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TRANSFORMATION OF TURKISH STATE IN THE CONTEXT OF REGULATION SCHOOL: THE POLITICAL ECONOMY OF STATE BUDGET[1]

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ÖZET

Bu çalışmanın amacı Türkiye'de kapitalist devletin dönüşümünün düzenleme okulu bağlamında birikim rejimi ve düzenleme biçimlerine göre değerlendirilmesidir. Düzenleme okulu kapitalizmin tarihsel gelişiminin toplumsal ve siyasal müdahale ve düzenlemelere dayandığına ve sermaye birikimi için gerekli üretim ve tüketim arasındaki döngüsel ilişkinin istikrarını sağlayan, yeniden yapılandıran ve kolaylaştıran kurumsal mekanizmalara vurgu yapmaktadır. Bu nedenle düzenleme okulunda kapitalizmin belirli dönemlerinde açığa çıkan birikim rejimi krizlerinde istikrarın sağlanmasında devletin sahip olmuş olduğu rolün ekonomi politik analizi oldukça önemlidir. Kamu harcamaları ve vergilerden oluşan devlet bütçeleri ise birikim rejimlerinde en önemli düzenleme araçları olarak kabul edilmektedir. Buradan hareketle bu çalışmada 1980 sonrası dönem için birikim rejimlerinde devletin bütçe aracılığıyla düzenleyici rolü analiz edilmektedir.

Anahtar Sözcükler: *Düzenleme Okulu, Birikim Rejimi, Kapitalist Devlet, Bütçenin Ekonomi Politiği*

1 This paper is based on an PhD study titled "The Political of State Budget in the Context of the Historical Developmen of State: An Analysis of Turkish State Budget" (Uudağ University, Institute of Social Sciences), 2016.

ABSTRACT

This study aims to analyse the transformation of capitalist state in Turkey in the context of regulation school considering accumulation regime and modes of regulation. Regulation school emphasizes that the historical development of capitalism is based on social and political interventions and arrangements, and it focuses on the institutional mechanisms that stabilise, facilitate and restructure the cyclical relation between production and consumption, which are both necessary for capital accumulation. Therefore, it is quite important to analyse the role of state in ensuring stability during accumulation regime crises, which occur in certain periods of capitalism, from the perspective of political economy. Consisting of public expenditures and taxes, stage budgets are accepted to be the most important regulatory tools. Starting from this fact, this study analyses the state's role as a regulator through its budget in accumulation regimes in the post-1980 period in Turkey.

Key Words: *Regulation School, Accumulation Regime, Capitalist State, Political Economy of Budget*

1. INTRODUCTION

Given their nature, states have been in existence for a very long period of time. The fiscal management of states along with public expenditures and income has evolved into its current state after going through several transformations since its very beginning. Throughout history, the main function of states has been to regulate and arrange social relations based on existing production relations. States have also looked for new forms that would match the changing structure of capitalism (Hirsch, 2011: 20). How the state handles this process depends on existing technical end economic conditions and above all, on social power balance (Hirsch, 2011: 20). Even if states may appear in different forms (like social state and welfare state), the shared objective of all states is to overcome social conflicts. This is related to the regulations made by the state in socio-economic reproduction processes. In this regard, it could be stated the capitalistic state has two main functions. The first is its accumulation function, which is more systematically handled within classical Marxist state understanding and Regulation School succeeding it. The other is the legitimisation function of state apparatus, which serves for the reproduction of capitalist state system at social level and which was mentioned by Antonio Gramsci and Louis Althusser and elaborated by different scholars studying capitalist state (Althusser, 2003: 168-169; Portelli, 1982: 20).

Capitalist states have been trying to create a legitimate ground so that they can manage the social gap and polarization, which are getting more and more profound as a result of neo-liberal policies applied in the new accumulation regimes. In fact, the new accumulation regimes have been offered as a solution to the systemic crises since 1970s in particular. In most political and economic crises resulting in an impasse, capitalist states usually implement two different methods: They either have recourse to coup d''état, which involves violence; police power, which has become paramilitary and legal sanctions, which include prohibitions, or they take advantage of budget and money policies, which serve for the revaluation of capital, through taxes and expenditures. Although the methods applied by capitalists states can clearly be felt in social sphere (daily life), they are embodied and thus become visible in states' budgets through taxes and expenditures. In other words, public finance stands as a field where all this reproduction process can be observed and analysed. Therefore, budgets, in which it is possible to monitor taxation, expense and borrowing policies, seem to be an important field of study. This study seeks an answer to two basic questions: (1) "*Why do states serve the interests of capitalist classes?*" (2) "*How do states work to maintain and expand capitalist system*?" (Gold et al., 1975: 31)

It is through the representation of certain interests that states can preserve their power. However, it is the state itself that decides on whose interests it is to represent (Clarke, 2004: 14). Thus, states have to develop certain internal structures with which they can favor their own political privileges. However, when the state starts to distance itself from the field of production, it is doomed to serve the capital as a whole and work to guarantee the conditions required for capital accumulation (2004: 14). As the state fulfils its accumulation function, it inevitably serves the general capital interests, and it even regulates and structures it. On the other hand, the state has to avoid endangering its legitimacy by associating itself with any particular group (2004: 14). Capitalist states can ensure their legitimacy in two ways. First, they meet expectations. Second, they increase safety measures. In the last century, capitalism has been dragged into such a situation that it experiences the main conflict between accumulation and legitimacy. Any kind of state intervention intended to resolve this conflict brings about new crises or further conflicts. The transformation processes of capitalist states and the deepening social inequalities should be analysed in this context. Such an analysis involves fiscal aspects, but it should be noted that it is through a political economy-oriented reading that this analysis can become possible. Thus, this study has three main parts: The first part offers the theoretical framework. In this study, regulation theory is accepted to be the most appropriate theory to understand the dynamic of capitalist societies and the related transformation processes that capitalist states go through, which constitute the *problematique* of this study. In this framework, the first part offers an analysis of state based on regulation theory. The second part focuses on the political economy of the state budget. In other words, the second part is centred on the role of taxes and expenditures in capital accumulation. The final part reveals the transformation of the capitalist state in Turkey by considering the concepts of regulation school. Thus, the third part offers an analysis of expenditures and taxes in the budget.

2. Theoretical Framework: Regulation School and State

Regulation theory was developed in 1970s, when the economic crises started to influence the entire world (Lipietz, 1988: 11). Regulation school is an approach developed by the economists (Aglietta, 2000; Boyer, 1990; Boyer and Saillard 1994; Lipietz 1988) in France in 1970s. Yet, there are diverse regulation schools with different tendencies. Although they are related to each other in this or that way, they may prioritize different fields[2]. Regulation theories basically analyse the continuity of societies within the historical development of capitalism and their rupture (crises) from this continuum. Regulation schools try to understand the dynamics of capitalist societies through the crises that occur in capital accumulation processes and the related transformation processes. Their subjects of study are production and consumption relations within Fordist production, crises and institutional correlations that allow for the revaluation of capital in this process. In fact, capital accumulation processes have their inner conflicts. Yet, there has to be stability so that there can be accumulation. At this point, regulation school seeks to understand how stability can be ensured through economy as well as political and social institutions. According to the theoreticians of regulation school, the historical conflicts, namely crises that occur in the process of capital accumulation, can be resolved with institutional modes and regulatory mechanisms. There is a need for regulatory mechanisms that facilitate and restructure the revaluation of capital or help to clear the blockages (Lipietz, 1988: 22-23).

