
A critical analysis of decentralisation and local economic development: the Turkish case

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Abstract. Simple neoliberal approaches ignore the importance and power that the state has in making decentralization effective. This is shown through a critical analysis of local economic development in which evidence, from three projects in a second-rank Turkish industrial centre, Kayseri, was used. Turkey's recent moves from highly centralized systems of governance to neoliberal policies of economic devolution reveal a poor understanding of how the roles of state and its institutions operate. The findings illustrate that the control of narrow political interests distorts local priorities and projects, and many civil society groups remain ineffective in the face of local initiatives. The author concludes that decentralization without competent state administration is likely to aggravate social fracturing and to foster inequalities while, at the same time, failing to ameliorate public service and economic development.

Introduction

The 20th century was, in general, marked by centralization and attendant bureaucratic state building. Since the latter part of the century, the rise of economic liberalism has led to an emphasis on decentralization and promoted the idea that the state's role should be reduced. Academics and analysts have produced much material to justify this trend and to lend intellectual support to the many development agencies which implement various forms of decentralization policy. With states increasingly regarded as a hindrance to realizing macroeconomic, and especially entrepreneurial, potential, cumbersome bureaucracies and state ownership are typically identified as the main culprits.

I do not argue the case against decentralization. Rather, I show that simple neoliberal approaches fail because they ignore the importance and power that the state has in making decentralization effective. Neoliberals generally believe that states cannot apply 'good governance' and so they dismiss governmental action in favour of unhindered markets, nongovernmental organizations (NGOs), and other civil society groups. I will show that decentralization without competent state administration will aggravate social fracturing and foster inequalities. Decentralization of markets and civil society institutions cannot ameliorate the effects of oppressive and/or incompetent states.

In this paper I demonstrate these problems of decentralization with the aid of evidence from Turkey. Turkey's recent move from highly centralized systems of governance to neoliberal policies of economic devolution provides a model of what is and what is not possible through decentralization policies. Because of the economic dynamism of Turkey's many industrial cities, we can investigate the mechanisms by which local communities initiate and respond to efforts to carry out development projects and promote civil society. I present detailed evidence from one such city, Kayseri, a typical second-rank industrial town.

Recent research (Rodríguez-Pose and Gill, 2003) illustrates how the devolution of central powers to lower administrative units and regions in eleven countries, including Mexico, Brazil, and Spain, has intensified the stresses of interregional competition without

ameliorating problems of service provision, efficiency, or equality. Rodríguez-Pose and Gill also show why devolution cannot compensate for the differing abilities of regional and local governments to meet these cost requirements. Devolution imposes the cost of attracting industry to regions, but offers no increase in territorial equity. Given the poor results of many such efforts, there is little convincing evidence that administrative decentralization or localized development initiatives foster equality and development (see also Mansuri and Rao, 2004). The expected gains from community-driven and bottom-up policies have been extremely ambitious, and seem naïve with regard to the role of state power in development.

The strength of the state comes from its legitimacy and its ability to carry out state functions through institutions and laws. In this respect, many developing countries have unconsolidated state power and weak legitimacy. Even the leading neoliberal, Francis Fukuyama (2004), recognizes that the lack of state capacity in developing countries is the main hindrance to development.⁽¹⁾ For many developing countries, the role of the state is more importantly defined in the workings of institutions and the protection of property rights. Trust between citizens and the state legitimizes the state's powers to effect economic and social transactions. In failing states, weak trust between the state and its citizens hinders economic development and, typically, leads to mistrust among citizens and their institutions. In such societies, the constant perception of deception creates a pervasive climate of mistrust that becomes an overriding social norm. When the norm is mistrust, consensus building, cooperation, and even business partnerships, are hindered.

These problems are apparent where weakened central governments have to contend with emboldened civil society groups in implementing development policies. In this analysis I focus on three locally run projects as examples. I show how they are cajoled by partisan associations, how state institutions remain ineffective and open to manipulation, and how local social structures shape their design. Although Turkey shares many similarities with the Southern European and Balkan countries in its experience of late industrialization and democratization, it also has the experience of a secular developmentalist transformation. Many of the challenges Turkey faces today are not unique in the wider region between Eastern Asia and Western Europe. The Turkish experience is also highly relevant as it reveals modern contradictions of Moslems experiencing late industrialization together with the rise of religious dogmatism (Kuran, 1996; 2003).

During the past two years, the Turkish political scene has been invigorated by a massive reform process, launched by the governing Adalet ve Kalkınma Party, the newly formed Islamic party, in order to meet for accession to the EU (European Union). This is the biggest economic, judicial, and social reform seen in the country since the early decades of the Republic. In the coming decades Turkey's path will be a test case both for Europeans, including those who see the foundations of Europe narrowly, in Christendom, and for Turks, who need to demonstrate the momentum of institution building and the success of reformed Islam within government as well as in civil society.

This paper is divided into five sections. I begin with a critical analysis of relevant theories of social capital and decentralization, followed by an explanatory section on the Turkish developmentalist state. The empirical evidence from three case studies is presented in the fourth section. The concluding analyses highlight the findings.

⁽¹⁾This somewhat surprising turn is explained at least in part by his new focus on addressing terrorism and the presumed correlates of poverty and failed states.

Civil society and social capital

Civil society is generally understood to be comprised of groups formed for collective purposes, primarily outside of the state and marketplace (Flyvbjerg, 1998; Van Roy, 1998). This broad and often fluid definition has been modified by scholars and policy-makers with different ideological perspectives and agendas. The modern roots of civil society in the West date back to the separation of church and state. In the 18th century, Adam Ferguson⁽²⁾ already saw civil society as a socially desirable alternative—both to the state and to the individualism of capitalism. In the 19th century Hegel argued that self-organized civil society needed to be balanced and ordered by the state; otherwise it would become self-interested and would not contribute to the common good. These early ideas were taken up later by Tocqueville and Gramsci. In the view of Tocqueville, civil society emerges as a balance between the state and the market; Gramsci later modified this concept and viewed civil society as a societal force for struggle against hegemony and existing order.

In this paper I am mainly concerned with the two approaches to civil society prevalent among scholars and policymakers. The first is the Tocquevillian view of civil society as part of a benevolent power structure—an advocate for the well-being and freedom of individuals and communities. The second is a view of civil society as a necessary fabric and a social asset for economic development and community empowerment. This second perspective sees a crucial facilitating role for civil society in economic development, sitting between the market and the state. A combination of these two views into one, the concept of ‘social capital’, has attracted enormous attention in recent years. This concept has often been applied to modify the meanings of civil society, community, and economic development for issues ranging from disaster management to sustainable growth (Beall, 1997; Bebbington, 1997; Jalali, 2002).

The concept of ‘social capital’ emerged initially as a sociological device, first defined by Loury (1977) and modified by Coleman (1988), who referred to it as:

“social structural resources which constitute a capital asset for the individual” (1988, page 93).

Social capital reflects networks, norms, and trust that facilitate coordination and cooperation among groups and individuals. More recently, Putnam emphasized associational life and civic involvement as the main factors important in improving democracy and economic performance:

“Whereas physical capital refers to physical objects and human capital refers to the properties of individuals, social capital refers to connections among individuals—social networks and the norms of reciprocity and trustworthiness that arise from them. In that sense social capital is closely related to what some have called ‘civic virtue’. The difference is that ‘social capital’ calls attention to the fact that civic virtue is most powerful when embedded in a dense network of reciprocal social relations. A society of many virtuous but isolated individuals is not necessarily rich in social capital” (2000, page 19).

