

1. INTRODUCTION: STATE/BUSINESS RELATIONS IN THEORY AND SOCIETY

The themes pursued in this book originate in a review article written in 1987.¹ The article was on the recently published autobiographies of three leading Turkish businessmen, and it constituted an attempt to highlight what was unusual in these accounts of a Turkish businessman's life and livelihood.² Revisited today, after several years of research and reading on comparative state-business relations, it looks like an exaggeration of the specificity of the social and political coordinates of business life in Turkey. The present study, therefore, starts out more cautiously, with an attempt to build an analytical framework in which one could study the factors that shape the nature of the business activity in a given society without overlooking the common presence of some of these factors in different societies with highly different cultural and historical characteristics.

This analytical framework in which the study is situated draws on several different theoretical approaches and currents of analysis. In spite of their sometimes substantial methodological differences, the latter share a significant common characteristic. They are largely developed as a reaction to the shortcomings of two grand theories which provide coherent models of business behavior and state-business relations, namely mainstream economic analysis and the Marxian approach. Common to both these lines of analysis is their treatment of private (or class) interest as an exogenous variable. Consequently, the social scientist adopting these perspectives is prevented from studying the content and the form of interest

in different societal contexts. Second, both approaches set a dichotomy between the state and the market, and thus restrict the scope of analysis of different forms of interaction between the political authority and civil society.

Mainstream economic theory is limited to the analysis of economic activity on self-regulating markets which operate on the basis of individual pursuit of self-interest. In this context, intervention by the state merely restricts the scope of the market activity. The possibility that the intervention itself might actually play a role in helping the establishment of the market and/or in affecting the nature of the market activity is virtually totally excluded. State intervention appears in a different perspective in Marxian analyses. There, one sees the state acting either as an instrument of the capitalist class in pursuit of its sectional interests or, as in the functionalist approach, less directly, to assure the survival of the capitalist system sometimes at the cost of sacrificing the immediate interests of capitalists. In the instrumentalist approach, capitalists make the state do what conforms to their interests, and, in the basically tautological framework of functionalism, whatever the state does conforms to the long term interests of capitalists.³ In these two versions of the Marxian approach, business class appears as an entity which is defined with respect to its position vis-a-vis the means of production. It acts according to exogenously given principles of behavior and influences the course of social and economic life.

The approach adopted in this study attempts to overcome the limitations of these assumptions through a questioning of the notions of "interest," "class," and "state" as derived from the two general theories in question. It is an approach, in other words, in which interest, class, and state become endogenous variables. The necessity of such an alternative perspective is clearly revealed by the divergences between our standard theoretical models and the nature of the Turkish business environment. More important than these divergences is, however, the fact that the Turkish case largely loses its exceptional character in the light of some empirical studies of different aspects of business activity in other countries. Before proceeding to the discussion of the approach adopted in the present study, it would, indeed, be useful to show how one's perception of the Turkish case changes when the assumptions of our well-established general theories are questioned from a comparative per-

spective. Because these assumptions reflect the characteristics of the ideal model of a market society, questions directed at their relevance also reveal the differences between the social reality in contemporary societies and this ideal model.

BUSINESS OUTLOOK AND BEHAVIOR IN TURKEY COMPARED TO AN IDEAL CASE AND EMPIRICAL REALITY

The nature of the model in question is reflected, for example, in J. M. Keynes's description of the essential characteristic of capitalism as "the intense appeal to the money-making and money-loving instincts of individuals as the main motive force of the economic machine."⁴ This implies that the economy is divorced from the wider social, political, and cultural context, and has an autonomy contingent upon individual behavior seen as basically directed at the maximization of material self-interest. In this framework, the autonomy of the economy has its counterpart in the autonomy of the individual within the social whole. As L. Dumont puts it, in the capitalist civilization, the relations between men and things dominate the relations among people. "For all practical purposes," Dumont writes, "we are those who have, with Locke, enthroned the private property in the place of subordination, or, for that matter, have chosen to be possessing and producing individuals and have turned our backs to the social whole . . ."⁵ Private property, the right of the individual to what is his own, thus appears as the key institution in the capitalist civilization which J. Schumpeter qualifies, first and foremost, by its "individualistic, rationalistic and antiheroic nature."⁶ In this context, as Schumpeter argues, religious fervor, ardent nationalism and similar sentiments are eliminated with the increasing marginalization of all those values having little to do with the rational evaluation of an ends/means relationship by the individuals constituting the society. In Keynes's words, "Capitalism is absolutely irreligious, without internal union, without much public spirit, often, though not always a mere congeries of possessors and pursuers."⁷