2 Regulation school is divided into three main parts in France: Grenoblois, Parisian and PCF-CME. Apart from that, there are 4 different regulation schools, namely Amsterdam School, West Germany regulators, Nordic Model and American radicals. Although Paris School is the dominant one of these, each school functions in harmony with each other. [Jessop, 2006: 155-159].

Regulation school uses two concepts in analysing the general structure of capitalist societies. The first is regime of accumulation, and the second is mode of regulation (Boyer and Saillard, 2002: 36-45; Hirsch, 2011: 93-94). Accumulation regime refers to a regime that has the required political and legal arrangements in which there is a production organization aimed at increasing the surplus or profit. Accumulation regime is defined as the sharing of social product between consumption and accumulation so that capital accumulation process can function in a stable way. Boyer lists the conditions necessary for the maintenance of accumulation regime as follows; (1) production organization types and workers' relation with production tools, (2) the period in which investment decisions are planned, (3) sharing of the value among social groups, (4) changes in the volume and composition of effective demand, (5) relations between capitalist and non-capitalist production types (Boyer, 1990: 35). Each accumulation regime has to be accompanied by a distinctive regulation type that arranges the accumulation process (Kotz, 1994: 85-86). Mode of regulation refers to the ensemble of institutional modes, relations and rules that would ensure the required harmony within the existing accumulation regime and social relations. Jean-Pascal Benassy states that the regulation of an economic system involves a series of processes that manage the allocation and utilisation of production factors and sharing of income. According to Benassy, the term regulation means the dynamic adaptation of production and social demand (Boyer, 1990: 119). The role of state in the transformation processes of capitalism, for example, is of importance because it is the state that determines the components of taxes and expenditures and shapes the accumulation and sharing of state budget. There are five institutional relations that need to be analysed in mode of regulation. The first one is the relations between money and loan, which includes the loan distribution mechanisms, banking, capital and finance arrangements. The second is the relations between wage and labour, which includes the labour code that regulates the labour market and the state's regulations on wage. The third is the competition mode that covers competition regulations about the capital in the market. The forth is about how the rules that regulate foreign trade and foreign capital investment are articulated into international regime. The final one is types of state intervention that involve regulations about taxes, public expenditures, state economic enterprises, privatisation and public acquisitions (Taymaz, 1993: 19). Public expenditures and taxes -or broadly speaking the budgets in which you can see public expenditures and taxes- are the most important regulatory tools used by states to regulate economic and social relations. In this regard, budgets do not just offer the required financial regulations for the reproduction processes of capital accumulation. They also rearrange social relations with their different types (feminist budgets, social budget).

In regulation school, there are two accumulation regimes. The first is extensive accumulation regime, and the second is intensive accumulation regime. In extensive accumulation regimes, companies generally use the existing knowledge to increase production capacity by augmenting the number of machines and equipment. In extensive accumulation, growth is simply quantitative. In intensive accumulation, however, technological advances and improved productivity play an important role in production growth. Intensive accumulation is, thus, more focused on the quality of growth. Extensive regime is generally known as Fordism whereas intensive regime is called New Fordism by Aglietta and Post-Fordism by Hirsch (2011), Jessop and Harvey (2006). The state's regulatory role is different in each accumulation regime.

In Fordist accumulation regime, the state is reorganized by the Post-Fordist accumulation regime (Harvey, 2006: 14). The type of state in Fordist accumulation regimes ensures regulation, rigiditiy collective bargaining and international stability via multilateral agreements. The states in Fordist regimes involve certain characteristics like centralization and subsidy. In Post-Fordist accumulation regimes, however, such characteristics are replaced by deregulation-regulation, flexibility, division-individualisation, international instabilities, increased geopolitical tension, decentralization and entrepreneurial states.

It is criticized that regulation school does not focus on state analysis a lot. According to Jessop, the regulators of the first period such as Aglietta and Lipietz have widely neglected state (Jessop, 2006: 196). Analysis of capitalism underlies the state theory of regulation and the existence of state is explained through social relations. The most important duty of the state is to regulate economic and political opportunities that are required to reproduce the social relations. Engels said that states appeared out of historical reasons at a point where inter-class relations were irreconcilable. Aglietta, on the other hand, puts emphasis on the regulatory aspect of states by saying that while states reproduce social relations, they also reproduce and secure pay relations. Among such regulations are deciding on terms of employment, fixing age limits in employment, setting the framework of social security and insurance services, specifying the conditions in which to sign or end employment contracts, setting limits for rights resulting from trade union membership and determining minimum wage. Such regulations are needed the most during transformations when capitalism requires a new accumulation regime. In other words, regulations are needed the most in the course of crises, when capital loses its value. At this point, states intervene not only in economy but also in civic society to restore the order required for the reproduction of capital. The type of this intervention, namely regulation is determined within the framework of the new accumulation regime. In fact, states ensure a harmonious organization of institutional structures that regulate economic and social sphere for a certain purpose. (Hirsch, 2011: 94-95). The unity established by the state is explained with the concept of hegemony in regulation school with a reference to Gramsci (Aglietta, 2000: 29). At this point, Jessop's analysis of state offers an important framework for regulation school. In Jessop's view, state is basically the ensemble of individual institutions and organizations that make binding decisions and apply them for the collective interests of a society and its management (Jessop, 2008: 456). For example, a new accumulation regime requires new accumulation strategies that would encompass non-economic conditions and help to realize revaluation process. Accumulation strategies take into consideration not only the relations between different fractions of capital and other dominant economic classes but also the power balance between dominant and dependent classes. This accumulation strategy involves the arrangement of economy policies (interest, foreign exchange rates and inflation) and social relations considering the new accumulation regime. The social unity that complies with this accumulation strategy can be reproduced through hegemony projects. The congruence of accumulation strategy and hegemony project signals the 'historical bloc' (the social formation based on the alliance and complementariness of economic infrastructure and political and ideological superstructure). Historical block determines the type of state (Jessop, 2008: 263-293).

Recently, Boyer has come up with a categorical distinction in regulation school, which is important for a concrete analysis of state. Boyer draws attention to different institutional regimes and different types of states that correspond with different accumulation regimes. For instance, in market-centred states, market mentality regulates nearly all of the institutional modes. In this model, the state is divided into a series of institutions and audit bodies. States are strongly restricted from competition in political markets. In state-centred states, however, state interventions develop both quantitatively and qualitatively and public enterprises, regulations, public expenditures and social protection come into prominence (Boyer, 2000: 274-322). Finally, it would be wise to mention public finance analysis that Bruno Theret, who concentrates on the financial side of state, handles within his understanding of regulation. Theret states that each economic system has its own social practices and financial development. Therefore, it is important to analyse the capitalist transformation processes starting from the state's financial development. As a matter of fact, financial policies are important regulatory tools in the development of new accumulation regimes. Theret suggests that there are differences between the three modes of states in accumulation regimes. The first is political autonomy mode, the second is legitimacy mode and the final one is tax mode. These three modes differ from each other based on their accumulation regimes, and they also show the organic circuit of state (Theret, 2005: 124-125). For example, in a growth model based on financial accumulation, the organic circuit of the state transforms these three functional modes that help to remove the obstacles against the state. According to Theret, the relation between accumulation regime and financial practices is essentially a monetary relation. In other words, it is public finance that relates the state to the commodity market. However, this relation has legal and ideological dimensions, too. Theret links the taxation types and allocation of public expenditures to the philosophical conceptualisation of citizenship (Theret, 2005: 125). To put it in another way, an analysis of citizenship rights within the context of social relations unravels the legal and ideological aspect of taxes and expenditures.

