

Turkey's economic crisis

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1- Introduction

Today's world is dominated by the concept of post-truth, which reveals a thin line between fiction and non-fiction, between honesty and fraud, the concept that can be seen in almost every field, especially in politics. It is hard to tell how influential postmodern narratives have been, but we cannot deny that today's capitalism is upside down, the social crisis is severe, and the bourgeoisie is out of touch with facts and reality. The current US President Donald Trump is the epitome of this trend, as he deals with political and economic issues of modern-day capitalism not with facts but with his post-truth attitude. However, it is worth noting that other major representatives of the bourgeois world also demonstrate this point of view. For example, Jean Claude Juncker, the former President of European Commission, expressed his views on the measures to tackle the growing austerity in the European economy in 2011: "When it becomes serious, you have to lie". Not long ago, Janet Yellen, the president of the former US Federal Reserve (Fed), replied to a question: "Would I say there will never, ever be another financial crisis? [...] You know probably that would be going too far but I do think we're much safer and I hope that it will not be in our lifetimes and I don't believe it will be". Yellen, aged 70, added that she never expected a similar financial crisis as in 2008.¹

One of the leading figures in Turkish bourgeoisie, who also addresses problems in a "post-truth" manner, is president Erdogan and his Justice and Development Party (AKP). In 2008, interpreting the effects of the world financial crisis on

¹ *Milliyet*, 29.06.2017.

Turkish economy as “tangential”, Erdogan and his party members claimed that Turkish economy was a victim of “games played on the economy”, “interest rate lobby” and “external forces”. However, we are facing a crisis that shows signs of a long-term austerity. Below we will refer to factual evidence of the crisis. Although Erdogan’s claim that “there is no crisis, only manipulative moves” is meant to conceal true causes of the present austerity, actions speak louder than words. If there is no crisis and “we can help ourselves” (as Erdogan said to his ministers that Turkey doesn’t need US firm McKinsey’s consultancy), why did Erdogan and his son-in-law, the Treasury and Finance Minister Albayrak, go to England to meet with international financial investors? Why was Mc Kinsey authorized to audit the consulting firm, even though it was later abandoned? Why did Erdogan try to assure the representatives of American companies he met in Istanbul that “there is no compromise on the free market”?

Contrary to the AKP and Erdogan’s efforts to cover up the facts that cannot be denied, Turkish people, a vast majority of whom belong to the working class, live the worsening effects of this crisis every day. The purchasing power of the workers is rapidly decreasing. On the other hand, the threats of unemployment and debt are increasing. The Life Conditions Survey of the Turkish Statistical Institute (TÜİK) reveals that 54.6 million people “are squeezed under housing costs”, that 47.5 million “have difficulty to pay their debts and installments”, that 26.8 million people “cannot afford meat every other day”, that 25 million people “cannot afford unexpected expenses” and 16.3 million “cannot afford heating costs”.²

It is crucial to have a clear view of the people “who will pay the bill” against the post-truth approach, which is disconnected from reality and promotes the interests of the bourgeoisie. Our goal is to reveal the ongoing phase of economic crisis in Turkish capitalism, its roots, the targets in the near future, the reactions of the big bourgeoisie and the AKP government alike, and finally the impacts of the economic crisis on the working class. Only a clear and realistic account of the crisis and its consequences can shed light on the social outcomes for the Turkish working class and the ways in which it should respond to the crisis.

2- From external debt crisis towards recession

Representatives of imperialist financial capital such as the IMF, Goldman Sachs and Fitch constantly stated in their reports that Turkish economy was “overheated” and about to face a severe crisis. One of the indicators they applied for this prediction was the huge increase in the current account deficit and the external borrowing of the private sector. On the other hand, for the past 10 years, Turkey’s economy has been among the most “fragile” economies in the world.

² <http://t24.com.tr/yazarlar/yalcin-dogan/ekonomik-krize-care-yine-baska-bahara,20471,21.09.2018>.

The concept of fragility in international financial circles refers to the possibility that borrowers (creditors) to a country can rapidly recall their capital if the foreign debts in that country increase regularly and are at the risk of not being paid (at least at the level of the promised earnings). If we analyze Turkish economy from this perspective, the trade deficit and its ratio to GDP, the stock of external debt and its ratio to GDP has constantly been on the rise over the years. According to OECD, Turkish economy is among nine most sensitive countries in terms of external shocks (e.g. economic crises and/or capital flights), as it is the economy with the highest ratio of current account deficit to GDP and external debt, and the second highest according to its inflation rate.³ By contrast, in terms of its foreign exchange reserves to GDP, Turkish economy is among the lowest in the world.⁴ It is obvious that an economy with such a high level of foreign currency debt can keep foreign capital only by offering high interest rates to international investors and ensuring the stability of its currency (keeping the inflation rate low).