Since its formulation, the notion of social capital has attracted many critics as well as supporters. Neoliberals identified the ‘missing link’ in development with social capital, and governments and NGOs and other aid-giving agencies have reformulated development projects through bottom-up initiatives and ‘community empowerment’ (Fox, 1997; Mansuri and Rao, 2004). Similarly, Marxists and the antiglobalization movement regard enhancement of social capital as the means to protect endangered communities and empower the poor.

⁽²⁾ Lewis (2002) points out that when Adam Ferguson wrote his classic work on sociology, the *Essay on the History of Civil Society* in 1767, he was a leading thinker of the Scottish Enlightenment movement.

Economists long remained sceptical of the approach, and the elusiveness of social capital is well illustrated by the rigorous study of Durlauf and Fafchamps (2004, page 5). Their critical analysis rests on three assumptions: first, social capital generates positive externalities for members of a group; second, these externalities are achieved through shared trust, norms, and values and their consequent effects on expectations and behaviour; third, shared trust, norms, and values arise from informal forms of organization based on social networks and associations. The most important point of this critique for development practitioners is that social capital has an inherent problem in that it does not address intragroup inequality, limited access to resources, or optimum outcomes. Although certain shared values, trust, and norms associated with social capital can reduce information asymmetries for transactions and increase efficiency for subgroup members, it might either generate no benefit or produce disadvantages for other groups and/or individuals in the same locality. An emphasis on the interpersonal character of social capital will underestimate the importance of the development of institutions and the rule of law—especially in a developing-country context.

Two fundamental questions for democracy and participation must also be considered. The first is the association between democracy and social capital. Putzel (1997) showed with the democratic rise of the Nazi Party in Germany, that social capital has a ‘dark side’ that writers in the area have neglected. Putnam’s earlier work, praising northern Italian civic culture (Putnam et al, 1993), also fails to see that the romanticized notion of community, social responsibility, and trust-forming social capital also has a dialectic relationship with undemocratic tenets. Many examples put forward by Coleman (1988) are equally biased. Those inspired by Italy fail to question how fascist tendencies in politics and the profound role of the Mafia can be associated with the supreme culture of civic traditions (Gambetta, 1993), and a similar problem arises in many developing countries where landlords and warlords maintain corrupt relations with patriarchal governments. Civil society is not a neutral entity, but an extension and continuation of power relations and politics (Foley and Edwards, 1999; Keane, 1999).

The second flaw in democratic participation is the assumption that individual civic initiatives are always an asset to the community. The prime case supporting this argument is the highly fragmented and individualized US society in which community and family ties have become eroded, weakening social values and leading to a society of lonely individuals—as Putnam evokes in *Bowling Alone* (1995; 2000). However, Putnam’s concerns and hopes for US society have very little relevance for other parts of the world. In the African context, for example, Lewis (2002), while acknowledging the importance of civil society in power relations among citizens, the state, and markets, rightly argues that the crude export of outsider visions of civil society by Western aid donors is clearly biased, despite the disguise of universalism. The major challenge faced by democracy-building nations is very different from Putnam’s concerns about the role of US individuals within their suburban communities. In most countries, the challenge has been to create responsible citizens free from the control and dogma of tribal lords, religious leaders, and chauvinistic structures built in social networks. Breaking up idiosyncratically controlled group loyalties and their economic dependencies has been a hard task for the late-industrializing countries with predominantly agrarian societies. Turkey is no exception.

The modernization and Westernization efforts of modern Turkey were inherited from the previous Ottoman modernization programme, and its dilemmas were eloquently stated by an influential activist of the early Republican era, Halide Edip (1930). She argued that the creation of citizens free from agrarian feudal controls, tribal lords, and religious dogma required a modern state and dynamic free enterprise for economic development.

As recent events in Iraq clearly show, the building of civil society, democracy, and economic development are part of large-scale social behavioral transformations which cannot be addressed through quick remedies and regime changes. Where the material and intellectual provisions necessary to form a citizenry are missing, individuals function within existing social institutions which are often controlled by sectarian affiliations, irrational beliefs, conspiracies, and mediocrity. This, however, does not mean that economically advanced nations are immune to such irrationalities—as is illustrated by the rise of Nazism in Germany and the rhetoric of politicised evangelism in present-day USA. This aside, my empirical evidence as well as other works (for example, Foley and Edwards, 1999; Harris and Renzio, 1997; Putzel, 1997) indicate that civil society and social capital are poor replacements for the developmentalist state in culturally and ethnically diverse late-industrializing countries.

Yet the functionalist approach to social development of Evans (1996) and others [see the 1996 issue of *World Development* 24(6)] fails to address two crucial issues in the state–society interface for development in countries where the state’s ability to enforce laws is weak and institutional capacity is constrained. Although there is emphasis on social and polity endowments, both the source of legitimacy and the capacity of the state, as well as power relations within civil society in the process of development, are largely ignored.

Thus, as Durlauf and Fafchamps (2004) point out, the role of social capital in development depends on institutional structure. State power and the perceived legitimacy of the state enhance institutions, especially law enforcement. States that are open to manipulation by narrow interest groups and/or political elites invariably have weak legitimacy; in consequence, mediocrity and corruption shape state bureaucracy. This, in turn, depreciates the quality and routine provision of public goods. Consequently, the state’s inability to regulate development and provide public goods leads to extreme deprivation in all areas of public life, and especially in education and health services. Under these circumstances, the capacity of civil society and community-driven projects is weakened.

A critique of decentralization

Decentralization can be seen in administrative, economic, and political forms. Decentralization is an element of a governance structure as it relates to different levels of administration (that is, regional/municipal). In the economic sphere, decentralization reshapes economic policymaking from central authority to localities, nongovernmental organizations, and private markets (Bennett, 1990; Wolman, 1990). Third, political decentralization is associated with the rise of civil society and increased participation of individuals and small groups in political processes. In this paper I am mainly concerned with the third form of decentralization, namely, the shift of power from central government to civil society and the shaping of local economic development priorities and objectives.

As indicated by Mansuri and Rao (2004), the early literature on development policy was strongly influenced by the work of Olson (1965), Hardin (1968), and theories of collective action used to achieve common goals or pursue common interests. Olson argued that, without coercion or some other special means of making individuals act in their common interest, “rational self-interested individuals will not act to achieve common or group interests” (page 2). Olson was concerned with the ‘exploitation of the great by the small’ because those with smaller interests in public good would tend to free-ride on the efforts of those with greater interests. Hardin’s ‘tragedy of the commons’ emerged initially as an environmental resource management problem, and later gained a metaphorical significance with much broader implications

in recent scholarship. Like Hardin, property-rights theorists such as Demetz (1967; 1970) and North (1990) argued that common-pool resources would be overexploited as demand rose unless commons were enclosed or protected by strong state regulation. This view generated a great deal of pessimism in multilateral development institutions, and constituted a strong impetus for the state provision of public goods, state regulation of common-pool resources, and an emphasis on the development of private property rights. However, by the mid 1980s, critics of big development were complaining that many large-scale government-initiated development programmes, from education to health, were performing poorly (Mansuri and Rao, 2004).