3. Political Economy of the State Budget

As İzzentin Önder rightfully puts it, the dominant theoretical knowledge and explanations about budget are *ideological* because such knowledge already operates like the main element of the system veiling its real functioning (Önder, 2000). The main function of the state is to reproduce the capital accumulation. While fulfilling this function, the state has to eliminate any potential social imbalance without casting doubt on the legitimacy of the capitalist system. Otherwise, social conflicts would threaten the continuity of the system. The state, thus, tries to manage this process by putting its ideological and material pressure apparatuses in place. As Althusser puts it, all state apparatuses function making use of ideology and pressure. At this point, budget, which is a political instrument, not only fulfils the state's function mentioned above but also conceals the truth and obscures our minds with its form developed within standard teaching (Önder, 2000). In standard teaching, budget is introduced as an action plan created by the political power in a fully independent way displaying a big harmony and participation. As mentioned in the literature on public budget, the political power first detects the expenditures and the income to meet these expenditures, and then prepares an annual plan and program accordingly (Önder, 2000).

The state intervenes in accumulation processes through budget mostly in the production of goods and services. The production mentioned here encompasses three fields: First is the production of services aimed at meeting social requirements such as health, education and social security (Oyan, 2010: 211). In this way, the state boosts labour productivity in accumulation regimes. The second is the creation and improvement of production infrastructure, which is necessary for capital appreciation as well as the society itself. For example, roads, dams, ports, communication systems, electrical conduction, clean water and waste treatment are all indispensable services for societies and capital as well (Oyan, 2010: 212). In Fordist accumulation regimes, these services are rendered by the state itself whereas in Post-Fordist accumulation regimes it is either the market that directly undertakes such services with the reproduction of financial capital or the services are indirectly rendered by the state through build-operate-transfer method or tenders. The last one is the production of services such as justice and internal security aimed for the state's social compulsion (2012: 213). Such services ensure the legitimacy of the system especially in the course of crises that appear in accumulation regimes.

O'Connor has conceptualised government budget in his research on the sociological foundations of public finance within a political economic framework. To O'Connor, "*the main concerns of fiscal politics are to discover the principles governing the volume and allocation of state finances and expenditures and the distribution of the tax burden among various economic classes*" (O'Connor, 2009: 3). O'Connor claims that while capitalistic states contribute to capital accumulation in private sector, they also work to ensure the legitimacy of capitalist state. Capitalistic states must involve themselves in a series of expenses while trying to fulfil these two functions. O'Connor indicates that "state expenditures have a twofold character corresponding to the capitalist state's two basic functions: social capital and social expenses" (2009: 6). Social capital expenses directly contribute to social accumulation and they can be analysed in two main categories, which are social investment expenses and social consumption expenses. Social investments are infrastructure investments that increase the productivity of a given labour power and maintain the general conditions required for production preventing the devaluation of capital via fixed capital and technology investments (2009: 6). Social consumption, on the other hand, consists of projects and services such as education and health that lower the reproduction costs of labour power. Social investment and consumption expenses do not directly create surplus, but help capitalists in their attempts to increase surplus, which makes social investment and consumption expenses indirectly productive (2009: 7). According to O'Connor, social expenses consist of projects and services that give legitimacy to the system in a way to ensure social harmony and reconciliation. For instance, the expenses resulting from domestic security services that facilitate social control such as unemployment insurance, pension payments, social security and justice as well as military expenses are among social expenses (2009: 7; Çaklı, 2008: 85-119). O'Connor implies that the main objective of social security is misunderstood. Although social security expenses increase social welfare, the main purpose here is rather to ensure social and economic stability and security in the field of employment for the benefit of capitalists. O'Connor states that in most capitalist states, accumulation and legitimisation are in a contradictory relation. Public expenditures eventually serve this dual purpose (O'Connor, 2009: 7).

Considering the tax part of state budget, it could be said that to Marx, tax is the life source of bureaucracy, army, church, courts, namely the entire executive power. A strong government is a synonym for heavy taxes, and vice versa (Marks, 2002: 127). From this perspective, taxes are the most important indicators of the legitimacy of power. In this respect, the period during which the state tends to increase taxes corresponds to the period in which it has some problems about its legitimacy. Marx's main point about taxes is to find out on which social class taxes create the biggest burden. Marx stated a few times that it is the working class that feels this burden more (Gürkan, 2011: 240). On the other hand, any important change in the balance of class and political forces is registered in the tax structure (O'Connor, 2009: 203). O'Connor explains the role of tax in capital accumulation with the concept of tax exploitation, and to him, dominant classes try to conceal, justify or ideologically rationalize tax exploitation when capitalism is developing. For instance, new taxes are introduced with slogans like "tax fairness or equity" or "improving incentives". The high share of indirect taxes in tax income can explain the concealment of tax exploitation. Especially low and middle income groups have failed to do savings and borrowed more than their income in recent years. Given that they consume more than their income, it can be concluded that the proportion of the taxes they pay to their income is so high. On the other hand, it is a fact that high income groups also pay high taxes, but it is due to their luxurious consumption. At this point, it should be noted that, the proportion of taxes to their income is rather low. Tax exploitation is hidden from tax payers in developed capitalist societies, but it remains to be an important local income source for the state. Tax exploitation is justified based on three main concepts. These are tax incentives, ability to pay and equal treatment for equals (2009: 204-205). The incentive rationale asserts that when profits are taxed extremely heavily, the accumulation of capital and thus the growth of production and employment will diminish and that if there is no financial incentive for investors, investable funds will run out. To put in another way, taxes must not reduce incentives both to supply and to invest money capital, and in this regard tax incentives must be increased (2009: 205). The ability-to-pay doctrine not only conceals but also justifies tax exploitation. It asserts that every single member of society should pay taxes in line with his/her personal income. From this perspective, it conflicts with incentives. When the ability-to-pay principle is put into effect, it is accompanied by progressive taxes, discrimination, exemption and exceptions. Among these, progressive taxes are the most popular method in terms of ability-to-pay principle. However, nowhere in the capitalist world are unrealized capital gains taxed although they increase an individual's ability to pay taxes (2009: 205). The hidden premise underlying this principle is that the benefits of state expenditures accrue more or less equally to every taxpayer. O'Connor finds this assumption invalid. The main reason is that the priorities of state budget are determined by the need to expand social capital and social expenses of production (welfare and warfare spending). Therefore, the ability-to-pay doctrine is ideological and illogical. Tax exploitation is justified finally with the idea that "equals should be treated equally". O'Connor states that from the very beginning capitalistic societies are not the societies of equals. In such societies, there are owners and nonowners, monopoly capitalists and competitive capitalists, organized workers and unorganized workers, oppressive social groupings and oppressed minorities, rich and poor, and so forth. Thus, a tax system that treats "equals equally" just reinforces existing inequalities (2009: 205).