In this section of the article, we explain why Turkish lira depreciated (since the beginning of 2018, Turkish lira has devalued almost 60 percent), why the external debt, mostly belonging to the private sector (68 percent of the country's total external debt), so much increased (around 500 billion dollars) and why the foreign trade deficit has been constantly increasing.

In the light of concrete facts, the current crisis in Turkish economy should be characterized as a crisis of external debt and foreign currency. This finding is important to refute all "conspiracy" claims as unfounded. If an economy has been so fragile for years, it is already open to all sorts of external interventions, regardless of whether or not there is a conspiracy.

The most important factor, distinguishing the economic crises of Turkish capitalism in 1994, 1998-99 and 2001 from the earlier ones, is that this time not the state but the private sector is highly indebted. In the near future, this external debt crisis is likely to turn into a real sector crisis, as big companies from various sectors are now seeking help from the state to prevent bankruptcy. The crisis in the production sector will probably spread to the banking sector, which gives credit to the real sector companies, leading to a double crisis. If the companies in the real sector and corresponding banks come to the brink of bankruptcy, the state will attempt to bail out the banks; thus, the socialization of a large part of the private sector debt will be on the agenda. We can foresee that this will increase the state's

³ According to data in August 2018, the ratio of current account deficit to GDP was 6.96 percent, the ratio of external debt to GDP 51 percent (in 1990 it was 26 percent) and inflation rate 16 percent.

⁴ According to data in August 2018, the ratio of foreign exchange revenues to the national income was 12 percent. Moreover, the Central Bank's foreign exchange reserves, which amounted to 124 billion dollars in June 2018, fell to 88.7 billion dollars; within three months there was 35.3 billion dollar decrease! (13.09.2018).

budget deficit and public debt.⁵ It is still possible to say that the current economy is in a state of stagflation, which implies a phase whereby inflation increases and the whole economy stagnates. In the coming months, there are strong signs that the economic growth will slow down and the stagnation will spread.

Credit Default Swap (CDS), the main indicator of a country's credit risk premium has increased for Turkey to record levels of 492 points, surpassing many other emerging economies (24.09.2018). On the other hand, the real sector confidence index, which is one of the leading indicators of the course of an economy, is at its lowest level in the last 10 years (24.09.2018) and the consumer confidence index has decreased to the lowest level after the global crisis (26.10.2018). For Turkish economy in 2019, both the OECD (0.5 percent) and the IMF (0.4 percent) forecast a decreasing growth together with Argentina. The optimistic forecast of the New Economic Program (NEP) that unemployment will rise to 12.1 percent at the end of 2019 is a warning that we should prepare for a severe increase in unemployment. The decreased volume of loans in the banking sector, the rapid growth of bad loans, the fall of the capacity utilization rate to 76.2 percent, the fall of İSO PMI (Istanbul Chamber of Commerce, Manufacturing Industry Purchasing Managers Index) to 42.7 in September 2018 (considering that values below 50 imply recession and that this value is the lowest since April 2009) – all these negative trends point out that production, investments and consumption are slowing down and the economy is rapidly cooling down.

3- Reasons of economic crisis specific to Turkish capitalism or who is responsible for it?

If we do not refer to conspiratorial factors such as the “external forces” and the “interest rate lobby”, we must determine the real causes of the economic crisis. Is the current economic crisis (which also influences all aspects of social life) a product of the “crisis of AKP regime”, as it is widely accepted in the opposition circles, or of the structural problems of Turkish economy?

We have mentioned above that the Turkish capitalism is in a severe economic crisis due to its “fragile” structure with continuously increasing foreign trade deficit and the private sector's foreign debt as the most important indicators. The goal of our analysis is to find out the roots of the crisis and determine who is responsible for it. Should we look for them in the one-man based authoritarian regime, the political choices and economic policies followed by the AKP governments, or in the structural contradictions of the Turkish capitalism's integration into the world economy?

⁵ News that the government is preparing to help banks for non-accruing loans (17.09.2018) support our foresights on this issue.