These statements underline the disembeddedness of the economy from society. Consequently, they define a situation in which societal determinants of the interaction between state and business lose their significance. Second, when economy is disembedded from

society, it becomes natural for businessmen to conform to rationally and not socially defined norms of behavior.

It is basically the internalization of this idea of rationality which is not reflected in the autobiographies of Turkish businessmen. In fact, from the perspective provided by mainstream economics and the Marxian theory, these businessmen's perception of their rights and responsibilities, their sense of the social power that they have, and their image of an ideal society implicitly sketched in their writings all seem to be quite peculiar. One of the most striking dimensions of Turkish businessmen's self-image seems to be a lack of confidence about the legitimacy of the activities carried out in pursuit of pecuniary gain. This is reflected in an almost desperate attempt to justify business as a walk of life with reference to its social value. In their autobiographies, Turkish businessmen rarely express their pride about successful business ventures. Instead, they try to apologize for their success and never fail to mention its positive implications for the national economy as a whole. Similarly, the inviolability of private property rights does not seem at all obvious to them. They do not, in fact, appear to be sure about their legal rights and their abilities to do what they please with their private properties. Hence, they feel the need to indicate that "wealth is not something to be ashamed of," and they justify the statement by counting the ways in which they use their wealth for the benefit of their country.

The same lack of confidence could be observed in their evaluation of their social power. A sense of impotence is reflected in the statements of Turkish businessmen. This sense of impotence might or might not be justified, but its expression is too persistent and too sincere to enable one to dismiss it as mere calculated rhetoric. Moreover, the feeling of insecurity expressed by Turkish businessmen probably has some significant implications at a practical level. It seems to be instrumental, in particular, in hampering the development of an industrial outlook in the country. The lack of commitment to a particular line of industrial activity and the domination of concerns pertaining to productive activity by objectives of a financial—or even speculative—nature, which I have observed throughout the research, appear to be—at least partially—a manifestation of a deep-rooted feeling of social insecurity.

The overwhelming significance of the state in determining the course of business life appears as a key determinant of the character

of business activity in Turkey. In the autobiographies written by Turkish businessmen, success in business seems to be related, first and foremost, to the nature of one's relationship with the state which can best be qualified as a love-hate relationship. Turkish businessmen see the state as the major source of their difficulties. They also know, however, that it is to the state that they owe not only their wealth, but also their position in society. Hence, they have no illusions about either the possibility or the desirability of capitalist development with no state intervention in Turkey. What they emphasize is the need for a greater cooperation between government authorities and the world of business, not the desirability of reduced intervention. There is, in their books, no trace of the neo-liberal orthodoxy in which the individual endeavor is opposed to the responsibility of the state in determining the livelihood of the individual. There is no reference to the autonomy of economic activities from the wider societal framework as a desirable thing, and the pursuit of individual self-interest is nowhere attributed the central role in the organization of economic life.

As they have strong doubts about the economic achievements that would be possible with the free play of the unregulated market mechanism in the absence of state intervention, Turkish businessmen are also suspicious of the possible impact of the liberal value system on the social fabric. Hence, "the right of the possessive individual to what belongs to him" does not appear to them as a significant component of a value system which could successfully serve to maintain the social consensus. They fully recognize the need for different social and ideological mechanisms to maintain stability in a societal framework in which the businessman would feel secure. In fact, the autobiographies clearly reflect a sense of precariousness of social status and seem to constitute, at least partially, an effort to deal with this problem.