4. Transformation of Capitalist State in Turkey: Accumulation Regime and Regulation Modes

The studies on the development of state in Turkey are generally concentrated on the neoliberal transformation in the post-1980 period. Turkish economy started 1980s with economic instability and under the influence of military tutelage. Therefore, 1980 is accepted as an important milestone in the analyses about the structural transformation of Turkish economy. The statism period before 1980 is a period marked by intensive accumulation regime and regulation modes. In this period, capital accumulation was subsidised by state and the capital was revalued through state economic enterprises. Thus, this period includes significant political and economic developments in terms of the emergence of capital class and transformation of social structure and relations. Capitalism lived its golden age after World War Two until mid-1960s as a result of Fordist accumulation regime (welfare state practices). Boratav divides this period into two parts for Turkey and concludes that the period between 1946 and 1953 was marked by rapid growth and all social groups enjoyed improved living conditions (Boratav, 2003: 106). The period from 1954 to 1961 was, however, a period when the expansion conjuncture and liberal foreign trade policies came to an end leading to an economic stagnancy (2003: 107). In fact, this stagnancy is related to the development of capitalism in Turkey. In Turkey, capitalism developed primarily with insufficient capital, external borrowing and state support (Arın, 2013: 11). The official financing policy that has been applied since 1950s up to now has generally been based on levying low taxes on the private sector and shifting a considerable part of the tax burden to the groups that are paid wages. In this way, capital accumulation funds have remained untouched[3]. This policy, thus, has not caused an increase in taxes but prioritised external borrowing (after 1980s, internal borrowing) and inflationist financing.

In Turkey, the industrial capital rapidly grew in 1960s. At that time, the USA was enjoying the absolute capitalistic superiority in a polarized world, and it was starting to shift the old Fordist machines, which had already completed their technological life cycle, to underdeveloped countries like Turkey by means of Marshall Plan, external loans and borrowing. In this way, the USA undertook the role of complementing the industrialisation process of underdeveloped countries (Topak, 2012: 202). During this period, capital was accumulated through the use of labour-intensive technologies. Requiring big investments, these technologies were first used in enterprises established by the state. As the technologies that were imported for capital accumulation were used in production, the country became import-dependent. Excluding developed capitalist countries, Arın points out that Fordism, which consists of intensive accumulation regime and monopolist regulation mode, influenced the remaining countries in different ways (Arın, 2013: 66-67). These are: (1) accumulation regime based on traditional export, (2) accumulation regime based on traditional import substitution (sub-Fordism), (3) accumulation regime based on export substitution (violent Taylorism-environmental Fordism). It can be said that Turkey applied accumulation regime based on import substitution from mid-1960s to the late 1970s. In accumulation regime based on import substitution, the foreign exchange income obtained from agricultural surplus, underground sources and labour force export is used to purchase some inputs and Fordist investment goods produced by developed capitalistic countries. This type of accumulation regime gives weight to regulations aimed for protectionism. National capital is protected against foreign competition. Under such protection, consumer goods are not imported but produced for an internal market aimed at upper middle classes and middle classes (Arın, 2013: 70). In this period, the state created the suitable environment to ensure the continuity of capital accumulation. In this regard, state economic enterprises functioned as important regulatory tools. In import-substitution model, durable consumer goods based on private sector, intermediate goods needed by industry and investment goods are manufactured by state economic enterprises and then transferred to private sector at low prices. The entire process is known as subsidy. (Sönmez, 2002: 39). When it comes to Turkey, it is seen that in such periods the intervention of the state through state economic enterprises gets more and more intense with the intermediation of public economic enterprises in fields like raw material, energy, machinery, transportation, bank and loan, which are all essential for production.

Turkish economy entered 1980s with political instability, high inflation rates and debt crisis (1979). The conflicts specific to Fordist accumulation regime appeared in Turkish economy as well as in neighbouring countries that all applied import substitution model. The regulation mode in the existing accumulation regime failed to ensure social reproduction. Furthermore, the fight between labour and capital got more and more fierce and political instability continued, which both deepened the crisis. It was urgently required to run competitive regulation modes that would facilitate the re-valuation of the capital and eliminate inefficient capital from the market. The new regulation model, thus, required a new restructuring of the capital not only in itself but also in its relations with the

3 As a result of the state's regulatory role, the share of private sector in Turkish manufacturing industry increased from 1950s to 1970s. In early 1950s, the state's share in fixed capital investment was 53,98% whereas that of the private sector was 46,02%. The state's share in added value was 58,33% whereas that of the private sector was 41,67%. By 1971, the state's share in fixed capital investment had decreased to 37,79% whereas that of the private sector increased to 62,21%. As to the added value, the state had a share of 56,01%, still creating a higher added value than private sector (Buğra, 2015: 76).

global capital. On the other hand, in this new relation with the global market, the national capital, which was protected through measures like customs wall and tax incentives, had to fight against global capital which was involved in large-scaled and developed production with export-based accumulation. The reduction of pay and liquidation of social rights were among the leading methods applied in the fields where there was a competition against the global capital, which had technology and capital superiority. Therefore, the post 1980 period required economic and social restructuring (Güzelsarı, 2012: 65). In this context, Turkey entered a legal, administrative, institutional, political and economic restructuring process with the coup d'état of September 12, and the influences of this process can still be felt.

To reveal the regulation modes of capitalistic state, it is necessary to divide the post 1980 period in Turkey into parts considering the main characteristics of the accumulation regime specific to Turkish economy. In Turkey, the Post-Fordist accumulation regime can be divided into three periods, each of which was reorganized by its conflicts and marked by different regulation modes (table 1). The first period lasted from 1980 to 1989 and in this period the accumulation model was based on export. Broadly speaking, in this period, trade became free and trade capital started to be internationalized. In the second period, the accumulation model was based on finance, and it was a process of financial liberalization (Balseven, 2015). The third period was financially and institutionally based. In other words, expanded financial capital was revalued with productive capital, and the economic, administrative and legal infrastructure was restructured to articulate public finance and administration to the global economy (Güler, 1996; Bayramoğlu, 2005; Güzelsarı, 2007).

Table 1. Post-Fordist Accumulation Regime Model and Regulation Modes in the post-1980 period in Turkey

	Accumulation Regime Model	***Regulation Mode***	***Conflicts of Accumulation Regime Model***
1980-1989	Export-based* (Internationalization of commercial capital)	Export incentives, liberalization of foreign trade, tax and expenditure reforms, privatisation, removal of the controls over interest limits, deregulation	Budget deficit, public debt
1990-1998	Financially based* (Accumulation based on money-capital movements)	Currency convertibility, liberalization of exchange regime, increase in national interest rates, privatization	Inflation, budget deficit, current account deficit, public debt
Post 2000	Financially and institutionally based (productive capital-institutional-legal restructuring)	Banking regulation, low exchange rate, high real interest, privatization, noninterest deficit, Public Financial Management and Control Law, institutional transformation, institutional transformation, security and flexible restructuring of labour force market,	Current account deficit, internal debt, household debt, over valuation (financial balloon)

*Balseven, H. (2015), "Regulation Theory and States: The Case of Turkey during the Crisis Period 2000s, Colloque R&R, 10-12 June, Paris.

The stability package opened on January 24, 1980 offered a long-term extensive structural transformation program based on liberalization and foreign expansion. This stability package was also in compliance with the neo-liberal policies and suggestions of IMF, World Bank and OECD. The program had four main pillars: deregulation, privatization, commercialization of social services such as health, education and retirement, flexibilisation and deunionization (Güzelsarı, 2007: 66). In this way, the handover process needed for the financial expansion and restructuring of the capital started. Accordingly, the period from 1980 to 1989 witnessed important regulations for the liberalization of foreign trade and internal financial markets in compliance with the requirements of outward capital accumulation. For example, in the period of 1979- 1983, import guarantee rates were reduced to 7,5% from 25% for industrial products and to 15% from 40% for commercial products. The share of quotes in export was increased to 18% from 17%, and important export incentives were introduced (Sönmez, 2009: 29-30). Interest limits were deregulated in line with financial liberalization, and financial instruments, certificates of deposit, debt notes and bills were diversified (2009: 30). Istanbul Stock Exchange was established in 1986 taking important steps in structuring financial intermediaries. In Arın's words, liberating foreign trade and internal financial markets was the first step intended for separating monetary accumulation and real accumulation, which could be taken as the summary of financialisation process (Arın, 2011: 574). The liberalization of foreign trade was completed with the removal of arrangements aimed at international capital movements in 1989.