We should take into account different dimensions of the issue and distinguish between the factors that trigger and/or escalate the crisis and the underlying causes of the crisis. First of all, we have to point out the depression character of the world economy as the background of this crisis. With the global financial crisis in 2008, the world economy entered a phase in which the so-called Third Great Depression deepened. Although 10 years have passed, we can say that the stagnation in the world economy continues despite the partial improvements in various economies and intensive state interventions.⁶ While some economies are growing fast, others are growing slowly. In general, when we look at the course of fixed capital investments, the unemployment and world trade volume as a whole in advanced capitalist countries, it is not possible to talk about positive development. As the latest IMF report indicates, there is a significant decrease in the growth rate of the world economy for the coming year. Even for 2019 and 2020, there is a possibility of recession again.

Here one can ask why the present conditions of the world economy influence all economies at the same level, except for the countries such as Argentina or Turkey. The answer to this question lies in a series of contradictions and tensions created by the way in which these economies relate to world capitalism. Despite a long crisis of capitalism from the 1970s, the international bourgeoisie adopted a strategy called neoliberalism. The aim was to increase the rate of surplus value through liberalizing capital movements and heightening competition in the heart of the world working class, so as to overcome the crisis. The same strategy, which had a damaging impact on the working class, was adopted by the Turkish bourgeoisie following the military coup on 12 September, 1980, under the changing conditions of the balance of class forces in the country. However, Turkish capitalism, being relatively less developed and technologically backward, “a rowing boat to the ocean”, was forced to compete with other economies, leading to a permanent foreign trade deficit. Exports gained momentum, foreign exchange flowed into the country, whereas imports increased more than exports, thereby leading to greater outflow of foreign currency. The necessity of getting loans from abroad to finance the foreign trade deficit made the country dependent on external financing. Since the 2001 crisis, the AKP government, adopting the regulations implemented by Kemal Derviş (the former head of United Nations Development Program, who served as the economy minister in 2001-2002 and launched Turkey's recovery from a huge financial crisis) in line with the IMF agreement, sought to stabilize the shocks created by this process through the “independence” of the central bank. The Turkish capitalism functioned in the following way: You offer higher interest

6 For the background of the stagnation in the world economy see Sungur Savran, “Üçüncü Büyük Depresyon'un 10. Yılı: Kapitalizmin can çekişmesi” (“Tenth year of the Third Great Depression: Death agony of capitalism”), *Devrimci Marksizm*, no. 36, 2017, p. 37-90.

rates than the world capital markets in order to find cheaper credit abroad and you are able to repay international investors which brought foreign currency into your country without devaluing your currency (keeping inflation rate low) when demanded; thus, you give confidence to international investors.

To the extent that the “independence” of the central bank refers to the implementation of monetary policies to establish this “confidence”, it indicates the dependence on international financial circles.

We have mentioned that it is necessary to give high interest to the foreign exchange needed to close the foreign trade deficit resulting from the unprotected world market integration of an economy with relatively weak international competitiveness. However, in economies such as Turkish, the liberalization of capital movements as a requirement to implement the neoliberal strategy contains the following contradiction: Capital inflows of international investors in pursuit of higher interest rates lead to overvaluation of the national currency, in this case Turkish lira, thereby promoting import of finished and intermediate goods, which increases the import dependency of the production structure. Because the overvaluation of national currency consequently cheapens the prices of foreign currencies and thus the prices of foreign goods, import seems more attractive than domestic production. Such relationship leaves these economies dependent on the international financial system and makes them more fragile and vulnerable to capital movements. The critical point is the following: The capital accumulation dependent on foreign capital inflows and foreign debt favors local big bourgeoisie, as in these conditions they still initiate a relatively profitable production. Nevertheless, if we look at the big picture in Turkey, Turkish working people always pay the bill out of public resources, as it was in the last five economic crises of Turkish economy in the last 25 years. This reveals the class character of such relationship with the world market.

We have pointed out that the increasing current account deficit and external debt of Turkish economy stem from the contradictions created by the integration of Turkish bourgeoisie into the world market. Thus, we emphasize structural and chronic problems of Turkish economy which are not only related to the AKP government. In other words, the main reasons behind such development are capitalism as a whole and the Turkish bourgeoisie trying to take part in the world capitalist system. However, our statement does not minimize the important role that the AKP government has played in this process. Although the current account deficit has existed for 30 years, this problem exponentially grew in the AKP period,⁷ because the AKP governments adopted and implemented the same

⁷ From 1923 till 2002, throughout 80 years, foreign trade deficit in Turkey totally amounted to 247 billion dollars while in the last 15 years, under the AKP regime it reached 967 billion dollars (*Cumhuriyet*, 20. 02. 2018).

strategy and market rules we have summarized above.