On the basis of the observations previously summarized, it is not difficult to make broad generalizations concerning the limited internalization of the basic values of capitalist development by Turkish businessmen, and to emphasize the divergences between the value system and institutional basis of business life in Turkey and in the West. I could, in fact, gather ample material to support this argument from a series of personal interviews that I conducted with some leading Turkish businessmen. Public declarations of the latter also provided evidence leading to the same conclusion.

Such a conclusion would not be totally unjustified, but it would be of limited usefulness unless it contributed to the understanding of societal determinants of business activity and state-business relations. With the objective of the study thus defined, it becomes necessary to go beyond the common assumptions of mainstream economic analysis and the Marxian approach as the general rule against which the exceptional character of an empirical case is to be explored. Another level of comparison—one in which social factors shaping the business environment in other societies are taken into account—must be introduced into the analysis.

At this second level, empirical observations of business activity in different countries immediately raise certain doubts about the validity of the assumptions concerning both the social legitimacy of the motive of gain as the organizing principle of the economy and the nature of the state as an arena where the social structure of private interests are reflected. Highlighted in most of these observations is, moreover, the role of political factors in shaping both the content of private or class interest, and the form which the pursuit of interest assumes in a given society. From an empirical point of view, therefore, the two grand theories of business behavior and their social implications appear to be exceptions rather than rules. Different accounts of particular cases also suggest that empirically observed societal characteristics are of a nature which could hardly be explained only with reference to culture as the explanatory variable—unless, of course, those aspects of a particular culture which are relevant to the forms of behavior and interaction under analysis are clearly specified.

For example, although cultural factors are undoubtedly important in dealing with questions pertaining to the social legitimacy of business activity, the attempts to present the precariousness of the social status of businessmen in a given society as a cultural characteristic of that society frequently prove to be unsuccessful. Such attempts often involve a tendency to present certain features, which are shared by societies with very dissimilar cultural systems, as being unique to a particular culture. Statements such as the following abound in this literature:

“Within the traditional Japanese system the private interests of any group are not considered to be legitimate. Therefore, it is relatively difficult for any group to articulate its own interests.

At the very least, these groups have to find some way to legitimize their own interest as an aspect of the broader public interest"⁸

"(In India) the basic attitudes of the political culture are strongly antibusiness"⁹

"In Turkey the notion of the business leader is misunderstood. He is often viewed as a speculator if not a thief. Business for a long time was downgraded and looked upon as an occupation which no respectable Turk would enter."¹⁰

In fact, it probably would not be unrealistic to assume that there is no single non-Western society on which such an observation has not been made. It would also be reasonable to assume that, in many non-Western societies of highly different cultural characteristics, the extent of state intervention in the economy is of a nature to render as quite ambiguous the distinction between the realms of private interest and public policy. It is now well documented that, even in those countries such as South Korea and Taiwan, which, until quite recently, were presented as examples of the undisputable superiority of market-oriented, outward looking development strategies¹¹, the role of the state in directing and shaping private sector activity has been of crucial significance. In recent interpretations of East Asian economic success, the extent of state intervention appears to be much beyond the role which the state is expected to perform in a market economy. This is reflected, in particular, in the intervention of South Korean and Taiwanese states at the level of private investment decisions and private enterprise management to "discipline big business" and to make the latter act in conformity with national objectives.¹²

The following comments of A. Amsden on Taiwanese and South Korean economic systems are quite revealing in this regard.