At the end of this period, Turkish economy faced budget deficits which came as a conflicting result of export-based accumulation regime. The liberalization policies, which had been in effect for some time, caused budget deficits to grow, increased public indebtedness and spoiled the balance of payments. This process, which was also called 1989 crisis, revealed that there were deadlocks in the outward growth model. Although the export figures rapidly increased until late 1980s, by 1990s this increase had nearly stopped. Capacity usage ratio reached its limit, but the failures in creating new production capacities negatively influenced efficiency (Eroğlu, 2014: 114-115; Yeldan, 2005). Global competition made it necessary to turn to domestic demand. Thus, commercial and consumer credits were increased in an attempt to boost domestic demand (Sönmez, 2009: 32). On the other hand, increased public sector borrowing led to an increase in interest rates, and the public sector gave prominence to short term borrowing both in external and internal borrowing. In this period, the share allocated to interest payments gradually increased due to borrowing at high interest rates, and the budget deficit, thus, grew. Again in this period, there was a considerable source transfer from public sector to private sector. Financial capital groups made great profits by lending the loans, which they had taken from abroad, to the state at high interest rates. In this way, as the foreign financial liberalization was completed in 1989, the foundations of a new financially-based accumulation regime were laid. This process continued until 2000s as the borrowing relationship extended from national level to household level (Eroğlu, 2014: 116).

In 1990s, financial accumulation model was framed. Together with financial accumulation regime, Turkish economy had a more outward macroeconomic outlook. As a result, financial speculation marked the economic activities. Exchange rate became sensitive to short term capital movements rather than merchandise trade. The most characteristic feature of short term capital movements with high-yield in national markets is that the capital spoils the financial balance as it enters the country causing a relative relaxation and growth, but it also leads to financial crises if it exits the country suddenly (Kazgan, 2002: 167). Another important characteristic of short-term capital movements is that foreign capital flows are used in foreign trade finance leading to an increase in public sector borrowing requirement and a decrease in national saving tendency, which eventually expands import volume (Yeldan, 2005: 40). Consequently, when Turkish economy entered the 1994 crisis, its financial model was constrained by high real interest rates and low exchange rates (over-valued national currency). Therefore, the trade deficit increased and speculative gains came to the forefront, which altogether gave an end to security environment (Yeldan, 2005: 41). In the post- 1994 period, intensive stability programs were put into effect. The first stability program consisted of decisions taken on April 5, 1994. These decisions helped to set certain targets that would determine the general framework of the stability programs to be put into effect later on. Some of these targets are increasing public income (fuel consumption tax), cutting down on expenditures (non-interest transfer expenditures), incentivizing services that boost export and foreign exchange, strengthening the control of Central Bank in monetary policy and carrying out privatization and tax reforms. The conflicts of the 1990-1998 financially-based accumulation model came to light when inflation, budget deficit, borrowing and current account deficit extraordinarily increased. Given macro-economic indicators, this period witnessed serious deterioration.

In 1998, Turkish economy entered into a transformation process with IMF, which lasted up until 2008. In this process, a series of neo-liberal economic and institutional arrangements including 17th, 18th and 19th stand-by agreements were introduced. The period 2000- 2008 was a period of articulation to global capitalism for Turkis economy. In this context, external institutional mechanisms such as IMF, World Bank, EU and World Trade Organisation started to play a significant role in determining Turkey's social and economic structure. In this process, accumulation started to be based financially through a serious institutional restructuring. Thus, Turkey started 2000s with a national planning system, public fiscal management system and legal/institutional regulations that foresee radical changes in income-expenditure and budget structure (Güzelsarı, 2007: 71). This period is so important that it needs to be analysed from an economic, social, political, institutional and financial perspective.

When it comes to the transformation in economic structure, it is seen that Anti-Inflation Program (EMP; 2000-2002), which targeted to control public sector deficit and decrease interest rates and inflation, and Transition to Strong Economy Programs (GEGP; 2002-2004), which included structural and institutional arrangements, were carried into effect. Anti-Inflation Program, which constituted the first step of stability programs, resulted in February 2001 crisis. Within Anti-Inflation Program, interest rates were reduced in short term. However, after a while, interest rates increased again for the expected inflation level was not reached, TL was overvalued, current account deficit went up and a need for foreign source emerged. The processes that all triggered one and another, the high public deficits from previous periods and the fragility of the market due to public debts and capital movements all paved the way for 2001 crisis (Eroğlu, 2014: 116).

The model applied then failed to create the suitable atmosphere for a country that was suffering from debt problems. Therefore, there was a need for a strict fiscal policy. Following the 2001 February crisis, Transition to Strong Economy Programs were put into effect in order to restructure public management and economy. The model was based on high real interest rates and suppressed exchange rates accelerating short-term capital inflow. Strict fiscal policies concentrated on noninterest surplus, and privatization policies were put into practice. Transition to Strong Economy Programs not only caused important changes in money and fiscal policies but also showed the importance of a legal and institutional structure aimed at the neoliberal restructuring of the state. The structural institutional and regulatory reforms indicated in Transition to Strong Economy Programs consist of the reforms related to public sector and the reforms aimed at expanding private setor (Güzelsarı, 2007: 111).

The neo-liberal transformation in public fiscal management led to an important transformation in the relations between the political power and market as well as in the administrative organization of the state. Güzelsarı indicates that in 1980s, the internal organization of the state was restructured in line with the "strong execution- weak legislation" policy, which was based on the restructuring of fiscal management (2007: 83). It is seen that in this process not only was the "invisible hand" institutionalized but also capital was centralized (Cebeci, 2012).

