an interest rate reform.

After the general elections of 1983, the MP led by Özal won the majority of the parliament and established the government. The inflation started to rise again

Board Press, 1995).

³⁷ On the broad political economy of Turkey during the post-1980 era, see Ziya Öniş and Steven B Webb, “Turkey: Democratization and Adjustment from Above,” in *Voting for Reform: Democracy, Political Liberalization and Economic Adjustment*, Stephan Haggard and Steven B Webb, eds. (New York: Oxford University Press, 1994), pp. 128-184. See also the collection of essays in Atilla Eralp, Muharrem Tünay and Birol Yeşilada, eds. *The Political and Socioeconomic Transformation of Turkey* (Westport, CT: Praeger, 1993).

³⁸ A. Erinc Yeldan, Harun Bulut, Onur Özgür, Sevgi Rençberoğlu, Engin Volkan and Ebru Voyvoda “Dynamics of Growth, Accumulation and Distribution in the post-1980 Turkish Economy: A Kaldorian General Equilibrium Interpretation” paper presented at the URPE at the ASSA Meetings, New York City, January 3-5, 1999. p. 5.

although the program was continuing.³⁹ Financial liberalization improved when the residents and non-residents were granted the right to open foreign exchange deposits with the commercial banks in 1984. However, at the end of 1985, the rise in speculative foreign exchange dealings resulted in some restrictions on foreign exchange transactions and deposits of the banks. Thus, limitations were imposed on foreign exchange selling rates, required reserves were broadened to include foreign exchange deposits, and banks were impelled to sell a certain proportion of the foreign exchange receipts to the Central Bank (CB).

In 1986 an inter-bank money market was created and in 1987 interest rates were once again deregulated and the CB started open-market-operations resulting in the increase of the interest rates by private banks. Meanwhile, rapidly increasing inflation forced banks to postpone further deposit rate increases. This, in turn, led to a shift in favor of foreign exchange deposits bringing the CB's intervention again by raising the deposit rate. Yet, the disequilibria in the financial market continued signifying the heavy speculation by banks in foreign exchange transactions. This opened the path for a sharp rise in foreign exchange interest rates.⁴⁰

Starting in 1988, with the return of the pre-coup politicians after the 1987 referendum, the momentum of the adjustment process started to decline. Özal's government began to follow populist policies of massive wage increases and high agricultural subsidies which both led to further deterioration of public accounts and

³⁹ Faruk Selçuk and Ahmet Ertuğrul, "A Brief Account of the Turkish Economy, 1980-2000" *Russian and East European Finance and Trade*, November-December 2001, Vol. 37, No. 6, p. 8.

⁴⁰ For further information, see E. Uygur, *Financial Liberalization and Economic Performance in Turkey*, (Ankara: CBRT Publication, 1993).

increase of inflation.⁴¹ Then, in order to overcome public deficits, the authorities eliminated all controls on foreign capital flows,⁴² which resulted in the capital account liberalization with full convertibility of the Turkish Lira (TL) in 1989 by the Decree No.32 issued.⁴³

This transition to the full convertibility, eliminating the protection of the value of the Turkish currency, was a very important step toward financial openness. This legislation permitted non-residents to buy and sell Turkish securities and to transfer income and sales proceeds of these securities abroad through banks and other financial institutions. Residents were also permitted to purchase securities abroad and to transfer the foreign exchange required to purchase such securities. Moreover, Turkish commercial banks were allowed to extend foreign currency credits to foreign trade companies, which completed deregulation of capital movements.⁴⁴ The effect of these developments was to open up Turkey's domestic markets to global financial competition and the CB lost its control over the determination of exchange and interest rates as policy instruments.⁴⁵ In short, adoption of the full convertibility of the TL constituted the final impediment in the

⁴¹ For an analysis of the effects of populist policies on Turkish economy, see Fatih Özatay, "Populist Policies and the Role of Economic Institutions in the Performance of the Turkish Economy" *Yapı Kredi Economic Review*, Vol. 10, No. 1, 1999, pp. 13-26.

⁴² Oğuz Esen, "Financial Openness in Turkey" *International Review of Applied Economics*, January 1, 2000, Vol. 14, No. 1, p. 8.

⁴³ Kıvılcım Metin-Özcan, Ebru Voyvoda and A. Erinç Yeldan "Dynamics of Macroeconomic Adjustment in a Globalized Developing Economy: Growth, Accumulation and Distribution, Turkey 1969-1998" *Canadian Journal of Development Studies*, 2001, Vol. 22, No.1, p. 222.

⁴⁴ Oğuz Esen, "Financial Openness in Turkey," pp. 8-10.

⁴⁵ Korkut Boratav, A. Erinç Yeldan and Ahmet H. Köse, "Globalization, Distribution and Social Policy, 1980-1998" Center for Economic Policy Analysis, Working Paper No. 20, February 2000, p. 2.

step-by-step liberalization of the Turkish economy, a process that had initiated in January 1980.

The financial liberalization process in the 1980s achieved fiscal and monetary stability, stimulated business confidence to invest in productive sectors. The relatively stable growth in the 1980s fostered expectations of further privatization. However, the new hegemony of the capital markets deteriorated macroeconomic performance by worsening income distribution, which discredited politics.⁴⁶ Moreover, during the 1980s, the Turkish economy experienced accelerating inflation simultaneously with financial liberalization efforts. Average annual inflation was 36.2 per cent during 1981-84 and accelerated to 43.3% during the 1985-88⁴⁷ while fluctuating within a 40% to 70% range during the rest of 1980s.⁴⁸

The Turkish state, starting with the late 1980s, adopted the logic of global capitalism and promoted financial liberalization consciously. Liberalization and globalization of the Turkish economy occurred more rapidly than expected. The government turned its face to global financial markets and permitted large inflows of foreign capital, known as hot money, as a key mechanism to restore economic growth. However, the governments did not focus on correcting the basic structural deficiencies of the Turkish economy, namely large fiscal imbalances and a loss of momentum in the export drive. This injection of hot money inflows to the domestic

⁴⁶ Faruk Selçuk and Ahmet Ertuğrul, "A Brief Account of the Turkish Economy, 1980-2000," pp.19-20.

⁴⁷ See <http://www.hazine.gov.tr/yayin/hazineistatistikleri/index.htm>

⁴⁸ Tevfik F. Nas and Mark J. Perry, "Turkish Inflation and Real Output Growth: 1963-2000" *Russian and East European Finance and Trade*, November-December 2001, Vol. 37, No. 6, p. 32.

economy enabled both the financing of rising public sector expenditures and relief on inflationary pressures by decreasing import costs until the 1994 economic crisis.⁴⁹ In sum, this type of growth helped solely to disguise rather than to overcome the basic structural weaknesses of the Turkish economy.⁵⁰

Paradoxically the populist policies failed to prevent MP, now led by Mesut Yılmaz, from losing the general elections in 1991. The coalition government of the TPP and the SDPP represented “losers” of the post-1980 reform process, mainly wage earners and rural people. The powerful pressures associated with competitive political life discouraged the new coalition government from implementing a far-reaching stabilization program. In short, the populist economic policies since the referendum of September 1987 -and the subsequent election of November 1987- constituted momentum from 1989 onwards which continued to characterize the economic stance of various governments in the 1990s.⁵¹

By the end of 1993, it became clear that the rapid growth of the Turkish economy at the beginning of the 1990s had not been based on strong foundations. Because the rising current account deficit covered by inflows of primarily short-term foreign capital flows, could not establish a basis for a sustainable growth process. Thus, the government embraced the low interest rate by relying heavily upon the

⁴⁹ Korkut Boratav, A. Erinç Yeldan and Ahmet H. Köse, “Globalization, Distribution and Social Policy, 1980-1998,” p. 6.

⁵⁰ For the discussions concerning the process of capital account liberalization, see Faruk Selcuk, “A Brief Account of the Turkish economy, 1987-1996” in *The Political Economy of Turkey in the Post-Soviet Era*, Libby Rittenberg, ed. (Westport, CT: Greenwood Press, 1998); and Dani Rodrik, “Premature Liberalization and Incomplete Stabilisation: The Özal Decade in Turkey” in *Inflation and Stabilisation*, Michael Bruno et al., eds. (Cambridge, MA: MIT Press, 1992).

⁵¹ Ziya Öniş and Ahmet Faruk Aysan, “Neoliberal Globalisation, The Nation-State and Financial Crises in the Semi-periphery: A Comparative Analysis” *Third World Quarterly-Journal of Emerging Areas*, February 2000, Vol. 21, No. 1, p. 129.

resources of the CB to break the vicious circle of domestic borrowing with high interest rates. Towards the end of 1993, the policies of lower interest rate-higher depreciation and cancellation of the Treasury auctions forced the banking system to re-arrange the foreign currency denominated assets and liabilities. The rapid expansion of public sector credits and expansionary monetary policies motivated by populist policies for elections increased inflation significantly in the 1990s and it reached its peak of 149per cent escorted with the fall of Gross Domestic Product (GDP) by 6per cent in 1994.⁵² This, in turn, provoked the demand for foreign currency⁵³ and the reduction of the investment rating of Turkey by two major credit rating institutions led to the crisis in 1994, which resulted a major outflow of short-term capital.⁵⁴ In short, this financial crisis manifested itself as a major balance of payments crisis that resulted in massive depreciation of exchange rates.

The failure of the Çiller-led coalition government, crystallized in 1994 economic crisis, transformed her populist discourse to a conservative nationalist one. Then, the government tried to keep interest rates low and switched from domestic borrowing to foreign debt and monetization to reduce inflation without giving up economic growth. However, this policy, paradoxically, led instead to higher interest rates, higher deficits, and continued high inflation. In sum, the crisis of 1994 showed

⁵² Ziya Öniş, "Turkey in the Post Cold War Era: In Search of Identity," *Middle East Journal*, Winter 1995, Vol. 49, No. 1, pp. 64-65.

⁵³ On the evolution of the 1994 crisis, see Fatih Özatay, "The Lessons from the 1994 Crisis in Turkey: Public Debt (Mis)Management and Confidence Crisis" *Yapı Kredi Economic Review*, June 1996, Vol. 7, No. 1, pp. 21-37 and Erinç Yeldan, "Türk Ekonomisinde Krizin Oluşumu, 1990-1993: Bir Genel Denge Analizi [Evolution of the Crisis in the Turkish Economy, 1990-1993: A General Equilibrium Analysis. With English Summary] *Middle East Technical University Studies in Development*, Vol. 23, No. 3, 1996, pp. 427-476.

⁵⁴ Ziya Öniş, Ahmet Faruk Aysan, "Neoliberal Globalisation, The Nation-State and Financial Crises in the Semi-periphery," p. 130.

the vulnerability of the Turkish economy and the structural shortcomings of the banking system to speculative gains of hot money.

The coalition government of TPP-SDPP led by Tansu Çiller launched a stabilization program on April 5, 1994, resulting in a further 65per cent devaluation of TL.⁵⁵ The IMF Board approved a stand-by arrangement two months after the program started. The austerity measures after 1994 economic crisis, famous as April 5 Decisions, eventually brought inflation down temporarily from 149per cent to 72per cent in 1995, but could not eliminate the macroeconomic imbalances. This austerity program depended mainly on wage suppression and tight monetary policy. This, in turn, accelerated significant shifts in income distribution and to an intensification of the transfer of economic surplus from wage-earners and the industrial/real sectors towards finance.⁵⁶

The program was short-lived since the government once again turned the short-term capital inflows to restore the growth.⁵⁷ It became clear that the government did not have the political will to continue the April 5 program and the stand-by agreement ended in 1995.⁵⁸ The real wages continued to decline and the inflows of foreign capital enabled the financing of the fiscal gap. The cost of these adjustments to the Treasury resulted in the acceleration of the interest burden on its

⁵⁵ Faruk Selçuk and Ahmet Ertuğrul, "A Brief Account of the Turkish Economy, 1980-2000," pp. 23-24.

⁵⁶ A. Erinç Yeldan and et. al, "Dynamics of Growth, Accumulation and Distribution in the post-1980 Turkish Economy," pp. 2-8.

⁵⁷ For further information, see Hasan Kirmanoğlu and Ömer Özçiçek, "The Effect of Short-term Capital Inflow on the Turkish Economy" *Yapı Kredi Economic Review*, 1999, Vol. 10, No. 1, pp. 27-34 and Ziya Öniş, "Globalization and Financial Blow-ups in the Semi-periphery: Turkey's Financial Crisis of 1994 in Retrospect" *New Perspectives on Turkey*, Fall 1996, No. 15, pp. 1-23.

⁵⁸ Faruk Selçuk and Ahmet Ertuğrul, "A Brief Account of the Turkish Economy, 1980-2000," p. 7.

borrowing instruments. Thus, the average real rate of interest offered on the government bonds increased to 24.9per cent after the 1994 crisis.⁵⁹

The 1994 economic crisis led MÜSİAD criticize the government and its economy policies based on attraction of hot money inflows. MÜSİAD severely and repeatedly underlined the vicious circle of rising interest rates and inflation as well as appreciation of TL due to hot money inflows which results in less investment and so production. MÜSİAD argued that in such crisis situations, the inflows of short term foreign capital could easily leave Turkey, which deepens the crisis situation. MÜSİAD defended KOBİs that were negatively affected since they cannot depend on Treasury bonds as big business.

The poor economic performance of the government ultimately led to early elections in late 1995.⁶⁰ All these developments helped the WP to become the largest party in the 1995 elections but did not help the economy to recover due to the troublesome political climate of Turkey with short-lived coalition governments of the MP-TPP, *Anayol*, and the following WP-TPP, *Refahyol*. This ambiguous political environment hit the economy negatively. Thus, the political turmoil and the successive weak governments blocked the implementation of a viable economic adjustment program.

A new coalition, *Anasol-D*, government composed of MP, the Democratic Left Party-DLP [Demokratik Sol Parti-DSP] and the Democratic Turkey Party-DTP [Demokratik Türkiye Partisi-DTP] was established with the backing of military in

⁵⁹ Kılıncım Metin-Özcan, Ebru Voyvoda and A. Erinç Yeldan “Dynamics of Macroeconomic Adjustment in a Globalized Developing Economy,” p. 227.

⁶⁰ Ben Lombardi, “Turkey-The Return of the Reluctant Generals?” *Political Science Quarterly*, Summer 1997, Vol. 112, No. 2, pp. 199-200.

July 1997. The pro-Islamic political agenda, orchestrated by the defunct WP- banned by the Constitutional Court in January 1997- and its successor VP, addressed the issues of worsening income distribution and social equity in their discourses. This, in turn, provoked the secular elite to discipline the government's fiscal management.⁶¹ Thus, the Anadol-D government, led by Mesut Yılmaz, on February 6, 1998 launched a tax reform package, *Mali Milad*, labeling it as a milestone for the "survival of the regime."⁶²

In July 1998 another disinflation program under the guidance of an IMF Staff Monitored Program initiated. Although this austerity program was successful in terms of inflation rate and fiscal imbalances, it could not relieve the pressures on the interest rates. Finally, the Asian financial crisis⁶³ and the Russian crisis hit the Turkish economy starting in August of 1998.⁶⁴ The fall of the coalition government due to corruption allegations resulted in the minority government led by Bülent Ecevit for a short period until the general elections held in April 1999. Then, the coalition government composed of DLP, NAP and MP was founded which had to overcome two devastating earthquakes in August and October 1999 deteriorating the fiscal balance of the public sector.⁶⁵

⁶¹ Ümit Cizre-Sakallıoğlu and Erinç Yeldan, "Politics, Society and Financial Liberalization: Turkey in the 1990s" *Development and Change*, 2000, Vol. 31, No. 2, pp. 481-482.

⁶² "Yılmaz'an Rejim Uyarısı" [Warning by Yılmaz on the Regime], *Milliyet*, Turkish daily, 5 December 1997.

⁶³ For the effects of East Asia crisis especially on Turkey, see Kemal Derviş, "Küresel İktisadi Kriz ve Dünya Bankası" [Global Economic Crisis and the World Bank] *İktisat İşletme ve Finans*, No. Mayıs 1999, 158, pp. 7-19.

⁶⁴ Kuvılcım Metin-Özcan, Ebru Voyvoda and A. Erinç Yeldan "Dynamics of Macroeconomic Adjustment in a Globalized Developing Economy," p. 227.

⁶⁵ Faruk Selçuk and Ahmet Ertuğrul, "A Brief Account of the Turkish Economy, 1980-2000," p. 10.

One sign of the vulnerability of Turkish macroeconomic balances in the 1990s was continuing inflation. The inflation rates varied between 62.3per cent and 90.6per cent during 1989-93 and 1994-97 periods respectively⁶⁶ due to the dynamics of the growth performance of the Turkish economy and unsuccessful Public Sector Borrowing Requirement (PSBR) financing policies. The annual inflation rate reached up to almost 100per cent again in 1997. Thus, excessive public expenditure and the concomitant budget deficits remained primary source of inflation in effect. The inflation continued to dominate Turkey⁶⁷ with the 80-90 per cent range during 1995-1999.⁶⁸ The worst result of the inflation was the social structure shaped by extreme polarization of incomes, which prevented a social pact to establish a consensus on an anti-inflationary strategy.⁶⁹ Moreover, inflationary structure discouraged investments since the interests were high. In such a medium, MÜSİAD underlined the importance of production for the development of Turkey and severely criticized the high interest policies of governments blocking investments on production.

The coalition government led by Bülent Ecevit started implementing another structural reform program after the general elections in April 1999, which was strengthened by the stand-by agreement with the IMF in December 1999. The program aimed to reduce inflation from 60-70per cent per year to single digits by the end of 2002. The major device of this disinflation program was the adoption of a

⁶⁶ See <http://www.hazine.gov.tr/yayin/hazineistatistikleri/index.htm>

⁶⁷ Tevfik F. Nas and Mark J. Perry, "Turkish Inflation and Real Output Growth," pp. 35-36.

⁶⁸ Ümit Cizre-Sakallıoğlu and Erinç Yeldan, "Politics, Society and Financial Liberalization," p. 485.

⁶⁹ Ziya Öniş, "Democracy, Populism and Chronic Inflation in Turkey: The Post-Liberalization Experience" *Yapı Kredi Economic Review*, June 1997, Vol. 8, No.1., p. 38.

crawling peg regime based on the percent change in the TL value of a basket of foreign exchanges, 1 US dollar plus 0.70 Euro, which was fixed for 18 months period. Although there emerged turmoil in the Turkish financial markets in late November and early December 2000, the program seemed to function until February 2001, with the substantial additional fund of the IMF after the crisis in December 2000.

This short-lived financial crisis in December 2000 signified the fragile structure of the Turkish financial system, which became more visible when Turkish economy was exposed to another crisis in February 2001. This crisis was the last drop and resulted in the collapse of the stock market and the government decision for transition to a floating currency regime from the crawling-peg model which meant the a devaluation of 80 per cent in the value of currency and panic in the markets. The crisis was very deep bringing the closure of 4,000 firms and half a million people lost their job immediately, especially in the banking sector. Ironically, both of the crises clarified the dependence of the disinflation program and the stability of the banking system on short-term foreign capital inflows. Another result of the crisis was that unless the government creates a politically secure environment to comfort the foreign direct investment, any disinflation program is to fail.⁷⁰ Thus, the government appointed Kemal Derviş, a former Vice-President of the World Bank in charge of poverty alleviation programs, as the State Minister responsible from economy.

Derviş, brought new regulations on reserve requirement, liquidity ratio, loan loss provision and their amendments were put into effect. The special law on the privatization of state banks was amended and a new action plan for the banks under

⁷⁰ Faruk Selçuk and Ahmet Ertuğrul, "A Brief Account of the Turkish Economy, 1980-2000," p. 10.

the management of the Savings Deposit Insurance Fund (SDIF) was announced.⁷¹ Derviş's *National Program* assured the major public banks to be merged and privatized in three years time, state subsidies to agriculture to be stopped, state-monopoly of telecommunication, tobacco and spirits, sugar, natural gas to be privatized and opened to global markets.

Ali Bayramođlu criticized the government harshly following the last crisis.⁷² Although MÜSİAD sympathized with the IMF prescribed stability program put down by the government in 1999, it believed that the program would not be enough to revive the reel economy and provide economic growth with these monetary precautions.⁷³ MÜSİAD published a “crisis prescription” for the business life in which the members are advised not to pay attention to the words of the political and bureaucratic elite. In this booklet, it is argued that their words are mostly propaganda oriented. The members are advised to keep themselves in liquid assets and if possible in foreign currency, as well as trying to increase the quality of the produced goods and export level. Keeping tight control on the import of the one's firm, selling in cash, paying more attention to the marketing and are other vital advises.⁷⁴ Then,

⁷¹ Ibid., pp. 25-27.

⁷² *MÜSİAD Bülten* Vol. 9, No. 40, 2001, pp. 3-4.

⁷³ *Türkiye Ekonomisi 2000* [Turkish Economy 2000] (İstanbul: MÜSİAD, 2000), pp. 44-45.

⁷⁴ For further advises see, *İşadamlarına Kriz Dönemi Önerileri* [Advises to Businessmen on Crisis Period] (İstanbul: MÜSİAD, 2001). The importance of the book is that MÜSİAD foresaw the coming crisis since the introduction of the book was done on 9 January 2001, a month before the last crisis, which came true on 22, February 2001.

MÜSİAD offered partial monetization and partial consolidation of debts for the solution of the crisis in another booklet.⁷⁵

Consequently, Turkish post-liberalization era in the last two decades passed through various cycles of rapid growth and stagnation with different characteristics. The 1983-1988, 1989-1993 and the 1995-1998 periods were characterized by rapid growth, expansion of investments and exports together with a significant erosion of the share of wage incomes. However, both of the 1983-1987, 1989-1993 and 1999-2001 periods turned out to be unsustainable on both social and economic grounds by the unexpected economic crises of 1988, 1994 and 2001. All in all, the post-1980 Turkish history of liberalization experience reveals a process of boom-and-bust cycles of growth and crisis with unexpected changes in income distribution warranted by integration with the global markets. Throughout the 1990s, Turkey's banking and financial institutions became the dominant forces behind the capital manipulating the overall economy, which was driven by both domestic and global factors. On the domestic front, the collapse of public disposable income accelerated PSBR resulting in high interest rates on government bonds and treasury bills. This paved the path for the dominance of finance over the real economy.⁷⁶ In sum, current account imbalances since 1980s made the governments more sensitive about the sustainability of external imbalances.

⁷⁵ *1990-2001 MÜSİAD Ne Dedi? Ne Oldu?* [What Has MÜSİAD Said? What Has Happened? in 1990-2001] (İstanbul: MÜSİAD, 2001), p. 10.

⁷⁶ Korkut Boratav, Oktay Türel and Erineç Yeldan, "The Turkish Economy in 1981-92," p. 21.

3.3.2. 1980 Adjustment Program and Export-Promotion in the 1980s

The minority government (November 1979-September 1980) led by Süleyman Demirel prepared new austerity program, known as the *January 24 Decisions* in 1980. The program was under the leadership of Turgut Özal who held the posts of the Undersecretary and the Deputy Minister. These austerity measures emphasized the need for market forces to reign freely with less governmental intervention in the economy, readjustment of the tax system, deregulation of the labor market and privatization.⁷⁷ This program also aimed at a more efficient and flexible financial system to convert national savings into productive investments at the lowest cost while integrating the Turkish economy further into the global system.⁷⁸

The political turmoil in terms of street fights between leftist and rightist groups and the worsening of economic conditions in the late 1970s led the military to intervene on September 12, 1980 before the results of the program. The adjustment program continued after the military intervention favoring the deregulation of industrial and financial markets as well as liberalization of trade and capital movements. The major concern of the program was to decrease the rate of

⁷⁷ For further information, see Izak Atiyas, "Uneven Governance and Fiscal Failure: The Adjustment Experience of Turkey" in Leila Frischtak and Izak Atiyas, eds. *Governance, Leadership, and Communication: Building Constituencies for Economic Reform* (Washington, DC: The World Bank, 1995), pp. 285-317.

⁷⁸ For further information, see Yılmaz Akyüz, "Financial System and Policies in Turkey in the 1980s" in Tosun Arıcanlı and Dani Rodrik, eds. *The Political Economy of Turkey: Debt, Adjustment and Sustainability* (London: Macmillan, 1990), p. 98.

inflation and the current account deficits to moderate levels. The multiple exchange rates system was discarded and quantitative restrictive measures on imports were removed. In January 1980, exchange rate of TL was depreciated 49 per cent, from 47 TL per dollar to TL 70 per dollar. The rate was then adjusted periodically until May 1981, when adjustments became daily practice. The SEEs increased their prices and adopted a flexible industrial price policy. The labor union activity was restricted and the salaries of government employees and agricultural support prices were reduced.⁷⁹

The post-1980 arrangements narrowed the bases of political participation via abolishing political parties and outlawing their leaders from political activity, which weakened the foundations of parliamentary democracy. This repressive political framework eased the implementation of the austerity measures. The military government, September 1980-November 1983, tried to stabilize the political system through depoliticizing the economy by eliminating any potential threats to the market-orientated reforms. Yet the outcome of these measures, paradoxically, have formed the seeds of greater instability in the end of the 1980s.⁸⁰

Before the 1980 adjustment program, the Turkish state was both a productive agent through SEEs and a regulatory agent directly involved in the administration of foreign exchange and determination of key prices. After the program, however, the state's productive agent role decreased by adopting privatization policies while

⁷⁹ Ziya Öniş, "The Political Economy of Turkey in the 1980s: Anatomy of Unorthodox Liberalism in The State and Economic Interest Groups: The Post-1980 Turkish Experience, Metin Heper, ed. (Berlin and New York: Walter de Gruyter, 1991), p. 30.

⁸⁰ Ziya Öniş, "The Political Economy of Islamic Resurgence in Turkey: The Rise of the Welfare Party in Perspective" *Third World Quarterly*, September 1997, Vol. 18, No. 4, pp. 749-750.

keeping its regulatory role in income redistribution through the conduct of its fiscal operations, i.e. determination of interest rates and subsidies for exporters.⁸¹ In short, the 1980 adjustment program transformed the role of the state in the Turkish political economy and paved the path for export-oriented policies, which led the increase of KOBİs in Anatolia, the basis of MÜSİAD. The instability of Turkish economy due to government policies also attracted KOBİs to the importance of export rather than leaning on the domestic market. This also formed the basis of MÜSİAD's mass foreign trips to discover new markets for its members who are mainly composed of KOBİs.

Export promotion was the main policy objective of the adjustment program of 1980. Thus, after 1980, exporters gained a prestigious position in the society and received state encouragement in the form of incentives.⁸² The governments of the 1980s supported export activities by a regulated foreign exchange system and controls on capital inflows, which lasted until the end of 1988. The depreciation of the TL and several tax incentives to exporters were the major driving forces of this export-led growth policy in this period. This generated an exportable surplus with heavy use of export subsidies and exportable surplus, which found its way to the newly growing Middle Eastern markets.⁸³

The military and Özal-led governments suppressed wages, which provided both lowering production costs and squeezing the domestic market capacity. The

⁸¹ Ümit Cizre-Sakallıoğlu and Erinç Yeldan, "Politics, Society and Financial Liberalization," p. 491.

⁸² Murat Çokgezen, "New Fragmentations and New Cooperations in the Turkish Bourgeoisie" *Environment and Planning C: Government and Policy*, October 2000, Vol. 18, No. 5, p. 541.

⁸³ Kılıncım Metin-Özcan, Ebru Voyvoda and A. Erinç Yeldan "Dynamics of Macroeconomic Adjustment in a Globalized Developing Economy," p. 225.

business-labor relations in KOBİs, on the other hand, provided a more secure place for the labor due to “family” understanding of workplace despite less payment. This discourse was voiced in MÜSİAD circles with reference to Islamic moral values and East Asian type strong communal bonds to signify the fraternity of worker and the employer. The owners of KOBİs could treat workers as family members within patrimonial base since they work together. MÜSİAD proposed its members not to fire their workers to keep the family spirit intact in their workplace regardless how much it costs.⁸⁴ In short, harmonious labor relations in KOBİs led their development so the enlargement of MÜSİAD membership basis. Thus, KOBİs benefited from such policies since they could employ more labor while paying less and they could increase their profit when they could develop themselves in exports.

The export performance of Turkish economy was impressive in the period 1980-88; annual export growth rate reached 19per cent while the average annual growth rate of the real GDP was 5.8.⁸⁵ Moreover, the Turkish export growth rate surpassed world export growth rate by a significant margin. This, in turn resulted in praise for Turkey as an exemplary model in the annual reports of international financial institutions such as the IMF.

This export promotion and the concomitant price reform aimed at reducing the state’s role in the economic affairs. At the end of 1983, most of the quota restrictions on the list of “prohibited” items were lifted and tariffs were substantially lowered to liberalize the import regime. The system of fixed exchange rate

⁸⁴Şennur Özdemir, *Religious and Economic Transformation of Turkey: The Case of MÜSİAD*, Unpublished PhD Thesis, Ankara: METU, 2001, p. 148.

⁸⁵ Faruk Selçuk and Ahmet Ertuğrul, “A Brief Account of the Turkish Economy, 1980-2000,” p. 12.

administration was replaced by a flexible regime of crawling-peg and a complex system of direct export subsidization was introduced. These policies acted as the main instruments for the promotion of exports and pursuit of macroeconomic stability. Therefore, the external balance situation improved significantly as the external deficit to GDP ratio went down from 7per cent in 1980 to negative 1per cent meaning surplus in 1988.⁸⁶

The dependence of Turkish industrial production on the availability of imports continued despite the noteworthy transformation of the domestic markets towards a more open economy in 1980s. The export gains based only on price incentives and subsidies had exhausted their impetus by the end of the decade.⁸⁷ Consequently, the post-1980 export-orientation could not be sustained as a viable strategy of export-led industrialization in the 1990s.