It is necessary to mention another aspect of the issue. Why are the AKP's policies and preferences facing such a severe crisis now, although they coincided with the rules of international markets and did not experience economic turmoil for many years? We believe that there are two main factors. The economic policies and preferences of the AKP as an internal dynamic were important. We cannot deny the role that the financing of construction, energy and infrastructure investments through external loans with cheap interest rates, and thus paving the way for a rapid growth of the economy, boosting domestic demand by debiting households and finally canalizing these loans via public procurements to Islamist and/or supporting capital groups, which increased the power of the AKP government and President Erdogan.

However, the main external dynamic that drew the boundaries of this internal dynamic was the decision of the US Federal Reserve to end monetary tightening policy,⁸ which was meant to prevent the deepening tendencies of the world economic crisis and lead to gradual raises in interest rates since 2013. Accordingly, as this signaled the end of "a lot of money, cheap interest" period, international financial investors began to withdraw their capital from the Developing Countries ("emerging markets") and to land their money to "safe" and developed economies, like such as the US, with relatively higher interest rate.⁹ Under these conditions, an economy such as Turkish, with high foreign exchange obligations and dependency on the international financial system, ought to raise interest rates if it wanted to play by the rules of capitalism. However, the AKP government and President Erdogan, who obeyed the rules of international markets and served to neoliberalism for years, have been trying not to fulfill their requirements. They are "squeezed between Atlanticism and Rabiism, between Wall Street and Islamic banking, between amendments on interest rates and the independence of the Central Bank."¹⁰

8 This policy of quantitative easing, in many emerging economies, including Turkey, resulted in increasing debts of private companies and banks and in that time the global debt stock grew by 75 percent from 2008 to 2018 and \$ 250 billion. Within the global debt stock, the share of emerging markets has increased from 7% in 2008 to 26% in 2018. (Güven Sak, *Dünya*, 17.09.2018).

9 On the basis of the roadmap for the period in question, the Fed is expected to pump money more than \$ 1 trillion from global markets by the end of 2019. According to a recent study by IMF on this issue, interest rate increases and balance sheet reduction will reduce capital inflows to the developing economies by \$ 70 billion in the next two years (https://www2.deloitte.com/content/dam/Deloitte/en/Documents/financial -SERVICES / Economic-gorunum_ocak-2018.pdf). The capital outflow from funds focused on emerging markets reached the highest level of 1.5 years (*Dünya*, 18.06.2018).

10 Sungur Savran, "Dolar neden yükseliyor? Ya da Türk lirasının baş aşağı düşüşü (3): Wall Street ile İslami finans arasında kalakalmak", ("Why is the dollar rising? Or the upside down of the Turkish lira (3): Caught between Wall Street and Islamic finance"), *Gerçek*, 27.05.2018.

In brief, the main responsibility for the current economic crisis lies with Turkish big bourgeoisie as a whole on the one hand; on the other hand, the factor that triggered and escalated the crisis, different in comparison with other countries, is the contradiction that the AKP government and Erdogan are confronted with changing conditions in the world economy, but at the same time they represent the other capital faction in the changing conditions.

Seen from a higher perspective, this crisis is the expression of the struggle and conflicts of Turkish big bourgeoisie in different strategies of capital accumulation and world market integration. While the AKP generally acts in accordance with the common interests of the big bourgeoisie, it is, as a representative of the Islamist faction of the bourgeoisie, seeking strategically different alliances. Its search for an alternative to the Western alliance and different international relations it establishes in the Middle East and North Africa (MENA) region have a permanent impact on the economy.

For instance, Turkey is a NATO member, but wants to purchase missiles from Russia. Likewise, the EU is its main market, but it gives trade preferences to the Middle Eastern countries. Such conflicts deepen the crisis, although they are not the main cause.

4- Who will swallow the bitter pill?