As explained by Mansuri and Rao (2004), the participatory development movement countered top-down development policies. Capability building and capacity building were redefined as a new path for development through community-run and self-help projects recognized and funded by the World Bank and other aid organizations. Anticolonial independence movements were thus absorbed and coopted into mainstream development, with its predominantly neoliberal discourse. With the increasing emphasis on regional actors, attention shifted toward consideration of forms of devolution—rather than whether devolution should take place (Rodríguez-Pose and Gill, 2003). Evidence of this has been accumulating since the 1970s as many countries with centralized systems of governance have implemented plans to devolve powers to regions.

The spread of community-driven development policies, promoted by donor agencies, gained momentum in the 1990s and developed in a starkly different way from the early self-reliance and cooperative movements influenced by the socialist ideals of the 1960s and 1970s. Community-based development projects have become an important form of development assistance, with the World Bank's portfolio alone approximating US\$7 billion in 2003 (Mansuri and Rao, 2004). The expected gains from these initiatives have been extremely ambitious and are naïve in situations where there is a poor governance structure, tribal or sectarian politics, or weak institutional capacity (Lewis, 2002).

The neoliberal view of decentralization often implies that the civil elements of democracy will be enhanced by market forces. Drawing from this, neoclassical economics developed many devices for public policy, ranging from fiscal federalism to deregulation and privatization. These liberal remedies fall broadly in two major disciplinary approaches, as described by Rodinelli et al (1989).

First, the public choice approaches analyzes the benefits and costs of decentralizing the provision of public services. It is also applied to assess the economic efficiency of privatization and deregulation. Rodinelli and Nellis (1986) found, in their studies of decentralization for the World Bank, that many experiments with decentralization could not be judged solely by economic criteria because they were primarily initiated for political reasons. Second, instead of focusing on the neoclassical economic approach described above, public policy, administration, and finance address specific decisions at the microlevel of analysis of service delivery and efficiency (Shah, 1998a; 1998b).

Newer empirical studies dispute the notions of economic efficiency through political administrative decentralization (Rodríguez-Pose and Bwire, 2003; Rodríguez-Pose and Gill, 2003) and point out that there is an association between the timing of devolution initiatives and rising regional disparities in a range of advanced and developing countries. They show that, on the one hand, devolution imposes the cost of competition upon all subnational units; whereas, on the other hand, national governments make little provision for the differing abilities of regional and local governments to meet those cost requirements. The costs of providing industry with incentives tend to fall on relatively less developed states. Thus, devolution per se will not deliver greater territorial equity.

Marxists, such as Slater (1989), interested in replacing individualism with communal and popular movements, are attracted to decentralization as a form of empowerment. However, Schönwälder (1997) argues that once co-opted and absorbed into the political project of their respective allies, popular movements lose much of their potential for democratic political change. The 1979 revolution in Iran is a good example of this power consolidation. Clientelist strategy implies popular movements forsaking their autonomy and pledging their support to powerful patrons in exchange for certain material benefits. Here, local participation in these movements is unlikely to have a democratizing or developmentalist effect.

If we simply regard civil society as being 'beyond the control of the state', then it is perhaps strongest in societies where there is very little social protection and where individuals rely on each other and their primordial or communal ties. In such societies, communal life and identity, social networks, obligations, and participation rules are more important for survival than are 'individual liberties'. Many small and medium-sized businesses in Turkey rely on societal networks and business attitudes interwoven with traditional values (Özcan, 1995b). The tremendous resilience of these societies in the face of poverty and economic and political insecurity comes from the fact that civil communal aspects, often outside of the state apparatus, fill the vacuum, meet the needs, and cover the wounds.

My consideration of social capital and decentralization focuses on an environment where there are strong communal ties, reciprocal relations, and where narrow group interests control local economies. This condition is similar to Olson's 'exploitation of the great by the small'. The project of democratization of societies and improvement of markets requires a profound transformation within civil society which eliminates the dogmas, personality cults, and tribal feudalism built into many developing countries.

Research methodology

The empirical evidence presented here is the product of a series of studies of economic development in three provinces in Turkey, carried out since 1990 (Özcan, 1995a; 1995b; 2000). That fieldwork, and subsequent follow-up studies, included extensive interviews and survey data covering over 200 small businesses, local government officials, professionals, NGO activists, politicians, and others. In addition to economic, managerial, and other business criteria, extensive evidence was gathered of local initiatives by various civil society groups—including business associations, professional bodies, community boosters, and others. The local chambers of commerce and industry were the most active institutions in all these regions—a consequence of the influential role of business interests in these towns and in Turkish civil society generally.

Most of the evidence was gathered through face-to-face interviews with individuals, although some group discussions and telephone interviews also provided important information. Business meetings, social occasions, home visits, and other informal occasions were often extremely useful for gathering information and observing social interactions. Care was taken to avoid the bias that may come from accepting hospitality or from relying on any one group of informants, and in this matter I was influenced by guidelines from ethnographic field techniques.

Although my assertion of independence was crucial for the research outcome, it was not free of cost. As a woman and an outsider, I was always met with suspicion, but also benefited from the traditions of hospitality and respect for outsiders. After I had secured the support of locally respected individuals, including the mayor of the city and the secretary of the chamber of commerce, and built some social networks, my respondents were invariably eager to talk and explain their points of view, and discuss personal and institutional conflicts more freely. The appendix lists the participants in

twenty interviews with politicians, civil society groups, and individuals. Systematic analysis of Kayseri newspapers provided a journalistic perspective on the unfolding events surrounding local projects.

The Turkish developmentalist state

The case studies in Kayseri analyzed in the next section can be better understood within the framework of the Turkish State's role in institution building and development, along with the political upheavals and patronage systems. For more than fifty years, until the rise of the neoliberal policies of the 1980s, Turkey's developmentalist state undertook not only massive industrialization and economic development but also a social and cultural transformation. When the state was caught up between populist politics and, later, liberal economic arguments sponsored locally as well as internationally—such as the World Bank and International Monetary Fund programmes—it virtually abandoned its mission in building a market economy and social development. A vacuum appeared which was filled by opportunistic organized business interests, corrupt political cadres, and political Islam. Civil society itself was partitioned into political and ideological camps and remained largely ineffectual in development initiatives. The governance regime, however, retained a highly centralized and cumbersome bureaucracy. Because of the poor local capacities, the strain of this new regime on regional economies and democracies has had alarming consequences in social development and income distribution (Cizre-Sakallıoğlu and Yeldan, 2000; Kağıtçıbası, 1996; Özcan, 2000). According to the United Nations Development Programme human-development index, Turkey was ranked 88th and its GDP per person was 67th in 2004, although the overall size of its economy ranked among the top 25 in the world.