3.3.3. The Turkish State's Role in Economy in 1980-2000

Liberalization of economy in Turkey, as in many other countries, did not denote a shift from a state-led model of development to an idealized free-market economy, with minimal state interventionism. In fact, despite significant liberalization in the financial sector, international trade and capital movements, the Turkish state remained a key actor in the economy as well as the distributor of economic rents to the private sector. The SEEs, the scapegoat of the budget deficit,

⁸⁶ Ibid., p. 7.

⁸⁷ Korkut Boratav, A. Erinc Yeldan and Ahmet H. Köse, "Globalization, Distribution and Social Policy, 1980-1998," pp. 14-15.

kept their significance in the economy in the last two decades despite the privatization efforts.⁸⁸ This could be observed from the tables below. The Table 2 denotes that the ratio of PSBR⁸⁹ to the Gross National Product (GNP) has slightly decreased. The Table 3 reveals that state expenses continued increasing during the 1980s without any noticeable decrease. We can conclude from both tables that GNP, with the export-promotion policies, increased more than the increase of state expenses, which resulted in the slight decrease of the PSBR.

⁸⁸ On the role of the SEEs and the privatization efforts, see Çoşkun Can Aktan, "Public Enterprises in Turkey" *Annals of Public and Cooperative Economics*, March 1996, Vol. 67, No. 1, pp. 117-129.

⁸⁹ The public sector borrowing requirement (PSBR) in Turkey consists of six components: central Government, extra-budgetary funds, local authorities, state economic enterprises, social security institutions and revolving funds.

Table 2. Public Sector Borrowing Requirement (PSBR) in 1980-2002⁹⁰
(TL in billions)

YEAR	PSBR	GNP	PSBR/GNP
1980	465	5303	8
1981	319	8023	4
1982	374	10612	3
1983	689	13933	4
1984	1194	22168	5
1985	1267	35350	3
1986	1869	51185	3
1987	4563	75019	6
1988	6235	129175	4
1989	12283	230370	5
1990	29429	397178	7
1991	64469	634431	10
1992	116680	1103605	10
1993	239793	1997323	1
1994	306937	3887893	7
1995	408265	7854887	5
1996	1340760	14978067	9
1997	2246600	29393262	7
1998	4822605	53518332	9
1999	11847800	78242496	15
2000	15685000.0000	25971000	12
2001	28528000.0000	84767000	15
2002	22457000.0000	80551000	8

⁹⁰ For further information, see <http://www.tcmb.gov.tr> and <http://www.hazine.gov.tr/yayin/hazineistatistikleri/contents.htm#P6>

Table 3. State-Dominated Factors of the Consolidated Budget⁹¹

Years	Expenditures (TL Billions)	Personnel (TL Billions)	Other Current (TL Billions)	Investments (TL Billions)	Interest Payments (TL Billions)	Foreign Borrowing (TL Billions)	Domestic Borrowing (TL Billions)	Transfer to SEEs (TL Billions)	Other Transfers (TL Billions)
1979	597	213	50	98	18	5	13	107	111
1980	1079	342	153	186	31	9	22	177	190
1981	1515	398	240	306	75	34	41	191	305
1982	1601	442	278	333	87	53	34	224	237
1983	2612	670	398	473	211	131	80	302	558
1984	3784	896	594	691	441	264	177	275	887
1985	5400	1276	819	1117	675	427	247	181	1332
1986	8560	1840	1211	2019	1331	682	649	138	2021
1987	13044	2996	1542	2642	2266	1006	1260	446	3152
1988	21447	5053	2407	3564	4978	1819	3159	1025	4420
1989	38871	12539	4121	5818	8259	3144	5115	1223	6911
1990	68527	26465	6987	10055	13966	4353	9613	1265	9789
1991	130263	49291	11112	17146	24073	7132	16941	12191	16450
1992	221657	94076	20145	29239	40297	9753	30545	8145	29755
1993	485249	169511	35318	53161	116470	23952	92518	25850	84939
1994	897296	273062	73407	72788	298285	65117	233168	21029	158725
1995	1710645	502600	141549	91777	576115	100596	475519	45500	353104
1996	3940162	974148	308571	238085	1497401	168314	1329087	50200	871757
1997	7990748	2073140	706342	590382	2277917	299950	1977967	123640	2219327
1998	5585376	3870228	1309061	998361	6176595	547081	5629514	159960	3071171
1999	8017791	6908320	2239566	1540232	10720840	896218	9824622	416800	6192033
2000	6602626	9982149	3611314	2472317	20439862	1648000	18791862	885908	9211076
2001	379004	15203977	5164362	4139803	41064609	3570308	37494301	1200656	13605597

⁹¹ 1987 Constant Prices

The Turkish economy during the 1980s was also subject to increasing politicization of the state and a corresponding weakening of the traditional bureaucracy.⁹² This meant the increasing importance of direct contact for businessmen with politicians to achieve more access to state resources. The politicization of rent distribution resulted in a loss of confidence and a decline in the moral authority of the state in Turkey⁹³ as well as weakened the business associations previously explained. Thus, the private sector continued to be heavily dependent on its ability to gain access to state resources and incentives, not on its own dynamism and initiatives. Moreover, the Özal-led governments followed a relaxed attitude towards “economic crimes” of bribery, corruption and embezzlement, including *hayali ihracaat* (fictitious exporting).⁹⁴ Similarly, widespread tax evasion and the growth of the underground economy were features of the 1980s. In short, “the state apparatus turned into a bastion of privilege,” for the business community due to its regulatory role in the creation and absorption of the economic surplus.⁹⁵

In the political arena, the 1987 referendum resulted in return to fully competitive politics with the return of “old veteran” politicians like Süleyman Demirel, Bülent Ecevit, Necmettin Erbakan and Alparslan Türkeş to the political stage. This, in turn, opened up the political system to distributional demands, which

⁹² On the changing role of the state in Turkey during the post-1980 era, see Korkut Boratav, “İktisat Tarihi, 1981-1994” [History of Economics, 1981-1994] in *Türkiye Tarihi* [History of Turkey], *Cilt 5, Bugünkü Türkiye* [Today’s Turkey], Sina Akşin, ed. (İstanbul: Cem Yayınevi, 1995), pp. 159-210.

⁹³ Ziya Öniş, “The Political Economy of Islamic Resurgence in Turkey,” p. 753.

⁹⁴ For further information, see Canan Balkır, “Trade Strategy in the 1980s” in *The Political and Socioeconomic Transformation of Turkey*, pp. 135-168.

⁹⁵ Tevfik F. Nas and Mark J. Perry, “Turkish Inflation and Real Output Growth,” p. 35.

had largely been repressed during the military rule and Özal's early years in office. Thus, the referendum, which resulted the return of these politicians to political life intensified the political struggle and imposed the government to follow populist policies of economic expansionism. Consequently, this new wave of populist pressures combined with the general elections in 1987 and municipal elections in 1989 helped organized labor to attain significant increases in wages. Thus, the classical accumulation episode based on wage suppression came to a halt by 1989.

Furthermore, the increased foreign debt and the concomitant rising costs of debt financing in 1980s constituted an important source of macroeconomic disequilibria.⁹⁶ This delegitimized the system by increasing inflationary pressures stemming from the budget deficit.⁹⁷ The governments favored borrowing from the growing domestic financial markets rather than undertaking tax and social security system reforms. Thus, the instrumental role of public spending continued to constitute the legitimacy of the state. This, in turn, fostered the fever of PSBR and the concomitant pressures of macroeconomic instability through chronic inflation. Moreover, the government transferred foreign exchange transactions on foreign trade from the CB to the private banks. This encouraged private banks to utilize short-term credits from the external market.⁹⁸ Thus, the public sector has been trapped in a short-term rolling of debt, Ponzi-financing,⁹⁹ in which domestic

⁹⁶ Korkut Boratav, A. Erinç Yeldan and Ahmet H. Köse, "Globalization, Distribution and Social Policy, 1980-1998," p. 6.

⁹⁷ *Ibid.*, p. 27.

⁹⁸ Ümit Cizre-Sakallıoğlu and Erinç Yeldan, "Politics, Society and Financial Liberalization," p. 499.

⁹⁹ For further information on Charles K. Ponzi and his finance system see, <http://www.mark-knutson.com/> and <http://www.sec.gov/answers/ponzi.htm>.

financial markets required the continued inflow of short-term external capital inflows.

The inefficiency of the state banks was also another factor in the rise of PSBR. This inefficiency was due to the implicit resource allocation decision of the governments based on the distribution of extended concessionary credits to the agricultural sector, KOBİs, and the housing sector. These banks were not able to change their traditional loan extending policies and could not reduce the volume of concessionary loans. Thus, the total burden of this credit policy and some quasi-fiscal duties of the state banks increased to USD 20 billion at the end of year 2000. These so-called *görev zararları* (duty losses) were slightly above 10per cent of the GDP and 14per cent of the total assets of the banking system. The inadequate reimbursement of the Treasury concerning the duty losses further increased the liquidity and capital adequacy problems of the state banks. Thus, the cost of fund raising for these banks increased.¹⁰⁰ This disorder in the financial system resulted in an overall economic crisis in which KOBİs, hence MÜSİAD, were severely affected since many of petite bourgeoisie lost their enterprises.

The SEEs happened to be another contributing factor to the PSBR since the public enterprise sector performance deteriorated with over-employment and not functioning according to market rationality. Although the issue of privatization kept its place in the agenda of every government since 1980, its performance of Turkey was quite weak until 2000 due to the legal framework and populist policies of the

¹⁰⁰ Faruk Selçuk and Ahmet Ertuğrul, “A Brief Account of the Turkish Economy, 1980-2000,” p. 26.

governments.¹⁰¹ In short, lack of constraints over the public expenditures led to the expansion of the fiscal deficit and rising interest payments. Moreover, Turkey's financial reform resulted in huge public sector debt turning the government into the country's largest source of inflation.¹⁰² Thus, the disinflation policies in the late 1980s were composed of various forms of monetary tightening without any serious effort to reduce the PSBR. This policy, in turn, necessitated a higher interest rate on domestic assets and a lower depreciation rate to secure the short-term capital inflow,¹⁰³ which resulted futile in preventing the inflation because it continued in the 1990s.

The Turkish state's solution to overcome public debts was the foreign capital inflows to Turkey that increased sharply from 1990 onwards and created appreciation of the TL in real terms.¹⁰⁴ This helped the governments to undermine export growth, even encouraged a parallel process of import expansion, and compensated the current account deficit during 1989-1994 period. However, this process amplified the magnitude of the macroeconomic instability in Turkey in the second half of 1990s.¹⁰⁵

¹⁰¹ Merih Celasun, "State-Owned Enterprises and Privatization in Turkey: Policy, Performance and Reform Experience, 1985-1995" in *State-Owned Enterprises in the Middle East and North Africa: Privatization, Performance and Reform*, M. Celasun and I. Arslan, eds. (NY: Routledge, 2001), pp. 224-252.

¹⁰² For a more formal account of the deterioration of the fiscal balances of the Turkish public sector in the 1990s, see A. Erinc Yeldan, "On Structural Sources of the 1994 Turkish Crisis: A CGE Modelling Analysis," *International Review of Applied Economics*, 1998, Vol. 12, No. 3, pp. 397-414.

¹⁰³ Faruk Selçuk and Ahmet Ertuğrul, "A Brief Account of the Turkish Economy, 1980-2000," p. 7.

¹⁰⁴ See A. Erinc Yeldan, "Surplus Creation and Extraction under Structural Adjustment: Turkey, 1980-1992" *Review of Radical Political Economics*, June 1995, Vol. 27, No. 2, pp. 38-72.

¹⁰⁵ For an empirical study of the causal relationship between foreign assets and budget deficits in Turkey, see Nurhan Yentürk, "Capital Inflows and Their Impact on Macroeconomic Performance: A

The Turkish state intensified the process of globalization and became directly accountable to external capital markets in the 1990s. Then, the judgments of global capital markets, primarily concerned with the immediate profit but not the long-term development prospects of domestic production, became the ultimate determinations of the government's creditworthiness. Thus, the expansion of global capital inflow to Turkey did not result in greater investment and employment opportunities by either foreign investors or the private sector in Turkey.¹⁰⁶

In the 1990s, the Turkish state financed its PSBR from domestic sources by issuing government debt instruments (GDIs). This implementation enabled successive governments to bypass many of the legal regulations and protocols constraining their fiscal operations. Thus, the public sector deficit started to be financed through domestic agents borrowing that replaced the direct borrowing of the public sector from the international capital markets.¹⁰⁷ This switch to domestic borrowing brought the extraordinary rise in the stock of GDIs from about 6per cent of the GNP in 1989 to more than 20per cent by 1998. Thus, the fragility of the domestic asset markets increased fostering the very high rates of real interest. Then, the real rate of return offered on the GDIs provoked interest payments to increase very rapidly, reaching 11per cent of GNP in 1998. Briefly, the balance of payments

Comparison of Turkey and Mexico” *Boğaziçi Journal*, 1995, Vol. 9 No. 2, pp. 67-84.

¹⁰⁶ Ümit Cizre-Sakallıoğlu and Erinç Yeldan, “Politics, Society and Financial Liberalization,” p. 487.

¹⁰⁷ Ziya Öniş and Ahmet Faruk Aysan, “Neoliberal Globalisation, The Nation-State and Financial Crises in the Semi-periphery,” pp.128-129.

in such a structure signified the dependence of Turkish economy on the short-term capital flows.¹⁰⁸

The developments since the 1980s subordinated politics to the technical/economic logic of neo-liberalism rather than meaningful programs of public accountability and social justice. The governments focused on centricist and pragmatic solutions to complex problems, which legitimizes the free-market paradigm. This, in turn, opened the path for the Anatolian petite bourgeoisie to develop themselves as *nouveau riches*, effective in the establishment of MÜSİAD. The export-promotion facilities of the state oriented the members of Anatolian petite bourgeoisie to get in touch with the world markets. This was also important for them since they could prosper without leaning state resources and form themselves as independent generation of businessmen. These businessmen organized under MÜSİAD and their independence crystallized in the name of the organization.

In the late 1980s, the export promotion decreased but these businessmen got a long way in developing themselves. The debt spiral of the state, on the other hand, oriented the big business to finance public debt in 1990s,¹⁰⁹ which increased the production and marketing facilities of KOBİs in the domestic market. In such medium, KOBİs developed their production power and gained gradual importance in Turkey representing almost 50per cent of the whole employment in the economy in the last two decades. This, in turn, empowered MÜSİAD to blame large tycoons and

¹⁰⁸ Faruk Selçuk and Ahmet Ertuğrul, “A Brief Account of the Turkish Economy, 1980-2000,” p. 18.

¹⁰⁹ For further information see, “500 Büyük Sanayi Kuruluşunda Yaratılan Net Katma Değerin Faktör Gelirleri İtibariyle (Fonksiyonel) Dağılımı” [The (Functional) Distribution of Net Value Added of 500 Major Industrial Corporations through Factor Revenues] *İSO Dergisi* (Özel Sayı-Türkiye'nin 500 Büyük Sanayi kuruluşu 2000) Ağustos 2001 Sayı 425, pp. 43-45.

praise KOBİs as the real force of Turkish production. This became an important part of MÜSİAD's discourse underlying the independence of its members from state who do not earn from Treasury bonds but production.

In short, Turkish economy was trapped in a vicious circle of high interest rates and cheap foreign currency due to overvalued TL. This, in turn, increased the vulnerability of the domestic economy to the threat of fluctuations in foreign capital inflows/outflows, leading to further increases in real interest rates. Thus, instability in rates of foreign exchange and interest rates fostered further instability in the economy as a whole. The overvaluation of TL oriented KOBİs to invest more on the machinery to develop their competence capacity in the world markets. This was especially felt in the textile sector in which Turkey got a prominent place in the world's textile export. KOBİs also enlarged their domestic market share through investment on production left by the big business community funding public debt. The more KOBİs prospered the popularity of MÜSİAD increased and attracted more members.

3.4. The Political-Economy of KOBİs and Islamic-oriented Enterprises in 1980-2000

Turkey has witnessed a population and urban explosion during the last fifty years. This has been made possible by the state-sponsored policies of modernization and secularization of the society. However these policies have also paved the path for the general rise of Islamic consciousness throughout the country.¹¹⁰ In this process, Turkish economy expanded in the 1980s as a result of the shift from the

¹¹⁰ Ayşe Buğra, "The Claws of the 'Tigers' " *Privateview: The Quarterly International Review of the Turkish Industrialists' and Businessmen's Association*, Autumn 1997, Vol. 1-2, No. 4-5, p. 54.

official import substitution policies of the 1960s and the 1970s to a liberal and export-oriented economic development path adopted by Turgut Özal (Prime Minister, 1983-1989 and President, 1989-1993).

These changes provided opportunities not only to the established business elite, but also to the owners of KOBİs mainly in Anatolian towns as well as in metropolitan cities. With the passage to the new export-oriented economic policy of the 1980s, a new urban middle class and business elite emerged whose members often originated from Anatolia. They were largely Islamic oriented in cultural terms and began challenging the preeminence of state-subsidized large industrialists. They were more or less newcomers in business and often owed their economic take-off to Özal's liberalization policies and economic developments in some peripheral urban centers of Anatolia.¹¹¹

In the 1980s, the ensuing fiscal crisis of the state resulted in measures to liberalize and to deregulate the highly protected and heavily regulated economy. In this new environment, KOBİs located in certain provincial towns displayed a significant dynamism in their adaptation to new economy policies. They came to be favorably compared with large-scale, diversified companies that had hitherto dominated the economic scene.¹¹²

It was also during the 1980s that a remarkable take-off in the volume and depth of Islamic business activity took place in the financial sphere. Imported Saudi capital aimed to take advantage of the new opportunities provided by the liberal

¹¹¹ Wendy Kristianasen, "New faces of Islam" *Le Monde Diplomatique*, July 1997, (<http://www.monde-diplomatique.fr/en/1997/07/turkey>)

¹¹² Ayşe Buğra, *Islam in Economic Organizations* (İstanbul: TESEV Yayınları, 1999), pp. 14-15.

economic environment. In this context, Saudi financiers gave preferential treatment to Islamic brotherhoods and organizations and they fueled the boom that Turkey experienced in the 1980s.¹¹³ Özal signed the decree legalizing the establishment of special finance houses on December 16, 1983, two days after the inauguration of his government. These finance houses were working through interest-free banking in accordance with Islamic principles. The first two of them were *Al-Baraka Türk* and *Faisal Finans* that were of Saudi origin.¹¹⁴ In the case of Al-Baraka, the dominant Turkish figures were Korkut Özal, brother of the Prime Minister, and Eymen Topbaş, the Chairman of the MP in İstanbul who were also prominent figures of İskenderpaşa and Erenköy Nakşibendi *tarikats* (religious brotherhoods) respectively.¹¹⁵

Similarly, the savings of the Turkish *Gasterbeiter* (guest worker) community in Germany and other European countries have been flowing back to Turkey. This inflow also contributed to the rise of Islamic business activity. While interest-free banking on the basis of profits sharing was spreading in Turkey, businessmen in several Anatolian towns, especially Konya and Yozgat, were able to convince these Gasterbeiters and local people to loan their capital for the consolidation of the enterprises of their fellow countrymen in Turkey. The successful examples are Kombassan, İttifak and Yimpaş holding companies. In turn, the investors were entitled to be small shareholders participating in the profit and loss of these *çok*

¹¹³ Ben Lombardi, “Turkey-The Return of the Reluctant Generals?,” pp. 197-198.

¹¹⁴ Cüneyt Arcayürek, *Namı 864 Rakımlı Tepe: Çankaya* [Hill Famous as Height of 864: Çankaya] (3rd ed.), (Ankara: Bilgi Yayınevi, 1989), p. 177.

¹¹⁵ Hasan Cemal, *Özal Hikayesi* [History of Özal] (Ankara: Bilgi Yayınevi, 1989), 178 and Emin Çölaşan, *Turgut Nereden Koşuyor* [From where Turgut is Running from?] (34th ed.), (İstanbul: Tekin Yayınevi, 1989), p. 189.

ortaklı şirketler (multiple share holding companies). These companies became quite popular in the conservative-religious business circles of Turkey in 1990s and also encouraged Islamic *tarikats* to engage in economic activities on a substantial scale. An example is the Server Holding company led by İskenderpaşa branch of Nakşibendis.¹¹⁶

This trend of financing must be understood as a response to the specific socio-economic and cultural environment of Turkey. The loans for investment towards expanding business or stepping into industrial production are hardly affordable for small or medium capital holders in an economic environment marked by high inflation. Thus, they were forced to look for other sources for capital instead of turning to a commercial finance institutions.¹¹⁷ This investment model of multi-share holding companies has successfully integrated the basics of the Islamic moral code that are highly charged in a traditional-religious environment. It has also offered a means of reconciling a modern economic activity and accumulation with an Islamic lifestyle. This, in turn, opened up new ways to deal with the structural

¹¹⁶ Server Holding acts in various sectors such as health (Ümraniye Sağlık Tesisleri, Haksa Sağlık Hizmetleri and Zinde Sağlık Hizmetleri), education (ASFA Eğitim Tesisleri), automotive (Fuzul Otomotiv), construction industry (Gökkuşluğu), trade (SimAğ İhtiyaç Maddeleri Pazarlama and Vera İç ve Dış Ticaret) media (Server İletişim Gazetecilik ve Yayıncılık, Vefa Yayıncılık and Seha Neşriyat, Yıldız Danışmanlık TV Reklamcılık Produksiyon), food (Sufur Gıda) and information (İskenderpaşa Bilgi İşlem ve İnternet Hizmetleri). The annual turnover of the holding company is about \$ 40 million and the number of employees is around 6000. Server Holding acts also as retailers abroad having 3 shops in England and Scotland with its annual turnover of \$ 25 millions. Fuzul Otomotiv became one of the most leading automotive sales organisations in Turkey. Its 110 branches all over the country reached 25.000 in sales annually. Akra FM, one of the first radio stations in Turkey, is one of the largest private radio communication network with its 252 transmitters and it also broadcasts to Europe, North Africa and Central Asia.

¹¹⁷ Karin Vorhoff, "Businessmen and Their Organizations: Between Instrumental Solidarity, Cultural Diversity, and the State" in *Civil Society in the Grip of Nationalism* (İstanbul: Orient-Institut der DMG 2000), Stefanos Yerasimos, Günter Seufert Karin Vorhoff St. Yerasimos, G. Seufert, K. Vorhoff, eds., p. 160.

problems of the Turkish economy, i.e. the high rates of inflation and lack of capital, which make investments unattractive.¹¹⁸

On March 6, 2000, MÜSİAD organized a summit for multi-partner holding companies and 18 of them attended the summit. The participants decided to act together for the establishment of necessary legal framework and not to use Islamic symbols since this financial system was abused as it turned to be collecting money from mosques in the name of Islam.¹¹⁹ MÜSİAD urged that necessary legal framework adopted should be for multi-partner companies by the Capital Markets Board, the Treasury and the Ministry of Foreign Relations.¹²⁰ MÜSİAD also published a book of guidelines on investing in such multi-partner holding companies. In this book, the potential investors are encouraged and the Turkish community in Germany investing in such companies is praised for their participation in the further development of Anatolia. The potential investors are also warned about the potential for fraud.¹²¹

The 1990s also witnessed the rise of private sector development, mostly based on small-scale, family enterprises in selected Anatolian towns, such as Denizli, Gaziantep, Kahramanmaraş and Şanlıurfa. The underlying logic of these ventures is their self-reliance and ability to “establish themselves as significant

¹¹⁸ Ibid., p. 161.

¹¹⁹ “MÜSİAD Üyesi Çok Ortaklı Şirketlerden Güç Birliği Kararı” [MÜSİAD Affiliated Multi-Share Companies’ Decision on Union of Power] *MÜSİAD Bülten*, 2000, Vol. 8, No.36, pp. 8-9. The attending holding companies alphabetically are: Apitaş, Avantaj, Büyük Anadolu, Endüstri, GAP Investment, İttifak, Jet Group, Kamer Katra, Kimpaş, Kombassan, Konya Sanayi, Kuralkan, Noya, Öncü, Sayha, Silm Yatırım, Umpaş. It is noteworthy that Yimpaş Holding did not attend the meeting.

¹²⁰ *Türkiye Ekonomisi 2001* (İstanbul: MÜSİAD, 2001), p. 47.

¹²¹ For further information, see *Yatırımcıya Tavsiyeler: Bir Şirkete Ortak Olmak İsteyen Tasarruf Sahiplerinin Dikkat Etmesi Gereken Kurallar* [Advises to Investor: The Principles for Investors to Get share of Companies] (İstanbul: MÜSİAD, 1999).

exporters of manufacturers, while at the same time receiving little or no subsidy from the state.”¹²² The media defined these enterprises success stories by labeling them “Anatolian Tigers” reflecting the “generally shared positive sentiments about their economic potential.”¹²³ The term clearly signalled the rise of interest in the successful economic performance of some East Asian countries known as the *Asian Tigers*. The export potential of some smaller enterprises located in certain towns of Anatolia appeared as a hitherto neglected phenomenon of a crucial significance. This new dynamic private sector and the emerging local businessmen’s groups began springing up all over Turkey. The enthusiastic economic activity in these centers helped the economy’s ability to sustain a high growth pattern under prolonged macroeconomic instability. These enterprises became a part of the rapidly expanding flexible production system based on small but effective production units adapting to changing domestic and foreign market conditions.¹²⁴ Thus, they formed “a strategic fit” between the traditional institutions of social relations and current requirements of global production and trade.¹²⁵

The rise of Islamic capital and the development of Islamic entrepreneurs added a new dimension to Turkish political economy. The Islamist ideology in Turkey found great support among the owners of KOBİs, both in big cities and in

¹²² Ziya Öniş, “The Political Economy of Islamic Resurgence in Turkey,” p. 759.

¹²³ Ayşe Buğra, “The Claws of the ‘Tigers’ ” p. 50. The label of *Anatolian Tigers* was transformed to *Anatolian Lions* in MÜSİAD circles. However, Anadolu Aslanları İşadamları Derneği-ASKON [Association of Anatolian Lions Businessmen] was established in 1998 as a split from MÜSİAD. For further information, see <http://www.askon.org.tr/>

¹²⁴ Ümit Cizre- Sakallıoğlu and Erinc Yeldan, “Politics, Society and Financial Liberalization: Turkey in the 1990s” *Development and Change*, Vol. 31, No. 2, March 2000, p. 499-500.

¹²⁵ Ayşe Buğra, “Class, Culture, and State: An Analysis of Interest Representation By Two Turkish Business Associations” *International Journal of Middle East Studies*, 1998, Vol. 30, No. 4, p. 528.

Anatolia, for several reasons. First, they perceived the elimination of traditional sectors and small firms by the modern ones as an evil effect of capitalism. Second, they also regarded Islam as the just order,¹²⁶ which protects both private property and small entrepreneurs. Third, Islamic charities functioned as sub-markets for the promotion of business links among members. Thus, businessmen could consider participation in Islamic groups as a way of improving their business activities.¹²⁷ Locality was also praised in these networks under the title of *Anadoluluk* (Anatolianhood) with strong reference to traditional values including Islam and Turkish nationalism.¹²⁸

Consequently, during the 1980s and the early 1990s the KOBİs and the Islamic-oriented enterprises proliferated. Islamism and *Anadoluluk* as a cultural basis in network formation fueled them. This process opened the path for the emergence of MÜSİAD at the beginning of 1990s.

3.5. Conclusion

In this chapter, I benefited from two variables of disturbances during the period of 1980-2000 in Turkey. I defined these disturbances, first, the rise and fall of Islamist politics in Turkish society and second is the transformation of Turkish economy in the last two decades. I argued that these disturbances during 1980s

¹²⁶ The WP's economy programme called as Adil Düzen (Just Order) represents a parallel vision beside the same name.

¹²⁷ Murat Çokgezen, "New Fragmentations and New Cooperations in the Turkish Bourgeoisie," p. 538.

¹²⁸ In this context, the same arguments or slogans based on conservative values in this direction were amply used by the right-wing parties. (Büyük Birlik Partisi-BBP) Grand Unity Party's (GUP) slogan as "Anadolu biliyor..." (Anatolia knows...) represented a good example of such discourse.

brought a societal change, which formed the basis for stimulation of new interests to be organized as in the case of MÜSİAD, established in 1990.

The liberalization of the Turkish economy in 1980s meant the economic dynamism, rising entrepreneurship and the growing power of private capital integrated into global markets. These developments resulted in the emergence of new entrepreneurs in the 1980s. The liberalization in the economy prompted relatively liberal political atmosphere, which paved the path for the rise of Islamist identity in all fields incrementally. This coincided with the development of the Anatolian petite bourgeoisie who are Islamic oriented and traitional. They were isolated from public resources which stimulated the establishment of MÜSİAD. “Islam has become the oppositional identity for the excluded sectors of Turkish society”¹²⁹ and the fragmentation of the political center parties from both poles in the 1990s significantly helped the rise of Islamist politics, specifically WP. These developments coincided with the rise of these businessmen and MÜSİAD till 1997. This progress reversed back with the February 28 process since state elite evaluated members of MÜSİAD as the financial supporters of religious reactionism, which affected the organization negatively.

The Turkish model of neo-liberal restructuring intensified high interest earnings associated with the government’s strategy of heavy borrowing and the concomitant chronically high rates of inflation existing over the past two decades. This led the largest industrial firms to establish commercial banks and to finance the government debts with low propensities to invest in 1990s. However, this

¹²⁹ Hakan Yavuz, “Cleansing Islam from the Public Sphere,” *Journal of International Affairs*, 2000, Vol. 54, No. 1, p. 22.