We may hypothesize that the system of "bureaucratic" capitalism of late imperial China, with its total interpenetration of public and private interests, was transplanted into Taiwan, along with mainlanders. Although historical conditions were unpropitious for economic development under bureaucratic capitalism in China, they were favorable in Taiwan.¹³

In a similar vein, Amsden writes that, in South Korea, the growth of private industry was almost totally based on direct government

support given according to the principle of reciprocity in exchange for performance standards. Hence,

No firm in South Korea could succeed if it openly criticized the government. No firm could flourish if it was not a staunch government supporter. Nevertheless, despite pervasive corruption surrounding the allocation of subsidies to specific companies, discipline has still been effective: generally only good performers have been rewarded and poor performers have been punished.¹⁴

These comments describe a situation in which the performance of the private entrepreneur is judged on the basis of a set of criteria which has little to do with profit maximization. In such a setting, private interest is subservient to nationally set objectives, and the social position of the private businessman depends on his contribution to these objectives. Just as in the Turkish case, therefore, the heavily state-dependent business classes of East Asian societies, too, can hardly be expected to refer to the uncontested legitimacy of the motive of gain as a clear justification of business activity.

What is even more interesting than this East Asian situation, however, are those empirical observations which pertain to the expanding domain of state intervention in Western societies. In the latter, too, the expansion in question seems to have resulted in a modification of the role of the relationship between private and public interest as a determinant of the economic process. Neo-corporatist forms of state-business relations which have been extensively explored present, for example, the cases of European societies in which interest articulation and representation appears as a matter of political design.¹⁵ When private interests are influenced by political factors, it becomes increasingly difficult to talk about exogenously defined interests as the motive force of economic and political processes. While the pursuit of private interest thus ceases to appear as the main determinant of economic activity, the association-based pursuit of class interest also appears under a new light with both activities losing their intrinsically legitimate status. Business associations—which are normally created to represent the interests of their constituency—are expected, in a neo-corporatist framework, to convince the business community to act in confor-

mity with national objectives even when this conflicts with the requirements of profit maximization. Under these circumstances, business associations appear both as state servants and advocates of business interests. With regards to this situation, some writers point to a certain uneasiness of business associations which are often equally reluctant to appear as policing for the state or lobbying for business.¹⁶

The findings of the literature on neo-corporatism are extremely relevant for the purposes of the present study which points to the ambiguities of the standard dichotomy between public policy and private interest. Yet, the expanding domain of state intervention does not appear to be a source of uncertainty concerning the economic role and social legitimacy of business activities geared toward private interest maximization only in societies where neo-corporatist arrangements are dominant. Even in the United States and Britain—usually presented as countries where the business class has a truly hegemonic power¹⁷—certain changes in the domain of state intervention seem to have led to a significant modification of businessmen's perception of their social position and power. Hence, we read, for example, about the lack of confidence of British manufacturers who have exhibited a marked reluctance to raise their voices against the Thatcherite policies inimical to their interests. In his evaluation of the inability of the British industrialists to articulate and successfully pursue their interests in a way as to influence the direction of public policy in the 1980s, C. Leys refers to certain political developments which have culminated in the "social contract" implemented by the Labor governments between 1974 and 1978. According to Leys, the social contract, with its impact on the decision-making powers of businessmen through regulation and worker control, was interpreted as a real loss of power over capital by some members of the business community. He writes that "In the mid-1970s a majority of manufacturing executives had come to feel that the survival of capitalism was at stake . . . Even those who were unconvinced by the Thatcherite project saw no realistic political alternative . . ." ¹⁸ Hence, the surprising silence of the British businessmen in the sector hardest hit by the Thatcher program.

In the second bastion of the free enterprise economy—in the United States, too—there are doubts that the business class is completely at ease in its social and political environment. In fact, several

studies on American business history refer to the historical significance of a love-hate relationship, not too dissimilar to the one observed in state-business relations in Turkey.¹⁹ Other writers comment on the strong distrust that American businessmen feel toward their state. One observer notes, for example, that "the really revolutionary changes in the role of the government and in the relation of various groups to government produced by the Great Depression and the war have not yet been fully accepted in this country. Where counter revolution is still considered to be a possibility, no one is quite willing to lay down his arms."²⁰ This observation was made in the 1960s. The developments of the post-Second World War era have culminated in the rising wave of industrial regulation in the 1970s. Certain writers believe that the expansion of the domain of intervention in this decade has seriously troubled the American capitalists who have interpreted this as a trespassing of normal boundaries of the state's role in the economy.²¹ Similar comments were made on the Canadian situation in which government-business relations have become quite tense as a result of the increasing state involvement in the economy in the same period.²² In both countries, as in Britain, the uneasy decade ended with the victory of neo-liberalism, and with the demise—at least at an ideological level—of the welfare state.²³

It is not at all clear, however, that the social legitimacy of business activity could be automatically established with the victory of neo-liberalism. In fact, at least some businessmen in North America and in Britain seemed to think that something more was necessary to regain the security of its social position. This was reflected in some significant changes that have taken place in the social attitudes of businessmen in the countries in question.