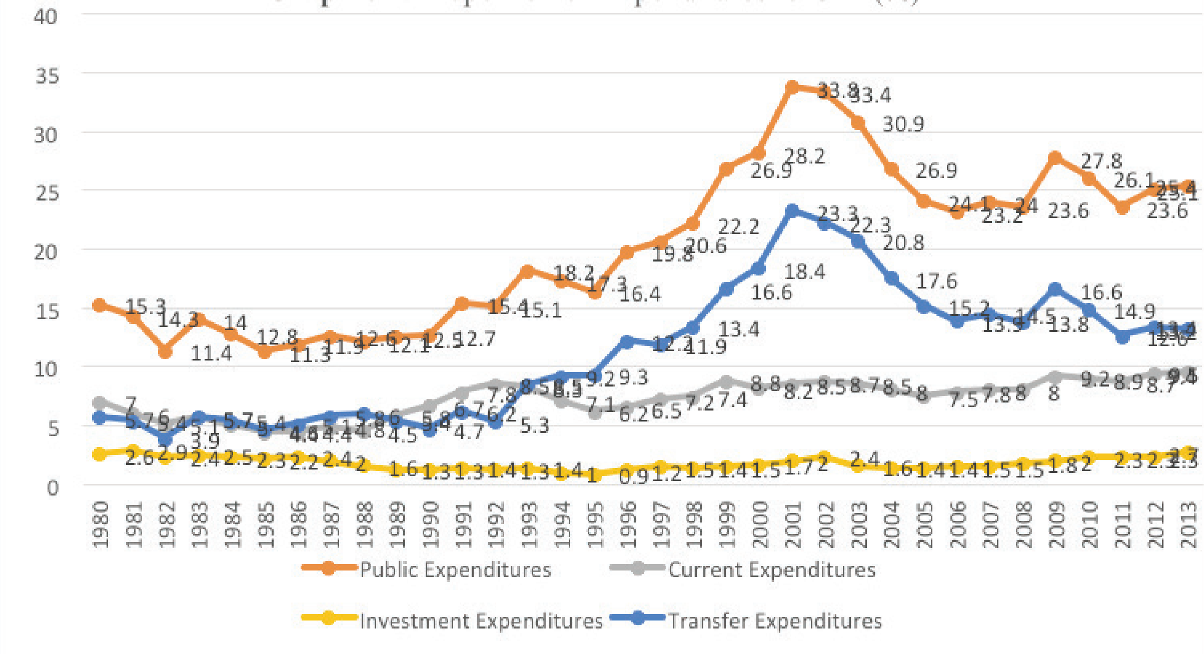
Until the 2000s, there was an increase in the money funds dominated directly by the government and money funds were excluded from legislation and audit. There was neither strategic planning nor reporting. There was no transparent and accountable management, either. All of these findings prove that executive power was strong, but legislation was weak (Güzelsarı, 2007: 71). However, the new regulations (such as higher committees and The Law Numbered 5018 and Public Procurement Law) introduced in early 2000s and intensive amendments in laws were all aimed at the auditing of the executive power. After the 2008 crisis, a new revaluation process started along with internal political conflicts, which required the executive power's intervention. As a result of this, the executive power got strong again and the public fiscal management was shaped based on this strong executive power. In other words, it could be stated that although the strong execution- weak legislation understanding continued until 2000s, it was later on replaced by a controlled execution and intensive legislation understanding until mid- 2000s. However, since 2008, there has been a strong execution-intensive legislation understanding in response to legitimacy crisis. For instance, in 2000s, within executive organ, institutions like the Prime Ministry, Treasury, Central Bank and Independent and Regulatory Institutions came to the forefront, but in 2008 The Presidency rose to prominence in international relations in particular. The importance attached to these institutions can be observed also in their increased share in the Central Management Budget.

a. Structure and Analysis of Public Expenditures

In the post-1980 period, it is possible to summarize the fiscal policies under Post-Fordist accumulation regime in three main categories: The first is decreasing public investments and limiting public intervention in certain fields and downsizing the state through privatization. The second is supporting an outward financial structuring. The third is redistributing the sharing in favour of capital through income and expense policies. The public expenditures in this period are evaluated from two perspectives. The first is focusing on the structure and analysis of public expenditures necessary for export and finance based accumulation regime. The second is evaluating the state's regulatory role in the reproduction and legitimisation of capital accumulation in the post- 2000 period starting from O' Connor's analysis.

A brief look at the public expenditures since 1980s shows that the public expenditures recessed after 1980. However, from 1990 to 2001, they increased nearly in all periods. After 2003, there was a decrease in public expenditures and this decreased level was kept for a while. In 1980, the proportion of public expenditures to GDP was 15,3%. It increased to 12,7% in 1990, to 33,8% in 2001 and to 25,4% in 2013 (Graph 1). If the expenditures are analysed according to economic classification, it is observed that the proportion of current expenditures and transfer expenditures to GDP increased, but the proportion of investment spending to GDP decreased. There was an obvious decrease in current expenditures until 1990. For example, the proportion of current expenditures to GDP was 7% in 1980. In 1988, this ratio decreased to 4,5% and was 5,8% in 1990. One of the important indicators about the state's weight in the market is the course of investment spending. Although investment spending increased in certain periods, there was generally a downward tendency until mid-2000s. The change in the distribution of public investments in the mentioned periods is significant in revealing the fields in which the capital was revalued (Table 2). For example, in manufacturing industry(1975-1980), the share of public investments decreased to 1,2% in late 2000s from 23,2%. A similar decrease was observed in energy sector (from 16,9% to 9,1%) in the same period. In return, it is seen that some social consumption expenditures such as education and health that decrease the production costs in the reproduction of labour force and social investment expenditures such as transportation that help to maintain the general conditions for production all increased. For example, the share of public investments increased to 34,7% from 23,5% in transportation, to 17,2% from 7% in education and health (Table 2). In other words, productive sectors were transferred to private sector whereas the sectors that contribute to productivity were undertaken by the state more. An analysis of investment spending as from 2000 shows that there was a decrease at low speed until 2008 and since 2008 there has been a relative increase (Graphic 1). One of the reasons for the increase in investment spending could be the increase in investment partnership within the framework of public-private sector cooperation.

Graphic 1. Proportion of Expenditures to GDP(%)



Source: Calculated based on the data provided from the Ministry of Development. (www.kalkınma.gov.tr)

(1) After 2006, Central Management Budget was introduced.

(2) After 2006, Special Budget refers to the total of Regulatory and Supervisory Authority income.

Note: 1982 covers a period of 10 months. To compare it with the data of previous years after 2004, it was arranged based on Analytic Budget Classification. It excludes personal expense allowance, minimum living allowance and the share from the income.

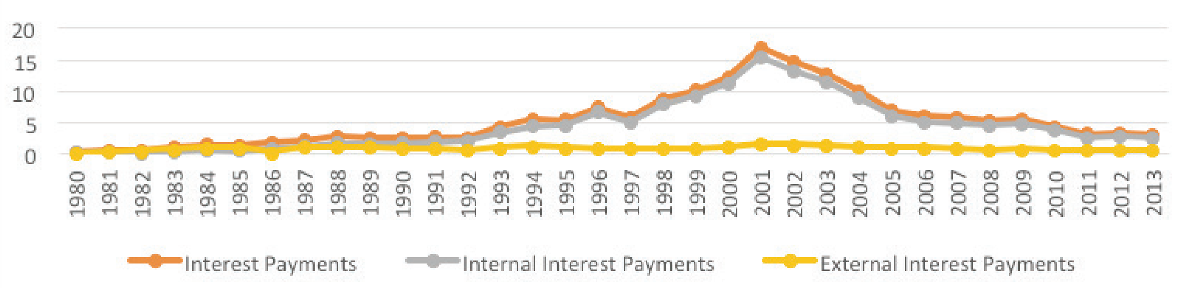
Table 2. Distribution of Public Investment (%)

	1975-1980	1981-1985	1986-1990	1991-1995	1996-2000	2001-2005	2006-2010
Manufacturing Industry	23,2	16,6	6,2	4,4	2,9	2,8	1,2
Energy	16,9	23,6	25,1	13,5	14,5	15,7	9,1
Transportation	23,5	23,5	31,4	36,8	35,1	30,5	34,7
Education&Health	7	5,9	7,3	12,8	16	18	17,2
Other	29,4	30,4	30	32.5	31.5	33	37,8

Source: Calculated based on the data provided from Ministry of Development, Social and Economic Statistics. (www.kalkima.gov.tr)

An analysis based on transfer expenditures shows that the period 1980-2000 was marked by a development specific to export and finance based accumulation regime models. In the post-1980 period, transfer payments significantly increased until 2000. For example, the proportion of transfer expenditures to GDP in the export-based accumulation model (1980-1989) was 5%. In the finance-based accumulation model (1990-1998), this proportion was 4,7% in 1990, but it reached 18,4% in 2000. It is seen that since 2001, there has been a decrease in transfer expenditures. The development of the transfer expenditures shows that in the period of finance-based accumulation model, there was a significant transfer from the state to entities and private sector through borrowing. In fact, in the period mentioned above, the proportion of interest expenditures to GDP in the consolidated budget increased to 13,4% from 2,7%. At this point, it is necessary to draw attention to the structure of interest payments (Graphic 2). Within interest payments, internal interest payments are much higher than external interest payments. Thus, it could be said that internal borrowing was higher in that period. For instance, the proportion of internal debt capital payments to the tax income was 6,7 % in early 1980s. It started to increase within financial accumulation model, and it reached 80,1% in 1998. In other words, in export and finance accumulation model, budget policies were essentially concentrated on internal borrowing through high real interest rates instead of taxation of income-wealth. As a result of these two accumulation models, one of the important objectives of expenditure policies is internationalization of commercial capital and accumulation based on money and capital movements. Consequently, the burden of debt and interest increased more than public income in consolidated budget, which naturally led to pressure on real expenditures aimed at public goods and services.