Since the beginning of the crisis, the AKP government and President Erdogan have denied the crisis, placing the responsibility to “external forces” and creating the impression in the masses that the crisis will not hit the economy. We have to make a distinction between the government’s attitudes and concrete behaviors. Despite the rapid depreciation of Turkish lira and significant decrease in foreign exchange reserves, the government’s first contacts with international capital circles both in Turkey and abroad indicate that it plans to overcome this turbulent process through winning the confidence of these circles. The explanations of the Treasury and Finance Minister Albayrak that “they will not struggle against the markets but will have a strong communication with them” and that “the key word for this period will be adaptation”, means a declaration of loyalty to the markets from the very beginning.

An important indicator of the AKP’s roadmap is the New Economy Program (NEP), previously called the Middle Term Program (OVP). The main orientation of this program was to recover from crises, or at least extend its negative effects till local elections with measures aimed at preventing the emergence of a liquidity crisis in the foreign exchange and Turkish lira, increasing exports and paying the private sector’s debt out of the public resources.

This orientation is consistent with TÜSİAD’s (Turkish Industry and Business Association) statement that “the priority of the new period is to ensure the stability

of the financial system". The intention to conclude an agreement with Mc Kinsey¹¹ (although it was cancelled later), the implementation of a new stabilization package, and a quasi "IMF program without IMF" mean nothing else than the implementation of austerity policies, as we are familiar with the former IMF programs. It is also consistent with Erdogan's intention "to reign the country as a corporation". This type of orientation, i.e. passing on important functions of public control institutions (like Turkish Grand National Assembly and State Audit Court) to a foreign audit firm, makes clear that Erdogan's rationale ("It's not necessary, we ourselves can afford it") cannot go beyond the boundaries of heroism; what is decisive is the fear to show confidence to the markets.

Ege Cansen, a liberal economist who represents the intellectual wing of the big bourgeoisie very well, lays out the policy that must be followed: "The money-fiscal decision to be taken under current conditions is to **ease the money and cut the budget**". What does this expression mean? It means saving companies and banks that may become insolvent and cutting the budget, especially social expenditures. He ends his article in the following words: "As a result, companies will be relieved and people will be squeezed. If one refuses to swallow the bitter pill, s/he has to accept the bitter end".¹²

We can say that the NEP, which the AKP government puts forward, is quite compatible with its political orientation to pass the costs of the crisis to the laborers who make up three quarters of the society. In addition to the measures such as a tax reform, private insurance system, and flexible working conditions for public servants under the name of public employment based on performance, layoffs and growing living costs also mean that the burden on the working class will increase.

Let us put aside the prediction that the world trade volume will shrink further and trade wars will become more and more intense, and assume that the promotion of export strategy to overcome the crisis is realistic. In this case, the following problem arises: How can we transform a production structure whereby exports depend on imports? NEP aims to reduce imports and promote domestic production. However, the AKP governments, which have been in power for 16 years, have not made any progress on this issue, so the dependency on imported products, especially intermediate inputs and energy, has increased every year,¹³ resulting in the constant increase of the foreign trade deficit. "Export of high value-added products" as an economic policy target has been on the agenda for

11 Behind Mc Kinsey's "success story" lies not only its enforcements of the so called austerity measures for companies in order to increase exploitation but also a number of cases of corruption in their relations with companies and states.

12 Ege Cansen, *Sözcü*, 04.10.2018.

13 Import dependency ratio amounts to approximately 65-70 percent of Turkey's exports. This means that in order to produce 100 units of goods, 65-70 percent of imported intermediate goods are used.

30 years. Nevertheless, until now, although there has been no concrete progress on this issue under the AKP governments, the question is – why do they come up with an idea to mobilize domestic production 16 years later?

The main reason is the continual pursuit of Turkish big bourgeoisie, whether Islamist or Westernist wing, of a greater integration with world capitalism since the 1980s, so as to get a bigger share from the surplus-value pie of the world market. The most important result for a technologically backward economy with limited international competitiveness to establish capitalist production relations with international capital is the following: obtaining more surplus value in the world market requires, as a precondition, both borrowing capability from the international financial circles and intensive pressure on the domestic working class. But this precondition has structural limitations, as it was revealed by the crises in the past.

It is possible to escape from the vicious circle of this bourgeois orientation, but this requires, first of all, a political will aimed at abandoning capitalist relations of production. If you are going to reduce dependence specific to the existing capitalism, beyond any heroic words like “we ourselves can afford this”, you must undertake capital controls and exit from the Customs Union. Since we have not seen any concrete step taken towards a radical change in the production structure based on the dependence of exports to imports, which has also been a structural problem during the AKP governments, there is no other way out of the crisis, except to suppress wages and to pave way for layoffs, provided that an increase in exports is intended.