The inequality in social and economic development has deepened during recent decades, and 26 of the 81 Turkish provinces have long been recognized as impoverished areas needing urgent investment. However, the aggregate national statistics fail to address the alarming income gap that arose during the past twenty years within urban neighbourhoods, as well as between rural and urban areas (Özcan and Özcan, 2003). For example, the richest 18 000 families in Istanbul, who constitute just 1% of the city's population, account for US\$6 billion (almost 29%) of the US 20 billion income generated in the city (Cizre-Sakallıoğlu and Yeldan, 2000, page 492). In addition to this income gap, the sheer amount of poverty has risen sharply across the country. This situation is not unique to Turkey, and although globalization has widened the scope of economic development through trade, it has also widened the gap among income groups across the world.

In Turkey the overall mission of development had been to move from a predominantly agrarian society to an industrialized one—while emphasizing the binding forces of national unity after the brutal collapse of the multiethnic Ottoman Empire. Thus, for many decades, the developmentalist state has been the symbol of nation building and has mobilized resources for better social and economic standards—with little or no international help for economic rejuvenation. However, Turkey's developmentalism has been pursued within a top-down technocratic state and bureaucracy, with periodic clashes among interest groups.

As can be seen from the brief outline below, the development of an entrepreneurial class that has long aligned its interests with the state institutions has strengthened protective and uncompetitive tendencies in local economies. These conditions fuelled periodic clashes among different local political party patronage systems. During this period, the slow pace of industrial job creation in urban areas deepened inequalities and regenerated rural traditions at the expense of civil society action and participation. The state then

became the victim of expectations, excessive ownership claims, and misgivings among groups and political parties. Each period of political and social turmoil was brought to an end by military intervention, following the established mission of the Army to restore public order and political centre.

One-party rule, 1923 – 45

When the Turkish Republic was established in 1923, the country had been devastated by wars and many local economies had collapsed because of massive population movements within the shrinking boundaries of the Ottoman Empire. The ‘six arrows’ principle of the Republican People’s Party (CHP) became official policy, and CHP maintained its power in the name of Republicanism and the ideology of Mustafa Kemal Atatürk, Turkey’s postimperial state-builder. The arrows of the party indicated the principles of the Turkish state: republicanism; secularism; populism; nationalism; etatism; and reformism. The Kemalist reforms had their intellectual roots in European positivism, and in this period the Turkish developmentalist state primarily targeted economic independence through autarkic policies. Within the scope of economic nationalism, the state undertook massive projects for infrastructure developments in education, health provision, and transportation, while state-run enterprises spread across the country. At the same time, public procurement and incentive schemes aimed to create indigenous entrepreneurs and new private holdings in commerce and industry.

The Turkish government took over six Ottoman state factories and twelve foreign-controlled industrial establishments. In 1927 the total number of registered industrial establishments was 65 245, almost all of which were small, impoverished craft shops—the majority employing fewer than four workers (Bademli, 1977). The first five-year industrialization and national development plan was introduced in 1934. Major investments were made in textiles, and these were followed by investment in intermediate industrial products such as iron and steel, cement, and paper (Okyar, 1979). By the end of the 1940s there were about 100 state-run factories in operation. The principle of unity and equality of education was promoted throughout the country. The emancipation of women from religious dogmas and traditional controls was given prime importance and, as well as women being granted the right to elect and be elected, social and professional equality between men and women was promoted. During this first stage of developmentalism, the state was dominated by purposeful and determined consensus among three groups: intellectuals, the army, and civil servants. The ideals were strong and the regime remained relatively incorrupt. As in the case of other developmentalist one-party regimes, the relative autonomy of the state under one-party control and Atatürk’s leadership helped to shape very powerful, highly competent, and insulated economic bureaucracies with the authority to direct and manage economic and social development.

Early liberalism and the passage to democracy, 1945 – 60

Early waves of decentralization of markets and civil society began with the advent of multiparty politics after the Second World War. The autonomy and power of bureaucrats took on a new shape with the introduction of parliamentary democracy. Turkey became a member of NATO (the North Atlantic Treaty Organization) in 1951. Turkish–US relations and US notions of ‘freedom’ had profound effects on the formation of the Democrat Party (DP) and on its industrialization policy, justifying popular projects. At this time, the autonomy of state bureaucrats and policymakers was eroded, to the benefit of local bourgeoisie, merchants, and tribal leaders. Traditional segments of the society under religious and tribal leadership formed resistance to the social and economic engineering of the one-party regime. Indeed, the large landholding families who opposed the 1945 Act of Land Reform were among the

founders of the DP (Tezel, 1975). Many village development and education projects organized in ‘people’s houses’ (*Halkevi*) were erased because they were accused of being part of a communist propaganda machine. Since the closure of these community centres, the poor state of rural education and human development has never been comprehensively addressed in public policy.

The DP government supported liberal market principles but, at the same time, it aimed to support private enterprise through state subsidies and incentives. Many subsidies were provided for agricultural modernization, commercial activities, and construction. The number of small firms doubled from 1950 to 1963; while at the same time, a new group of entrepreneurs emerged from among former bureaucrats and the small merchants who moved into industrial production—forming part of the emerging entrepreneurial class. Transfers of capital from agriculture and commerce to industry occurred in this period through merchants and large landowning families. Although many small and medium-sized businesses flourished in local economies, industrial investments were largely limited to Istanbul and a handful of big cities (for example, Izmir and Ankara): about two thirds (40) of all provinces had almost no industry at all (Tezel, 1975). Despite the popular rhetoric of the DP, democracy and freedom of expression took a sharp religious revivalist tone towards the end of the 1950s. The crisis of the mixed economy, with large external borrowing and the fear of counterrevolution by religious revivalists, prompted military intervention in 1960.

Reviving developmentalism in state planning, 1960 – 80

The main goal of the 1960 coup was to reassert the state’s power and Kemalist ideology. Although the new, postcoup, constitution of 1960 allowed civil and professional organizations to be formed, the state reestablished its mandate over economic and social development through top-down development policies. The State Planning Organization was instituted to formulate national plans and to coordinate investments in designated localities. Technocrats took over national development once again as the State Planning Organization and the Ministry of Development and Settlements devised regional plans and introduced incentives for investors in backward regions and towns. In the years after 1967, when the left-leaning CHP regained power, new government projects in social market capitalism were designed to build cooperatives and village–city projects. In the mid-1970s these were caught up in turbulent party politics and had died away even before the 1980 coup, as a result of business failures, incomplete institution building, and a lack of political consensus (Özcan and Çokgezen, 2003).

Domestic businesses were protected through import substitution, and capital-intensive heavy industries were established through a rapid expansion of the number of the state-owned enterprises. Private sector development in manufacturing and services speeded up through state incentives during the period of rapid urban growth in the 1970s. Throughout the 1970s, new local authorities were formed as part of a decentralization process, and another nonmarket sector began to develop through municipal public enterprises—which later became a political vehicle to favour businessmen in local projects (Güler, 1992; Özcan, 2000).

Urbanization and industrialization also created new tensions between state and society. The gradual elimination of the craft sector and the emergence of a new industrial and commercial business class, protected and aided by political parties, reduced the influence of traditional business communities in many localities. At the same time, rapid urbanization with insufficient municipal provision gave rise to illegal housing, which soon comprised 45% to 60% in all major towns. Many civil society groups, among them professional and student organizations, politicized their activities under the autocratic control of their leaders for the pursuit of a better society and

economy, inspired by leftist ideology. These groups were confronted by their religious and ultranationalist counterparts in a process reflecting the Cold War (Bora, 2000; Vorhoff, 2000). By the end of the 1970s the alarming rise in unresolved killings, and terror attacks on individuals, businesses, and public institutions, paralyzed the entire society and led to a coup d'état in 1980.