Graphic 2: Interest Payments Between 1980-2013



Source: Calculated based on the data provided from the Ministry of Development. (www.kalkınma.gov.tr)

Table 3. Functional Distribution of Central Management Budget Expense Realizations % (2006-2015)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Public Services	%39*	37,2	36,1	32,9	30,3	29,2	29	28	%28	%27,9
Defence Services	%6,5	5,7	5,6	5,4	5,0	5,1	5	4,8	4,7	%4,3
Public Order and Security Services	%5,9**	6	6,1	6	6,4	7,1	7,2	7,2	7,5	%7,7
Economic Affairs and Services	%12	11,6	12,8	12,3	14	14	13,8	14,1	13,8	%14,5
Environment Protection Services	0	0	0	0	0	0	0	0	0	0
Housing and Social Welfare Services	%2	2,3	1,6	1,3	2,2	1,5	1,5	1,7	1,2	%0,9
Health Services	%5,2	5,5	5,7	5,8	5,8	5,9	4,3	4,7	4,7	%4,9
Vacation, Cultural and Religious Services	%1,5***	1,5	1,7	1,7	1,8		2	2,1	2,2	%2,1
Education Services	12,4	12,6	13,4	13,3	14	15,4	15,6	15,8	16,8	%17,1
Social Security Services	14,8	17,1	16,5	20,9	20,3	19,3	21	20,9	20,5	%19,7

Source: Central Management Budget Expense Realizations, www.muhasebat.gov.tr
*65% of it consists of debt management services.
** 75% of it consists of security services.
***53% of it consists of religious services.

A functional evaluation of the public expenditures after 2000 reveals that the biggest share (31,7%) in budget expense realizations comes from general public services (Table 3). The 3rd level expenses in central management budget expense realizations show that the biggest share in general public services until 2015 came from debt management services which consist of interest payments, commitment, guarantee and export expenses[4]. The interest payments are related to the undertaking and granting of state credit. In general public services, the share of debt management services was 65% in 2006, and it was reduced to 38% in 2015. In 2015, the services about general transfers came first in general public services. The share of general public services within central management budget expenses started to decrease as from 2006. The main reason for this is that there was a decrease also in borrowing relation. At functional level, the second share within central management budget expenses belongs to education expenses. The change in the distribution of education expenses draws attention. For example, the share of pre-school and primary school services was high in 2006 (45,7%), but this share decreased to 36,4% in 2015. On the other hand, the shares of both secondary education (21,4-22,9) and higher education (21,9-23,7) increased, slightly though. Economic affairs and financial services take the third place within central management budget realizations with 14,5%. Given the 3rd level data in functional coding within central management budget realizations, it is seen that the biggest share in

4 For 3rd level detailed expense components in 2006-2015 Central Management Budget Expenses, please see; https://www.muhasebat.gov.tr/content/duyuru/merkezi-yonetim-butce-giderleri-fkod3/172089 (Access Date: 17.06.2016).

economic affairs and financial services belongs to transportation services[5]. In other words, infrastructure services catch the attention in economic and financial affairs. Public order and security services rank 4th in central management budget expenses with its 7,7% share. Within public order and security services, the biggest share belongs to security services with 80%. There has been a constant increase in security expenses since 2006. The share, which was 5,9% in 2006, increased to 7,7% in 2015. The current exposure in security services amounted to 7,7 billion TL in 2006, and it increased to nearly 27 billion TL in 2015. Another striking datum is that the share of environment and protection services in the budget is so low that it is not even represented in the budget. That so little is spent on environment and protection shows that Turkish budget is not green.

Based on O'Connor's analysis and considering the expenses that realized within the last 10 years, it could be said, as O'Connor states, that expenses have two sides, which both correspond to main functions. First is social capital expenses, and the other is social expenses. A brief look at the average of expenses in the last 10 years shows that a big part of the expenses are centred on fixed capital and technology expenses that increase productivity of labour force; social investment that consist of infrastructure services and ensure the continuity of production preventing capital loss; and social consumption expenditures such as education and health that decrease the reproduction cost of labour force. For example, the share of social capital expenses within central management budget (education, health, debt management services, economic and financial affairs, housing and social welfare) is 47%. Social capital expenses directly contribute to capital accumulation. An analysis of Turkish budget with a focus on social expenses shows that there has been increase in these expenses. As mentioned earlier, these expenses cover social projects and services that legitimize the system ensuring social harmony and reconciliation. For instance, social security, justice and internal security services serve this purpose. Especially, in post-2008 period, there was a significant increase in public order and security services as well as social security services with the influence of global crises on economy and social affairs. In fact, together with the accumulation crisis of capitalist system, its legitimacy problem also came into focus. For example, the share of public order and security services within central management budget increased to 7,7% from 5,9%; the share of social security services increased to 20% from 15%. In other words, the share of social expenses increased to 28% from 20%. From this perspective, it can be said that recent budgets have covered expense policies and institutional regulations that facilitate the revaluation of capital accumulation as well as expenses that ensure social harmony and control (legitimacy).

b. Structure and Analysis of Taxes

An analysis of tax structure in Post-Fordist accumulation regime shows that in the post 1980-period, tax policies were determined based on two main objectives, which is a requirement of neo-liberal policies and export-based accumulation regime. The first is transferring sources to capital groups through taxes rather than social welfare expenses, which is contrary to the Fordist accumulation regime and welfare state model. Accordingly, in the stability and structural adjustment programs, the tax burden on industry, commercial and financial capital is decreased and the reduced tax burden is substituted by borrowing (Güzelsarı, 2007: 77). As mentioned in the previous part, the reason for the increase in transfer payments could be the reduction of tax burden on capital groups. As a matter of fact, the revenue loss that occurred as a consequence of the decrease in tax burden on capital groups was partially compensated by borrowing. The second objective is supporting capital outflow. To do

5 For 3rd level detailed expense components in 2006-2015 Central Management Budget Expenses, please see; https://www.muhasebat.gov.tr/content/duyuru/merkezi-yonetim-butce-giderleri-fkod3/172089 (Access Date: 17.06.2016).

this, the purchase power of consumers was decreased and domestic demand shrank. Also, internal consumption costs were decreased and exports had competitive edge in foreign markets (Oyan, 1985: 16).