The steps taken so far confirm our assumption. The initiatives to realize “structural reforms” through transferring dismissal pays to the Unemployment Fund, aimed at easy “hire and fire” practices, transferring the Unemployment Fund’s money to public banks for other purposes, and the statements given by the president of the Ankara Chamber of Industry (ASO) that “this debt belongs to the whole of us”, or “wages of the worker should be paid by the state” point out the reality that both the government and the employers target the pockets of the working people.

For a long time, Turkish bourgeoisie has expressed the desire “to make Turkey a European China” by pulling down labor costs in order to increase its competitiveness on the way to become Europe’s manufacturing base.¹⁴ During

14 Former TÜSIAD president Omer Sabancı, “Turkey can play the same role of China for European SMEs” (*Hürriyet*, 29.06.2006), Guler Sabanci, one of the leading figures of Turkish big bourgeoisie, “We are now China of Europe” (*Hürriyet*, 23. 01. 2011), former Minister of Economy Zafer Çağlayan, “in the future, Turkey will be Europe’s China” (*Hürriyet*, 09.02.2011), or “Turkey thanks to its dynamic and young population and its cheap labour is perceived as ‘China of Europe’” (*Fortune*, 29. 05. 2015) . Considering that the country has the lowest minimum wages in European countries (*Evrensel*, 29. 08. 2018), the longest working hours (1855 hours) among OECD countries

the state of emergency (OHAL) and in conditions of economic crises nowadays, the working life is likely to be converted almost into a prison camp. The detention and arrests of the workers who recently protested against the slavery working conditions based on subcontracting system at the construction of the Third Airport in Istanbul indicates that an undeclared state of siege in the economy and “economy management by whipsawing” will continue in the coming period.¹⁵

5- In order not to accept a bitter ending: class struggle!

We have tried to show that in the background of the economic crisis of Turkey lies the crisis of world capitalism as a whole; but we have also emphasized the role of the collaborative efforts of Turkey's big bourgeoisie and the AKP government under Erdogan's leadership, albeit with different priorities. That the impacts of the crisis on Turkey's economy have been so severe we owe to the political choices of the AKP / Erdogan as a contradiction of the inner struggle of the Turkey's bourgeoisie. In the light of these determinations, we have concluded that Turkish bourgeoisie is primarily responsible for the crisis and then the AKP regime.

This conclusion implies that the crisis stems neither from a “one-man- regime” nor from the AKP's wrong economic policy preferences and managerial errors. We claim that the crisis is a product both of the restrictions of capital accumulation and struggle with different priorities of capital factions to overcome it. In this sense, the crisis has a class character.

Foreign debts are permanently increasing because of the dependency of Turkish bourgeoisie on international finance circles with the aim of making Turkey a part of uneven capitalist relations of production. Hence it becomes an obstacle to social welfare and living conditions.¹⁶ Therefore, we conclude that the struggle against this crisis should be primarily on a class basis; i.e. the bill of this crisis should be paid by the ones responsible for it. These debts belong to the 1%, not to 99%!

In the conditions where the crisis of the world economy is getting deeper, trade

(average 1765 hours) (*Cumhuriyet*, 21. 12. 2017), the Turkish bourgeoisie unfortunately has gone a long way in fulfilling this objective.

15 Since the AKP's inauguration in 2002, the number of workers affected in the strikes banned was 192.000 and within the period of state of emergency since the two years it was more than 154.000. In other words, six of the 14 strikes were blocked in the OHAL period (*Cumhuriyet*, 15.06.2018).

16 Unemployment rate for the year 2019 was set at 12.1 percent even in the NEP forecast (i.e. with optimistic and official figures). It is clear that the real figure is much higher. The indebtedness of households increased day by day, and the ratio of household debt to disposable income increased from 4.7 percent in 2002 to 50 percent in 2018. Recent research of a Public Union Confederation reveals that at least eight out of 10 public employees are indebted, and that one out of three working families lives under the poverty line (*Cumhuriyet*, 14.10.2018).

wars are escalating, and possibilities for joint agreements between different social classes are diminishing, the solution can only be based on a class struggle. When the power balance between the classes has been achieved, any government comprised of working classes should first refuse to pay of the foreign debts of a handful of domestic and foreign large banks and capital groups, and should definitely oppose the payment of these debts to the laboring class through state banks. Banks and companies should be asked to pay the losses of the employers, not the workers; otherwise, these banks and companies should be expropriated under workers control, the Customs Union should be exited, capital movements should be taken under control, wages should be increased according to the average rate of inflation, working hours should be reduced and employment should be aimed for everyone.