Neoliberalism and decentralization from 1980 onwards

A new wave of decentralization of markets and civil society was associated with the neoliberal market policies of the 1980s and 1990s. The 1980 military coup first depoliticized society through punitive measures, and the new constitution constrained democratic rights to participate in civil society. The new form of populism helped subtly to reinstate a Turkish–Islamic synthesis as the semiofficial ideology. Islamic business groups formed their own business associations and lobby groups to oppose established business groups such as the Turkish Businessmen's Association (TUSIAD) and semiofficial local chambers of commerce and industry (Çokgezen, 2000). Islam also began to fill the ideological vacuum created by the suppression and later the collapse, of leftist ideology. Islamist politics diffused into state institutions through populist policies, including a rapidly increasing number of religious schools providing secondary education.

During this period the Turkish economy became increasingly liberal, opening opportunities for entrepreneurial activities and furthering social and economic fragmentation. Many who could not take advantage of liberal market opportunities, such as small producers, the lower middle classes, and labourers, felt marginalized. This new economic order went hand-in-hand with increased media coverage of the wealthy and their luxury consumption. The media also introduced and promoted decadent values which were foreign to ordinary Muslims with new social and ethical standards. Islamic politics embraced 'losers' and the alienated masses of the liberal regime with the promise of a 'just order'. Political Islam focused its campaign on protecting marginalized groups of poorly paid workers, shantytown dwellers, and small-scale capitalists from the 'aggression' of Western capitalism and culture. Hence, Islam not only brought legitimacy for an antiliberal political ideology but it was also used to foster solidarity among different segments of the society as a form of self-reliance (Özcan and Çokgezen, 2006).

From 1983 the ruling centre–right party, ANAP, promoted policies to minimize the state's role in the economy and to cut social spending. Reduced spending on health and education led to de facto deregulation, and the emergence of many poorly regulated private enterprises, and hence led to massive abuses in the economy. This consequently exacerbated social disparities. Liberal economic policies promoted by populist–clientelist politics led to abuses in banking, state and municipal procurement, and other areas of public spending. In 2001 a massive banking scandal unravelled the cosy relations between family-controlled holding companies and their political allies which stripped the assets of state banks for the benefit of a few companies.

The remarkable rise in exports was initially achieved through capacity utilization in manufacturing and squeezing domestic demand, and was later supported by the growth of highly dynamic Anatolian small and medium-sized enterprises. Many medium-sized industrial centres, like Kayseri, began to have a strong sympathy for political Islam. They were vocal in their expressions of distaste for the economic control of the mainly Istanbul-based of Ankara-based 'sleazy' conglomerates (Demir et al, 2004).

However, rapid economic growth was maintained only until 1999. Then, the combination of the devastating Istanbul earthquake and the accelerating rate of external borrowing undermined the economy and demonstrated the ineffectualness both of the

government and of civil society. Unrestrained populist policies aggravated the situation and the 1990s ended with a debt crisis and massive financial fraud. Turkey's GDP shrank and the Turkish lira depreciated dramatically. Fifteen years of guerrilla warfare against Kurdish separatists also ended in 1999 with the capture of the Marxist–Leninist/Jihadist warlord, Ocalan. The guerrilla war had not only drained the coffers of the state but also undermined its legitimacy and democratic credentials—especially as Turkey found itself increasingly dependent on US military assistance. The aftermath of the earthquake revealed the deep developmental problems behind the glossy growth figures of the liberal economy (Alper and Öniş, 2001). This disaster also showed fractures in civil society, as well as between civil society and the government, as emergency help was poorly coordinated and contested among civil society groups and the state. Neither state institutions nor civil society groups had the competence to address the vast social, psychological, and economic problems of the area immediately after the earthquake.

Through clientelist politics and democratic experiments, the Turkish state, despite its periodic harsh treatment of dissidents, has also incorporated dissident, populist, and opportunistic party politics. After the period of elitist control during the early years of the Republic, there was a dramatic change with the introduction of multiparty politics in the late 1940s. The role of the state in development gradually deteriorated until the economic crisis years of the late 1970s. But the decline in the state's role in development and social justice accelerated from the 1980s onwards. Although certain institutions (such as the State Planning Organization and the army) have maintained their elitist and technocratic character, the slow progress of economic and social development has also been a direct result of a contested notion of the state.

The long-term goal of providing citizens with equal opportunities in education, public health provision, and employment has recently disappeared altogether, leading to a highly polarized society. Surviving feudal, religious, and communal ties have been strengthened and civil society groups emerged as a new form of these old patronage systems. In this highly contested ideological and political setting, most professional and voluntary organizations were guided by party loyalties—at the expense of focusing on problem solving, local development, or project-based initiatives. Thus, bonded networks of loyalties rather than competences and meritocracy determined the direction of civil society organizations. The three projects below illustrate the new trend of locally oriented development initiatives by civil society groups in Turkey.

Three local development projects from Kayseri

Three local initiatives in Kayseri exemplify an emerging relationship between the centre and periphery, and the challenges of civil society and decentralization in Turkey. The power struggle between Islamists and non-Islamists has been at the heart of a long and divisive battle for economic prosperity in the city. Since the success of the Welfare Party (later the 'Virtue' Party) in the 1994 local elections across the nation, Kayseri has experienced increased activity by political Islamists and their affiliated networks. Durlauf and Fafchamps (2004) argue that when the coercive power of the state fails, two elements are required to deliver economic activity: leadership and trust. However, delivering the public good through voluntary organizations dependent on trust and leadership can be highly problematic, and will be contested where there is weak local leadership or conflict of interest. Lack of intragroup as well as impersonal trust further harms institutions and law enforcement (Özcan and Çokgezen, 2006).

Kayseri is not a microcosm of Turkey, but each of these three cases exemplifies the basic elements of recent trends. These include the increasing voice and varying influence of Islamist politics and business; centre–periphery relationships in which the state is easily manipulated; and the role of charismatic individuals who have helped

to build an ephemeral local consensus. With the recent changes in the Turkish political scene, the politics of Islam under the leadership of the Adalet ve Kalkinma Party have moved from a marginal position to centre stage. The Islamist party reformed itself, embracing secular ideas and democracy, and recently pushed through massive legal reforms in preparation for Turkey's talks about accession to the EU. As the party consolidated and moved from opposition to power, they embraced liberal economic principle and mellowed their earlier militant discourse. Kayseri illustrates the impact of national political tensions on the formation of local interest groups. It also illustrates the fractured politics of development which is disruptive to local projects and development initiatives. These cases also demonstrate the lack of trust and the lack of appreciation of expertise. Three local projects were initiated by the governor with the mayor and a local entrepreneur, Mr Faruk Molu, and their associates, and all three ran into trouble because of similar political forces (see table 1).