“schizophrenic anomaly” of big business acting partly as rentiers did not spread to KOBİs, which developed their production power.¹³⁰ KOBİs gained gradual importance in Turkey representing almost 50per cent of the whole employment in the economy in the last two decades.¹³¹ This, in turn, empowered MÜSİAD to blame large tycoons and praise KOBİs as the real force of Turkish production.

Consequently, MÜSİAD was both a response to the needs originated with transformation of the economy during 1980s and the KOBİs in Anatolia had grown to be the major actors on the economic scene. Moreover, the rise of Islam, as an ascending value in society in the post-1980 period, was also a network source of MÜSİAD. The export-oriented policies implemented in the 1980s widened the horizons of the KOBİs that could develop a “strategical fit” in the integration process of Turkey to the global markets. The orientation of large tycoons of Turkey to finance public debts in 1990s led KOBİs to develop their production capacities and domesic market share, which led MÜSİAD be noticed, also with thanks to the rising Islamist politics.

¹³⁰ Korkut Boratav, A. Erinç Yeldan and Ahmet H. Köse, “Globalization, Distribution and Social Policy, 1980-1998” p. 26.

¹³¹ Ekrem Dönek, “Türk Sanayiinin Gelişmesinde Küçük İşletmelerin Yeri ve Bu İşletmelerin Kaynak Temininde Bankacılık Sektörünün Rolü” [The Place of Small Size Enterprises in the Development of Turkish Industry and the Role of Banking Sector in Providing Sources for These Enterprises] *İktisat İşletme ve Finans* No. 161, Ağustos 1999, pp. 22-34.

CHAPTER IV

MÜSİAD: HIGH MORALITY HIGH TECHNOLOGY

“Our aim and purpose as MÜSİAD, ... is to effect and realize our desired rapid development through cooperation and promotion of trade with whom we have many values in common and relations long standing.”¹

4.1. Introduction

In the third chapter, I benefited from two variables of disturbances in the last two decades of Turkey to understand the emergence and the development of MÜSİAD with reference to Truman’s disturbance theory. In this chapter, I will benefit from Olson’s collective action theory and Salisbury’s exchange theory to comprehend the mobilization of MÜSİAD.

Olson underlined the importance of selective benefits that are, mainly material, incentives exclusively available to members to overcome the free-rider instinct among individuals. These exclusive selective benefits could be magazines, discounts, travel, insurance etc. offered for the mobilization of members in the organization. I will also refer to solitary benefits -social rewards that derive from associating in group activities- and purposive benefits -rewards associated with ideological or issue-oriented goals- that play an important role in motivating group membership in explaining MÜSİAD.

Salisbury’s theory is also helpful to understand MÜSİAD that interrelates the group’s survival upon a mutually advantageous exchange of benefits between the

¹ Erol Yazar, “Introduction” *Turkish Trade Mission to the United States of America 21-31 May 1997* (İstanbul: MÜSİAD, 1997), p. 1.

leader and the members. Moreover, empirical studies have shown that many individuals join groups to receive non-economic benefits such as fun, camaraderie, and a good feeling derived from promoting a worthwhile cause.² In this context, MÜSİAD provided friendship among members by organizing picnics, pilgrimage and *umre* tours to Mecca.

Twelve Islamic oriented young businessmen in İstanbul founded MÜSİAD on May 5, 1990. The founding chairman of MÜSİAD, Erol Yerar, with his charismatic personality held his position almost a decade, until May 1999 when Ali Bayramoğlu replaced him. MÜSİAD is the largest voluntary business association in Turkey with its almost 2500 members, 27 branch offices and 45 overseas focal points at the present writing. Members came often from both developed and peripheral regions of the country and they are generally owners of KOBİs.

In this chapter, first I will analyze the history of MÜSİAD with its formation background. In the third and fourth sections of this chapter, I will analyze the institutional and membership structure of the organization respectively. In the fifth section, I will focus on MÜSİAD's activities through its publications, international fairs, foreign trips, panels, educational seminars and other activities it organized as well as International Business Forum (IBF) meetings. In the concluding section, I

² Jeffrey M. Berry, *Lobbying for the People* (Princeton: Princeton University Press, 1977); Allan J. Cigler and John Mark Hansen, "Group Formation Through Protest: The American Agriculture Movement" in Allan J. Cigler and Burdett A. Loomis, eds., *Interest Group Politics*, (Washington, DC: Congressional Quarterly Press, 1983); Constance E. Cook, "Participation in Public Interest Groups" *American Politics Quarterly*, 1984, Vol. 6, pp. 129-166; R. Kenneth Godwin and Robert Cameron Mitchell, "Rational Models, Collective Goods, and Non-Electoral Political Behavior" *Western Political Quarterly*, 1982, Vol. 35, pp. 160-180; David Marsh, "On Joining Interest Groups" *British Journal of Political Science*, 1976, Vol. 6, pp. 257-272; Terry M. Moe, *The Organization of Interests* (Chicago: University of Chicago, 1980); Andrew S. McFarland, *Common Cause: Lobbying in the Public Interest* (Chatham, NJ: Chatham House, 1984); Robert C. Mitchell, "National environmental lobbies and the apparent illogic of collective action" in Clifford Russell, ed. *Collective Decision-Making* (Baltimore: Johns Hopkins University Press, 1979), pp. 87-121.

will summarize the chapter and answer the rise of MÜSİAD in relation with its use of exclusive selective, solitary and purposive benefits.

4.2. Historical Background

4.2.1. History

The success of TÜSİAD in the 1980s convinced other businessmen that they could maintain their advantages more effectively via similar voluntary business associations. Thus, these new business associations were modeled on TÜSİAD as a successful prototype and TÜSİAD paved the path for mushrooming of businessmen's associations in major cities. Today there are around two hundred such private business associations in Turkey. Among several business associations with the claim of Islamic identity, MÜSİAD has come to the fore as by far the most important one. In 1993 *Dünya*, Turkish financial daily, due to its organizational success, chose it among the most successful associations.³

Among these associational attempts beside MÜSİAD, *İş Hayatında Dayanışma-İŞHAD* [The Association for Solidarity in Business Life], *Serbest Sanayici ve İşadamları Derneği-SESİAD* [The Free Industrialists' and Businessmen's Association]⁴ and *Anadolu Aslanları İşadamları Derneği-ASKON* [The Anatolian Lions Businessmen's Association] are the other business organizations with Islamic connotations. Altogether, they have been trying to

³ *MÜSİAD Bülten*, 1994, Vol. 2, No. 2, p. 2.

⁴ Ayşe Buğra, *Islam in Economic Organizations* (İstanbul: TESEV Yayınları, 1999), p. 19.

represent the economic revolt against the dominant pro-western capitalists⁵ to keep their authentic local and religious identities while integrating in world markets. These associations have openly acted as a counterweight to TÜSİAD, which is comprised of relatively small number of business conglomerates.

4.2.1.1. Formation

MÜSİAD was founded on May 5, 1990 by twelve young businessmen,⁶ with an average age of 33, in İstanbul. The founding chairman of MÜSİAD, Erol Yarar - son of one of the founding fathers of TÜSİAD- with his charismatic personality held his position until May 1999 when Ali Bayramoğlu replaced him, a former Vice-Chairmen of the organization.

MÜSİAD defines its goal as

...creating a developed country with advanced high-tech industry within a highly developed commercial environment, but without sacrificing *national and moral values*, where labor is not exploited and capital accumulation is not degraded and where the distribution of national income is just and fair, a country with peace at home, influence in the region and respect in the world⁷

MÜSİAD claims to be working for the development of Turkey and Turkish society in a “democratic and planned order.” MÜSİAD also declares its aims as increasing the industrial, commercial, socio-economic, educational level and providing the coordination of technology, capital and intellectual cooperation within the

⁵ Mustafa Özel, “Changing Economic Perspectives in Contemporary Turkey” *Islamic World Report*, Vol. 1, No. 3, 1996, p. 92.

⁶ (Erol Yarar, B. Ali Bayramoğlu, Abdurrahman Esmerer, Nattık Akyol, Şekip Avdağış, Mehmet Gönenç, Mahmut Ensari, Arif Gülen, Halil Ayan, Cihangir Bayramoğlu, Mehmet Turgut, Ahmet Yıldırım).

⁷ MÜSİAD Booklet, p. 3. Emphasis added.

constitutional borders and its laws.⁸ In addition to these objectives, MÜSİAD is also dedicated to “find[ing] solutions to the problems of Turkey, Islamic countries in the region and mankind in general while committing itself to social and economic development, through combining industrialization with ‘high ethical and moral standards’.”⁹

MÜSİAD has encouraged its members to commit to social and economic development in Turkey by promoting quality of production in industry, honesty and fairness in trade, high ethical and moral standards in politics.¹⁰ It also set a goal for itself to increase its membership to 5000¹¹ and number of branch offices to 40 by 2000.¹² However, MÜSİAD reached around 3000 members and 28 branch offices at maximum in 1998. This rapid growth was rendered possible by setting up branches all over the country, especially in the newly developing economic centers of Anatolia such as Çorum, Denizli, Gaziantep, Kayseri, Kahramanmaraş, Konya and Şanlıurfa. The branch offices were closely tied to the headquarter located in İstanbul

⁸ “Deneğin Amacı: Türkiye Cumhuriyeti Anayasası ve Kanunları doğrultusunda Türkiye’nin ve Türk toplumunun demokratik ve planlı bir düzen içinde kalkınıp, sinai, ticari, sosyo-ekonomik, eğitim ve kültür düzeyinin gelişmesini, teknoloji, sermaye, fikir alışverişi ve koordinasyonu sağlayarak daha ileri bir düzeye ulaşmasına yardımcı olmaktır.” *MÜSİAD Tüzük* (İstanbul: MÜSİAD, 1997), p. 3 Article no. 3.

⁹ Masudul Alam Choudhury, “The Political Economy of Enterprise, Polity and Knowledge: A Case Study with Respect to MÜSİAD and IBF in Turkey” *Middle East Business and Economic Review*, October 1998, v. 10, No. 1-2, pp. 87-88.

¹⁰ Haluk Alkan, Türkiye’de Baskı Grupları: Siyaset ve İşadamı Örgütlenmeleri [Pressure Groups in Turkey: Politics and Business Organizations] Unpublished PhD Thesis, İstanbul: Marmara Üniversitesi, 1998, pp. 293-294.

¹¹ *MÜSİAD Bülten*, 1996, Vol. 4, No.13, p. 17.

¹² For the figures given above, see *MÜSİAD Bülten*, 1998,. Vol. 6, No. 29. p. 37. For the membership profile and activities of MÜSİAD, see Special Supplement of the Turkish Daily News on MÜSİAD, titles “MÜSİAD in the US,” May 21, 1997.

because of the highly centralized administrative and hierarchical organizational structure.¹³

MÜSİAD has established itself as the largest Turkish voluntary business association. The organization attracted mainly employers of KOBİs who were unable to find any representation in TOBB's upper echelons. They were also unprotected to exploitation by big capital through subcontracting links.¹⁴ Ömer Bolat, the ex-general secretary and one of the present Vice-Chairmen of MÜSİAD, explained the foundation of MÜSİAD as the extension of the liberalization winds of the political government in 1980s to support the Anatolian capital and its young entrepreneurs for the development of the country.¹⁵

Consequently, MÜSİAD put down a very remarkable development and organizational success¹⁶ through a speedy expansion in membership volume parallel to the rise of the KOBİs in 1990s. However, the rise of MÜSİAD has been challenged following the harsh economic crisis and state's response to Islamic developments through the end of 1990s which came to peak after the February 28 process.

¹³ Haluk Alkan, *Türkiye'de Baskı Grupları: Siyaset ve İşadamlı Örgütlenmeleri*, p. 159.

¹⁴ Haldun Gülalp, "Political Islam in Turkey: The Rise and Fall of the Refah Party" *Muslim World*, January 1999, Vol. 89, No. 1, pp. 33-34.

¹⁵ Interview with Ömer Bolat.

¹⁶ Erol Yazar put down in their visit to France, MÜSİAD with 3,000 members, more than 10,000 companies, more than 600,000 employees, 7 billion USD export capacity and 24 billion USD total production is a important force in Turkey. "Fransa İş Gezisi Umut Verdi (5-9 Mart 1998)" [The Visit to France Fostered Hopes (5-9 March 1998)] *MÜSİAD Bülten* Vol. 6, No. 28, 1998, p. 25.

4.3. The Institutional Structure

MÜSİAD defines itself as a non-profit organization providing professional services to its members in an efficient way throughout the country and abroad. It claims to enable its members to cooperate with each other and promote trade internally and externally while contributing to the development of the Turkish economy.¹⁷

The institutional structure of MÜSİAD is composed of General Assembly, Executive Board, General Administrative Council, General Secretariat, and Subordinate Commissions of the Executive Board, Professional Committees. In addition to 27 branch offices in Turkey, MÜSİAD has also spread all over the world through its 45 foreign branches and liaison offices in 35 countries.

The General Assembly convenes annually and its elections are held biannually. MÜSİAD members are also members of the General Assembly simultaneously. For the association members, the General Assembly meetings serve as a discussion platform on MÜSİAD's activities, political economic problems and developments in Turkey. They evaluate the organizational activities of the previous year and the budget of the forthcoming year.

The Executive Board is composed of twenty principal and ten substitute members who are elected biannually. Executive Board principal members and substitute members also serve individually as chairmen of the subordinate

¹⁷ *The Outlook of the Turkish Economy: October 2001* (İstanbul: MÜSİAD, 2001), p. i.

commissions and chairmen of the professional committees respectively. The Executive Board meets once a week to discuss and act on items of the agenda.

The General Administrative Council is composed of the Executive Board members and Chairmen of Branch Offices. Generally, the General Administrative Council meets monthly to discuss and act on the political economic items on its agenda.

General Secretariat is composed of professional staff to execute the Executive Board's decisions. It is a coordinative unit in relations between branch offices and the headquarter, and activities of the subordinate Commissions of the Executive Board and the Professional Committees. It also assists MÜSİAD members in solving business problems.

The Subordinate Commissions of the Executive Board are composed of a chairman -also a member of the Board- and ten members. Each commission serves on behalf of the headquarter within the related scope. Generally, the Commissions meet weekly.

A chairman who is also a substitute member of the Executive Board Professional Committees presides over the Professional Committees individually. These Committees report to the appropriate commission of the Executive Board. Each professional committee assists MÜSİAD members on professional sector-based issues. Thus, each committee actively provides professional assistance and cooperation among members of the same profession. Generally, committees meet biweekly.

Since its establishment in 1990, MÜSİAD has succeeded to set up extensive links with official, semi-official and voluntary-based private business organizations abroad, like IBF in Pakistan. Hence, MÜSİAD argues to have functioned as a communication center for business, especially among Islamic countries.¹⁸ Consequently, MÜSİAD is affiliated with 45 foreign branches established by a number of industrialists and businessmen who have migrated from Turkey in 35 countries as Austria, Australia, Azerbaijan, Algeria, Bangladesh, Bosnia-Herzegovina, Canada, Egypt, England, France, Germany (Berlin, Bremen, Cologne, Frankfurt, Hamburg, Hanover, Kassel, Munich, Mannheim, Stuttgart), Greece, Holland (Hague, Rotterdam), Hong Kong, Hungary, Indonesia, Iran, Jordan, Malawi, Malaysia, Nigeria, Northern Cyprus Turkish Republic, Pakistan, Qatar, Republic of South Africa, Romania, Saudi Arabia, Singapore, Sri Lanka, Sudan, Sweden, Thailand, Uganda, United Arab Emirates (UAE), and USA. MÜSİAD is also located in a global business network through International Business Forum (IBF) meetings, which will be explained in detail below. MÜSİAD has also organized quarterly coordination meetings with Executive Board Members of MÜSİAD's overseas branches and focal points, each time on a different location.

Within the institutional framework of MÜSİAD, subordinate commissions play an important role. In 1997, there were 12 subordinate commissions in MÜSİAD: Organization, Professional Committees, Foreign Relations, Fair and Forum, Research, Institutional Relations, Intelligence and Arbitration, Financial Issues, Education, Press, Publication, Database and Consultation-Expertise. The commissions could change in structure as having different numbers of members as

¹⁸ *The Outlook of the Turkish Economy* (İstanbul: MÜSİAD, 1999), p. 1.

well as hierarchical structure either having secretary or not.¹⁹ The Commission of Professional Committees was composed of 5 subcommittees as Services, Construction and Construction Equipments, Machinery-Spare Parts, Textile-Leather-Carpet-Foodwear, Electrics-Electronics, The Electrics Committee members had established the *Karz-ı-Hasen* institution in order to help each other.²⁰ This organizational structuration shows the dissemination of MÜSİAD members in different sectors. These sub-committees are established to develop the interaction among MÜSİAD members in the same sectors via meetings and sectoral publications. There were also 25 branch offices in 1997 located in Adana, Ankara, Antalya, Balıkesir, Bandırma, Bartın, Bursa, Çankırı, Çorum, Denizli, Diyarbakır, Elazığ, Gaziantep, Gebze, İnegöl, İzmir, Kahramanmaraş, Karadeniz Ereğli, Kayseri, Kocaeli, Konya, Malatya, Mersin, Samsun, Şanlıurfa. Also in Eskişehir and Adapazarı *müteşebbis heyeti* (board of entrepreneurs) were founded to accelerate the establishment of branch offices in these cities.

In 1998, the number of commissions decreased to 11 when commissions of Institutional Relations and Education were fused. The number of branches increased to 27 when Eskişehir, İçel and Sakarya branches were established while Mersin branch is closed.²¹ The number of sub-committees in the Commission of Professional Committees increased from 5 to 10 as Food-Drink, Textile-Haute

¹⁹ 1997 Faaliyet Raporu ve 1998 Faaliyet Programı [1997 Activity Report and 1998 Activity Program] (İstanbul: MÜSİAD, 1997).

²⁰ Ibid., *Karz-ı-Hasen* in Islamic terminology means that to lend debt a Muslim brother for the sake of Allah as well as developing religious fraternity and consequently no charge of interest is possible.

²¹ 1998 Faaliyet Raporu ve 1999 Faaliyet Programı [1998 Activity Report and 1999 Activity Program] (İstanbul: MÜSİAD, 1998).

Couture, Automotive-Spare Parts, Services, Construction-Construction Equipments, Machinery-Spare Parts, Electric-Electronics, Chemistry-Mining-Iron-Steel, Wooden Products-Furniture, Durable Goods-Paper-Packing.²²

In 1999, the number of commissions decreased to 10 when commissions of Research and Publication were fused and the name of the commission Fair and Forum was changed into the Development of Industry and Business. The number of branches was kept same but the number of Professional Committees dropped to 7 since committees of Automotive-Spare Parts, Wooden Products-Furniture and Durable Goods-Paper-Packing were eliminated due to insufficient activity.²³

In 2000, the number of commissions decreased to 8 when commissions of Intelligence and Arbitration and Financial Issues were eliminated and name of the commission of Database changed to Information-Communication. The number of professional committees increased to 10 as in 1998. However, the number of branches decreased to 26 since Çankırı Branch is closed.²⁴

MÜSİAD's professional committees are also to promote co-operation and trade among members within the same sector through meetings, to prepare medium for mutual investment by members and to help in the solution of common problems. For example, the Training Commission organizes professional training programs for MÜSİAD members to bring them up to date on current methods in management and business administration. The aim is to provide members with the knowledge and

²² Ibid.

²³ *1999 Faaliyet Raporu ve 2000 Faaliyet Programı* [1999 Activity Report and 2000 Activity Program] (İstanbul: MÜSİAD, 1999).

²⁴ *2000 Faaliyet Raporu ve 2001 Faaliyet Programı* [2000 Activity Report and 2001 Activity Program] (İstanbul: MÜSİAD, 2000).

practical experience needed to apply these methods in their own businesses. MÜSİAD gives importance to the education of its members and staff in branches for self-developing via English courses and seminars on different subjects like relations with press,²⁵ export practices²⁶ “total quality management.”²⁷

Sectoral committees are also formed within MÜSİAD in order to mediate the different interests of members originating from different sectors. The aim of these committees is expressed as providing commercial and technical aid and improving the solidarity and dealings among their members. Through these committees, the members are informed about sectoral developments and cooperation among firms is promoted. MÜSİAD provides services selective in character and oriented to meet the demands of its member companies that are relatively small and devoid of an organizational division of labor and skilled staff. Therefore, it is impossible for the members to gain information about the markets as individuals and especially to participate in foreign fairs or to follow economic development and legislation. MÜSİAD also provides benefits for these individual small companies such as forming a database about sectors and countries. For instance, in foreign trips the council of the association, in addition to contacts with the businessmen of the country visited, they can also arrange talks with the politicians and ministers of that country. Domestically, they can detail the problems and the opinions of their members to local politicians and ministers. These are valuable activities, which most

²⁵ *MÜSİAD Bülten*, Vol. 3, No. 8, 1995, p. 16.

²⁶ *MÜSİAD Bülten*, Vol. 4, No.15, 1996, p. 50.

²⁷ *1997 Faaliyet Raporu ve 1998 Faaliyet Programı*, p. 21 and *MÜSİAD Bülten* Vol. 6, No. 28, 1998, p. 18.

MÜSİAD members cannot achieve individually because of their small size.²⁸ The KOBİs have also faced difficulties in trying to obtain external finance due to its high cost. MÜSİAD encourages the formation of partnerships among members to solve such financial problems and to strengthen the financial structure of the members in a competitive medium.

Through an analysis vis-à-vis the changes in the number of subordinate commissions, branch offices and professional committees, we can argue that MÜSİAD is getting professional in sectoral arrangements of its members and in the establishment of branch offices. The matter is that, it is a time consuming process to understand the (un)necessity of the subsections of internal organization.

Table 4. The Change in the Number of Subordinate Commissions

Years	No. of Commissions
1997	12
1998	11
1999	10
2000	8

Table 5. The Change in the Number of Branch Offices

Years	No. of Branch Offices
1997	25
1998	27
1999	27
2000	26

²⁸ Murat Çokgezen, “New Fragmentations and New Cooperations in the Turkish Bourgeoisie” *Environment and Planning C: Government and Policy*, October 2000, Vol. 18, No. 5, pp. 540-541.

Table 6. The Change in the Number of Professional Committees

Years	No. of Professional Committees
1997	5
1998	10
1999	7
2000	10

As seen in the tables, there is a fluctuation in the number of commissions, branch offices and professional committees. This is due to the enlargement process of MÜSİAD, which is not very well planned. However, we see a steady decrease in the number of commissions. This could be identified as a process of professionalization through which MÜSİAD organizes its internal structure in an optimum way. However, due to its inexperience, MÜSİAD is developing its structure by trial and error. Moreover, Turkish political economic structure is not stable either. It is important to note that MÜSİAD pays attention to the organizational total quality as it started the necessary procedure to get ISO 9000 quality certificate.²⁹ In sum, it is not an easy task to run several professional committees in harmony, which were composed of members owning firms in different sizes.

In the process of institutionalization, associational general congresses play an important role. Most of the members participate in these meetings in which the governing boards are chosen and forthcoming policies are formed. MÜSİAD held its 8th General Congress on May 22, 1999 in which one of the Vice Chairmen Ali

²⁹ 2000 Faaliyet Raporu ve 2001 Faaliyet Programı, p. 3.

Bayramođlu replaced Erol Yazar for the office of Chair. Yazar underlined that he was thinking to leave the post one year earlier but he did not do so due to the court files about his critique on the eight years permanent education. In his speech, Yazar underlined that he did not want to leave in a “coward way.”³⁰

MÜSİAD organized its 9th General Congress on 8 April 2000 in İstanbul in which 44 members were honored with “10th Year Membership Certificate.” Ahmet Helvacı, PhD,³¹ replaced Ömer Bolat, PhD. Bolat is an important figure in the institutionalization of MÜSİAD who worked as a successful General Secretary for seven years and then he became one of the Vice-Chairmen.³² Consequently, the change with the replacement of the Chair and General Secretary could be identified as change of blood in the organization and MÜSİAD discourses became more moderate in its critics of government policies. This change was the result of the new leadership cadre’s orientation not to get anger of the state elite anymore.

Consequently, MÜSİAD has been challenged by the problems of professionalization that is why it needs amendments in organizational structure every year to reach stability. However, this is not only due to the inexperience of MÜSİAD but also partially to the unstable Turkish political-economic structure. It could be analyzed that the institutional structure of MÜSİAD having overseas offices is parallel with the organization’s emphasis on export and discovering new world markets. The dynamism of the organization is also embedded in this structural

³⁰ *MÜSİAD Bülten* Vol. 7, No. 33, 1999, pp. 4-10.

³¹ *MÜSİAD Bülten* Vol. 8, No. 37, 2000, p. 19. Previous to this post, Ahmet Helvacı, was lecturing in Kırıkkale University. He got his PhD on International Relations from Sheffield University in 1998 where he did his MA in 1994. where he also lectured.

³² *Ibid.*, pp. 4-6.

framework since MÜSİAD could easily adapt itself to the developments following the 28th February process. Ziya Öniş, after his interviews with Bayramoğlu and Bolat, notes that “Contrary to the popular belief,... the ‘February 28 Process’ has been a minor contributor to the decline in MÜSİAD membership” but the reason in this decline has been “primarily to the impact of economic crisis.”³³

4.4. MÜSİAD’s Membership Structure

In this section, I will analyze MÜSİAD’s membership structure and evaluate the sectoral distribution of member companies according to the number of employees and the establishment years.

MÜSİAD launched the principle of mass mobilization to get public recognition. The association consists of a wide array of firms, from big multi share holding companies to small firms employing just a few employees. MÜSİAD members are active in variety of sectors including, machinery and tools, automotive and spare parts, textiles and garments, foodstuff and beverages, chemicals and minerals, forestry and wooden products, construction and building materials, electric supplies and electronics, computers and information technologies, paper and packaging and services sector. The main sectors are manufacturing, textiles, chemical, metallurgical products, automotive parts, construction equipments and food. Due to operating in many different fields, each sector has its own specific problems. Every member individually expects that MÜSİAD membership will help

³³ Ziya Öniş, “Political Islam at the Crossroads: From Hegemony to Co-existence” *Contemporary Politics*, Vol. 7, No. 4, 2001, p. 297.

him/her solving the problems s/he faces in her/his own field³⁴ because the member companies are mostly KOBİs. They lack of necessary resources when compared with the members of TÜSİAD to handle their own problems.

Another salient characteristic of MÜSİAD affiliated companies concerns their date of incorporation. The overwhelming majority of these enterprises are very recently formed, with companies established before the 1980 representing a small minority.³⁵ According to sector and date of entry into business, food and beverages appear to be the sector with the largest number of older companies. Table 7 shows that MÜSİAD represents the “new money” since most of the member companies are established following the 1980s. When we compare between the 1980s and 1990s, there is a decrease in the number of firms established in 1990s except the services sector. This could be referred to the fact that the 1990s had been the years of service sector not only in Turkey but also in the whole world.

³⁴ Murat Çokgezen, “New Fragmentations and New Cooperations in the Turkish Bourgeoisie,” p. 541.

³⁵ Ayşe Buğra, “Class, Culture, and State: An Analysis of Interest Representation By Two Turkish Business Associations” *International Journal of Middle East Studies*, 1998, Vol. 30, No. 4, p. 525.

Table 7. Sectoral Distribution of MÜSİAD Member Companies according to Date of Foundation³⁶

Sectors	<1950	1950-59	1960-69	1970-79	1980-89	>1990	na	Total
Food and Beverages	8	8	7	21	71	57	13	185
Foreign Trade	0	0	1	1	30	20	4	56
Construction-Construction Materials	3	4	14	53	150	127	36	387
Textile-Leather-Carpet	2	9	18	48	144	95	25	341
Electrics-Electronics	2	1	2	7	32	25	7	76
Services	0	3	4	14	53	73	19	166
Chemicals-Mining-Iron-Steel	5	7	4	36	66	45	10	173
Machinery-Spare Parts	5	2	14	36	66	45	10	151
Forest Products-Furniture	0	3	9	14	36	21	6	89
Automotive-Spare Parts	0	1	4	17	53	46	6	127
ConsumerGoods Packaging-Paper	3	4	8	26	53	41	9	144
Total	28	42	85	273	754	595	145	1895

³⁶ Ayşe Buğra, *Islam in Economic Organizations*, p. 75. Source MÜSİAD Catalogue 1995.

Table 8. Sectoral Distribution of MÜSIAD Member Companies according to Number of Employees³⁷

Sectors	<10	10-24	25-49	50-99	>100	na	Total
Food and Beverages	52	52	34	18	14	15	185
Foreign Trade	31	14	3	1	2	5	56
Construction-Construction Materials	137	86	58	33	25	48	387
Textile-Leather-Carpet	110	68	56	37	44	26	341
Electrics-Electronics	23	24	11	7	4	7	76
Services	83	34	15	9	9	16	166
Chemicals-Mining-Iron-Steel	67	38	24	9	19	16	173
Machinery-Spare Parts	26	55	30	18	11	11	151
Forest Products-Furniture	22	26	17	8	7	9	89
Automotive-Spare Parts	47	41	16	13	3	7	127
ConsumerGoods Packaging-Paper	60	37	21	6	11	9	144
Total	658	475	285	159	149	169	1895

³⁷ Ibid. Source MÜSIAD Catalogue 1995.