Such a mobilization that puts the interests of the working people at the center should avoid the following political orientation in the light of past experiences and lessons: conducting a political struggle on the basis of opposing Erdogan's authoritarian "one-man regime" which is highly widespread in opposition parties and in most socialist circles. This approach, "Let us first establish a democracy..." is, of course, meaningful and legitimate to the extent that it puts ahead a struggle for liberty against despotism as a goal. But the real problem is: what social and class forces will you stand for in this struggle for "democracy" or liberty? The pillar of the political orientation haunting the Turkish left for many years is great expectations of democratization wave via the EU relations as an external social force. However, the EU, as the representative of a wing of the imperialist bourgeoisie, could not go beyond being a pragmatic institution in its own interests for years. Let us remember that in 2011, when the effects of the world economic crisis were worsening in the European economies, Germany's enforcing and proliferating attitude towards Greek economy riding out a crisis was almost the same as the IMF's. Similarly, to expect too much from "progressive" bourgeois circles in Turkey as an internal dynamic is another pillar of the political orientation in the leading opposition and leftist circles.

One of the leading targets of the big bourgeoisie in Turkey for many years has been to become a dominant power in the Middle East and Africa (MENA) and the Caucasus region economically as well as politically. Another target is, as we have mentioned above, to make Turkey the "China of Europe" in relations with the EU as the main export destination.

In terms of both objectives, there is a consensus between Erdogan / AKP and different fractions of Turkish bourgeoisie, although they have many other conflicts:¹⁷

Erdogan gave many gifts to the other wings of the bourgeoisie, and he may have fought

¹⁷ The most illustrative example of this tension is Erdogan's move to control the İş Bank, which is one of the biggest and most important financial institutions on the side of the Western bourgeoisie, by demanding to transfer the bank's shares to the Treasury and Finance Ministry.

a lot in the past with the TÜSİAD bourgeoisie. But today he promises a gift to the Western bourgeoisie: when the world economy is turned upside-down, when Trump has surrendered to a trade war, he decides to take a one-hand decision, manages the country as a joint-stock company, serves capital through a quick decision-making process, and attacks the working class.¹⁸

The above mentioned objectives of the Turkish bourgeoisie determine their opportunistic attitude towards democracy at the same time. Former TÜSİAD chairman Tuncay Özilhan has stated clearly a short time ago:

We have to admit that the expectation that liberal democracy, the rule of law and the market economy will bring peace and prosperity to the whole world is empty. In this age, where the economic and political balance of power is re-formed and almost tectonic changes are taking place, countries need to make a **quick and effective decision** to keep pace with the pace of change. In many countries, we are entering a period of **strong leaders** to adapt to change and deal with the consequences of change affecting large masses.¹⁹

In case of a deepening crisis moving towards a collapse, the question of who is going to pay the price is of utmost importance. We can foresee that the “costs” (unemployment, abolition of severance pay, etc.) will be largely extended to the laborers. So, in the conditions of crisis where class interests are so sharply confronted, there is no chance of winning a struggle aside from the fact that left intends to pursue a politics independent from imperialism and the bourgeoisie. Precisely for this reason, arising political expectations in search of a compromise and common interest based relations with “progressive” fractions of the bourgeoisie, widespread in the Turkish left, would weaken the struggle capacity of the working classes against the despotic regime and the economic crisis in the country at the same time.

To avoid heavy social costs of a deepening economic crisis for working classes, the most important task is to organize a united workers front around urgent demands and involve all layers of laborers, including the supporters of the government some call the “other neighborhood”. This struggle must of course contain very broad sections, should be in alliance with other oppressed groups, including women, the Kurds and migrants, but this common struggle should be aimed at establishing a class base founded on the needs and demands of the working class.

18 Sungur Savran, “Rabiacılığın istibdatı” (“The Autocracy of Rabiism”), *Gerçek*, August 2018, no. 107.

19 *Hürriyet*, 18.01.2018 (highlighted by the author).