Table 4 shows the change in consolidated budget sizes as per the years selected. As it can be seen, tax income decreased from 1980s to 1990. In this process, the tax income that was given up was transferred to capital groups in the form of tax expenditure (tax incentives and exceptions required for export-based accumulation regime). The financing of this was also transferred to the same capital groups through interest payments. For example, the proportion of debt interest payments to tax income was 4,2% in 1980, and in 1990 this proportion increased to 30,8%. This proportion even increased to 103,3% in 2001 with the influence of the crisis (there was a 10% decrease in national income in 2001). However, starting from 2002, this ratio started to decrease as the debt interest payments remained the same as per the years and the tax income was further increased compared to the previous term. In this framework, the main indicator of the rent transfer to capital groups in the said period is borrowing. This is in fact a consequence and conflict of export-based accumulation regime. The accumulation model based on international capital movements requires the domestic sources to be kept in the system allowing the borrowing relation. In the periods mentioned above, interest rates were liberalized, it was made easier to enter the banking system and it was supported to transfer worker remittances to the country and TL was made convertible into foreign currencies. All these developments served this purpose.

An analysis of direct and indirect taxes shows that in 1980 the share of indirect taxes in all tax income was 37,2% whereas the share of direct taxes was 62,8%. In 2014, the opposite became true . The share of indirect taxes was 71,2% and the share of direct taxes was 28,8% (Table 4). Thus, it could be said that regarding income, the burden on the budget shifts more to direct taxes. This might prove that the tax justice started to break down.

Table 4. Development of Consolidated Budget Sizes as per the Selected Years (proportion to GDP)

Budget Items	**1980**	**1985**	**1990**	**1995**	**2000**	**2005**	**2010**	**2014 (3)**
Expenditures	***15,3***	***%11,3***	***12,7***	***16,4***	***28,2***	***24,1***	***26,1***	***25***
Non-interest expense	14,9	9,8	10,1	10,9	15,9	17,1	21,7	22,1
Interest Expenditures	0,4	1,4	2,6	5,5	12,3	7,0	4,49	2,9
Income	**13,0**	**9,6**	**10,5**	***13,4***	***19,9***	***22,9***	***22,4***	***23,7***
Tax Income	10,7	8,1	8,6	10,4	15,9	18,1	18,4	19,4
Other Incomes	2,8	1,5	2,9	3	4,	4,8	4	4,3
Budget Balance	**-2,4**	**-1,7**	**-2,3**	***-3***	***-8,2***	***-1,3***	***-3,6***	***-1,3***
Debt Interest Payment (internal+external)/Tax income	**4,2**	**17,6**	**30,8**	***53,1***	***70,9***	***39***	***23,8***	***14,7***
Direct Taxes/Tax Income	62,8	47,7	52,1	42,5	40,9	29,4	29,2	28,8
Indirect Taxes/Tax Income	37,2	52,3	47,9	57,5	59,1	70,6	70,8	71,2

Source: Calculated based on the data obtained from the Ministry of Development.

An evaluation of the post-2000 period introduces important findings. In recent years, the proportion of tax income to consolidated budget income has been nearly 57%. The share of tax income within central management budget is 84%. It shows that a great part of public expenditures is financed by taxes. A detailed analysis of tax income shows that the biggest share in tax income belongs to VAT and SCT. In other words, indirect taxes on expenses have the biggest share. In 2015, the share of VAT and SCT in the total of taxes was 41%. In tax income, the income tax charged to wage-labourers comes the second with a share of 21,1%. In income tax, the share of declaration based income tax is 4%. The share of income tax withholding is 93%. The share of the tax on corporations in the total of tax income is 8%. Based on these data, it could be claimed that a big part of the taxes in Turkey is charged to expenditures and wage-labourers. Considering the borrowing and saving rates at household level in Turkey, it is seen that borrowing has been on the increase while saving has been decreasing. The lowest 20% income group borrows more than it saves[6]. For example, in 2002, the proportion of borrowing to household disposable income was 4,7%. In 2011, this ratio was 51,7%. According to the household budget survey results in 2003-2004 and 2007-2008, it is seen that in each 20% income group there was a decrease in the savings under the influence of 2008 global crisis, and there is a serious gap in savings between the lowest 20% and the highest 20%. The saving rate of the lowest 20% group is (-)10%, and the saving rate of the second lowest 20% is 2% (Ministry of Finance, 2014: 16). These data show that low and middle income groups have finished almost all of their income. Given that low and middle income groups have spent nearly all of their after tax income and in recent years they have borrowed far more than their income, it can be concluded that the tax burden on these groups is high. As a matter of fact, a look at the tax burden in Turkey shows that the tax burden has been gradually increasing in the past 10 years (tax income/GDP). For instance, in early 2000s, the tax burden was 24,2% and in 2013 it increased to 29% (OECD, 2014).

6 To reach these data, please see; Central Bank Financial Stability Report, 2015; Ministry of Development, Tenth Development Plan, National Savings Special Commission Report, 2014.

5. CONCLUSION AND EVALUATION

Turkish economy entered 1980s with high inflation and debt impasse that appeared in Fordist accumulation regime. There was a similar situation in nearly all of the central and peripheral countries. Apart from this, the legitimacy crisis aggravated and the political instabilities deepened the social conflicts. These developments revealed an outlook that should be erased from collective memory. This shows that the regulation modes in existing accumulation regime failed to ensure social reproduction. This period, which was called Post-Fordist accumulation regime, required economic and social restructuring at all levels. In this regard, in legal, administrative, institutional, political and economic fields, a restructuring process suitable for global transformation started. Regarding the regulation modes for Post-Fordist accumulation regime and the related conflicts in the post-1980 period in Turkey, the following conclusions can be drawn: (1) In the period 1980-1989, an export based accumulation model in which commercial capital was internationalised was put into effect. In this model, the regulation modes consist of export incentives, liberalisation of foreign trade, removal of the controls on interest limits and deregulation. The conflicts that occur as a result of this accumulation model are the increase in budget deficit and in the need of borrowing in public sector. (2) A financially-based accumulation model in which capital movements come to the forefront dominated the period 1990-1998. The regulation modes in this period consist of convertibility of currency, liberalization of exchange regime, increase in internal interest rates and privatization. The conflicts of this model are inflation, budget deficit, current account deficit and borrowing. (3) The post- 2000 period was, however, marked by financially and institutionally based accumulation model. The basic regulation modes of this period are banking regulations, low exchange rate, high real interest, privatization, public management reform, restructuring of public fiscal management, institutional transformation, deregulation of labour force market and flexible employment. The conflicts peculiar to this period are current account deficit, internal borrowing, household borrowing and overvaluation. When we examine the composition of expenses and taxes of the recent periods, we can draw the following conclusions: The shrinkage of the world's economy and devaluation of the capital due to the global crisis pushed the state to apply expense and tax policies that would boost capital accumulation. The recent tax incentive and exception policies led to a decrease in tax burden on capital in Turkey. In return, the taxes on income (wage) and expenses have been increased. If we examine the expenses in the period concerned, we see that a big part of public expenses was aimed at legitimizing the capitalist state (public order and security services) and revaluating capital (fixed capital, technology and infrastructure expenditures that increase the productivity of the capital and education, health and social security expenses that decrease production cost). As in all other capitalist states, the main function of the capitalist state in Turkey is to increase capital accumulation and ensure legitimacy. The cost resulting from this function of the state is charged to the society through taxes. In other words, in Turkey, taxes are generally obtained from low and middle income groups whereas public expenditures generally contribute to the increase of capital accumulation. In conclusion, the authenticity of this study can be linked to the fact that it analyses the state throughout its Fordist and Post-Fordist phases by focusing on its budget and by considering the concepts of accumulation regime and regulation mode under regulation school. In brief, this study is an attempt to reveal that the invisible hand, as stated by the classicists, is quite visible when political economy is applied to the budget and that it has become authoritarian so that capital accumulation and capitalistic system can be legitimized.

SOURCE:

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