Table 9. Distribution of Members' Size according to Foundation Years³⁸

	<1950	1950-59	1960-69	1970-79	1980-89	1990-	Na	Sub-total
<10	8	12	28	94	251	229	36	658
10-24	10	10	20	74	184	163	14	475
25-49	3	4	10	44	118	98	8	285
50-99	2	3	13	21	81	34	5	159
>100	5	10	10	36	68	17	3	149
Na	0	3	4	14	37	38	73	169
Sub-total	28	42	85	283	739	579	139	1895

Table 10. The Distribution of MÜSİAD members according to Sectors³⁹

Sectors	Percentage
Textile	17.4%
Construction and Construction Equipments	16.7%
Services	11.3%
Chemicals, Plastic and Oil Products	10.7%
Food	10.1%
Machinery	8.0%
Durable Goods	7.4%
Automotive	7.1%
Furniture and Wooden Products	5.9%
Electric-Electronic	5.4%

MÜSİAD members are located in many different sectors. However, textile and construction & construction equipments compose one third of all MÜSİAD

³⁸ Ibid., p. 74. Source MÜSİAD Catalogue 1995.

³⁹ *MÜSİAD Üyeleri Barter Araştırma Raporu* [Research Report on Barter among MÜSİAD Members] (İstanbul: UTESAV, 1999), p. 1.

members. The sectoral distribution of these enterprises according to the size, indicates that there are no significant variations among different sectors in terms of enterprise size. However, to a certain extent, automotive sector enterprises are less represented.⁴⁰

On MÜSİAD's membership structure, the number of individual members is less than the number of enterprises represented. The majority of the enterprises represented by MÜSİAD are smaller ones than employing less than 50 workers, with the very small ones employing less than 10 workers constituting largest group in the five-fold classification according to size. The number of enterprises employing more than 100 workers is close to the number of firms employing between 50-99 workers. Moreover, according to the Table 9, 1980s seem the golden years as the foundation years of the companies since the number of enterprises reached its peak in every size.

Another important side of MÜSİAD is the membership numbers. After two years of institutional consolidation in 1990-1992 through the introduction meetings in different cities, MÜSİAD launched the principle of mass mobilization to get public recognition. The group's membership reached 2916 by 1998 at the highest. It decreased sharply to 2378 in 1999 and the decrease continued slightly as 2316 by 2000. When the number of members reached around 3000 in 1998, the number of affiliated firms happened to be around 10,000. We observe a sharp increase in the number of members in the first years and in 1996 when Refahyol government came to power. We also observe a sharp decrease in 1999, which could be related to two factors. Firstly, the closure file against the association as the extent of the February

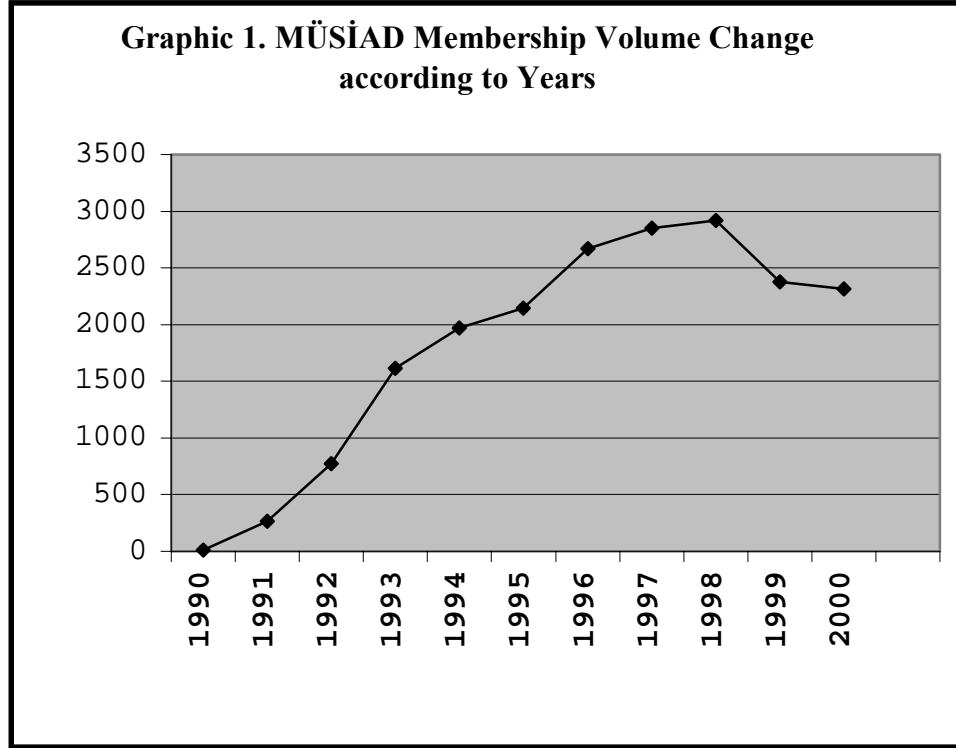
⁴⁰ Ayşe Buğra, *Islam in Economic Organizations*, p. 22.

28 process has been effective in the leaving of MÜSİAD members since they believed that their organization will be closed like the WP. Second, 1999 was a harsh year especially for the KOBİs, when the government had to put down a structural economic reform program supported by IMF and World Bank.

Table 11. The Change in the Membership according to Years⁴¹

Years	No. of Total Members	% Change in Membership
1990	12	-
1991	266	2217%
1992	773	291%
1993	1616	209%
1994	1969	9%
1995	2146	24%
1996	2668	21%
1997	2853	6%
1998	2916	2%
1999	2378	-28.5%
2000	2316	-8%

⁴¹ This chart was provided by Şükrü Kaya, from the Foreign Affairs Department of MÜSİAD.



As it was indicated, MÜSIAD increased the number of its members with eagerness. However, the organization has not accepted all the applications for membership. In 1997, 93 applications were accepted and 15 were refused, in 1998, 59 applications were accepted and 15 were refused, in 1999, 26 applications were accepted and 8 were refused. The organization after 1997 also applied more strict requirements in admitting new members and maintaining current members.⁴²

MÜSIAD claims that the organization did not follow any discriminatory or exclusive policy in terms of sector, size, location, party allegiance or even religious faith. The organization argued that the only criterion for membership is commitment to business ethics and honesty. MÜSIAD strictly refused the applications of those who had a corrupt business background. Through the membership process, the

⁴² Ziya Öniş, “Political Islam at the Crossroads: From Hegemony to Co-existence,” p. 297.

applicant is exposed to serious investigation of “the necessary qualities -such as respect for the cultural values of society, trustworthiness, quality consciousness, loyalty and respect for employees, customers, and suppliers.”⁴³ The Intelligence and Arbitration Committee evaluates the application of a potential member according to these criteria and the Executive Board gives the final decision for approval or rejection of the membership. Although non-Muslims are eligible for membership, MÜSİAD has not received any such application.⁴⁴

MÜSİAD members also include some very large companies such as Kombassan, İttifak and Yimpaş holding companies. They constitute a network of firms representing the combined capital of more than 80,000 shareholders for each, many of whom are migrant workers in Germany. The most striking case of MÜSİAD member large companies is Kombassan⁴⁵ located in Konya,⁴⁶ the traditional stronghold of Islamic business and electoral district of Necmettin Erbakan. Kombassan is one of the Anatolian holding companies, which successfully implemented the multi-shareholder system of raising capital among small shareholders. Kombassan was established in 1989 as a small enterprise, Konya Printing & Packaging Inc., of printing and packaging materials production facilities.

Kombassan attracted a huge flow of capital from *Gastarbeiter* community in

⁴³ Hayrettin Özler, *State and Business in Turkey: Issues of Collective Action with Special Reference to MÜSİAD* (Unpublished PhD Thesis, University of Strathclyde, April 2001), p. 295.

⁴⁴ Interview with Abdurrahman Esmerer. He served as the Chair of the Intelligence and Arbitration Committee for two years.

⁴⁵ Kombassan, Konya Baskı Sistemleri Sanayi A.Ş., is the first company of Kombassan Holding which was a small scale paper-printing company when it was first established.

⁴⁶ According to the 1999 records of Konya Chamber of Business, there happened to be 32 holding companies based on multi-share holder enterprise system in the city and except one of them, Özkaymak Holding which is an old family company in different sectors from transportation to tourism as well as mining.

different European countries to get share of the holding company. Thus, in ten years period, it has become a giant group owning more than 30 industrial plants, nearly 100 companies and employing 22 thousand people throughout Turkey, Germany, Malaysia, U.S.A., Bosnia-Herzegovina and Kazakhstan.

With such exceptions, like Kombassan, however, it is still fair to say that the majority of MÜSİAD members are small and medium-scale firms. According to Murat Çokgezen, the big firms of MÜSİAD contributed more to the provision of public goods such as the formation of public opinion or setting political ties with the governments. Thus, the smaller firms basically increased the number of heads in the association to show the mass support for the movement. He argues that big firms have benefited more from these collective goods although they borne the cost of most of these activities.⁴⁷ For instance, the chairmen, ex and the present one, became public figures in the Turkish economic and political life and this provided them easy access to political elite. In such a structure, despite the heterogeneity of size in MÜSİAD membership structure, conflicts of interest between the big and the little “fishes” among MÜSİAD members has not emerged yet.

Another striking characteristic involves the spread of geographic location. An examination of MÜSİAD membership suggests that the largest numbers of its members are to be found in some of the major metropolitan centers such as İstanbul, Bursa and İzmir, as well as in the key traditional inner Anatolian strongholds such as Konya and Kayseri. The largest number of MÜSİAD’s members is located in

⁴⁷ Murat Çokgezen, “New Fragmentations and New Cooperations in the Turkish Bourgeoisie,” pp. 537-538, 541.

İstanbul. The headquarter kept 488 members in 1995, 22.7% and 851 in 1997, 29.8% of the all members respectively.

MÜSİAD members also include, however, firms from smaller Anatolian towns identified as significant success stories by the media, resulting in the label the “Anatolian Tigers.” The towns in question include Denizli, Gaziantep, Kahramanmaraş, and Şanlıurfa. The characteristic of these towns is that a number of relatively small or medium-sized firms located in these centers have managed to establish themselves as significant exporters of manufactures to the world market especially in the textile sector. They succeeded that receiving little or no subsidy from the state for this purpose. In these Anatolian towns despite the decrease in the number of members in Çorum, Denizli, Kahramanmaraş, there is a noticeable increase in the number of members in Gaziantep and Şanlıurfa. In these changes, the enthusiasm of the branch offices to gain new members is important. The sectoral and regional crises also badly affected the membership of these branches. As it could be seen at the Table 12, I could not find any correlation between MÜSİAD membership changes in towns and the results of the last two municipal elections.

Table 12. Geographical Distribution of Members: 1995-1997 according to Branch Offices⁴⁸ in Relation with the 1994 and 1999 Municipal Elections⁴⁹

	1995	1997	Change in Membership	1994	1999
Adana	28	89	61	MP	NAP
Ankara	175	149	-26	WP	VP
Antalya	0	43	43	TPP	TPP
Balıkesir	83	41	-42	TPP	MP
Bandırma	0	33	33	TPP	DLP
Bartın	0	23	23	MP	DLP
Bursa	99	353	254	MP	DLP
Çankırı	28	25	-3	TPP	NAP
Çorum	17	13	-4	WP	NAP
Denizli	75	52	-23	TPP	TPP
Diyarbakır	0	41	41	WP	PDP
Elazığ	0	39	39	WP	VP
Gaziantep	61	95	34	SDPP	RPP
Gebze	0	87	87	WP	VP
İnegöl	0	7	7	WP	VP
İzmir	114	174	60	TPP	DLP
Kahramanmaraş	54	47	-7	MP	VP
Karadeniz Ereğlisi	0	35	35	MP	MP
Kayseri	112	152	40	WP	VP
Kocaeli	89	97	8	WP	VP
Konya	153	179	26	WP	VP
Malatya	35	50	15	WP	VP
Mersin	0	51	51	MP	NAP
Samsun	22	42	20	TPP	MP
Şanlıurfa	16	42	26	WP	VP
İstanbul	488	851	363	WP	VP

The claim that whole booming activity of KOBİs in Turkey is represented under the umbrella of MÜSİAD would be wrong. However, the promotion of KOBİs

⁴⁸ Ayşe Buğra, *Islam in Economic Organizations*, pp. 69-70. Source MÜSİAD Firm Presentation Catalogue 1995 and MÜSİAD Agenda 1997.

⁴⁹ Adana, Ankara, Antalya, Bursa, Çorum, Diyarbakır, Gaziantep, İstanbul, İzmir, Kayseri, Konya, Mersin, Samsun and Şanlıurfa are metropolitan municipalities. *Mahalli İdareler Seçimi Sonuçları, 27.3.1994* (Ankara: Devlet İstatistik Enstitüsü, 1994) and *Mahalli İdareler Seçimi Sonuçları, 18.04.1999* (Ankara: Devlet İstatistik Enstitüsü, 1999).

and the mobilization of public resources and the financial system for this purpose constitute one of the persistent themes in the MÜSİAD perspective since the organization is mainly composed of KOBİs.

As a result, MÜSİAD keeps the title as the largest voluntary business association in Turkey despite the decrease in the number of members in the last years. As a heterogenous structure of businessmen in different sectors and different sizes, it is difficult for MÜSİAD to satisfy its members. This dissatisfaction resulted in the canceling of some memberships as well as the closure of some branch offices. Despite all, MÜSİAD succeeded to become public figure via noticeable membership volume.

4.5. Activities

In this section, activities of MÜSİAD will be focus of analysis. MÜSİAD performs several activities composed of periodical publications, organizing international fairs and mass trips to foreign countries, educational seminars and panels as exclusive selective benefits. MÜSİAD also organizes social activities including picnics, pilgrimage and *umre* travels, *iftar* (breaking the fast) programs and visits to political elites and high-level bureaucrats and to different business organizations. The organization welcomes business groups, ambassadors and consulates from other countries to develop business relations. MÜSİAD, by its periodical publications, enables members to know each other, to keep up with MÜSİAD identity as well as to form a public opinion. Through international fairs and mass trips to foreign countries MÜSİAD encourages its members to be more global and export-oriented. Through panels and educational seminars MÜSİAD

could develop qualifications of its members and staff. In short, these activities fostered the common bond of being a MÜSİAD member as a solitary benefit.

4.5.1. Publications

Since its establishment, MÜSİAD has prepared several reports on Turkish economy and other countries for the use of its members. These reports contained information on industrial and commercial potential of foreign countries, transport and lodging facilities and laws on foreign trade. In this framework, the professional General Secretariat of the organization has promptly informed members of any inquiries on offers for goods and services within periodical publications. Along studies and reports on specific subjects, MÜSİAD publishes these following periodicals: *MÜSİAD Bülten*, *Çerçeve*, *MÜSİAD Bülten Sektör*, and *EKOMÜSİAD*.

MÜSİAD Bülten (Bulletin) started as a monthly periodical and then it changed its publication frequency to bimonthly. *MÜSİAD Bülten* includes: information on MÜSİAD's activities, practical hints on business problems, investment facilities in Turkey and other countries, announcements by MÜSİAD members, information on exhibitions and trade fairs, announcements on domestic and foreign requirement for goods, state incentives for industrialists⁵⁰, commercial and job advertisements from its members. *MÜSİAD Bülten* also provides a monthly report on the Turkish economy, reports on foreign trips, the meetings and press conferences of the Chairman, and news from the headquarter and branch offices. Since half of the each issue in volume are full of news from the headquarter,

⁵⁰ Mustafa Yüceel, "Yatırımlarda Devlet Yardımları: Yatırım Teşvikleri" *MÜSİAD Bülten*, Vol. 5, No.22, 1997, pp.45-48.

MÜSİAD represents a centralized organization model in which the strong hand of the headquarter is felt in developing organizational policies.

The first issue of *MÜSİAD Bülten* was published in December 1993 and composed of 16 pages. Also in the early issues we see advertisements of the people who are looking for job and most of them are women with headscarf. So, these issues have helped the Islamic oriented women getting in public sphere to some extent. Following the economic crisis in 2001 February, the number of pages decreased to half, around 50 pages, while more advertisements started to appear.

Çerçeve (Frame) is a monthly magazine of MÜSİAD which started in September 1992. *Çerçeve* contains articles written by academicians, MÜSİAD staff and members on an actual topic or a topic on Islam and business, e.g. how to handle the problem of usury in modern capitalist economy. It also includes advertisements from MÜSİAD members. *Çerçeve* is circulated to all MÜSİAD members, to the media, prominent persons in business and politics, university professors, various professional and business organizations and representative offices of Turkey in foreign countries.⁵¹ When compared to *MÜSİAD Bülten*, it is more academic oriented. First issue of *Çerçeve* was about fifty pages and it developed in time both in volume and in content. In this context, the issue titled “700. Yılında Osmanlı Dünyası” (World of Ottoman in its 700th Anniversary) is a remarkable piece composed of several articles on the Ottoman Empire, especially on its economic side. This also shows MÜSİAD’s strong emphasis on the Ottoman as a model to be

⁵¹ MÜSİAD Booklet.

followed.⁵² Via circulation of *Çerçeve*, MÜSİAD has aimed to disseminate its views to different intellectual and elite groups and to form public opinion.

MÜSİAD started the publication of *MÜSİAD Bülten Sektör* in April 2000 quarterly as the extension of professional committees of MÜSİAD in the sectors of Electric-Electronic-Computer and Durable Goods, Construction and Construction Equipments, Food and Drink, Service, and Automotive and Spare Parts. *MÜSİAD Bülten Sektör* magazines are composed of sector-oriented news, advertisements of the member companies, their success stories and future plans as well as interviews with the managers of the leading companies of the sectors. *MÜSİAD Bülten Sektör* aims to develop MÜSİAD identity through dissemination of cooperation among members within each sector.

EKOMÜSİAD is the monthly political-economic report prepared by MÜSİAD. It started in January of 1998 and due to several intervals it could only publish 14 issues in 40 months. *EKOMÜSİAD* is a small report distributed within *MÜSİAD Bülten*. Its main sections are Turkey, World, Market, Politics and Economic World. This small booklet is composed of analytical articles on Turkish political economy, practical experiences to businessmen with a modern management perspective, world markets and world politics, and international relations and evaluation of Turkey's foreign policies. *EKOMÜSİAD*, like *Çerçeve*, is presented in a more intellectual language and it orients itself as defining a standpoint of MÜSİAD.

Consequently, these periodicals have been quite effective among MÜSİAD members to develop a "MÜSİAD identity" as an exclusive selective benefit. Beside

⁵² For further information see, *Çerçeve*, 1999, Vol. 8, No. 25.

informing members on different investment facilities either abroad or in Turkey, these periodicals functioned in public opinion formation by their dissemination to different groups as intellectuals and businessmen.

4.5.2. International Fairs

MÜSİAD organizes international trade fairs and participates in the IBF meetings. The latter is an initiative to promote global co-operation and networking between Muslim businessmen and Muslim countries. MÜSİAD recognized the importance of international markets and established representations, first in countries where Turkish migrants are located such as in Germany and France. In addition to this, MÜSİAD established several focal points in different parts of the world.⁵³ MÜSİAD members have great willingness to seek out foreign markets. Thus, the main drive of MÜSİAD has become to explore new foreign markets and it has given so much consideration to international fairs and organized trips abroad. This approach enables the association's members to have information about and to participate in international developments. Parallel to the aspiration in the export facilities, these activities constitute a very important aspect of MÜSİAD.

The 1st MÜSİAD International Trade Fair was held in İzmir on October 29-31, 1993 in which 189 MÜSİAD member firms, 55 firms from 3 different countries⁵⁴ and 20 thousand visitors participated. The second and third fairs were

⁵³ Karin Vorhoff, "Businessmen and Their Organizations: Between Instrumental Solidarity, Cultural Diversity, and the State" in *Civil Society in the Grip of Nationalism* (İstanbul: Orient-Institut der DMG 2000), Stefanos Yerasimos, Günter Seufert Karin Vorhoff St. Yerasimos, G. Seufert, K. Vorhoff, eds., p.158.

⁵⁴ There is no data about the name of these countries in any MÜSİAD record.

held on October 27-30, 1994 and November 2-5, 1995 again in İzmir. In the 2nd MÜSİAD International Trade Fair, 235 MÜSİAD member firms, and firms⁵⁵ from Jordan, Germany and Bangladesh and 31 thousand visitors participated. In the 3rd MÜSİAD International Trade Fair in İzmir, 274 MÜSİAD member firms, 18 firms from 10 countries and 33 thousand visitors participated.⁵⁶ The 4th MÜSİAD International Fair was held on November 19-24, 1996 in İstanbul⁵⁷ in which 287 MÜSİAD member firms, 52 firms from 17 countries and 45 thousand visitors participated.⁵⁸ The 5th MÜSİAD International Fair was held on November 18-23, 1997, in which 296 MÜSİAD member firms, 54 foreign firms⁵⁹ and 71 thousand visitors participated.⁶⁰ The 6th MÜSİAD International Fair was held on November 19-22, 1998 in which 286 MÜSİAD member firms, 21 firms from 10 countries and

⁵⁵ The number of foreign firms is not indicated in any MÜSİAD record.

⁵⁶ *MÜSİAD Bülten*, 1995, Vol. 3, No. 8, p. 24 and Nusret Özcan, “Medine Pazarı Işığıyla Dört Dörtlük Pazar: 4. Uluslararası MÜSİAD Pazarı” [A Perfect Fair in Light of the Medina Market: The 4th International MÜSİAD Fair] *MÜSİAD Bülten*, Fuar Forum Özel Sayısı, 1997, Vol. 5, No. 18, p. 23-24. The number of foreign firms participating in the 2nd MÜSİAD International Trade Fair is not cited.

⁵⁷ After the 4th MÜSİAD International Fair, the following fairs were also held in İstanbul, which became a tradition. İzmir is the second biggest commercial city after İstanbul and most of the national and international commercial fairs are held in these cities.

⁵⁸ Ömer Bolat, “Genel Sekreterden” [From the General Secretary] *MÜSİAD Bülten*, Fuar Forum Özel Sayısı, 1997, Vol. 5, No. 18, p. 2. It is also underlined that one billion of USD of trade connections were made among firms participating in the fair.

⁵⁹ The number of the countries of foreign firms participating in the 5th MÜSİAD International Trade Fair is not cited.

⁶⁰ *MÜSİAD Bülten*, Fuar Forum Özel Sayısı, 1997, Vol. 5, No. 24, p. 35. According to the results of a questionnaire, it was learned that during the three days at the fair a total of one and half billion US dollars worth of initial connections and trade agreement were made. *Yeni Şafak*, *Akit*, *Dünya* and *Turkish Daily News*, Turkish dailies, published a ‘MÜSİAD FAIR SPECIAL ISSUE’ and certain sections of the press gave a large coverage to Fair and the Forum. *MÜSİAD Bülten*, Fuar Forum Özel Sayısı, 1997, Vol. 5, No. 24, pp. 53-54 and *1997 Faaliyet Raporu ve 1998 Faaliyet Programı*, pp. 12-14.

110 thousand visitors participated.⁶¹ The 6th MÜSİAD International Fair drew to a successful growth of 35% in the increase of visitors compared to the previous one.⁶² Morality and business were briefly mixed in the fair's motto "The economy prospers in clean hands" in relation with MÜSİAD's general motto "High morality high technology." This was also in conjunction with Turkish politics and business circles tainted by major mafia scandals in recent years.⁶³

The 6th MÜSİAD International Fair was separated into MUMAC' 98; machines, automation, and automotive side industry products and electric-electronic products, MUSCON' 98; construction, furniture and construction equipments, MUTEX' 98; textiles, clothing, leather products and carpets were displayed, MUFOPACK' 98; where food, drinks and packaging systems were displayed.⁶⁴ 7th MÜSİAD International Fair was held on October 14-17, 1999 in which 180 firms both from Turkey and 16 countries as well as 150 thousand visitors participated.⁶⁵ The 8th MÜSİAD International Fair was organized on 26-29 October 2000, in which 250 local and foreign firms as well as 100 thousand people participated. Like in 1999, Fair consisted of the following divisions: MUMAC 2000 – Machinery, Electrical, Electronic, Automotive; MUSCON 2000 – Construction, Furniture,

⁶¹ "Fair-Forum Multi-vision Script" *MÜSİAD Bülten*, Fuar Forum Özel Sayısı, 1997, Vol. 5, No. 18, p. 23.

⁶² Ömer Bolat, "From the General Secretary" *MÜSİAD Bülten*, Fuar Forum Özel Sayısı Vol. 6, No. 31, 1998, p. 2.

⁶³ Karin Vorhoff, "Businessmen and Their Organizations," p. 172.

⁶⁴ *MÜSİAD Bülten*, Fuar Forum Özel Sayısı, 1998, Vol. 6, No. 31, p. 17.

⁶⁵ *MÜSİAD Bülten*, 1999, Vol. 7, No. 33, p. 14.

Services; MÜTEX 2000 – Textile, Clothing; MUFOCPACK 2000 – Food and Packaging.⁶⁶

Table 13. MÜSİAD International Fairs

Years	No. of Local Firms	No. of Foreign Firms	No. of Foreign Countries	No. of Visitors ♦	Location
1993	189	55	3	20	İzmir
1994	235	?	3	31	İzmir
1995	274	18	10	33	İzmir
1996	287	52	17	45	İstanbul
1997	296	54	?	71	İstanbul
1998	286	21	10	110	İstanbul
1999	180*	?	16	150	İstanbul
2000	250*	?	?	100	İstanbul

?: no available data

*: the number of firms is for both local and foreign firms

♦: Numbers in thousands

When we analyze international fairs organized by MÜSİAD, we observe a steady increase in the number of visitors except the year 2000 when there is a sharp decrease about one third. We could understand that MÜSİAD International Fairs became quite popular from the perspective of visitors. However, the economic crisis also affected the number of visitors even though there is no admission charge. We cannot observe the same steady increasing trend in neither of the other variables as in the number of local or foreign firms or foreign countries. Moreover, the unavailability of the missing data is another problem in developing a detailed analysis.

It is quite interesting that the number of foreign firms was the highest in the first international fair and this number was not caught up in the following years

⁶⁶ 8th MÜSİAD International Fair Special Edition, 2000, p. 3.

however the number of foreign countries has increased up to 17 in 1996. This shows that MÜSIAD got attraction from different countries however the number of foreign firms remained low. Most of the participating countries in MÜSIAD international fairs are Muslim populated countries. In this context, MÜSIAD advertisement campaigns in their mass trips could be comprehended as successful to some extent. The number of local firms has shown a remarkable increase until 1997 but since then there is a decrease trend in relation with the economic crisis in Turkey. When compared to MÜSIAD's aspiration in reaching to the world markets, these numbers are quite modest and this shows that MÜSIAD has not been successful enough to attract international audience.

4.5.3. International Business Forum (IBF) Meetings

The IBF meetings function as the window of MÜSIAD to get in touch with businessmen from other countries. The 1st IBF, opened by Pakistani President Leghari, was held on September 21-23, 1995 under the leadership of the Pakistan Business Forum in Lahore. This meeting brought together representatives of the Muslim business world and 230 businessmen from 23 Islamic countries and 500 Pakistani businessmen participated. The meeting included sector-oriented business talks and focused mainly on economic and business problems in the Islamic world. In the 1st IBF, a group of 20 MÜSIAD members led by Erol Yarar represented MÜSIAD. At the end of the meeting, it was decided to found the IBF to gather all Muslim businessmen in the world under its platform at an annual meeting. Pakistani Business Forum President Tanveer Ahmed Magoon was elected as the President of

the IBF and the Lahor Leader and Administration Institute to house the IBF Secretariat.”⁶⁷

The 2nd IBF meeting was hosted by MÜSİAD at the same time when the 4th MÜSİAD International Fair was held, November 19-24, 1996. 439 delegates from 36 different countries participated in the 2nd IBF meeting when MÜSİAD President Erol Yarar took the IBF Presidency from Tanveer Ahmed Magoon and the IBF General Secretariat was transferred from Lahore to İstanbul.⁶⁸ This meeting had become important in the Turkish political agenda with the participation of the Prime Minister Necmettin Erbakan and Minister of State Abdullah Gül, Labor and Social Security Minister Necati Çelik and İstanbul Governor Rıdvan Yenişen as well as Sudan’s Minister of State, Mustafa Sait; Singapore’s Minister of State, Siddik Sanif; Northern Cyprus Turkish Republic’s Minister of Agriculture and Forestry, Kenan Akın; Malaysian Parliament Representative, Cemil Mahmud; Algerian Islamic Movement Leader, Mahmud Nahnah; Iran’s Vice Minister of Industry, Tabatabai on November 20, 1996.⁶⁹ According to MÜSİAD, the 2nd IBF meeting was successful in providing a forum for the exchange of ideas and information between researchers and industrial practitioners in the general area of business network. The attendance of the Turkish PM as well as several ministers from different countries increased the importance of the meeting. Moreover, national business delegations, scholars from

⁶⁷ Nusret Özcan, “MÜSİAD Öncülüğünde Emir-Alim-Tüccar Buluşması” [Leader-Scholar-Trader Meeting under MÜSİAD’s Initiative] *MÜSİAD Bülten*, Fuar Forum Özel Sayısı, 1997, Vol. 5, No. 18, p. 6.

⁶⁸ *Ibid.*, p. 14.

⁶⁹ *Ibid.*, p. 8.

all parts of the Islamic World attending at the Forum, presented their own papers and models on Islam and economics.

The 3rd IBF meeting organized again by MÜSİAD was held during November 18-23, 1997 in İstanbul. 642 businessmen and high-level bureaucrats from 51 countries participated as delegates. The theme of the meeting was “Establishing A Global Business Network among Muslim Nations.”⁷⁰ There were participants at the ministerial level from such countries as Singapore, Sudan, Uganda and Bosnia-Herzegovina.⁷¹ In the meeting, three international projects for cooperation in the Islamic world were presented. Among these, the Auto Gross Market project began in Turkey to develop a chain first inside Turkey and then abroad. Konya Sanayi Holding, another multiple share holding company, succeeded the standardization and marketing of automotive spare particles of different KOBİs in Konya region as the extent of this project. The International Courier Project that also was presented in 1997 has developed throughout the year with meetings and contacts in Pakistan, Turkey and Germany. Although the project of Franchising, Production in Textiles and Store Chain was also presented but there has been no concrete development related to this project.