In Kayseri, there is a contested public discourse in professional associations which were heavily politicized in the 1970s and then depoliticized after the 1980 coup. They are often divided between left-wing and right-wing politics, with different shades of nationalism and socialism, and more recently Islamism. But many associations did not have a participatory approach to local matters and were reluctant to make issue-based alliances. Similarly, organized groups were not accustomed to working with each other on targeted projects—apart from bureaucratically initiated local meetings. In practice, these associations displayed more interest in national political discourse than in local problems. For example, the Chamber of Commerce and Industry in Kayseri was split along leadership loyalties and national party politics, and the cynicism of organized professional groups runs deep.

Table 1. Summary of three local projects in Kayseri.

	Free-trade zone	Yamula dam	Defence industry
Initiated locally by	Mayor, Mr Molu, and the governor along with business elite in 1995.	Mayor, Mr Molu, and business elite in 1977.	Governor, Mr Molu, and chamber of commerce in 1997.
Aim of the project	Initiate further trade.	Local electricity generation and irrigation.	Industrial growth.
Contested issues	Land ownership and mafia links.	Revenue and the control of the management board.	Islamists versus secularists appeal to the army.
The role of central government institutions	The Government failed to provide the necessary legal and institutional support. Land mafia interfered.	Poor technical support and no environmental surveillance by State Hydraulic Affairs and the Directorate and Ministry of Energy.	The State Planning Organization and Ministry of Defence were passively supportive but highly bureaucratic.
Personal and political conflicts	Islamists versus centre-right. Clash among businessmen. Personality clash with Molu.	Islamists versus centre-right. Clash among businessmen. Personality clash with Molu.	Islamists versus centre-right. Clash among businessmen. Personality clash with Molu.

Case study A: the Kayseri free-trade zone

In 1995, the then Governor of Kayseri, Saffet Arıkan Bedük, and the respected local businessman Faruk Molu, initiated the idea of a free-trade zone in Kayseri. The then Mayor, Şükrü Karatepe (a Welfare Party politician), found the project interesting and the initiative was launched through a company, Kayseri Plc, known as KAYSER. Local businessmen, the municipality, and business associations become partners in this report which Mr Molu led as chairman. It was agreed that the project would be nonpartisan to prevent any possible power struggle among political parties.

The Free Trade Zone Directorate in Ankara gave its official approval and the company began to look for a site. The major problem was the limited availability and high price of land around Kayseri. Eventually, the governing body decided to buy a plot of 7 million m² which was owned by the State Treasury and was next to the organized industrial zone in Kayseri. Because land speculators, including a 'speculators' mafia', controlled a significant part of the land market, it was crucial for Kayseri Plc to get this site. While negotiations continued with the Treasury, the speculators started to press and various groups accused Kayseri Plc of itself being a land speculator. At the same time, political instability continued in Turkey: three governments came and went in Ankara during this period, making it very hard to proceed with the necessary bureaucratic processes for the purchase of the land.

The pressure on the project intensified when various Islamist groups began a negative campaign and criticized the mayor for his backing of the project. At the same time, with the hope of high returns, the number of shareholders reached 300 and there were around 1000 further requests to join. The national and local press coverage aggravated confusion around the project. Controversial statements by the mayor on other issues drew public anger and the press began attacking him. Although the municipality was among the shareholders, the mayor personally had no investment in the project. Kayseri Plc was maliciously portrayed as an evil project by another radical Islamist mayor in the national press.

While the witch hunt continued, Mr Molu chased ministers and other officials to finalise the transfer of the Treasury land to Kayseri Plc. At the final stage, after the approval of the ministry had been secured, the Treasury file on Kayseri Plc suspiciously disappeared—it was allegedly taken by a Kayseri land-speculator group collaborating with other southeastern speculators from the distant city of Diyarbakır. The speculators wanted either to purchase the Treasury land themselves or to blackmail Kayseri Plc. After a long battle, Mr Molu successfully transferred the land from the Treasury to a municipal body, as a direct sale of Treasury land could only legally be made to institutions.

The opening ceremony of the Free Trade Zone saw another battle over who would be seen as the patron of this project. The Islamists wanted to portray it as their own project, excluding others. The Prime Minister, Mesut Yılmaz, from the neoliberal party, ANAP, came to open the zone, but the political struggle did not end. Under increasing pressure from the Islamist businessmen, Mr Molu and his supporters left the governing body of Kayseri Plc. The project was then hijacked by the Islamist Welfare (Refah) Party to be another mechanism by which it could deliver new partisan favours. The Islamist mayor of the district became chairman of the governing body in September 1998, and the first section within the zone was opened to investors. Mr Molu was marginalized but did not leave the partnership.

Case study B: the Yamula dam⁽³⁾

The Yamula dam project was initiated at around the same time as the free-trade zone, by the Governor and a group of local leaders including Mr Molu. The potential benefits of this project are important not only for the economic development of Kayseri and its nearby towns, but also for a set of larger issues—ranging from energy production to environmental impacts. The Chairman of the Kayseri Electricity Company signed the agreement for the Yamula dam project in November 1997. The company also signed an agreement with the Energy Ministry in the same year, and initially took the build–run–transfer right of the Yamula dam for twenty years.

Kayseri and its neighbouring provinces are included in the project. The planned scale is huge: a hydroelectricity dam will produce 420 million kilowatt-hours of electricity per annum. An irrigation canal will irrigate 114 000 ha of land. The lake will be 65 km long and will soften the harsh climate of the region by increasing the humidity. This will help in the cultivation of new agricultural areas. It is estimated that the dam will cost US\$183 million and could be completed in five years. A build–run–transfer model has been accepted. Much lobbying and paperwork had to be completed in Ankara in order to obtain the necessary permissions and to guarantee the collaboration of state institutions. The State Hydraulic Affairs Directorate finally agreed to take over the management of the irrigation project; however, finding a foreign investor and partner to run the project has been a struggle.

On 29 September 1998 the story of an open dispute about the shareholder structure appeared in the local newspapers in which it was described as a struggle between a municipal company, Kayseri, the regional electricity company, and the Kayseri Electricity Company. The Islamist-controlled municipality did not want to cede its shares. For legal and practical reasons, the municipality's 50% share was kept within the company, to be sold to a foreign partner after the bidding process.

Five bids were received for the construction of derivation tunnels for the dam. In September 1998, a consortium run by Pustiler–Sargin won the bid to build two tunnels. A new consortium with a foreign partner wanted to own at least 40% of Kayseri Electricity Company. According to a local newspaper, as the municipal enterprise refused to hand over its shares, one of the partners, the Cingilloğlu Group, negotiated to take over the project together with its Canadian partner, a US company, and a large Turkish construction firm. This newspaper report presented a negative image of the whole dam initiative and claimed that it was hampered by 'short-sighted bickering.'⁽⁴⁾

Tension continued to increase, aimed at eliminating the governing body of the project including Mr Molu and the small shareholders. Mr Özhaseki wanted to bring in Bekir Yıldız, another Islamist mayor in the greater Kayseri metropolitan area. Mr Özhaseki, the successor to Karatepe as Mayor of Kayseri, then took control of the free-trade zone and the Yamula projects.