In November 1998, on the eve of the 6th MÜSİAD International Fair, MÜSİAD presided and hosted the 4th IBF meeting, held on November 19-22, 1998 in İstanbul. In this meeting, IBF-NET Internet Project prepared by Orhan İkiz, member of MÜSİAD Board of Directors, was presented. This project aimed to

⁷⁰ *MÜSİAD Bülten*, Fuar Forum Özel Sayısı, 1997, Vol. 5, No. 24, pp. 3-4.

⁷¹ *Ibid.*, p. 6.

provide information flow among participants and businessmen they represent. Registered as “ibfnet.net” the project is at the stage of being activated in 1999 following subscriptions.”⁷² Moreover, in the 4th IBF Final Communiqué, it was indicated that

International terrorism is an explicit violation of human rights by which thousands of innocent people have been killed. The last incident of protecting internationally-accepted terrorist chief Abdullah Öcalan by the Italian government is an unacceptable violation of international law and moral codes of conduct. The IBF’s participants condemn the stance of the Italian government and call upon it to cooperate with the Turkish government on this issue.

The lines cited above shows the power of MÜSİAD in the IBF as well as its nationalist vision and its Islamic motivation. Moreover, in the 4th IBF Congress one of the concerns was the management of investment and funds of the Muslims in the world. The volume of these funds was estimated to be around USD 1.2 trillion left at the disposal of non-Muslim fund/asset managers. It was considered beneficial for the Muslims to create their own Islamic funds on global scale managed by Muslim professional fund/asset managers in full compliance with Islamic principles and for the benefits of the Muslim *ummah*.⁷³ In this context, MÜSİAD attaches importance on IBF meetings to gain the Islamic world’s markets. Consequently, MÜSİAD hosted the 2nd, 3rd and 4th IBF meetings between 1996-1998 in conjunction with the 4th, 5th and 6th MÜSİAD International Fairs and these hosting activities brought more

⁷² Yusuf Balcı, “İş Dünyasının 4. Zirvesi İstanbul’da Gerçekleştirildi” [The 4th Summit of the business World Took Place in İstanbul] *MÜSİAD Bülten*, Fuar Forum Özel Sayısı, 1998, Vol. 6, No. 31, pp. 28-29.

⁷³ “4. Uluslararası İş Forumu Nihai Bildirgesi” [4th International Business Forum Final Communiqué], *Ibid.*, p. 33.

international popularity to the MÜSİAD and its affiliated businessmen developed their foreign trade capacity.

The 5th IBF Meeting was held during 12-13 April 2000 in Cape Town, Republic of South Africa in which 100 businessmen from 9 countries participated. 36 MÜSİAD members led by Ali Bayramoğlu represented Turkey in this meeting.⁷⁴ The main principles of the IBF were also kept intact as Erol Yarar said, in the IBF Board of Governors' Meeting on October 25, 2000 in İstanbul, "Our goal is, by bringing businessmen together, to provide economic and cultural solidarity and enable them to stand against the worldwide globalization wind and stay on their feet."⁷⁵

The 6th IBF Congress was held on April 12-14, 2001 in Kuala Lumpur, Malaysia, in which 300 businessmen from 18 different countries participated. In this meeting 30 MÜSİAD members led by Erol Yarar participated.⁷⁶ The mass participation of MÜSİAD members in IBF meetings shows how MÜSİAD pays attention to international cooperation among Muslim businessmen and how the organization MÜSİAD tries to get the leadership in this context.

Consequently, MÜSİAD aims to reach the markets in the Islamic world via an efficient international business organization as IBF. The prominent role of MÜSİAD in IBF has also provided a remarkable role in the internal politics during the Refahyol government, which lasted following the fall of this government.

⁷⁴ *MÜSİAD Bülten*, 2000, Vol. 8, No. 37, p. 49. The numbers show that, MÜSİAD members formed more than one third of the participants in relation to MÜSİAD's interest in IBF meetings.

⁷⁵ 8th MÜSİAD International Fair Special Edition, 2000, p. 13.

⁷⁶ *MÜSİAD Bülten*, 2001, Vol. 9, No. 42, pp. 17-18. It is important to note that Erol Yarar keeps his active mode in the association despite his resignation from the office of Chair.

4.5.4. Foreign Trips

MÜSİAD supports a dual economic model based on “the encouragement of export and minimization of import to provide external trade balance.” In conjunction with this model, it has organized several trade missions abroad for its members to encourage co-operation and establishment of trade relations with companies in other countries. In order to realize this model, the state is also urged to provide the necessary attractive industrial encouragement policies.

During these missions abroad, MÜSİAD management has established contacts with government officials, managers and officials of private and state-sector organizations to conduct talks and sign co-operation agreements. In these trade missions, MÜSİAD has organized group tours to domestic and foreign trade fairs and professional exhibitions for its members. These trips provided them to discover, study and follow up developments, and to enhance commercial and technical knowledge with MÜSİAD’s objective of encouraging members to participate in such events. The General Secretariat of MÜSİAD periodically informs members about all fairs also and exhibitions organized in Turkey. Foreign Relations Department (FRD) of the association is responsible for carrying out the participation activities in these fairs. During these trips participant members get the chance to meet their counterparts in foreign countries and establish trade relations.

MÜSİAD orients its members to develop themselves through export since the association believes that it is the only path to overcome the bottleneck of Turkish economy. On these trips cooperation agreements have been signed with several countries, which were escorted by high-level bureaucrats and politicians. These

business trips have been to: Central Asian Republics; Kazakhstan (1), Uzbekistan (1), Azerbaijan (1), Crimea (1), Middle East Countries; Northern Cyprus Turkish Republic (1), Saudi Arabia (4), Iran (2), Iraq (1), Jordan (2), Palestine (2), United Arab Emirates (3), Syria (1), Yemen (1), Unity of Independent States; Russia (1), Ukraine (1), African countries; Egypt (5), Sudan (2), Libya (1), Nigeria (1), Republic of South Africa (2), Morocco (1), Algeria (1), Western European countries; Germany (6), England (1), Holland (1), Austria (2), Hungary (1), Italy (2), France (2), Balkan countries; Bosnia-Herzegovina (3), Macedonia (1), Albania (1), Romania (3), Bulgaria (1), Greece (2) Southeast Asian countries; Malaysia (5), Indonesia (3), Singapore (5), Taiwan (1), Pakistan (5), Bangladesh (4), India (1), Hong-Kong (1), China (1), Australia (2), Japan (1), Thailand (1) and USA (3).⁷⁷

According to my analysis, MÜSİAD organized mass trips to 26 Muslim countries and to 22 non-Muslim countries. However, the frequency of the trips to Muslim countries is, when compared with non-Muslim ones, is higher as 53 to 41 times frequently. In short, this shows MÜSİAD's orientation towards Muslim countries.

The most important reason attached to export by MÜSİAD is that companies can overcome the restrictions of the domestic market by entering into the overseas market. Another reason is related to attempts to strengthen the social and political position of the association. Thus, the exporting activities are presented as a kind of national service to promote the influence of MÜSİAD in the social and political fields. In this framework, although the activities aimed at export are not collective advantages for each member, the success of the activities is a collective good

⁷⁷ The numbers in parentheses show the frequency of trips to these countries.

provided by MÜSİAD to all of its members.⁷⁸ For this reason, one of the most important aspirations of MÜSİAD members is to exceed the limitations of the domestic market by advancing commercial relations among members beside encouragement for exportation. In this context, international fairs organized by MÜSİAD and the IBF meetings become quite important.

Consequently, the orientation of MÜSİAD to foreign markets is also due to the compulsion that the SEEs and cartel or monopolies of big conglomerates control the domestic market convened under TÜSİAD. Since it is not easy to compete with these tycoons, the best way for MÜSİAD members seem to be the foreign markets. Moreover, with the motivation gained for export in 1980s, many KOBİs in Anatolia chose the path of export rather than competing in the domestic market. Briefly, MÜSİAD wanted to encourage its members for export in order to show the state that KOBİs are more successful in export than their capacities and they must be rewarded with more credit.

4.5.5. Panels, Educational Seminars and Other Activities

MÜSİAD has organized 450 panels in a period of nine years⁷⁹ in different subjects on economic and socio-political issues ranging from Private Finance Institution's Situation and Their Importance in Turkish Economy⁸⁰ to İmam-Hatip (Prayer Leader-Preacher) High Schools.⁸¹ Conferences given by academics,

⁷⁸ Murat Çokgezen, "New Fragmentations and New Cooperations in the Turkish Bourgeoisie," pp. 540-541.

⁷⁹ *MÜSİAD Bülten*, 1999, Vol. 7, No. 33, pp. 13.

⁸⁰ *MÜSİAD Bülten*, 1995, Vol. 3, No. 5, p. 7.

⁸¹ *MÜSİAD Bülten*, 1995, Vol. 3, No. 8, , p. 16.

politicians and high-ranking bureaucrats offer another forum for networking. In the traditional weekly Friday meetings prominent politicians, academicians, consulates, ambassadors,⁸² foreign ministers are invited for giving talk on economy, local administration, daily politics, and Islamic issues in daily life.⁸³

MÜSİAD has also organized seminars on professional management techniques, modern business administration, domestic and foreign trade and English courses at the headquarter and at branch offices in various locations. The Training Commission of MÜSİAD organized additional seminars included foreign trading, total quality management, quality control methods, professional salesmanship, effective speaking, meeting management, the role of management techniques in business success, development of management skills, management assistance, public relations and other subjects. MÜSİAD has also established database connection and developed intranet facilities with data banks in Turkey and abroad. The aim is to provide this exclusive selective service to its members to develop intercommunication among them.

MÜSİAD also attempted to foster co-operation and solidarity among its members as a solitary benefit. Thus, the association carried out social activities including sharing of hobbies,⁸⁴ picnics,⁸⁵ *umre* travels to Saudi Arabia,⁸⁶ visit to big

⁸² Adolfo Saracho, Ambassador of Argentina, is the first ambassador visiting MÜSİAD. *Çerçeve*, 1992, Vol. 1, No. 1, pp. 25-26.

⁸³ *MÜSİAD Bülten*, 1995, Vol. 3, No. 8, p. 25.

⁸⁴ *Ibid.*, p. 23.

⁸⁵ *MÜSİAD Bülten*, 2000, Vol. 8, No. 38, p. 42.

factories like SIEMENS in Mudanya.⁸⁷ MÜSİAD also began holding a week traditionally in summer 2000 in which MÜSİAD members with families participate.⁸⁸

MÜSİAD as a business association gives importance to visit President,⁸⁹ ministers,⁹⁰ governors and high-level bureaucrats⁹¹ and media organizations as newspapers, radios and televisions.⁹² Through these visits, the association aims to develop public opinion and being noticed in the decision-making circles and by public. Moreover, MÜSİAD's *Iftars* became very traditional since the beginning. Erbakan had also attended in one of them when he was PM. In these iftars several political party leaders from different parties, especially rightist ones, and mayors and high-level bureaucrats participate.⁹³ MÜSİAD also traditionally organizes iftars for the university students,⁹⁴ and professors in order to develop university-industry interaction,⁹⁵ its own members,⁹⁶ and to press.⁹⁷ Also in the holy Ramadan they help

⁸⁶ Ömer Bolat, "MÜSİAD'ın Suudi Arabistan-Umre Gezi Raporu (16-23 Aralık 1998)" [The Report on MÜSİAD'ın Umre Travel to Saudi Arabia (16-23 December 1998)] *MÜSİAD Bülten*, 1999, Vol. 7, No. 32, pp. 37-40.

⁸⁷ *MÜSİAD Bülten*, 1996, Vol. 4, No.15, p. 23.

⁸⁸ *MÜSİAD Bülten*, 2000, Vol. 8, No. 38, p. 17.

⁸⁹ *Ibid.*, pp. 4-6.

⁹⁰ *MÜSİAD Bülten*, 1996, Vol. 4, No.13, p. 59. For example Rıfat Hisarcıkloğlu, the current Chairman of TOBB, was in the visiting committee of Ömer Barutçu, the ex-minister of Transportation. Hisarcıkloğlu was in the Directors Board of MÜSİAD Ankara Branch in 1996.

⁹¹ *MÜSİAD Bülten*, 1996, Vol. 4, No.15, pp. 66-67.

⁹² *Ibid.*, p. 51.

⁹³ *MÜSİAD Bülten*, 1997, Vol. 5, No.17, pp. 4-7 and *MÜSİAD Bülten*, 1998, Vol. 6, No.27, pp.13-15.

⁹⁴ *MÜSİAD Bülten*, 1997, Vol. 5, No.17, p. 9 and *MÜSİAD Bülten*, 1998, Vol. 6, No.27, p.21.

⁹⁵ *MÜSİAD Bülten*, 1997, Vol. 5, No.17, pp. 10-11 and *MÜSİAD Bülten*, 1998, Vol. 6, No.27, pp.19-20.

the poor people⁹⁸ as well as helping poor students in Southeast Anatolia in other times.⁹⁹ MÜSİAD members also did a great help following the earthquake on August 17, 1999 in Turkey.¹⁰⁰ All these organizations provide MÜSİAD public visibility and facilitate its public opinion formation.

Beside these, MÜSİAD also gives visits to other business associations as ASKON and İŞHAD.¹⁰¹ Also Fermani Altun, Chairman of Ehl-i-Beyt Foundation and *Demokrat Sanayici ve İşadamları Derneği*-DEMSİAD [The Democratic Industrialists' and Businessmen's Association] visited MÜSİAD.¹⁰² The board of Directors of ASKON gave a visit to MÜSİAD¹⁰³ as well as İŞHAD. These visits develop the relations within the business community.

MÜSİAD also welcomed commercial groups from England, Italy, Romania, Taiwan, Australia, Somali, Chechnya, Senegal, Russia, Albania, USA, Malaysia, Pakistan, Kuwait, and Palestine and Kazakhstan in 1997;¹⁰⁴ from Malaysia, Tunisia, Palestine, Germany, Jordan, and Singapore in 1998;¹⁰⁵ from Italy, Romania,

⁹⁶ *MÜSİAD Bülten*, Vol. 6, No.27, 1998, pp.16-17.

⁹⁷ "MÜSİAD"ın Basın İftarı" *MÜSİAD Bülten*, 1999, Vol. 7, No. 32, p. 53.

⁹⁸ *MÜSİAD Bülten*, 1998, Vol. 6, No.27, pp. 48, 51.

⁹⁹ *Ibid.*, p. 66.

¹⁰⁰ *MÜSİAD Bülten* Vol. 7, No. 34, 1999, pp. 8-12, 19.

¹⁰¹ *Ibid.*, pp. 35-37.

¹⁰² *2000 Faaliyet Raporu ve 2001 Faaliyet Programı*, p. 4.

¹⁰³ *MÜSİAD Bülten* Vol. 8, No. 37, 2000, p. 30.

¹⁰⁴ *1997 Faaliyet Raporu ve 1998 Faaliyet Programı*, pp. 7-10.

¹⁰⁵ *1998 Faaliyet Raporu ve 1999 Faaliyet Programı*, pp. 4-6.

Belgium, Palestine, Singapore, Australia, England, Pakistan, and USA in 1999;¹⁰⁶ and from Iran, Russia, Congo, Saudi Arabia, Malaysia, Uganda, Indonesia, Greece, and USA in 2000.¹⁰⁷ This shows the strong relations established both inside and outside the country paving the path for MÜSİAD to become like a liaison office for many domestic and foreign businessmen.

MÜSİAD is also in touch with other civil society organizations convened under *Türkiye Gönüllü Kültür Teşekkülleri-TTGV* (Turkish Voluntary Cultural Organizations)¹⁰⁸ which is the combination of 600 different foundations, associations, unions, trade unions. This umbrella organization was founded through the leadership of *Aydınlar Ocağı* (Intellectuals' Hearth).¹⁰⁹ The first meeting of TTGV was organized by Intellectuals' Hearth on May 31, 1991 in which 87 organizations participated. The second meeting was organized by *Birlik Vakfı* (Unity Foundation) in Ankara on December 14-15, 1991, third one by *İş Dünyası Vakfı* (Business World Foundation) in Ankara on December, 19, 1992, fourth one by *Türkiye Yazarlar Birliği* (Union of Turkish Writers) in Şanlıurfa on November 27-28, 1993 and fifth one was organized by MÜSİAD in İstanbul on November 19,

¹⁰⁶ 1999 Faaliyet Raporu ve 2000 Faaliyet Programı, pp. 5-6.

¹⁰⁷ 2000 Faaliyet Raporu ve 2001 Faaliyet Programı, pp. 9-10.

¹⁰⁸ For further information see, <http://www.turgev.org/>

¹⁰⁹ Aydınlar Ocağı became a prominent organization following the 1980 military intervention since this group of people conceptualized religion as the essence of Turkish culture and formulated The Turkish-Islamic synthesis parallel to the vision of the military government who wanted to benefit religion. Binnaz Toprak, "Religion as State Ideology in a Secular Setting: The Turkish-Islamic Synthesis" in *Aspects of Religion in Secular Turkey*, Malcolm Wagstaff, ed., (Center for Middle Eastern and Islamic Studies University of Durham, 1990), p. 10. For further information, see, <http://www.aydinlarocagi.org/>

1994.¹¹⁰ Erol Yarar also chaired the *Gönüllü Kültür Teşekkülleri Heyeti* (Board of Voluntary Cultural Organizations) that protested the compulsory eight-year education process. They proposed “5+3” model rather than permanent 8 years education that started after the February 28 process. They also visited the then Prime Minister Necmettin Erbakan, Tansu Çiller, Muhsin Yazıcıoğlu in this context.¹¹¹

On 27 May 1998, TTGV organized a meeting *Demokrasi Kurultayı* (Democracy Congress) related to the anniversary of May 27, 1960 military intervention in which Erol Yarar made a speech.¹¹² In his speech, Yarar connected the struggle for democracy and human rights with the struggle between “good” and “evil” in an Islamic framework.¹¹³ MÜSİAD also participated in United Nations Conference on Human Settlements Habitat II City Summit, World Business Forum with 10 different presentations and with a group of 25 people composed of academicians and businessmen led by Erol Yarar in İstanbul during May 30- June 2, 1996.¹¹⁴

¹¹⁰ *Türkiye Gönüllü Kültür Teşekkülleri Toplantıları* [The Meetings of the Turkish Voluntary Cultural Organizations] (İstanbul: MÜSİAD, 1994), p. 3. and for further information about the 5th meeting, see *Türkiye Gönüllü Kültür Teşekkülleri 5. İstişare Toplantısı: 21. Yüzyılda Türkiye'nin Hedefleri – İstanbul, 19 Kasım 1994* [The 5th Advisory Meeting of the Turkish Voluntary Cultural Organizations: Turkey's targets in the 21st Century-İstanbul, 19 November 1994] (İstanbul: MÜSİAD, 1994).

¹¹¹ *MÜSİAD Bülten*, 1997, Vol. 5, No.20, pp. 8-12.

¹¹² “Demokrasi Kurultayı” [Democracy Congress] *MÜSİAD Bülten*, 1998, Vol. 6, No. 29, pp. 17-21.

¹¹³ “Demokrasi, insan hakları mücadelesi, bugünün mücadelesi değildir. Bu mücadele, asırların mücadelesidir. Hazreti Adem'den bu zamana kadar gelen hakla batılın, doğru ile yanlışın, hakların müdafaasının bir mücadelesidir. Ve bu mücadeleyi yapan insanlarda belirli sıfatlar olması gerekir ki bu mücadele Allah'ın izni ile neticeye gitsin ve bu mücadele arzu edile bir şekilde noktalansın.” *Türkiye Gönüllü Teşekküller Vakfı Demokrasi Kurultayı: Hepimiz İçin Demokrasi* [The Foundation of Turkish Voluntary Cultural Organizations' Democracy Congress: Democracy for All of Us] (İstanbul: Türkiye Gönüllü teşekküller Vakfı Yayınları, 1999), p. 69.

¹¹⁴ For further information, see *The Global Business Agenda of MÜSİAD – İstanbul, 30 May-2 June 1996* (İstanbul: MÜSİAD, 1996). In this book, MÜSİAD defines the ideal city as “a place where

These developments show that MÜSİAD has tried to prove itself caring for the public interests beside being a business association related to just interests of its members. As Buğra states,

These activities play a very important role in fostering feelings of solidarity, especially because they all take place in a cultural frame of reference where Islam significantly contributes to the establishment of a shared understanding concerning business ethics, corporate responsibility, and commonality of interests.¹¹⁵

MÜSİAD members derive satisfaction from these activities of the organization, which binds them in a coherent community. The arrangements of travel abroad bring geographically diversified MÜSİAD's members together. Thus, MÜSİAD's social activities acquire a much greater significance for enhancing group cohesion and solidarity.

MÜSİAD has always functioned as an information office as well as a consortium or network firm for its members. The association plays a very important role in network formation by fostering feelings of trust and solidarity both at local and at national level by the periodical meetings of boards and professional committees in different cities. In addition, the association helps its members to solve problems outside organizational activities and provides references to the members for use in their commercial relations. Thus, MÜSİAD could mediate business relations involving input, supply, outsourcing, subcontracting, retailing and distribution of representative agencies. This intermediation facility of the association

justice, ecological balance, knowledge, compassion, affection, solidarity, charity, ability, humility, spirituality, esthetics, beauty and in short all human activities exist.” p. 2 and *MÜSİAD Bülten*, 1996, Vol. 4, No.13, p. 37.

¹¹⁵ Ayşe Buğra, “Class, Culture, and State,” p. 529.

happened to be useful in reducing uncertainty and preventing the breaching of contacts, i.e. in franchising offices distribution by a bigger member to smaller members in different cities. This minimized costs of information gathering and monitoring. MÜSİAD supplies these services more cheaply or free of charge as exclusive selective benefits. The services, such as information provision, and foreign and domestic fairs and trips, readily becomes important providing the cost-saving when the membership structure of MÜSİAD is taken into account.¹¹⁶

Consequently, directed to the needs of a newly forming middle class, MÜSİAD has offered exclusive selective benefits in their activities to widen circles of professional acquaintances. This is an important service for the members whose backgrounds would not position them for such successful networking in the world of business and politics. Thus, MÜSİAD membership provided the possibility of forming acquaintances with other businessmen who could be counted as reliable because they had gone through the meticulous process of enrolment to MÜSİAD.

4.6. Conclusion

In this chapter, I benefited from Olson's collective action theory and Salisbury's exchange theory to understand MÜSİAD's mobilization. We observe Olson's exclusive selective benefits approach to prevent the free-rider problem implemented through MÜSİAD's activities such as its publications, international fairs, foreign trips, educational seminars and etc. exclusively to its members. MÜSİAD's activities also functioned as solitary benefits fostering the common bond

¹¹⁶ Ayşe Buğra, *Islam in Economic Organizations*, pp. 20-22.

of being a MÜSİAD member and developing a MÜSİAD identity among members. When we examine these activities from the perspective of Salisbury's exchange theory, we see that MÜSİAD leaders interrelated the association's survival and mobilization with a mutually advantageous exchange of these benefits. Social identities based on religion, norms and ideology form the basis of interest group organization. This understanding is quite valid in the identity formation of MÜSİAD shaped with reference to Islamic moral values and *Anadoluluk*.

Historically, KOBİs and the Islamic-oriented enterprises -interest-free finance institutions, multi share holder enterprises- fueled through Islam and locality as *Anadoluluk* prospered in 1980s and early 1990s. This resulted in the emergence of MÜSİAD in 1990 that succeeded a speedy expansion in membership volume. In the institutionalization process, MÜSİAD has been challenged by the problems of professionalization. Thus, the association implemented amendments in organizational structure every year to reach stability. However, this is not only due to the inexperience of MÜSİAD but also political-economic structure of Turkey is also not stable either. The dynamism of the organization within this structural framework led MÜSİAD adapt itself to the developments following the February 28 process as well.

Consequently, MÜSİAD is still the largest voluntary business association in Turkey despite the decrease in the number of members in the last years. As a heterogenous structure of businessmen in different sectors and different sizes, it is difficult for MÜSİAD to satisfy its members. This dissatisfaction resulted in the canceling of some memberships and the closure of branch offices.

CHAPTER V

IDEOLOGICAL FRAMEWORK OF MÜSİAD

5.1. Introduction

MÜSİAD has developed a functional understanding, but not a fundamentalist doctrine, of Islam as a common cultural bond among members and a motive to secure markets and to prevent labor militancy. This approach to Islam has been highly colored with Turkish nationalism and Ottoman imperial past. The “MÜ” in the acronym of the association¹ and the projects for economic union among Islamic countries led to allegations that MÜSİAD was a reactionist religious movement rather than a business association. MÜSİAD’s parallel discourse and stand with the *Milli Görüş* parties, WP and VP in our case, fostered this allegation. MÜSİAD was even assumed to be the business extension of the Milli Görüş movement. Thus, the developments following the February 28 process negatively affected the association. MÜSİAD members found themselves portrayed as regular outlaws, which resulted in a discourse change through replacement of merits of Islamic solidarity by the irrelevance of religious faith and capital.

MÜSİAD referred to the East Asian model of development as another ideological pillar. This reference was due the model’s conformity to the increasingly dominant system of “flexible production”² permitting MÜSİAD to emphasize communitarian and Islamic moral values. Despite severity of the economic and

¹ Ayşe Buğra, *Islam in Economic Organizations* (İstanbul: TESEV Yayınları, 1999), p. 24.

² Ayşe Buğra, “The Claws of the ‘Tigers’ ” *Privateview: The Quarterly International Review of the Turkish Industrialists’ and Businessmen’s Association*, Autumn 1997, Vol. 1-2, No. 4-5, p. 50.

financial crisis faced by East Asian economies, MÜSİAD anticipated that these economies are to resume their high growth performance in a short time. However, this ideological pillar of MÜSİAD was destroyed following the East Asian economic crisis. The existence of TÜSİAD and its members of Turkish big conglomerates have also been influential in the identity formation of MÜSİAD. MÜSİAD criticized that these big conglomerates have developed their business not via their entrepreneurial success but via their close relation with the state. Despite MÜSİAD's critics on the state's role in Turkish interest group politics, it stood close to the Refahiyol government to secure state benefits.

This chapter outlines the ideological framework of MÜSİAD to understand the structuration and the identity formation of the association. In this context, I will firstly analyze the role and function of Islam for the association. Then, I will analyze the consequences of February 28 process that oriented MÜSİAD to de-emphasize Islam in its discourses. I will also analyze the similarities and differences between MÜSİAD and Milli Görüş parties, especially WP-VP. On the economic side, my focus will be another ideological pillar of MÜSİAD, the East Asian development model that is overshadowed following the economic crisis in East Asian countries. I will also pay attention to TÜSİAD as “the other” in the identity of MÜSİAD.

5.2. MÜSİAD and Islamist Politics

5.2.1. The Role and Function of Islam within MÜSİAD

Islam kept its importance in the Turkish society and acted as a “binding force” among a newly developing business class although secularism has been state policy since the establishment of the Turkish Republic. Islam also “...appears to be

consistent with certain trends in global production and trade patterns that are emphasized by MÜSİAD's administration.”³ In this section, I will discuss the role and function of religion and its transformation in MÜSİAD's discourses.

When it comes to the issue of Islam, MÜSİAD's rhetoric emphasizes the Islamic identity basis for the formation of networks of trust and solidarity.⁴ This framework has characterized Islam as an organizational resource to successfully bridge the association's narrow interest representation role and its wider class mission of social transformation.

Being a pious Muslim has not only been one facet of the typical MÜSİAD member identity since business and co-operation with the normal, read interest based, banks was not banned as a commercial practice among MÜSİAD members. However, MÜSİAD members are encouraged to ask a *fiqh* (Islamic law) adviser for *halal* (lawful in Islamic terms) way of earning and spending.⁵ In the same way, Erol Yarar, in the 6th Financial General Meeting of MÜSİAD, indicated the importance of acting according to communitarian conscience and keeping Muslim businessmen in unity while earning in a *halal* way.⁶ Thus, he defined Muslim businessmen as today's *akıncılar* (pioneer force of the middle age armies). In short, in a MÜSİAD periodical, traits of Muslim businessman are described as:

... a Muslim businessman must earn halal means (in the way that Allah wants) and spend in a halal way, he must avoid tricks,

³ Ayşe Buğra, “Class, Culture, and State: An Analysis of Interest Representation By Two Turkish Business Associations” *International Journal of Middle East Studies*, Vol. 30, p. 530.

⁴ Ayşe Buğra, *Islam in Economic Organizations*, p. 55.

⁵ Erhan Eken, “Fıkıh Danışmanlığı” *MÜSİAD Bülten*, Vol. 3 No. 5, 1995, p. 3.

s 6th General Financial Congress

speculation and monopolizing, he should not pursue areas of profit that would not please Allah even though they might be very profitable and rational, i.e. producing, selling or advertising alcoholic products, running gambling halls or usury should all be avoided, just as a Muslim should not pursue everything without limit, a Muslim businessman should not produce or do business without limits, he should earn by means of effort and risk, he should escape from interest earnings where he has put no effort and taken no risks, a Muslim must be very careful of the rights of his employees and those with whom he does business. He must know that any earnings gained by abusing other rights will be harmful over the long run, when spending he should avoid the two extremes of wastefulness and miserliness as well as avoiding ostentation, capital should not be left idle; it should be directed to fields suitable to religion, a Muslim businessman must never forget that his capital is a trust and that he must fulfill all his responsibilities toward it.⁷

Ayşe Buğra defines Islamic business at the associational level, as the activities of business associations that have claims to an Islamic worldview. She evaluates MÜSİAD by far the most influential organization bringing its members together in a coherent community of interest and common values.⁸ The level of Islamic business appears to be the network in which Islam functions as the key element in the intense cooperation among small or medium-sized economic units. The aim is to achieve competitiveness and access to public resources that would certainly not be feasible without such cooperation. In fact, this has been more evident especially in MÜSİAD's operation like a consortium in its privatization offers in 1998.⁹

⁷ Erhan Eken, "Genel Yayın Yönetmeninden" [From the Editor], *MÜSİAD Bülten*, Fuar Forum Özel Sayısı, 1997, Vol. 5, No. 18, p. 4.

⁸ Ayşe Buğra, *Islam in Economic Organizations*, pp. 48.

⁹ Ziya Öniş, "The Political Economy of Islamic Resurgence in Turkey: The Rise of the Welfare Party in Perspective" *Third World Quarterly*, September 1997, Vol. 18, No. 4, p. 758.

The “MÜ” standing for *müstakil* (independent) is read as *Müslüman* (Muslim)¹⁰ by the secular circles to connote religious reactionism rather than religious attitudes in conjunction with MÜSİAD. This etymological background also provides some indication of MÜSİAD’s socio-economic basis and its ideological orientation since many members have a background of a conservative, rural environment imprinted by Sunni Islam.¹¹ Moreover, these segments of the new, mainly Anatolian, business community, represented by MÜSİAD, have promoted ties with the broader Islamic world, often in symbolic terms associated with capitalist consumption. This has also included sales campaigns promising donations to Muslim charities working in Bosnia and Chechnya.¹² MÜSİAD, in this context, has given special importance to several subjects as the Palestine issue through which the association severely condemned the occupation and activities of Israel against Muslim population in every opportunity.¹³ MÜSİAD also used the same harsh language against Russia in relation to Chechnya.¹⁴ In addition to these, MÜSİAD was quite critical about the French Parliament decision approving “the so-called Armenian genocide.”¹⁵ These examples show the essence of Islamic understanding

¹⁰ The preference of *müstakil* is also interesting since it is Arabic originated and in modern Turkish *bağımsız* is used for independent.

¹¹ M. Hakan Yavuz, “Turkish-Israeli Relations Through The Lens of the Turkish Identity Debate” *Journal of Palestine Studies*, Autumn 1997, Vol. 27, No. 1, p. 24.

¹² *Ibid.*, p. 25.

¹³ “MÜSİAD Başkanı Erol Yazar’dan Kurban Bayramı Mesajı” [Erol Yazar’s Message for Sacrifice Festival] *MÜSİAD Bülten*, 1996, Vol. 4, No.13, p. 3.

¹⁴ “MÜSİAD’dan Çeçenistan ve Türk Halkına Başsağlığı Mesajı” [MÜSİAD’s Funeral Message for the People of Chechnya and Turkey] *Ibid.*, p. 18.

¹⁵ *MÜSİAD Bülten*, 1998, Vol. 6, No. 29, p. 26.

of MÜSİAD that is highly mixed with nationalism giving special importance to the Ottoman imperial past.

MÜSİAD also represents the Turkish model of industrialist-businessman whose main intention is not to become rich but to do something for his own homeland. This motivation of commercial endeavor is best explained in *vatana, memlekete vefa borcu* (debt to one's fatherland, country).¹⁶ Interestingly, the discourse on commonality of interests and their harmony opposed to class conflict also intersects the Islamic business ethic with its Kemalist counterpart that emphasized national interest as the only one ignoring individual and/or class interests. Turkish big-business community, led by TÜSİAD in fact internalized those elements of Kemalist rhetoric for a long time and they tried "to legitimize their wealth on the basis of their contributions to the economic development of the country."¹⁷ In many cases such patriotism is highly composed of Turkish nationalism. This is clearly felt on the discourses of Turkish businessmen and industrialists while they are opening up or building bridges with the Turkic Republics of Central Asia.

Marketing strategies with religious references are also important on the domestic front for MÜSİAD members. MÜSİAD member companies benefited from such references in their advertising activities to publicize a large number of consumer goods and services ranging from clothing, i.e. Tekbir Haute Couture Inc.,

¹⁶ Karin Vorhoff, "Businessmen and Their Organizations: Between Instrumental Solidarity, Cultural Diversity, and the State" in *Civil Society in the Grip of Nationalism* (İstanbul: Orient-Institut der DMG 2000), Stefanos Yerasimos, Günter Seufert Karin Vorhoff St. Yerasimos, G. Seufert, K. Vorhoff, eds., p. 167.

¹⁷ Ayşe Buğra, "Class, Culture, and State," p. 533.

to luxury hotels, i.e. Caprice Hotel. Islam appears as an important resource to enlarge the market share of MÜSİAD's member companies. However, Islam's role in the generation of investment funds appears to be much more important as in the case of multi share holding companies.

The mission of MÜSİAD is abbreviated in the organization's slogan "high morality, high technology," and its logo characterizing man and technology in a harmonious circle.¹⁸ Thus, MÜSİAD does not condemn capitalism *per se*, but criticizes the devious materialism of western capitalism in which human is degraded to an alienated being that is lack of spirituality and far away from the absolute knowledge of Allah.¹⁹ This attempt at reconciling capitalism, modernization and Islam has oriented MÜSİAD in the construction and representation of a new businessman. However, this new businessman has appeared as a truly indigenous entrepreneur keeping his/her religious and local habits while adopting global fashions.²⁰

MÜSİAD's publications and the statements of association's representatives are quite illuminating to understand the meaning of MÜSİAD's "national and moral values" discourse in business. This discourse introduces Islam as the essential reference in daily and economic life activities.²¹ In this context, Mustafa Özel, an

¹⁸ For further information, see Erol Yazar, *A New Perspective of the world at the Threshold of the 21st Century* (İstanbul: MÜSİAD, ?).

¹⁹ For further information on MÜSİAD's approach, see 4th International Business Forum (IBF) in 1998 multimedia show text. *Çerçeve*, 1998, Vol. 6, No. 23, pp. 4-7.

²⁰ Karin Vorhoff, "Businessmen and Their Organizations," p. 162.

²¹ For further information on Islamic business within a modern, capitalist environment, see Hamdi Döndüren, *İslami Ölçülerle Ticaret Rehberi: 100 Soru 100 Cevap* [Business Guide with Islamic Measurements: 100 Questions and 100 Answers] (İstanbul: Erkam Yayınları, 1998).

ideologue of the organization, has produced quite much on capitalism, globalization and Muslim business tradition in Turkey.²² MÜSİAD's periodicals; *Bülten*, *Çerçeve* and *EKOMÜSİAD*, mainly include essays focusing on the relation between Islam and economics to develop arrangements for trade and production compatible with the ban on interest. These articles try to establish correct practices or rules for Muslim businessmen with recourse to Islamic theological sources. In these articles, parallels such as modern practices in economics, i.e. venture capital, and *murabaha*, authentic practices of Muslim societies in pre-industrial times, are shown.²³ They also inquire and refer to the economic system in the classical Ottoman period. Thus, MÜSİAD's Muslim fraternity discourse emerges as a clear Turkish variant in which the Ottomans are praised as one's "exemplary forefathers free of sin."²⁴

Being Islamic and oppositional provides MÜSİAD to underline the importance of general industrial progress, rapid development and export growth for

²² Some of his books Mustafa Özel, *Piyasa Düşmanı Kapitalizm* [Capitalism the Market Enemy] (İstanbul: İz yayıncılık, 1993); *İktisat ve Din* [Economy and Religion] (İstanbul: İz yayıncılık, 1994); *Amerikan Yüzyılı'nın Sonu* [The End of American Century] (İstanbul: İz yayıncılık, 1994); *Birey, Burjuva ve Zengin* [Individual, Bourgeoisie and Rich] (İstanbul: Kitabevi Yayınları, 1994); *Devlet ve Ekonomi* [State and Economy] (İstanbul: İz yayıncılık, 1995); *Değişim ve Kriz* [Change and Crisis] (İstanbul: İz yayıncılık, 1995); *Niteliğin Egemenliği* [The Hegemony of Quality] (İstanbul: İklim Yayınları, 1995); *Yöneticilik Dersleri* [Lessons on Management] (İstanbul: İz Yayıncılık, 1996); *İstikbal Köklerde* [Future is in the Roots] (İstanbul: İz Yayıncılık, 1996); *Medeniyet ve Modernlik* [Civilization and Modernity] (İstanbul: Kitabevi Yayınları, 1997), *Ticaret Savaşları* [Trade Wars] (İstanbul: Kitabevi Yayınları, 1997), *Refahlı Türkiye* [Turkey with Refah] (İstanbul: İz Yayıncılık, 1997); *Müslüman ve Ekonomi* [Muslim and Economy] (İstanbul: İz Yayıncılık, 1997); *İslam Geleneğinden Çağdaş Dünyaya Etkici Yönetici* [Impressive Manager from Islamic Tradition to Modern World] (İstanbul: İz Yayıncılık, 1998); *Liderlik Sanatı* [Art of Leadership] (İstanbul: İz Yayıncılık, 1998), Mustafa Özel, trans. and ed. *Stratejik Yönetim ve Liderlik* [Strategical Management and Leadership] (İstanbul: İz Yayıncılık, 1995); *İktisat Risaleleri* [Pamphlets on Economy] (İstanbul: İz Yayıncılık, 1997); *Küresel Rekabet* [Global Competition] (İstanbul: İz Yayıncılık, 1998).

²³ Erol Yarar, "Risk Sermayesi Üzerine" [On Venture Capital] *Çerçeve*, 1997, Vol. 5 No. 20, p. 5.

²⁴ Karin Vorhoff, "Businessmen and Their Organizations," p. 166.

its members.²⁵ Thus, Islam is put forward in a way that “...certain elements of a minority psychology, manifested in the expression of a feeling of being excluded from economic life controlled by a big-business community supported by the secularist state, have a significant place in the organizing rhetoric of this association.”²⁶ However, MÜSİAD’s religious discourse is not just a rhetorical activity but it is a part of its grand strategy of a closer union with the Islamic world. In this context, the association formulated concrete projects for economic union among Islamic countries.²⁷

The Cotton Union is such a favorite project that envisions to promote an economic and later political co-operation between the cotton-producing countries of the Near East and Central Asia. This project covers Turkey, Pakistan, Uzbekistan and Turkmenistan and visualizes a combined strategy of expansion to augment international competitiveness in cotton textiles and related fields in the countries concerned.²⁸ MÜSİAD presents Turkey as the leading power of this possible union due to its relatively high technological standards and its closeness to western markets. The association aims to develop this project into a Silk Road Union, which should evolve into an economic and political power bloc, challenging the USA and

²⁵ Ayşe Buğra, “The Claws of the ‘Tigers’ ” p. 50.

²⁶ Ayşe Buğra, “Class, Culture, and State,” p. 529.

²⁷ For further information, see Haşmet Başar, *İslam Ülkeleri Arasında Ekonomik İşbirliği* [Economic Co-operation among Islamic Countries] (İstanbul: MÜSİAD, 1994).

²⁸ Ziya Öniş, “The Political Economy of Islamic Resurgence in Turkey,” p. 760.

the EU in future.²⁹ In short, MÜSİAD develops a kind of rhetoric based on Third World solidarity among Muslim countries.

MÜSİAD aims to “become an effective economic power in the 21st century”³⁰ by encouraging cooperation among Islamic societies. According to MÜSİAD, Islamic countries are becoming increasingly more important in the world trade by holding 25% of natural resources.³¹ In this context, Islamic mysticism is reformulated as a component of the socio-economic strategy advocated by MÜSİAD. Yarar, mentioning the reasons of the economic backwardness of the Muslim world, he indicates that “The mystical motto, “*bir lokma bir hurka*” (one mouthful food, one short coat) was misconceived and opened the way to sluggishness. As a result, motivation towards the world was lost completely.”³²

According to Yarar, Islamic world, including Turkey, could not follow the economic developments emerging with industrial revolution in the west and could not form their own industrial and education policies.³³ In fact, MÜSİAD repeatedly emphasizes and propagates the need for Islamic solidarity and the compatibility of

²⁹ For further information see, Mehmet Tasmacı, Yusuf Olcay and Orhan Kavuncu, *Pamuk Birliği 1996* [Cotton Union 1996] (İstanbul: MÜSİAD, 1996) and Murat Çemrek, “MÜSİAD’s Cotton Union Project (CUP): An Important Cornerstone for the Development of Central Asian Economies” in *Development Issues in Central Asia*, Jonathan Warner, ed. (Bishkek: Civic Education Project and American University in Kyrgyzstan, 1999), pp. 204-222.

³⁰ Natic Akyol’s speech, *MÜSİAD Bülten*, Fuar Forum Özel Sayısı, 1997, Vol. 5, No. 18, p. 28. He was both the Vice Chair of MÜSİAD chairing Foreign Relations Department.

³¹ *MÜSİAD Bülten*, Fuar Forum Özel Sayısı, 1997, Vol. 5, No. 24, p. 5.

³² Erol Yarar, *A New Perspective of the world at the Threshold of the 21st Century*, p. 39.

³³ Erol Yarar, “21. Yüzyıla Girenken Dünya ve Türkiye’ye Yeni Bir Bakış” [A New Prospect on the World and Turkey while Entering the 21st Century] *MÜSİAD Bülten*, 1996, Vol. 4, No. 13, p. 10.

Islam with entrepreneurial activity.³⁴ Thus, the organization develops an Islamic reading of modernity with a vision accepting that science and technology of the West could be imported without their values. This approach to modernization has been kept in the Islamist circles in Turkey since the beginning of modernization process.³⁵

Erol Yarar views Islam “as a revealed ideology ... singularly characterized by social integrity and cooperation [thus] cooperation should be considered as an integral part of our religion... To realize [that Muslim countries] have no other alternative.”³⁶ Erol Yarar, in his opening speech of the 3rd IBF meeting, indicated that

... first everyone should know that Muslims and Islamic civilization never put forth a strategy based on conflict, because the word ‘Islam’ means peace. It is believed that peace and freedom take man to the truth. Rather than establishing unity by making enemies, Islam aims for cohesion and understanding through increasing friendship. From this perspective, Islam represents peace and serenity; it does not represent terror as some circles are trying to spread. If a civilization representing war is being sought. It is western civilization, as historical realities showing world history $\frac{3}{4}$ of the wars where more than 250 thousand people were killed took place in Western Europe, and only fifty years ago millions of innocent people were killed in the middle of Europe by Hitler and Stalin.³⁷

In the opening speech of 2nd IBF meeting, Yarar argued that since the Islamic countries have not established economic unity among themselves, they have not been able to obtain an adequate share of the world market. He indicated that using

³⁴ Ayşe Buğra, *Islam in Economic Organizations*, pp. 26-27.

³⁵ For a good critique of this approach, see İsmet Özel, *Üç Mesele; Teknik, Medeniyet, Yabancılaşma* [The Three Matters: Technics, Civilization, Alienation] (İstanbul: Çıdam Yayınları, 1992).

³⁶ Erol Yarar, “Foreword” in Haşmet Başar, *Economic Cooperation among Islamic Countries* (İstanbul: MÜSİAD, 1994), p.3.

³⁷ *MÜSİAD Bülten*, Fuar Forum Özel Sayısı, 1997, Vol. 5, No. 24, p. 14.

the Medina Market model, Islamic countries must develop mutual trade and economic cooperation. Yazar also recommended that this should be accomplished with the pioneer role of the private sector developing a trade network. He urged that businessmen should take the lead and Islamic countries should speed up this process by being helpful to one another in this matter.³⁸ He related this approach with Prophet Muhammad's Medina Market and defined its main principles as:

[The Prophet] established three main principles for the Market in Medina: (1) trade among believers should be promoted and commercial activities should not be taxed in advance; (2) the market should be free, no one should have a privileged position; and (3) price formation should take place without any intervention.³⁹

He also noted that

Since the establishment of MÜSİAD, our aim is to establish the Medina market according to the teachings of our Prophet Muhammad via the interrelation of *emir* (leader), *alim* (scholar), and *tacir* (businessman) with the motto of 'high morality, high technology'. We know that Islam disseminated through successful Muslim businessmen... as MÜSİAD our target is to develop cooperation via forming global business network among Muslim countries.⁴⁰

It is obvious that MÜSİAD propagated a competitive economic system with reference to the rules set by the Prophet Mohammed himself on the functioning of the Medina market as guidelines. The Prophet excluded state intervention and eliminated taxes in the Medina market except the *zekat* (alms giving), given "either

³⁸ Nusret Özcan, "MÜSİAD Öncülüğünde Emir-Alim-Tüccar Buluşması" [Leader-Scholar-Trader Meeting under MÜSİAD's Initiative] *MÜSİAD Bülten*, Fuar Forum Özel Sayısı, 1997, Vol. 5, No. 18, p. 9.

³⁹ "Fair-Forum Multi-vision Script" Ibid., p. 16.

⁴⁰ Tayfun Ergin, *MÜSİAD'in Suudi Arabistan Gezisi: 6-13 Ocak 1997*, [MÜSİAD's travel to Saudi Arabia: 6-13 January 1997], pp. 3-4.

to the state or directly to the poor.”⁴¹ MÜSİAD’s discourse on Medina market and zekat could be analyzed from the perspective that the organization is for decreasing the taxes as much as possible while decreasing the role of the state in economy.

In this context, MÜSİAD sees Islam helpful for gaining back the lost markets in the Muslim populated countries. Ömer Bolat argues that Turkey has a “super power” image in the Islamic world but Turkey even could not succeed to be a regional power. He offers that this image could be utilized to sell Turkish products in Muslim countries that are full of American and German products.⁴² This is parallel to Menderes Çınar’s argument that MÜSİAD accepts the market rationalism as an economic/economist rationality rather than cultural to re-establish Islamic civilization hand in hand with the formation of a powerful Turkey. As a result, MÜSİAD proposes alternative legitimizing ideology rather than an alternative economic model.⁴³ Thus, MÜSİAD’s market rationalism is to preserve the interests of the newly rising bourgeoisie elite that demands less “state shadow” due to their disadvantaged position of getting almost no credit or further incentives. In sum, MÜSİAD develops this market rationalism within an Islamic framework without sacrificing the capitalist richness.

MÜSİAD opposes both standard welfare state provisions and organized representation of interest by labor unions. Yazar states that “the ‘social state’ (sic.)” is “among those characteristics of the now outmoded industrial society which are

⁴¹ Ayşe Buğra, “The Claws of the ‘Tigers’ ” p. 54.

⁴² Interview with Ömer Bolat.

⁴³ Menderes Çınar, “Yükselen Değerlerin İşadamı Cephesi: MÜSİAD” [The Businessmen Front of Rising Values: MÜSİAD] *Birikim*, No. 95, Mart 1997, pp. 52-56.

often incompatible with the requirements of the currently ascending information society.”⁴⁴ Thus, the promotion of KOBİs based on Islamic business ethics and loyal labor constitute one of MÜSİAD’s major organizing themes.⁴⁵ In this context, leniency and flexibility emerge as characteristics of Islamic economics in labor markets. MÜSİAD’s emphasis on flexibility is characterized by “production for changing markets, increased use of a labor pool using tacit knowledge, and less hierarchical, vertically organized management.”⁴⁶ MÜSİAD argues that such arrangement on communitarian solidarity and flexible production avoids the problems of alienation and impoverishment of human relations associated with modern industrial society.⁴⁷ Thus, religious ties binding the community of believers are often referred for providing stable and productive industrial relations.

MÜSİAD experts propose replacement of formal labor relations and collective bargaining practices by mutual trust, affection and respect. Just and punctual payment of employee is attributed to Islamic business ethics.⁴⁸ This understanding also incorporates treating labor force as “family members” as a natural outcome of Islamic business ethics. However, this approach cannot be a legally guaranteed right of workers formally enforced by law. In this framework, workers’ obligations are defined with reference to Prophet Mohammed’s statements such as “...the income that is most highly regarded by Allah is the income of the

⁴⁴ Erol Yerar, *A New Perspective of the World at Threshold of the 21st Century*, p. 12.

⁴⁵ Ümit Cizre- Sakallıoğlu and Erinç Yeldan, “Politics, Society and Financial Liberalization: Turkey in the 1990s” *Development and Change*, Vol. 31, No. 2, March 2000, p. 500.

⁴⁶ Ayşe Buğra, “The Claws of the ‘Tigers’ ” p. 52.

⁴⁷ *Ibid.*, p. 50.

⁴⁸ Ayşe Buğra, “Class, Culture, and State,” pp. 532-533.

worker who is respectable to his employer” or “...whoever goes to sleep exhausted by hard work for his daily bread sleeps with all his sins forgiven.” Thus, MÜSİAD interprets Islamic business-labor relations through mutual trust between the employer -affectionate and just to his/her employees- and the worker -respectful and hardworking- needless of a formal labor code and especially, labor unions.⁴⁹ This approach largely excludes formal, institutionalized mechanisms of social security and increase the vulnerability of the labor to be protected by informal and personal support networks through kinship ties and religion. However, MÜSİAD’s understanding of labor relations contrasts with that of the Islamic-oriented trade union federation Hak İşçi Sendikaları Konfederasyonu-Hak-İş [The Confederation of Right Worker Unions]. Salim Uslu, the president of Hak-İş, indicated that MÜSİAD members’ not permitting organization of trade unions in their establishments clearly approve such “Islamic” principles.⁵⁰

Consequently, MÜSİAD has a functional Islamic understanding influenced by the Ottoman imperial past and Turkish nationalism to revive the Islamic civilization. This approach opposes any other interpretation with the argument that any understanding blocking prosperity cannot be “Islamic.” MÜSİAD indicates that Islam preaches harmony and peace opposed to conflict and controversy so the presence of labor unions and possible strikes is excluded in the name of such harmony and peace. MÜSİAD benefits Islam as a cultural spirit to motivate businessmen to develop their business while silencing the labor. Thus, MÜSİAD’s emphasis on Islam cannot be evaluated as an extent of reactionism but it provides a

⁴⁹ Ayşe Buğra, *Islam in Economic Organizations*, p. 49.

⁵⁰ *Ibid.*, p. 28.

common bond for its members. In sum, the role of Islam for MÜSİAD is to provide more markets in the Islamic world which was captured by the non-Muslim powers. However, MÜSİAD's emphasis on Islam lessened following the February 28 process that will be explained below.

5.2.2. MÜSİAD and the February 28 Process

On February 28, 1997, in the regular monthly meeting of National Security Council (NSC) the top five generals led by the chief of the military staff armed forces gave the government an ultimatum to composed of 18 articles. The generals strictly indicated the importance of necessary measures to be taken immediately for fighting with the *irtica* and preserving the secular Turkish Republic. This was a state elite reaction against the coalition government led by pro-Islamic Prime Minister, Necmettin Erbakan.⁵¹ This attempt was evaluated as a “post-modern coup d'état”⁵²

⁵¹ For a partial literature developed on February 28 Period, see Abdullah Yıldız (ed.), *28 Şubat/Belgeler* [28 February/Documents] (İstanbul: Pınar Yayınları, 2000); Ali Bayramoğlu, *28 Şubat Süreci: Bir Müdahelenin Güncesi* [The February 28 Process: The Diary of An Intervention] (İstanbul: Birey Yayınları, 2001); Alpat İnönü, *Hamamböcekleri, Ateştopu ve Askerler: 28 Şubat Sürecinde Türkiye* [Insects, Fireball and Soldiers: Turkey in the February 28 Process](İzmir: Mayıs Yayınları, 1999); Bedri Baykam, *Ordu Satranç Oynarken: Kemalizm'e Karşı Iskalanın Komplo ve 28 Şubat'a Giden Uzun Yol* [While Military was Playing Chess: The Failed Conspiracy against Kemalizm and the Long Path to February 28] (İstanbul: Piramit Film Prodüksiyon Yapımcılık ve Yayıncılık, 2001); Cengiz Çandar, *Çıktık Açık Alınla: 28 Şubat Postmodern Darbe Gecişi'nde (1996-2000)* [Open Foreheads: Through the February 28 Post-modern Coup Detat's Passage] (İstanbul: Timaş Yayınları, 2001); Doğu Perincek, *28 Şubat ve Ordu* [28 February and the Military] (İstanbul: Kaynak, 2000); Emre Kongar, *28 Şubat ve Demokrasi* [28 February and Democracy] (İstanbul: Remzi Kitabevi, 2000);Ergun Aksoy, *28 Şubat'tan Balgat'a: Mücahit* [From 28 February to Balgat: Mujahid] (Ankara: Ümit Yayıncılık, 2000); Fikret Başkaya, *Yediyüz: Osmanlı Beyliği'nden 28 Şubat'a: Bir Devlet Geleneğinin Anatomisi* [Seven Hundred: From Ottoman Fiefdom to 28 February: The Anatomy of A State Tradition] (İstanbul: Ütopya Yayıncılık, 1999); Hakan Akpınar, *28 Şubat/Postmodern Darbenin Öyküsü* [28 February/The Story of Postmodern Coup Detat] (Ankara:Ümit Yayıncılık, 2001); Hulki Cevizoğlu, *28 Şubat: Bir Hükümet Nasıl Devrildi* [28 February: How was a Government Overthrown?] (İstanbul: Ceviz Kabuğu Yayınları, 2001); Hulki Cevizoğlu, *Generalinden 28 Şubat İtirafı: Post-modern Darbe* [28 February Confession from Its General: Post-Modern Coup Detat] (İstanbul: Ceviz Kabuğu Yayınları, 2001); Kazım Güleçyüz, *Balans Ayarı Birinci Bölüm: 28 Şubat Öncesi* [Car Wheel Balance First Episode: Pre-28 February] (İstanbul: Yeni Asya Neşriyat, 2000); Kenan Akın, *Milli Nizam'dan 28 Şubat'a Olay Adam Erbakan* [From National Order to 28 February Erbakan the Man of Events] (İstanbul: Birey Yayıncılık, 2000);

or “light coup” and the forthcoming period was labeled as the February 28 process in which any development with Islamic connotations in the public sphere was severely repressed by the state. Consequently, such a development not only affected the cabinet, which resigned on June 18, 1997, but also MÜSİAD.

One of the articles given to the government by the military on February 28, 1997 was to replace the five years permanent compulsory education with the eight years one. Erol Yarar opposed the eight years permanent compulsory education project harshly.⁵³ He indicated that there is a settlement of atheist-unreligious education and life under the title of permanent education.⁵⁴ This speech opened the beginning of a problematic period for MÜSİAD. Thus, speeches and financial transfers made by MÜSİAD’s chairman and officers were taken as evidence of irtica.

On May 25, 1998 the State Security Court (SSC) public prosecutor demanded the closure of MÜSİAD for violating the laws governing Societies and Associations. The court also charged MÜSİAD Chairman Erol Yarar with “provoking enmity and hatred among the people by indicating differences of ...

Mustafa Erdogan, *28 Şubat Süreci* [February 28 Process] (Ankara: Yeni Türkiye Yayınları, 1999); Nazlı Ilıcak, *28 Şubat Sürecinde Din ve Laiklik* [Religion and Secularism during the February 28 Process] (İstanbul: Birey Yayıncılık, 1999); Nazlı Ilıcak, *Sert Adımlarla Heryer İnlesin: 28 Şubat’ın Perde Arkası* [The Background of 28 February] (İstanbul: Timaş Yayınları, 2001); Nevzat Bolugiray, *28 Şubat Süreç* [February 28 Process] (İstanbul: Tekin Yayınları, 1999); Talat Turhan, *27 Mayıs 1960’tan 28 Şubat 1997’e: Devrimci Bir Kurmay Subay’ın Etkinlikleri* [From 27 May 1960 to 28 February 1997: The Activities of a Revolutionary Military Staff Officer] (İstanbul: Sorun Yayınları, 2001); Yavuz Donat, *Öncesive Sonrasıyla 28 Şubat* [28 February with Its Pre and Post Period] (Ankara: Bilgi Yayınevi, 1999).

⁵² Çengiz Çandar, “Post-modern Darbe” 28.06.1997, in *Çıktık Açık Alınla: 28 Şubat Postmodern Darbe Geçidi’nde (1996-2000)*, p. 119. Çengiz Çandar is the first one to use this concept.

⁵³ *MÜSİAD Bülten*, Vol. 5, No.22, 1997, pp. 23-24.

⁵⁴ *MÜSİAD Bülten*, Vol. 5, No.23, 1997, p. 7. “Ülkede kesintisiz eğitim adı altında kesin dinsiz eğitim ve kesin dinsiz hayatın gündeme yerleştirilmesine çalışıldı...”

religion and confession” according to the Turkish Penal Code No. 312.⁵⁵ The reason of this charge was a speech that he made on October 4, 1997 criticizing the new education law extending the compulsory education period from five to eight years. The law also brought restrictions on religious education,⁵⁶ especially the closure of the middle section of the *İmam-Hatip* (Prayer Leader Preacher) schools.⁵⁷ In this speech, Yazar’s call for a “liberation struggle” constituted a crime according to the prosecutor. Yazar described the new education law as the work of “non-believers” saying that “*kesintisiz eğitim kesin dinsiz eğitim*” (“uninterrupted education is certain un-religious/atheist education”) and he also likened the proponents of this law to “dogs.”⁵⁸ Afterwards, Yazar evaluated the file against him as *adaletsiz* (unjust) and *mesnetsiz* (resourceless).⁵⁹

Yazar’s hearing was held on June 29, 1998 in the SSC in Ankara and the prosecutor asked for a one to three year prison sentence for him. At the hearing on July 29, Yazar denied his opposition to the eight-year compulsory education.⁶⁰ In May 1999, the court convicted the first file about Yazar with a suspended sentence

⁵⁵ According to Turkish Penalty Code, Article 312-2, inciting hatred among people by making reference to class, race, religion, sect and region differences is a crime and one who commits this crime shall be sentenced from one to three years of prison.