Mr Molu gave two press conferences on 5 November 1998 and publicly announced his resignation in the following statement:

"I am saddened and disappointed by the events surrounding the Kayseri Electricity Company. There has been a political struggle to own the project by Virtue [Islamist] Party mayors and businessmen. If these local projects get politicized like this, they cannot reach their targets. But I don't want this project to be damaged. I believe that they [the Islamist mayors, Messrs Karatepe and Özhaseki in particular] would hand over shares as they promised; they deceived me. These municipal enterprises

⁽³⁾ This is also known as Yemliha.

⁽⁴⁾ I did not come across any political or environmental opposition voiced by local groups or civic associations, despite concern expressed in the local press over the evacuation of villages.

are sluggish and we should get rid of them. We should flick that parasite off our collar ... This project cannot be run with the mentality of BİT or KİT⁽⁵⁾ ... I am ashamed that all these things happened and that there have been all these unnecessary delays. It hurts me to see the Kızılırmak River draining away How can I work with these people anymore? We have nothing in common; our ideas, opinions, and perspectives are so different” (*Kayseri Akın Günlük* 1998, 5 November, page 1; *Kayseri Anadolu Haber* 1998, 5 November, page 1).

Case study C: the local defence industry

Mr Molu was also among a group of local entrepreneurs and administrators who wanted to bring further dynamism to the city economy. In 1997 Erciyes University proposed a defence-industry plan for Kayseri. This idea was not surprising given that Kayseri had three large underutilized old state investments and some local skilled workers in the defence industry. These state enterprises, Anatamir, Taksan, and Hava İkmal, were considered major assets for the city in its bid for Turkish army contracts when the Turkish army began to seek opportunities to expand and diversify its domestic supply. A company called SAVAR (Savunma Sanayi Şirketi) was first established by Saffet Arıkan Bedük, the former governor of Kayseri, and others including Faruk Molu and Mustafa Çapar (Chairman of the Chambers of Commerce). After various studies, the SAVAR group began lobbying in Ankara at the ministerial level as well as among top Turkish Army officials. The ministers expressed support but left the final decision to the generals.

The governor and a group of businessmen together with Mr Molu went to Ankara to deliver a presentation to senior army officials in 1997. They presented proposals prepared by Erciyes University for the development of military tank production, along with other defence industry options. However, Kayseri was not alone in seeking such a business venture. There was a similar proposal by the Gaziantep governorate and business groups. An interesting situation of competing cities emerged. Kayseri SAVAR had used personal and official links with political parties, MPs, and bureaucrats to obtain information, secure appointments, and to learn about the procedures. Mr Molu's previous experience in the State Planning Organization was helpful in building contacts and initiating the project.

As with other local initiatives, a power struggle emerged soon after the project began. Some local newspapers proposed that the project should involve a larger group of people and businesses (Ali Ceran, writing in *Kayseri Star Haber* 12 November 1977). The presentation at army headquarters in Ankara was said to be unsuccessful. There was also a negative campaign against SAVAR: some groups claimed that unless the project involved a larger group of interested people, it had no chance of success. It is hard to determine how genuine any of these claims were. But given the limited influence of locally organised professionals and other interest groups, this project was subject to the same sort of antagonism that the Yamula Dam and the free-trade zone initiatives suffered.

Analysis and conclusion

The Turkish state has been working toward economic development through incentives and investments. However, feudal and religious influences have survived and diffused into the state apparatus. Turkish industrialization and urbanization has maintained a

⁽⁵⁾The acronym, BİT (*Belediye İktisadi Teşekkülleri*), also means lice, blood-sucking animals, in Turkish. KİT (*Kamu İktisadi Teşekkülleri*) is the term used for public enterprises, and Turkish humour commonly relies on such rhyming puns. They are associated with inefficiency and corruption in municipal and state-run affairs.

duality of agrarian feudal and semiindustrial urban natures, through which a new form of urban feudalism has emerged. Thus, the power of the state and capitalist development has not become fully established and there is as yet no capacity for civil society groups to arbitrate between the market and the state (Bora, 2001). The catastrophic collapse of the Ottoman Empire had ruined the economic life of many anatolian towns, at a time when nation-states were emerging across the Balkans and the Middle East. Population movements and constant wars brought huge destruction to Anatolian lands, and the almost complete loss of commerce and production. During the last centuries of the Empire, the economic positions of Muslims worsened as Western economic institutions were introduced and the judiciary were taken up by non-Muslims who improved their economic positions and gained control in the economy (Kuran, 2003). It was only under the early Republican government that many impoverished towns, for the first time, witnessed the growth of industrial establishments. However, industrialization has been a thinly spread phenomenon consisting mainly of small businesses—but only since the mid 1980s (Demir et al, 2004; Özcan, 1995a).

Slow industrialization delayed the Republican ideal: the creation of the ‘modern–rational–individual’ citizen. On the contrary, limited material progress and unequal distribution further strengthened traditional communal factors and religious revivalism in the day-to-day lives of urban shantytown dwellers as well as the peasantry.

Thus, Turkey faces the prospects of decentralization without having fully experienced a capitalist transformation and the associated consolidation of state power. Here, the crucial issue is the extent of governmental provision and functioning institutions. Although this might be perceived as excessive in some advanced economies, weak institutions and the rule of law damage overall economic performance in developing countries. As Dixit (2004) emphasizes, in the absence of law and/or if the state fails in self-governance, we see the emergence of biased governments, ad hoc groups, and mafia-type entities filling the gap and securing property rights for fragmented and artificially protected, uncompetitive, business interests. As is evident in Kayseri, Turkish institutions have failed to provide the necessary umbrella and guidance for the local projects—for example, they were even unable to prevent a land mafia seizing official documents. People have pulled strings to favour ethnic and religious groups. Chauvinism is strong among Islamists and centre–right politicians—and has been for many decades in Turkey. This is a major challenge for most developing states: how, on the one hand, to promote private market development and, on the other hand, to establish institutions, laws, and procedures for the benefit of all citizens—especially when powerful interest groups come together to increase their own benefit.

In the absence of adequate governance and established procedures, a high degree of politicization and polarization of local projects by national party interests can be seen. This is further exacerbated by opportunistic control by governments over state institutions. For many decades, Turkish governments had the habit of controlling state institutions through politically motivated appointees. This practice eventually, during the 1970s, turned the whole education sector into a battlefield among leftists, Islamists, and nationalists. Thus, paradoxically, although the state is excessively glorified and is protected from dissent by nationalistic and, more recently, traditional Islamic rhetoric, it remains somewhat weak against the diffusion of party patronage and mafia-type networking. The routine manipulation of state institutions by political parties weakens property rights, institutions, and the standard of government service.

These three case studies also illustrate the inequalities and asymmetric power relations embedded in Turkish civil society. We have seen how control by narrow political interests distorts local priorities and projects. Many civil society groups are controlled by a small number of active members who are often uninformed about,

or uninterested in, opportunities for local development. The problem is not only an issue of network density, or the vertical or horizontal character of civic groups, as emphasized by Putnam et al (1993), but, rather, of the conflictual, as opposed to consensual, relations within and among groups. Olson's free-rider problem applies here too, as many association members remain dormant and act only opportunistically. There is a clear social exclusion of disadvantaged groups (lower income people, temporary and recent migrants, women and children, etc) from local decisionmaking and economic development projects.