⁵⁶ *Turkish Probe*, May 31, 1998, p. 18.

⁵⁷ *MÜSİAD Bülten*, 1998, Vol. 6, No. 29, p. 12.

⁵⁸ To liken someone to dog is a very severe humiliation in Turkish culture.

⁵⁹ *MÜSİAD Bülten*, 1998, Vol. 6, No. 29, pp. 4-5. Also see, Cüneyt Ülsever, “Anadolu Sermayesinden Bu Kadar mı Korkuyorlar?” [Are They Frightened by Anatolian Capital This Much?] *Finansal Forum*, 27 May 1998; Nazlı Ilıcak, “MÜSİAD’a Ali Cengiz Oyunu” [Tricky Game to MÜSİAD] *Yeni Şafak*, 28 May 1998; Gülay Göktürk, “312 Hızır Gibi” [312 is Fast as Light] *Yeni Yüzyıl*, 28 May 1998.

⁶⁰ *Turkish Probe*, May 31, 1998, p. 12.

with probation for him but rejected the closure of MÜSİAD. Thus, Yarar resigned from the chairmanship in MÜSİAD's 8th General Congress on May 22, 1999 and was replaced by Ali Bayramoğlu, one of the Vice-Chairman. This resignation was perhaps not natural when one takes related external conditions and the political climate unfavorable for the association following 28 February process. Interestingly, in July 1999 a new case was opened against the new president, for the same offence of Yarar "provoking enmity and hatred among the people by indicating differences of ... religion and confession."⁶¹

MÜSİAD opened court files against some newspapers due to their news accusing the organization with religious reactionism. MÜSİAD won the file against *Milliyet*, Turkish daily, on August 20, 1997 due to the publication of the news "Ordu'dan Ambargo: Genel Kurmay İrticacı Kuruluşlardan Alışveriş Yapmayın" (Embargo from Military- General Headstaff: Do not Have Shopping from Reactionist Enterprises) in which MÜSİAD member firms are cited.⁶² Moreover MÜSİAD also won the files against *Hürriyet*, Turkish daily, which put the headline as "MÜSİAD Topun Ağzında" (Alert for MÜSİAD) on May 25, 1998 and *Radikal*, Turkish Daily, as "MÜSİAD'a Kapatma İstemi" (Demand for the Closure of MÜSİAD) and on May 26, 1998 *Radikal*, "Yeşil Sermayede Panik" (Panic at Green Capital), on April 24, 1998 *Güneş*, Turkish daily, "MÜSİAD'a İrtica Operasyonu" (Reactionist Operation against MÜSİAD), on April 24, 1998, *Yeni Yüzyıl*, Turkish daily "MÜSİAD'a Büyük Darbe" (Huge Strike on MÜSİAD), on April 21, 1998, *Sabah*, Turkish daily "İrticacı Sermayeye Büyük Baskın" (Huge Pressure on

⁶¹ *Radikal*, Turkish daily, 22 April 1999, 29 June 1999 and 6 July 1999.

⁶² *MÜSİAD Bülten*, Vol. 5, No.23, 1997, pp.45-48.

Reactionist Capital) and on April 22, 1998, *Akşam*, Turkish daily “MÜSİAD’cılara İrtica Sorgusu.” (Questioning of Reactionism against MÜSİAD members).⁶³ These newspaper headlines show how MÜSİAD fell into an illegitimate position before state elite, which negatively affected its credibility and power in lobbying.

The events in the aftermath of February 28 Process had put MÜSİAD businessmen in the position of ordinary outlaws symbolized in the term *yeşil sermaye* (green capital). Thus, MÜSİAD rejected this term that the secularists use in relation to the conservative religiously oriented business circles.⁶⁴ The military chief of staff’s released a list of companies that were alleged to be in alliance with religious reactionism and declared to exclude them from public auctions in army contracts. This statement of the military oriented MÜSİAD circles to shift their discourse on the merits of Islamic solidarity to prove the irrelevance of religious faith and capital. Thus, under these circumstances, Islam had become an obstacle before business rather than an asset. Then, MÜSİAD circles started to underline that “money has no religion, no faith, and no ideology” in their statements.⁶⁵

After 1997 MÜSİAD, at the associational and individual member level, became more eager to offer assurances that their main concern is business not Islam although they might be pious and practicing Muslims individually. MÜSİAD members started to explain their participation in the association due to their need to be backed by a professional organization one can trust rather than emphasizing

⁶³ “MÜSİAD’ın Hukuk Zaferleri” [MÜSİAD’s Legality Victories] *MÜSİAD Bülten* Vol. 7, No. 32, 1999, pp. 24.

⁶⁴ Karin Vorhoff, “Businessmen and Their Organizations,” p. 167.

⁶⁵ *Hürriyet*, Turkish daily, 9 June 1997; *Radikal*, Turkish daily, 10 June 1997; *Yeni Yüzyıl*, Turkish daily, 31 August 1997.

common religious beliefs.⁶⁶ They left bringing their Islamic identity to the foreground. They did not want to be seen as part of Islamic interests benefiting from and contributing to the rise of the *Milli Görüş* movement. This transformation was typically expressed by reasoning that: 1. Business is business so even if the trading counter partner is a MÜSİAD member no one would pay more or sell for less; 2. Money has no religion so there is no room for Islamic identity to play a role in business matters; 3. Since Turkey is a Muslim populated country, reference to “Islamic” capital or “Muslim” businessmen do not make any sense; and 4. As there is no place for KOBİs in TÜSİAD and Chambers are under the control of big business community, MÜSİAD is the business association they can participate.⁶⁷ This change oriented MÜSİAD to refer Turkey’s shortcomings with regard to democracy, freedom of speech, thought and religious practice as important topics beside the economic indicators in 1998 and 1999 economy reports.⁶⁸ In sum, MÜSİAD seems to have experienced better days during the short period of the Refahiyol government when there was a government to hear the association.

MÜSİAD defined the February 28 process as the unnecessary political tension and political provocations of some business and media circles which “paralyzed the economic management of the government”⁶⁹ and

at the beginning of the second half of 1997, Turkey has an outlook and agenda in the political sphere darkened by restrictive regulations and practices contrary to democratic

⁶⁶ Karin Vorhoff, “Businessmen and Their Organizations,” p. 171.

⁶⁷ Ayşe Buğra, *Islam in Economic Organizations*, p. 24.

⁶⁸ Karin Vorhoff, “Businessmen and Their Organizations,” p. 164.

⁶⁹ *The Turkish Economy 1997* (İstanbul: MÜSİAD, 1997), p. 61.

traditions and basic human rights and freedoms, most importantly, freedom of belief, reminding of notorious state rule in 1940s.⁷⁰

This approach shaped MÜSİAD's negative perspective in the style of replacement of the Refahyol government by Anasol-D government as

The developments which took place in the process leading to the 54th government's resignation on June 18, 1997 and the formation of the 55th government did not conform to democratic norms and traditions... the fact that the 55th coalition government could be formed by three political parties with differing views on main economic and social issues and depends on the support of fourth political party and a number of maverick deputies... Also, the unprecedented purge in bureaucracy in the 55th government has caused wariness and hurt the usual working traditions of bureaucracy.⁷¹

Erol Yarar, in the General Administration Board Meeting held on February 28, 1998, referred to the developments since 28 February 1997. He defined them as transformation of the country into the totalitarian and repressive regime as in 1940s within a social engineering project by an elitist vision. He also criticized the "hegemony of appointed ones over the elected ones," read supremacy of bureaucrats over politicians, which makes Turkey a non-democratic country. Yarar also criticized that the same forces backing the February 28 process try to prevent the development of Anatolian Lions via monopolist holdings.⁷²

MÜSİAD's approach to the developments following February 28 could be analyzed within an economic framework. The members of the organization were severely affected since MÜSİAD had become the target of the state elite, secular

⁷⁰ Ibid., p. 63.

⁷¹ Ibid., p. 68.

⁷² "MÜSİAD Genel İdare Kurulu (GİK) İstanbul'da Toplandı" [MÜSİAD General Administration Board gathered in İstanbul] *MÜSİAD Bülten*, 1998, Vol. 6, No. 28, p. 4.6. This meeting is noteworthy since it seems a symbolic challenge due to the date exactly one year after the famous NSC meeting.

media due to its close relations with the WP and consequently Refahyol government. However, the division within the business community and exchange of favors between the government and certain businessmen were neglected. The “losers” became the “winners”. Thus, the business elite of large tycoons started to cry out loud with reference to the divisiveness of the WP and Islamic ideology that the newcomers would replace their interests. For example, the ex-chairman of TOBB, Fuat Miras, complained that, “the WP wing of government works in partnership with MÜSİAD. In every position, at every bid they are present. Those not in MÜSİAD have been excluded from foreign trips.”⁷³ These well-concerted campaigns led by military briefings resulted in the collapse of the Refahyol government.

MÜSİAD members suspected about the closure of the association due to the court file with such demand. Moreover, some of the new members, who anticipated more from the state during the Refahyol government via MÜSİAD membership, had become the ones who have left the organization. Despite all negative developments, the decrease in the number of MÜSİAD members could be more related to the economic crisis more than the February 28 process.⁷⁴ On the other hand, the harsh attitude against MÜSİAD unified the members to defend the organization via keeping their membership in the bad days.⁷⁵ Beside all, MÜSİAD seems to have changed its policy from huge membership to a more moderate one for further control

⁷³ Cited in Murat Çokgezen, “New Fragmentations and New Cooperations in the Turkish Bourgeoisie” *Environment and Planning C: Government and Policy*, October 2000, Vol. 18, No. 5, p. 539.

⁷⁴ See the Table 8 “The Change in the Membership according to Years” in chapter IV.

⁷⁵ Abdurrahman Esmerer, one of the founders of MÜSİAD, told me that in 1997 only 4 members had sent their resignation through notary channel but much many businessmen applied for membership as a reaction against the harsh attitude towards MÜSİAD.

of the organization as well as underlining its “business” association character more than “religious” side.

Consequently, following February 1997, MÜSİAD was isolated and was exposed to legal persecution. This may also explain the slight shift in theme and rhetoric adopted by the association in the period after this political turn. MÜSİAD seems to have diminished its Islamic discourse as a binding force and a market motive since political Islam is severely repressed. The association has abandoned its closeness with the Milli Görüş parties, representing political Islam in Turkey.⁷⁶ In its earlier publications MÜSİAD was more explicit about the need for Islamic spirituality and morality in the Turkish economy and its critics on the cruelty of western type capitalism and disastrous dominance of a *tekelci sermaye* (monopolistic capitalism) in Turkey. As a result, MÜSİAD survived even it was severely wounded due to the developments following the February 28 process. The organization fell in a target position due its parallel discourse with Milli Görüş parties as WP and VP.

5.4 MÜSİAD and Milli Görüş Parties

The interest conflicts between big business and KOBİs go far back in the political career of Necmettin Erbakan. In 1969, Erbakan had fallen in a dispute with Süleyman Demirel –the Prime Minister and the leader of the JP and old friend of Erbakan from his university years- because Erbakan had succeeded against the JP-backed candidate in the TOBB elections. In his campaign, Erbakan could have mobilized the KOBİs alienated by the TOBB’s leadership since TOBB had been

⁷⁶ Ayşe Buğra, *Islam in Economic Organizations*, p. 55.

traditionally controlled by big business until Erbakan's office period. However, Erbakan was removed from office by the ruling JP and its supporting big business groups. Moreover, Demirel vetoed Erbakan's candidacy from the JP in the general elections, Erbakan had been elected as an independent deputy from the religious stronghold of Konya. During his selection campaign as an independent candidate, Erbakan used the slogan that he would create *milliyetçi-mukaddesatçı* (nationalist and pro-sacred values) Turkey.⁷⁷

Following the general elections, Erbakan established the NOP on January 26, 1970 and became the leader of the party. The emergence of the NOP also constituted evidence on the rapid socio-economic change of Turkey.⁷⁸ The DP and the JP were able to co-opt the large industrialists, big businessmen, landowners, artisans and small businessmen into the same political organization only until the end of the 1960s. Through the development of capitalism and Turkish industrialization the JP started to pursue pro-industrialist and state-centric policies. Thus, religiously sensitive small merchants, craftsmen, and small farmers searched for a new institution to voice their protest against the primary role of big business. This, in turn, eased the establishment of the NOP.⁷⁹ In this context, the Milli Görüş ideology of the NOP developed on the main principles of industrialization, free enterprise, independence from the West, closer relations with the Islamic world, *adil ekonomik*

⁷⁷ Ruşen Çakır, *Ne Şeriat Ne Demokrasi: Refah Partisini Anlamak* (Metis Yayınları: İstanbul, 1994), p.19.

⁷⁸ İter Turan, İter Turan, "Religion and Political Culture in Modern Turkey" in *Islam in Modern Turkey: Religion, Politics and Literature in a Secular State*, Richard Tapper, ed. (London: I. B. Tauris, 1994), p. 45.

⁷⁹ M. Hakan Yavuz, "Political Islam and the Welfare (Refah) Party in Turkey," *Comparative Politics*, October 1997, Vol. 30, No.1, p. 66.

düzen (just economic order), a conservative moral view and human rights declared in the Constitution. Briefly, the Milli Görüş had kept the three main pillars of its ideology: a religious view of the world, a call for rapid industrialization and a social ethic of populist distribution.

Following the military intervention in 1971, the NOP was closed due its activities against secularism on May 21, 1971. The NSP was established on October 11, 1972 keeping the Milli Görüş ideology intact. In the First Grand Congress of the NSP, on January 21, 1973, the first Chairman Süleyman Arif Emre explained the aim of Milli Görüş as providing the development both in material and spiritual fields and emphasized the importance of individual education for such an achievement.⁸⁰ Thus, the NSP's leadership attempted to build a patronage network through backing the Anatolian petite bourgeoisie during its tenure as a partner in three coalition governments between 1973-1978.

Following the military intervention of 12 September 1980, the NSP and all other political parties were closed down. Then in 1983, the WP was established along the same ideological lines. Through 1970s and 1980s, the NSP and WP attracted those who were not fully integrated culturally and economically into the modernist center. This was the motive behind the support for NSP's explicitly religious, anti-Western, anti-socialist though highly progressive program.⁸¹ According to Ruşen Çakır, the mission of the Milli Görüş parties until 1980s was to

⁸⁰ Ali Yaşar Sarıbay, *Türkiye'de Modernleşme Din ve Parti Politikası: MSP Örnek Olayı* [Modernization, Religion and Party Politics in Turkey: The Case of NSP] (İstanbul: Alan Yayıncılık, 1985), pp. 110-111.

⁸¹ M. Hakan Yavuz, "Political Islam and the Welfare (Refah) Party in Turkey," p. 70.

integrate the religious people kept at the periphery of the system. This provided legitimacy for the secular regime through the integration of Islamic groups in the political system and the enlargement of political participation.⁸² Following the military intervention in 1980, the military government undertook this integration mission by paying lip service to the TIS.

The reaction against the big business has remained an integral component of the anti-Kemalist political strategy of both the WP and its predecessors, NOP and NSP although they had hitherto been regarded as radical form(ul)ations of marginal significance. However, things gradually began to change when the rise of political Islam appeared of uncontested significance in Turkey, in particular, and in the Middle East, in general.⁸³ Within the 28 February process, the WP was closed. The WP authorities established the VP in 1997 as a precaution for the closure of the party and the WP was closed on January 16, 1998. The VP continued the reference to religious connotations of its predecessor Milli Görüş parties but in a more overshadowed tone with democracy, human rights while preserving the aim to empower Anatolian petite bourgeoisie. However, the VP was also closed on June 22, 2001.

MÜSİAD's demand of a larger role for its members in the economy intersected with the Islamic-oriented WP's challenge to the legacy of the secular Turkish Republic. The VP's preservation of the same ideological line after the WP's abolishment added to the suspicion that MÜSİAD is such an extension of these two

⁸² Ruşen Çakır, "Erbakan Kendi Büyüsünü Kendi Bozdu" [Erbakan Broke His own Magic] *Birikim*, No. 91. Kasım 1996, p. 44.

parties. MÜSİAD's criticisms of what it considers to be the outmoded industrial society, and the "just order" manifesto of the WP were both based on anti-western rhetoric.⁸⁴ MÜSİAD's common worldview and political rhetoric with the WP-VP line in conjunction to the desired economic program deepened this suspicion.⁸⁵ The WP's electoral victories at the municipal level in 1994, and later at the general elections in 1995 made MÜSİAD increasingly influential and visible, which also resulted in the rise of its membership tremendously.

The formation of the WP-led coalition government in 1996 increased the MÜSİAD's significance in the economy and in society. This, in turn, even culminated in a latent rivalry with TÜSİAD.⁸⁶ Despite MÜSİAD's claims to be equally distant from all political parties, the close relations between MÜSİAD members and the WP were clear. The WP also stood close to MÜSİAD to develop its relations with the business world. During the WP's tenure in government, MÜSİAD's activities increased significantly as leading the business community in PM Erbakan's foreign trips. The increase in the activities went hand in hand with the cited rise in the number of members to get share from public resources.⁸⁷ According to the other side of the coin, the emergence of a developed Islamic business community in 1980s helped the WP for its electoral success of the mid-1990s. Hence, since the late 1960s a certain link between Islamic business interests and

⁸⁴ Ümit Cizre- Sakallıoğlu and Erinç Yeldan, "Politics, Society and Financial Liberalization," p. 500.

⁸⁵ Karin Vorhoff, "Businessmen and Their Associations," p. 164.

⁸⁶ Ayşe Buğra, "Class, Culture, and State," p. 525.

⁸⁷ Murat Çokgezen, "New Fragmentations and New Cooperations in the Turkish Bourgeoisie," p. 539.

Milli Görüş parties' campaigning on explicitly Islamic grounds has always been evident. In sum, the growing strength and dynamism of the Islamic capital forming the economic and financial backbone of the WP was quite functional in its rise and electoral success.⁸⁸

The transformation of the WP from a marginal force to a significant political movement was parallel to the growing power of the Islamic-oriented business in the 1990s. Thus, the WP's rise reflected the aspirations of the rising Islamic bourgeoisie to consolidate their positions in competition with other segments of Turkish private business and to obtain a greater share of public resources, both at the central and local levels. Considering the Turkish state's role as a key distributor of rents in major economic areas, Islamic-oriented businessmen's cooperation at both the associational level by MÜSİAD and the political level by the WP to obtain more from public resources is not surprising. In this mutual relation, the WP-VP line constituted the political expression of these rising business interests in return.⁸⁹ Thus, the WP-VP politicians claimed that Islam should be an important point of reference in flexible production,⁹⁰ which has been quite parallel to MÜSİAD's discourse.

MÜSİAD also drew parallel lines with the Milli Görüş parties, i.e. redefining of Turkey's economic relations and foreign policy through a shift from the West towards a closer union with the Islamic world.⁹¹ The Milli Görüş parties favored co-

⁸⁸ Ziya Öniş, "The Political Economy of Islamic Resurgence in Turkey," p. 761.

⁸⁹ Ibid.

⁹⁰ Ibid., p. 758.

⁹¹ Ayşe Buğra, *Islam in Economic Organizations*, pp. 14-15.

operation among the Muslim countries dedicated to the revival of the Muslim world under the leadership of Turkey.⁹² In this framework, Erbakan proposed the main five steps that the Muslim countries must establish among each other (1) the “Muslim” United Nations; (2) the “Muslim” Defense Organization; (3) the “Muslim” Common Market; (4) the “Muslim” Common Currency (Islamic *dinar*); and (5) the “Muslim” Cultural Cooperation.⁹³ Erbakan declared these proposals firstly in the Siret Conference held in İstanbul in 1976 when he was the Deputy Prime Minister and claimed that if these formations were not actualized the world of Islam could not be saved from troubles.⁹⁴ In this context, during the last coalition government in 1997 Erbakan put the main steps to form the Developing Eight, D-8, Muslim countries as a counter forum to the seven leading industrialized countries’ G7. Briefly, MÜSİAD’s rhetoric of Third World solidarity, with strong reference to the Ottoman Empire,⁹⁵ among Muslim countries is quite parallel to the Muslim parochialism of the Milli Görüş Parties.

We also observe congruence of views between Milli Görüş parties, except the VP, and MÜSİAD about Turkey’s relations with the EU.⁹⁶ The Milli Görüş parties strongly opposed to Turkey’s entrance into the EU. Erbakan identified the organization as a Christian-dominated political organization, and a Zionist plot,

⁹² Ziya Öniş, “The Political Economy of Islamic Resurgence in Turkey,” p. 759.

⁹³ Ruşen Çakır, *Ne Şeriat Ne Demokrasi*, pp.161-163.

⁹⁴ Hasan Hüseyin Ceylan, *Erbakan ve Türkiye’nin Meseleleri*, [Erbakan and Matters of Turkey], 5th ed. (Ankara: Rehber Yayıncılık, 1996), p. 255.

⁹⁵ Heinz Fiedler, “The Islamist Challenge” *Aussenpolitik*, Vol. 48, No. 1. 1997, 88. For further information about the D-8 Organization, see Turkish dailies of 5 January 1997 and 15 June 1997.

⁹⁶ Karin Vorhoff, “Businessmen and Their Organizations,” p. 166.

rather than an economic-oriented community. According to Erbakan, the organization sought to melt the Muslim Turkish nation within Christian Europe, to eliminate Turkish nationalism and Turkish national industry while extracting Turkey from the world of Islam.⁹⁷

According to Erbakan, in the case of Turkey's acceptance to the EU, Israel would also be accepted. This, in turn, would reduce Turkey into a position of defending the same interests with Israel, which is against Muslim identity of the country. Erbakan claimed that the aim of Zionism is to eliminate Turkey's Islamic character by inserting it into the EU and then make it serve ideals as a "puppet." Therefore, Erbakan evaluated the application to the EU as a betrayal of Turkish independence. He also identified entrance to the EU as accepting the second Sevres Agreement,⁹⁸ which would prevent the development of Turkish culture, art and economy as well as the possible unification of Muslim Countries as a rival to EU. Erbakan, on the other hand, was always in favor of developing economic relations with the Western countries and acknowledged Turkish economy to be competitive with the West.⁹⁹ On the eve of the coalition government in 1996, however, Erbakan changed his anti-Western discourse. For the sake of government, Erbakan moderated his stance on a number of issues as accepting the coalition protocol with the statements that the coalition government looked favorably upon a free market

⁹⁷ Ben Lombardi, "Turkey-The Return of the Reluctant Generals?" *Political Science Quarterly*, Summer 1997, Vol. 112, No. 2, pp. 197-198.

⁹⁸ Following the World War I, the Ottoman state signed the Sevres Agreement that foresaw the separation of Anatolia among Turks, Kurds, Armenians and Greeks.

⁹⁹ Hasan Hüseyin Ceylan, *Erbakan ve Türkiye'nin Meseleleri*, pp. 88-89.

economy and the customs union with the EU, even supporting the international treaty with Israel.¹⁰⁰

MÜSİAD develops a similar approach about Turkish membership to the EU but in a less radical mode. Thus, the association judges the integration of Turkey into the EU as a step in the wrong direction. MÜSİAD stresses that Turkey in no way needs to weep like “a rejected lover” at the closed gates to the EU while so much potential lies in the other parts of the world located at the east of Turkey or to the far west, in the USA. Yet this does not mean that MÜSİAD business circles ignore expanding into the European market. They are perfectly aware of the fact that Europe is a highly significant market for Turkey and believe in the necessity of facilitating trade with Europe. They point out that this need not necessitate a political union with a conglomerate that presents itself as a “Christian Club.” MÜSİAD circles have heavily complained that the Customs Union (CU) agreement works only in Europe’s favor, since the EU has not yet fulfilled its obligations of helping Turkish economy in turn.¹⁰¹

Although the MÜSİAD’s opposition on EU is dyed with nationalist and Islamist color, in fact it is much more economic-oriented. KOBİs were negatively affected following the CU agreement in 1996. That is why, MÜSİAD opposes membership both in CU and EU to protect its members while voicing Turkey has lost a lot since the CU and the EU did not pay what it has promised to Turkey. MÜSİAD also stresses that since KOBİs compose 90% percent of Turkish industrial

¹⁰⁰ Metin Heper, “Islam and Democracy in Turkey: Toward a Reconciliation?” *Middle East Journal*, Winter 1997, Vol. 51, No. 1, p. 44.

¹⁰¹ *Türkiye Ekonomisi 1998: 1997 Yılı Değerlendirmesi 1998 Yılı Beklentileri* [Turkish Economy 1998: The Evaluation of 1997 and the Anticipations of 1998] (İstanbul: MÜSİAD, 1998), pp. 48-52.

basis, not only these enterprises but also Turkey will be severely influenced due to lack of enough industrial development vis-à-vis the EU countries in the case of possible EU membership.

Consequently, Milli Görüş parties and MÜSİAD have formed similar approaches in economic, political, social and cultural aspects of life in relation to their common membership basis. Moreover, their similar standpoints in comprehending the role of religion in Turkish society brought the evaluation of MÜSİAD as the extent of Milli Görüş in the economic field. Although MÜSİAD is composed of several businessmen who do not vote for Milli Görüş parties, such an allegation brought suffering to MÜSİAD following the February 28 process. This lasted with erosion in one of MÜSİAD's ideological pillars. The second ideological pillar shaped with reference to East Asian development model was hardly damaged following the economic crisis in these countries, which will be explained at below.

5.3. MÜSİAD and Economy

5.3.1. MÜSİAD and the East Asian Model

MÜSİAD's administration emphasized that Islam can act as a binding force, especially because it appears to be consistent with certain trends in global production and trade patterns.¹⁰² Beside references to Islamic solidarity to secure associational membership and markets in Muslim regions, orientation towards East Asian hierarchic, semi-authoritarian model of capitalism appeared more agreeable for

¹⁰² Ayşe Buğra, "Class, Culture, and State," pp. 529-530.

MÜSİAD in comparison to Western model.¹⁰³ MÜSİAD's Eastern-looking strategy clearly aimed at strengthening relations with East Asia, "the most dynamic region of the world with which even the recessing Europe itself is trying to strengthen its ties."¹⁰⁴ MÜSİAD's emphasis on East Asia sometimes overshadowed the Muslim one in the geographical priorities of economic strategy. MÜSİAD attached importance to cooperation with Malaysia and Indonesia, two Muslim countries of the ASEAN, to form a bridge between Turkey and the more advanced economies of East Asia. The exportation of *halal* food products and the organization of joint ventures in *hacc* (pilgrimage) tourism were cited as the possible trade items with these two countries in developing close links.¹⁰⁵

MÜSİAD drew on the East Asian development model opposing to the European one, represented by TÜSİAD. The East Asian model's success is often attributed to be the "strategic fit" between the traditional institutions regulating social relations and the requirements of globalization of markets. In the same way, MÜSİAD aimed to benefit from Islam "at the international and domestic level as a basis for cooperation and solidarity between producers; as a device to create secure market niches or sources of investment finance; and as a means of containing social unrest and labor militancy."¹⁰⁶ Erol Yarar praised the Asian nations' faithfulness to

¹⁰³ Ziya Öniş, "The Political Economy of Islamic Resurgence in Turkey," p. 760.

¹⁰⁴ Erol Yarar, *A New Perspective of the World at Threshold of the 21st Century*, pp. 12-13.

¹⁰⁵ *Başbakan Necmettin Erbakan'ın Doğu Asya (İran, Pakistan, Singapur, Malezya ve Endonezya) Gezisi ve MÜSİAD'ın Bosna-Hersek Gezisi* [PM Necmettin Erbakan's Travel to East Asia (Iran, Pakistan, Singapore, Malaysia and Indonesia) and MÜSİAD's Travel to Bosnia-Herzegovina] (İstanbul: MÜSİAD, 1996).

¹⁰⁶ Ayşe Buğra, "Class, Culture, and State," p. 528.

their cultural identity and their resistance to the western civilization as an important factor behind the success of the Asian model of development. He criticized the philosophical background of western model as

so-called rationalist, Cartesian philosophy [that] has drawn individual and social life into chaos by rejecting the value and existence of what cannot be measured or calculated. This overturning of religious values, and their replacement by a secular ‘morality,’ transformed *homo sapiens* into *homo brutalis*.¹⁰⁷

Yarar also attributed the success of the East Asian development model to its conformity with the increasingly dominant system of flexible production. MÜSİAD circles interpreted the positive aspects of flexible production including “a questioning of Western values and institutions, and the incorporation of a well-entrenched respect for cultural identity as an asset in the organization of economic life.”¹⁰⁸ Parallel to East Asian capitalism MÜSİAD presented *homo Islamicus* centered socio-economic order as an alternative to the *homo brutalis* centered one.¹⁰⁹ East Asian hierarchic and semi-authoritarian model of capitalism also provided MÜSİAD to emphasize corporatist type of interest group politics at the discourse level underlining the importance of state in the development of KOBİs.

Following the economic crisis in East Asia, MÜSİAD underlined that:

The recent developments in the world economy point to the need for greater cooperation amongst countries as opposed to building economic blocks in different regions of the world geography. Whilst speculations, an inmate feature of financial markets, and in fact a certain degree of speculation being beneficial for smooth working of free forces and attainment of efficiency in the markets, the recent experience [Asian

¹⁰⁷ Erol Yarar, *A New Perspective of the World at the Threshold of the 21st Century*, pp. 50-51.

¹⁰⁸ Ayşe Buğra, “The Claws of the ‘Tigers’ ”, p. 51.

¹⁰⁹ For further information, see *İş Hayatında İslam İnsanı (Homo Islamicus)* [Islamic Human in the Business Life (Homo Islamicus)] (İstanbul: MÜSİAD, 1994).

Economic crisis] has shown that excessive speculation in the form of manipulations, predatory financial attacks, etc. can produce undesirable results for all economies in today's 'global village.' Therefore, the existing 'rules of the game' in the financial world call for considerable revision of whereby new rules and regulations would be established towards a more stable financial environment on a global scale.¹¹⁰

Despite severity of the economic and financial crisis faced by East Asian economies, MÜSİAD kept the belief that these economies are to resume their high growth performance in the near future

[Asian] growth has brought to the fore eastern values, which emphasize the family, the spirit of the society over individual growth as loyalty rather than the Western professional logic. Economic development has become multi-parameter equation rather than a single parameter one.¹¹¹

MÜSİAD's reference to East Asian success stories, especially the Japanese miracle, was to justify its ideological stance by defining the Japanese success as the combination of cultural and communitarian values with its developmental objectives. Mustafa Özel attributed Japanese success to the Japanese entrepreneurs' rational response to systemic changes in the world with the state's encouragement backing them. They developed technological know-how and networks between productive and commercial units and succeeded cooperation among small and medium size enterprises. Özel noted that development could only be realized through the collective participation of local people and internal dynamics of regions in economic activities, either in Turkey or in another country.¹¹²

¹¹⁰ *The Turkish Economy 1998* (İstanbul: MÜSİAD, 1998), p. i.

¹¹¹ "Erol Yazar's Opening Speech," *MÜSİAD Bülten*, Fuar Forum Özel Sayısı, 1997, Vol. 5, No. 18, p. 38.

¹¹² For further information, see Mustafa Özel, *Devlet ve Ekonomi*.

MÜSİAD, although attached great importance to East Asian development model, has contradicted with this model at some points rather than a resemblance. For example, MÜSİAD urged Turkish state to shift subsidizing from already big conglomerates located in industrialized regions of Turkey to KOBİs apt to invest in less developed regions of Anatolia. However, East Asian model was based on the creation of big conglomerates, “national champions,” in relation to their export capacity to compete in the global markets. MÜSİAD has also criticized the Turkish state to own banks and determine the financial sector hand in hand with banks of the big conglomerates. This critical stance against the role of the state in financial sector contradicted with the East Asian model since the state has been the “market maker” in the financial markets by rewarding specific sectors. Moreover, MÜSİAD has underlined the necessity of short-term loans for KOBİs relying on their own resources not enough for capacity enhancement and new investments. However, this state backing export-oriented model failed in East Asia with the economic crises in the late 1990s.¹¹³

Consequently, MÜSİAD largely drew on the East Asian development model with a certain interpretation of Islam to bind its members into a coherent community and to represent their economic interests as an integral component of an ideological mission. However, MÜSİAD’s emphasis for East Asian model was hardly damaged because of the economic crisis and its severe effects in these countries. Another one in Russia in 1998, which had also influenced Turkish economy negatively to a great extent, followed the economic crises coming one after one in East Asian countries.

¹¹³ Ziya Öniş and Ahmet Faruk Aysan, “Neoliberal Globalization, The Nation-state and Financial Crises in the Semi-Periphery: A Comparative Analysis” *Third World Quarterly-Journal of Emerging Areas* February 1, 2000, Vol. 21, No. 1, p. 129.

Although MÜSİAD silenced about its praise for East Asian model, these developments did not change the MÜSİAD's emphasis on moral and communitarian values with reference to Islam. Beside the contradictions between MÜSİAD's discourse and the East Asian model, the association kept the major motive as allocation of state resources to the KOBİs that it represents mainly.

5.3.2. MÜSİAD vs. TÜSİAD

In this section, I will analyze MÜSİAD and TÜSİAD in a comparative framework. TÜSİAD functioned as “the other” in the identity formation and related discourses of MÜSİAD. Despite their differences, TÜSİAD and MÜSİAD both appear as products of a particular societal environment where the state has a very significant role in shaping economy and society. Both of these business associations attempted to enhance class cohesion and to influence the course of social and economic development in Turkey.¹¹⁴

TÜSİAD and MÜSİAD both, theoretically, aim to end the overall dominance of the state and political elite in the economic sphere characterizing Turkish state since the Ottoman era. However, their methods are different as TÜSİAD relies on macro-level social and political change whereas MÜSİAD depends on a cultural method of changing society in general. Despite their criticism of Turkish state's intense entanglement in economy, they do not argue for a complete retreat of the state from the economy. They also call for state intervention to develop the standards of infrastructure and a solid system of social security. Both associations defending the free market economy insist on privatization of the unproductive SEEs.

¹¹⁴ Ayşe Buğra, “Class, Culture, and State,” p. 524.

MÜSİAD, as a result of representing mostly KOBİs, advocates a system of state incentives and tax measures. Yet, to continue their claim to be *independent*, MÜSİAD urges the guarantee of conditions for free competition arguing that the KOBİs are dynamic and ambitious enough to develop high standards of quality on their own.¹¹⁵

A general understanding arose that MÜSİAD is the antithesis of TÜSİAD. Thus, the latter has symbolized big industrial and financial tycoons, monopoly and westernization and the former has represented KOBİs, free competition, Islamism. TÜSİAD is composed of the owners and the Chief Executive Officers (CEOs) of leading enterprises of Turkish industrial, financial and media sectors representing almost half of the economy with a relatively small membership of 469 members. Despite MÜSİAD's relatively large membership, its members altogether represent less than ten percent of the economy.¹¹⁶ Thus, despite the rapid growth of MÜSİAD and some of the member companies since their foundation, the economic power of the MÜSİAD membership is just a small fraction of that of the TÜSİAD membership. In this context, the complete absence of co-operation between two associations is striking in conjunction with the difference of economic and cultural niches they each occupy.¹¹⁷

Similar to TÜSİAD's mission, MÜSİAD defends the vision of a developed and internationally influential Turkey. Buğra defines the ideological mission of

¹¹⁵ Ibid., p. 525.

¹¹⁶ Mustafa Özel, "Changing Economic Perspective in Contemporary Turkey," *Islamic World Report*, 1999, Vol. 1, No. 3 p. 92.

¹¹⁷ Karin Vorhoff, "Businessmen and Their Organizations," p. 168.

MÜSİAD at the level of a class¹¹⁸ strategy presented as an alternative to the that of TÜSİAD administration. MÜSİAD is composed of a large group of members manifesting a much greater diversity of size and geographic location than the ones represented by TÜSİAD. MÜSİAD members are disseminated all over Turkey in contrast to TÜSİAD members who are located in İstanbul and the surrounding Marmara region. Moreover, the big business community in İstanbul exhibits important differences with local businessmen in certain Anatolian towns, which permits MÜSİAD to emphasize the competitive potential of their Anatolian members as “Anatolian Lions.”¹¹⁹

MÜSİAD’s membership policy has aimed at quite different clientele than TÜSİAD in relation to size of the member companies. There is no condition blocking double membership and, i.e. the director of İhlas Holding and Ülker group are members in both of the associations. Until the last years, MÜSİAD was in favor of an expansionist membership policy welcoming representatives of small, medium and big business and industrialists from all sectors, which increased the heterogeneity of the association. Thus, most of MÜSİAD’s services are designed as selective incentives to help both in the mediation of conflicting interests and in the

¹¹⁸ By identifying MÜSİAD as a class organization, Buğra wishes to highlight two types of organizational activities that accompany interest articulation and representation: first, the activities which seek to bind the “bearers of interest” or “members of class” into a coherent community and second, those aimed at the promotion of a particular macro-level social project. Ayşe Buğra, *Islam in Economic Organizations*, p. 19.

¹¹⁹ Ayşe Buğra, “Tale of Two Cities: The Evolution of İstanbul Businessmen and their Relations with the Ankara Government” *Boğaziçi Journal Review of Social, Economic and Administrative Studies*, Vol. 11, No. 1-2, p. 99.

recruitment of new members.¹²⁰ The process of member recruitment appears similarly selective since in TÜSİAD recommendation of three existing members is necessary. One can apply MÜSİAD individually for membership but the association's Intelligence and Arbitration Commission checks the commercial accuracy, honesty and morality of the candidate.

MÜSİAD emphasized the Islamic character of Turkish society in an attempt both to prove the compatibility of Islam with capitalism and to benefit from religion foster a sense of solidarity among those segments of national and international business communities.¹²¹ MÜSİAD, like TÜSİAD, incorporated a critical position against the traditional exercise of political authority in conformity with its narrowly defined interest representation role and its relation with the state.¹²²

MÜSİAD has tried to make its name popular by similar activities undertaken by TÜSİAD; i.e. both organizations have bimonthly magazines as TÜSİAD's *Görüş* and *Privateview* and MÜSİAD's *Çerçeve*. Both associations also have a monthly Bulletin. The experts of both associations have also prepared reports on certain subjects on Turkish economy and politics. However, MÜSİAD reports could not form discussions like those of TÜSİAD since the secular media, owned by mainly TÜSİAD members, did not pay attention to MÜSİAD's reports. In addition, both of them try to attract the public's attention by organizing meetings and conferences.

¹²⁰ Murat Çokgezen, "New Fragmentations and New Cooperations in the Turkish Bourgeoisie," p. 537.

¹²¹ *Ibid.*, p. 536.

¹²² *Ibid.*, p. 528.

It is a fact that neither MÜSİAD nor TÜSİAD distinctly represent different modes of capitalism or cultural models of Confucianism or and Protestantism. However, their main difference lies in their relation with the state. It is also noteworthy that, TÜSİAD member companies are more family-based whereas MÜSİAD big members are community-oriented as in the examples of multi-share holding companies.

The key differences between the perspectives of MÜSİAD and TÜSİAD started to wane in time. Firstly, the former was Eastern-oriented heavily influenced by the success stories of East Asian development model and found close affinities between the communitarian traditions of Islam and the communitarian features of these Asian countries. This ideological orientation continued until the heavy crisis in these countries. The latter is Western-oriented, secularist and supports integration into EU as a basis for both economic prosperity and the consolidation of Turkish democracy. Secondly, TÜSİAD placed much more emphasis on expanding the rights and freedoms of the individual for developing democracy in Turkey.¹²³ MÜSİAD changed its discourse of downgrading issues associated with liberal democracy following the February 28 process. Hence, discussions of individual rights and civil liberties started to figure in MÜSİAD reports,¹²⁴ beside the frequent references to social rights and the importance of achieving social justice. MÜSİAD companies

¹²³ For further information, see TÜSİAD, *Türkiye’de Demokratikleşme Perspektifleri* [Democratization Perspectives in Turkey] (İstanbul: TÜSİAD, 1997).

¹²⁴ For further information, see *Constitutional Reform and Democratisation of Government* (MÜSİAD: İstanbul, 2000)

could still be easily distinguished from the Turkish traditional big business relying on the state and its favors.¹²⁵

Consequently, MÜSİAD and TÜSİAD have differences in the organizational structure and ideological background. However, both of them are situated in a medium in which they are situated to handle with the upper hand of the state in economy, as they cannot challenge it. Moreover, despite MÜSİAD's emphasis on Islamic moral values and traditional solidarity within community and TÜSİAD's stress on democracy, both of them aim to get more from the state resources to their members. This structural character forms the main similarity, which make TÜSİAD as the association of the big tycoons and MÜSİAD as the association of KOBİs.

5.4. Conclusion

MÜSİAD has benefited from Islam functionally in providing a common bond for its members, a figure of motivation to win the markets in the Islamic world captured by non-Islamic forces and a way of moderating the labor. However, secular circles alleged MÜSİAD's emphasis on Islam as they are backing the religious reactionism financially. MÜSİAD's close stand and parallel discourse with Milli Görüş parties bolstered this allegation. MÜSİAD's reinterpretation of Islam was also heavily blended with reference to communal bonds similar to East Asian development model. Thus, 1997 has been a turning point for MÜSİAD with the erosion of its two ideological pillars, Islam and East Asian development model. First, the rise of MÜSİAD was severely cut off via the developments following the

¹²⁵ Haldun Gülalp, "Political Islam in Turkey: The Rise and Fall of the Refah Party" *Muslim World*, January 1999, Vol. 89, No. 1, p. 34.

28th February process. MÜSİAD could survive but changed its emphasis on Islamic discourse in an environment where political Islam is severely repressed. Second, MÜSİAD has also paid great attention to the East Asian development model as another ideological pillar. MÜSİAD used this model to justify its emphasis on moral and communitarian values while voicing the necessity of allocation of state resources to the KOBİs. However, following the economic crisis in East Asian countries, MÜSİAD's emphasis on this model was severely damaged despite the anticipation that these countries would recover in a short time.

The erosion in these ideological bases lessened the differences between MÜSİAD and TÜSİAD in their approaches beside the segments of business they are representing. Although MÜSİAD stressed the “independent” character of its members by criticizing the dependence of Turkish great tycoons convened under TÜSİAD, both of them have to survive with the strong hand of the Turkish state in economy. As Turkish voluntary business organizations, they on the one hand criticize the “omnipotent” power of the state, and on the other hand, they aim to orient the state resources to their members. Thus, MÜSİAD followed the path of TÜSİAD in the method of interest groups politics despite its harsh criticisms.

CONCLUSION

In this study, I have applied Truman's "disturbance," Olson's "collective action" and Salisbury's "exchange" theories to understand the formation and development of MÜSİAD as a case study. MÜSİAD emerged and developed as a result of the two variables of disturbances, first the transformation of Turkish political economy and the rise and fall of Islamist politics in the 1980s and the 1990s. In its development the role of exclusive material selective benefits, i.e. periodicals, mass travels to foreign countries, conferences, panels and special interest-free owning system, *karz-t-hasen*, and non-material benefits, i.e. Islamic morality, locality and the identity of being "outsiders" from state resources are noticeable. In addition, the Chairmen and headquarter professional staff led by General Secretaries have been quite successful in exchanging these material and non-material benefits with members in the development of the organization.

I have benefited from the theories of pluralism, corporatism and clientelism to delineate the mixture character of Turkish interest group politics shaped within the dominancy of the state in which MÜSİAD emerged and developed. The liberalization of the Turkish political economy in the last two decades has not meant neither an overall disappearance of the state power nor the waning of the "strong state" tradition. The liberalization of economy and politics in Turkey led the development of civil society that accelerated through globalization and its repercussions on Turkey. However, this development of civil society could not challenge the historical omnipotent power of the Turkish state fostered with the strong state tradition. Thus, interest groups politics in this context did not transform

the state into a helpless victim of particular interests. Despite the fact that, I benefited from the “strong state” argument, it also challenged me to observe that interest groups were not helpless victim of the Turkish state, since they could adapt easily to the new conditions and benefit from them. Thus, Turkish business associations have been very dynamic and have developed strong adaptability vis-à-vis strong state. So, the pragmatic, even opportunistic, standpoint of business associations could be evaluated through their flexibility fostering this strong adaptability capacity. TÜSİAD, for example, supported the 1980 military intervention and stood in the same side with the military bureaucracy in the February 28 process while underlining democracy as the basis of free-market in 1990s. Similarly, MÜSİAD retreated from its previous stress on Islamic morality and communitarian bonds after 1997.

The Turkish state with its historical legacy shaped and dominated the interest group politics. This dominance of the state resulted in the creation of a loyal business class through national(ization of) economy policies starting with the late Ottoman era and continuing in the early Republican period. Moreover, business activity within uncertain and unstable politico-economic environment under the uneven state intervention has always contributed to the vulnerability of the private sector vis-à-vis the ever-dominant state as a vicious circle. Ironically, the Turkish economic development strategy based on heavy interventionism and protectionism made the state as the major source of uncertainty for business activity. The domains of business activity and that of state intervention in Turkey remained ambiguous for a long time, which prevented the development of a self-confident bourgeoisie

enjoying a hegemonic position as a class. In such context, Turkish business community has always demanded to participate in the decision-making process with the government. However, business associations, either compulsorily or voluntarily established, could not be successful in promoting specific business interests since they pursued their demands largely through personal links with the political and bureaucratic elite. This, in turn, weakened business associations while strengthening the business community on individual basis and their dependency on the Turkish state. Thus, state authorities could undermine the meaning and significance of these associations for their members.¹

This framework provided the Turkish state the opportunity to refuse the consolidation of the public role of the business associations. Thus, the idea of representing particular, especially business, interests has not been socially acceptable in Turkey, which also prevented the development of neo-corporatist form of interest representation. Moreover, the Turkish governments have not aimed to develop neo-corporatist arrangements for fostering their legitimacy. On the other hand, the emergence of TÜSİAD in the early 1970s could be cited as the beginning of pluralism to some extent, however the cited historical legacy of the Turkish state and the chronic weakness of the business circles did not permit viable options to foster pluralism in Turkey. Thus, Turkish political elite chose to establish paternalist relations with the interest groups depoliticizing them in this process.

Starting with the transition to multi-party politics, the interest group representation in Turkey got complex through oscillating between different models;

¹ Ayşe Buğra, *State and Business in Modern Turkey: A Comparative Study* (Albany, N.Y.: State University of New York Press, 1994), p. 229.

pluralism, corporatism and clientelism and keeping all three of them intact at different levels simultaneously in different combination of hybrid forms. Moreover, it would be misleading to define interest groups politics within a given society based on only one particular form of relations. Thus, this study does not invalidate the role and/or the importance of the state but it argues that the focus is to be shifted to historical background and the political economic environment in which both state and interest groups are embedded. Because studying interest group politics is the study of interaction determined by two sides and the historical environment shapes the horizontal side and the political economic environment puts the vertical side of this interaction.

This study argues that no social entity could be evaluated without the environment in which it emerges and develops. There is always a mutual relation between the social entity and this environment composed of other social entities. Moreover, the historical background shapes the structure of the social entities. Thus, business associations as economic-oriented interest groups should be evaluated within this analytical framework of being shaped through the intensive role of the state. The formation, functioning and institutional relations of interest groups with the state are embedded in the surrounding political-economic structure. In this framework, the state, especially in the Turkish context due to its historical legitimacy, comes to fore as the most important variable to determine the institutional framework of interest groups.

While evaluating the last two decades, one can easily observe that 1980 is a turning point in Turkish political economy that witnessed both the structural

adjustment program on 24 January and the military intervention on 12 September. The military rule during 1980-1983 shaped the institutional restructuring of Turkish political life with 1982 Constitution and the economic structure by backing the implementation of the January 24 Decisions. The liberalization of the Turkish economy in 1980s, the shift from a highly inward-orientated ISI model based economy to a significant exporter of manufactures, resulted in economic dynamism, rising entrepreneurship and the growing power of private capital integrated into global markets. Thus, the Turkish state started to regulate redistribution activities through substantial rents of export subsidies and high interest earnings associated with the rising PSBR.

Towards the end of the 1980s, the annual inflation increased incrementally bringing further deregulation of financial markets with transition to full convertibility of TL in 1989. This process ended in speculative wealth accumulation with low propensities to invest and due to exchange rate policy Turkish economy became dependent on “Ponzi finance” of short-term capital “hot money” flows in 1990s. The orientation of the largest industrial firms to finance the public debt in 1990s resulted in investing on short-term financial assets and their aspiration to establish commercial banks inevitably generated “schizophrenic anomaly” of acting partly as “rentiers.” Thus, the deterioration of income distribution and the consequent social antagonisms in the last two decades developed within high inflation, high unemployment, corruption and social violence, which challenged the legitimacy of the political system.

The re-emergence of populist policies especially in the 1990s went hand in hand with the intensified political competition and the Turkish macroeconomic (dis)equilibrium based on low savings capacity and large fiscal gap deepened with the wage explosion. All in all, the post-1980 Turkish liberalization experience happened to be period of growth and crisis with unexpected changes in income distribution warranted by integration with the global markets. In sum, Turkey entered the new millennium with inconsistent rates of real growth and investment, a worsened income distribution, and a paralyzed fiscal apparatus. This situation worsened with the last economic crises in November 2000 and February 2001 and their effects are severely felt at the present writing.

The liberalization of Turkish economy encouraged business activities and limited state interference, which opened the path for the establishment of relatively free political atmosphere. Moreover, since 1990s, the number and activities of voluntary associations have increased rapidly hand in hand with globalization and further integration of Turkey in the political and economic aspects of this process. Thus, the Turkish state was challenged by rival identities based on ethnicity and religion, fostered with globalization, reflecting economic resentment in 1990s. In short, Turkish political life in the 1990s also illustrated the importance of the fragmentation of the center from both left and right, which significantly helped the rise of Islamist politics, the electoral fortunes of the WP and the increasing visibility of Islam in the public sphere, and specifically MÜSİAD on the business side.

The liberalization of economy and export-orientation policies transformed Anatolian capital to develop as a “strategical fit” in the integration process of Turkey

to the global markets. These highly dynamic businesses have accelerated the globalization of production in Turkey by facilitating the mobility of global capital by collaboration with the international system. Thus, KOBİs and the Islamic-oriented enterprises fueled with Islam and locality as *Anadoluluk* prospered. The establishment of MÜSİAD was a response to the needs originated with cited transformation of the Turkish political economy during the 1980s. Thus, these developments with the increasing pluralist tendencies in Turkey functioned as catalyst in the establishment of MÜSİAD to represent KOBİs and Anatolian petite bourgeoisie. Moreover, the public debt financing policies of the governments in 1990s oriented large industrialists to fund the state by buying treasury bonds. This, in turn, further increased the importance of KOBİs and MÜSİAD dealing with production rather than treasury bonds. In short, MÜSİAD emerged and developed as a result of the intersection of the transformation in the Turkish political economy and rise and fall of Islamist politics in the last two decades.

MÜSİAD, thus, with reference to the theme *Müstakil* (independent) in the name of the Association, underlined the necessity for independence of the business community from the state. In this context, MÜSİAD presented TÜSİAD as the business association composed of state-dependent businessmen and industrialists whose entrepreneurial success was fake even though they might have been the great tycoons of Turkey. MÜSİAD emphasized corporatist style of interest group politics in business-state relations with reference to the East Asian development model. Ironically, MÜSİAD's close relations with the WP and the Refahyol government reflected the traditional nature of particularistic Turkish state-business relations

despite the association's heavy criticisms of TÜSİAD. Moreover, the membership of MÜSİAD has shown a remarkable increase during the Refahyol government, which reflects the hopes of Turkish businessmen to get more shares from state resources, via MÜSİAD membership.

In modern-day Turkey MÜSİAD observed the disproportionate power of the first generation, TÜSİAD members, in the domestic markets and in politics. MÜSİAD defined this as a handicap obstructing the survival and development of the group it represents. Therefore MÜSİAD's identity developed along the critique of the first generation controlling the domestic markets. According to MÜSİAD members, the economic strength of the first generation was a result of their close links to the state, but not of their entrepreneurial skills. Despite these latent criticisms, neither of the two organizations entered into explicit polemics about the other. However, after the formation of a WP-led coalition government by Erbakan in 1996, MÜSİAD's increasing significance in the economy and in society seemed to culminate in a rivalry with TÜSİAD.²

Erol Yarar, while defining the interest group politics in Turkey, claimed that the state protected some specific business conglomerates and they could form monopolies strengthened by doing business with state.³ MÜSİAD circles also frequently commented that these business conglomerates felt no need to improve the quality of their products due to their monopoly power in the Turkish markets. In this regard, MÜSİAD's attribution to be independent, as in the name of the association,

² Ayşe Buğra, "Class, Culture, and State: An Analysis of Interest Representation By Two Turkish Business Associations" *International Journal of Middle East Studies*, Vol. 30, p. 524.

³ Murat Çokgezen, "New Fragmentations and New Cooperations in the Turkish Bourgeoisie" *Environment and Planning C: Government and Policy*, October 2000, Vol. 18, No. 5, p. 541.

is a protest against the industrial and commercial establishment dominating Turkey's economy. MÜSİAD argued that a faithful Muslim and principled human being would never engage in such quick profit-seeking and speculative investment instead of qualitative industrial production. MÜSİAD underlined that Turkish state continued to support monopolistic capitalists instead of KOBİs that constituted an immense potential for Turkey's development. Thus, MÜSİAD praised its members as the self-sacrificing, hardworking businessmen who are benevolent to the people in Turkey. In sum, MÜSİAD defined itself as the embodiment of the "Anatolian Lions," who search for truth and justice, attract foreign currency to their country [and] give it back again what they get from society.⁴

In the framework of state-Islam relations, Islam was relegated to the private sphere with the implementation of secularization policies during the early Republican period. However, the rise of Islamic-oriented Milli Görüş parties, WP specifically, in the relatively free political atmosphere of Turkish politics coincided with the rise of Islamic business and economic practices. Islam not only became the oppositional identity for the excluded segments of Turkish society but also increased its visibility in the public sphere with the growing manifestations of Islamic identity at the organizational levels as in the case of MÜSİAD. In this context, MÜSİAD's slogan of "high technology and high morality" reflected the importance of Islamic moral dimension in the identity of the organization alongside with the economic and technological issues.

⁴ Karin Vorhoff, "Businessmen and Their Organizations: Between Instrumental Solidarity, Cultural Diversity, and the State" in *Civil Society in the Grip of Nationalism* (İstanbul: Orient-Institut der DMG 2000), Stefanos Yerasimos, Günter Seufert Karin Vorhoff St. Yerasimos, G. Seufert, K. Vorhoff, eds., p. 167.

The role of Islam for MÜSİAD, however, has been quite functional. It provides a common bond for its members, motivation to (re)gain the markets in the Islamic world captured by non-Islamic forces and a way of moderating the labor. Thus, MÜSİAD represents the cultural and structural dynamics of the deepening of the process of development of capitalism and modernization in the Islamic context. Rather than a fundamentalist interpretation, MÜSİAD comprehension of Islam has been affected by Turkish nationalism with strong reference to the Ottoman imperial past. MÜSİAD's reference to the East Asian model was also parallel to its Islamic discourse blended with its emphasis on moral and communitarian values. Thus, this functional approach provided MÜSİAD to step back from stressing on Islam following the February 28 process.

1997 has been a turning point for MÜSİAD in its de-emphasis of its ideological pillars as Islam and East Asian economic development model. Following the economic crisis in East Asian countries and the February 28 process, MÜSİAD retreated from its references to both factors. MÜSİAD changed its emphasis away from an Islamic discourse in an environment where political Islam is severely repressed. The number of MÜSİAD members decreased sharply in 1999 due to the closure file against the association and the economic crisis that oriented the new coalition government to sign a new standby agreement with the IMF in this year following the elections.

MÜSİAD has been very dynamic in adapting itself to the structural changes in Turkey while handling the problems of professionalization via changes in organizational structure. MÜSİAD could also develop its own identity among its

members by exclusive material and non-material benefits via publication activities and informing them about investment facilities both in Turkey and abroad as well as forming a public opinion. MÜSİAD's foreign trips, international fairs and IBF meetings have also been affective to orient members for world markets by forming global network of Muslim businessmen. MÜSİAD's emphasis on export-orientation and the success of KOBİs in this field empowered the organization to voice vis-à-vis the state that KOBİs must be rewarded with more credit. However, Turkish state was reluctant to hear these demands related to its superior position.

Although MÜSİAD emphasized this non-interventionist rhetoric with the merits of competition, its relations with the political authority appeared to be hardly in conformity with the formal and impersonal type of market economy. The unhidden closeness of the WP-led coalition government with MÜSİAD circles reflected the traditional nature of particularistic Turkish state-business relations in the country even it was heavily criticized by the association itself. In fact, tremendous growth of MÜSİAD's membership of during 1995-1997 went hand in hand with WP's significant electoral success at the municipal elections of 1994 and at the following national ones. This was the result of expectations to have easy access to state resources through MÜSİAD's connections with the WP. Thus, the role attributed to Islamic way of economic life reflected in the MÜSİAD's publications seems to define an economic system, which requires a particular type of state involvement with an attitude of leniency and flexibility in the application of rules.

Functionality of Islam has been another anathema argued in this study. Islam, widely utilized for the legitimacy of the state during the Ottoman period, was relegated to the private sphere as the result of secularization policies during the Republican period. The important point here is the “functionality” determining Islam to be employed either inside or outside the public sphere for the sake of the state. This determination, in turn, led the state control the religion strategically. One can observe parallel functionality in MÜSİAD. Thus, MÜSİAD emphasized Islam as the common bond for the organization basis and de-emphasized its discourse following the February 28 period.

The closeness between the association and the Refahyol government was especially obvious in their co-operation attempting to change the traditional pro-western orientation of Turkish foreign policy. MÜSİAD supported the PM Erbakan’s efforts to enhance Turkey’s economic and political relations with Islamic countries and they participated in his trips to these countries. MÜSİAD paid attention to the significance of Islamic countries for Turkey with regards to the opportunities they presented for MÜSİAD members. Similarly, Erbakan’s speeches at MÜSİAD sponsored international meetings make explicit references to the opportunities of the Islamic business networks.⁵

Consequently, MÜSİAD’s approach to interest group politics was shaped with the general trend in Turkey despite its strong critics in this context. Some of the members joining in MÜSİAD during the Refahyol government have easily left the

⁵ For further information see, Başbakan Erbakan’ın Doğu Asya Gezisi ve MÜSİAD’ın Bosna-Hersek Gezisi Raporu (İstanbul: MÜSİAD, 1996) and MÜSİAD’ın Afrika ve İngiltere İş Gezisi Raporu [MÜSİAD’s Business Travel Report on Africa and England] (İstanbul: MÜSİAD, 1997) and *MÜSİAD Bülten*, 1997, Vol. 5, No. 18, pp. 50-61.

organization. They were disappointed about the realization of their expectations to get more from state resources through MÜSIAD membership due to the short-life of the Refahyol government.

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