The fight between Mr Molu and the Islamist mayors has many features. First, it is a struggle to control large projects which are liable to be exploited by political interests in Ankara. Second, it is part of a battle among powerful interest groups in Kayseri who expect to benefit from all new major business opportunities. Local business associations have proliferated in Turkey along new ideological lines and cater for many of the newly emerging, diversified, interests that have appeared since the 1980s. These associations have shown themselves to be the most able and experienced in the use of interest-based politics (Çokgezen, 2000). Third, this is a clash of personal styles and different perspectives on economic development. These are aggravated by personality conflicts which the local institutions were unable to rise above. The striking issue here is that these groups have two very different ideologies which simply cannot accommodate each other: religious and secular.

The existence of local projects run by a small group of business interests raises another matter concerning equal opportunities in participation. The issue of exclusion embedded in power politics is a common phenomenon, both for developing democracies like Turkey and for mature democracies (Flyvbjerg, 1998; Syrett, 1993). There is no doubt that greater social participation and institutional accountability are crucial both for economic development and for better governance. But, while accepting the flaws of centralized and often corrupt regimes in the developing world, I would argue that the romantic notion of social capital and community empowerment are not without contradictions and inequalities of their own.

Flyvbjerg's (1998) study of Aalborg, Denmark, suggested that the realities of politics, administration, and planning were similarly exclusive. Instead of negotiation and power-neutral consensus building in a democratic process open to all interested and affected parties, in Aalborg there was a remarkable consistency within a tightly closed decisionmaking process dominated by a small, male, elite of top politicians, high-ranking civil servants, and business leaders, supported by the local press and the police. A similar finding was noted by Syrett (1993) in the context of Portuguese local governments: the role which key individuals play in policy formation and the cult of individualism remains strong at the local level.

Thus, the notion of balance and power between state and society, in both the social capital and the decentralization debates, is inappropriate for theory and false in reality. The division here is not between civil society and the state, but between those with power and those without power which determines the degree of access to economic opportunities. The difference between postwelfare states in advanced economies and the developing world is in the way in which the role of the state and the history of economic development and institution building have evolved. In advanced economies, there is what Foucault calls a stable power relation occasionally interrupted by short-lived antagonistic confrontations (Flyvbjerg, 1998), whereas in the developing world, as the Turkish cases demonstrate, relevant conditions include the formation of the new bourgeoisie and state apparatus, fast urban growth, migration, high birth rate, and short cycles of economic boom and bust that make the fabric much more susceptible to confrontation and constitutional changes.

The populist multiparty experience in Turkey forged a patron–client relationship with short-term political gains, and the state institutions have thus been subject to the political mobilization and militarism of the public service. As the state institutions suffered constant confrontation, as well as manipulation by conflicting party and group loyalties, the state’s legitimacy and its credibility were gradually eroded. Politicized and personalized institutions, which functioned according to weak normative procedures, discriminated among political party links and the social networks of connected individuals. As a consequence, the distributive effects of state bureaucracy at the hands of client–patron governments inevitably generated a highly unequal society. Social unrest broke out, associated with different political and group identities—as seen in the recent violent expression of Kurdish nationalism. Suppressing military interventions were not simply a result of the army’s intention to guard the Republic but were also due to the lack of any political core to move civil consensus along.

Hence, I argue here that without a credible and legitimate state, there is no political consensus, and decentralization can only intensify depoliticized and depersonalized institutions. The link between devolution and economic development is also dubious, as studies on advanced and developing countries illustrate (see Rodríguez-Pose and Bwire, 2003; Rodríguez-Pose and Gill, 2003). Souza (1996) offers a telling history of Brazilian decentralization efforts and its failures, and argues that the politics of the Brazilian elite had no recognizable centre or dominant legitimization strain; thus, the movement away from authoritarianism was liable to be confounding and highly experimental. Souza refers to a situation of a ‘paralysed competitive arena’ where the decisionmaking process concerning national issues conflicts with a peripheral federalism with subnational interests.

However, Leftwich’s (1994) deterministic conclusion about the developmentalist state ought also to be challenged. It may be that top-down developmentalist states have completed their mission and that they are outdated. But there is a need for a new developmentalism and a strong state which will regulate and facilitate democratic participation, intraregional arbitration, and development. This can no longer be maintained through old-fashioned technocratic control. On the contrary, the new mission of developmentalism ought to be built on legitimizing the state through working institutions and bureaucratic capacity, widening participation in local democracy, and elaborating the role of the regulatory state both for economic development and for justice. Works on decentralization point out that, despite its weak democratic credentials, the state has a central role to play in local democracy building and economic development because of the militant and chauvinistic divisions within local politics. But this also means that the legitimacy and binding force of the state has to be upgraded through incorporating dissent and grievances against the state in order to moderate and enhance civil society and local democracy building (Özcan, 2000).

I accept that there is no utopia where power and interest conflicts are absent, and that in democratic regimes political conflicts and opposition still play crucial roles. There will always be an essential tension between consensus and conflict. But I also believe that we are facing a global threat to democracy and participation. Thus, enhancing local democracy has to be judged according to distributive effects and the achievements of economic development. Democracy building cannot be left in the hands of liberal, market-driven forces—either in the form of companies or NGOs. The increase in social equality and liberty and restructuring and democratizing of state institutions are viable only with a new state–society interface. Evidence presented here suggests that it is only through legitimate and moderate state power that local democracies can function for common social and economic improvement.

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Appendix: Interviewees

Mr Mustafa Alan, Chairman of the Kayseri Union of Chambers of Artisans and Craftsmen; Ms Nevin Akyut, Chairman of Women's Association of the Virtue Party and of local women's groups; Mr Seyfi Baktur, Vice President of Turkish Wood Works Federation, Chairman of Association for Kayseri Furniture Workshops; Mr Ali Bekarlar, Lawyer, President of Bar Association in Kayseri; Mr Asaf Mehmet Beyoğlu, Member of the Governing Board of Kayseri Chamber of Commerce; Mr Mustafa Çapar, Chairman of the Governing Board of Kayseri Chamber of Industry; Mr Mustafa Demir, Trade Manager of Karsu, former member of Kayseri Plc; Mr Mehmet Durak, Secretary General, Kayseri Chamber of Industry; Mr Mustafa Elitaş, Chairman of the Virtue Party in Kayseri; Dr Ismail Gökşen, President of Kayseri TEMA (The Turkish Foundation to Fight Against Soil Erosion); Mr Sükrü Karatepe, the Former Welfare Party Mayor of Kayseri Greater Municipality; Mr Celal Karavelioğlu, Judge, Head of the Regional Administrative Court, expert on the legal framework of urban development planning; Mr Hasan Ali Kılıcı, Chairman of the Governing Board of Kayseri Chamber of Commerce; Mr Faruk Molu, Manager of Karsu, former chairman of the Kayseri Plc; Mr Nazı Öncel, businessman, organised industrial site of Kayseri; Mr Ahmet Özdemir, Regional Director of Beğendik Plc; Mr Mehmet Özhaseki, Mayor of Melikgazi Municipality, Caretaker Mayor of Kayseri Greater Municipality; Mr Mustafa Yıldırım, Deputy Governor of Kayseri; Mr Murat Yerlikhan, General Secretary of Kayseri Chamber of Commerce; and a group discussion with MÜSİAD, Independent Businessmen's Association.

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