Starting with the late 1970s, there has been an unmistakable increase in the visibility of businessmen in social life, after decades of conscious effort to keep a low profile. This is reflected, first, in the unprecedented media presence of businessmen who now almost compete with movie stars in this respect. Some writers see a negative correlation between the capitalist's declining economic significance and his increasing visibility as a media figure.²⁴ It is impossible, however, not to see, in the businessmen's use of the media something more than a simple ego trip. In other words, it is impossible to overlook the fact that businessmen have been using the media to create a positive public image to influence both states-

men and ordinary citizens. Their increasingly conspicuous social presence has served to contribute to the same objective. While corporate philanthropy and involvement in artistic projects have become increasingly important, social committee work has become a significant part of the corporate businessman's daily routine.²⁵

Some writers approach this as part of a process whereby an increasingly vocal and visible fraction of the North American and British businessmen consciously attempt to define themselves as a social class, to reshape their social image, and to establish their position in society. For our purposes, the process is highly interesting because, first, the mere fact that such an attempt is undertaken indicates that the business community feels a certain precariousness with regards to its position in society. Second, the totality of the message recently put forward by the business community seems to diverge considerably from the model of an ideal market society in which the economy is separated from politics, and in which the pursuit of material interest plays the leading role in assuring the smooth functioning of the economy. That the private enterprise has a social responsibility which should dominate the objective of profit maximization is little contested. Moreover, the small group of businessmen who assume a leadership role in the process in question appears with claims not for the limitation, but for a modification of the role of the state in the economy. In other words, feeling that they did not have a sufficient say in policy matters, these business leaders have volunteered to take part in the policy process rather than asking for a more limited government along the lines of the neo-liberal ideology.²⁶

These observations of business environment in different groups of countries with very dissimilar economic, social, and cultural structures tend to call for an approach which could reveal both society-specific characteristics of and universal trends in the organization of business activity and state-business relations.

TOWARD AN ALTERNATIVE ANALYTICAL FRAMEWORK

It must be admitted, from the outset, that the analytical framework of this study of business environment in Turkey is a highly eclectic one which lacks the coherence of liberal or Marxian models. The study forms, in fact, part of many current attempts to develop new tools of analysis on the basis of empirical research on

the forms of interaction between class, state, and society. Although these attempts can hardly match the rigor of the general theories that they abandon, they have the advantage of adhering to the objective of increasing the empirical content of analysis for a more relevant approach to social reality.

However, one theoretical contribution—that of Karl Polanyi, which is central to the present study—presents a fairly comprehensive body of critical analysis based on the idea that economy is, as a rule, embedded in society.²⁷ Polanyi approaches the market society as a historical aberration in which, for the first time in human history, the economic activity is disassociated from the rest of the society and is organized on the principle of individual self-interest. According to Polanyi, this particular social arrangement was largely a nineteenth century phenomenon which ended with the Great Depression and the World War II.²⁸ These events mark, in Polanyi's analysis, the beginning of a series of developments whereby the economy would again be "instituted as a social process" in conformity with the social fabric of each society.

This historical perspective largely rests on the distinction between the market and market society. Polanyi writes that markets—as places where individuals meet to barter, truck and exchange—can be found in all societies, and at all times. In all societies and at all times, market activity is also guided by the individual motive of gain. The market society, however, is distinguished from all the other societies by the central role that self-regulating markets and, consequently, the motive of gain, play in directing the economic activity. In other societies, the totality of the activities of production, distribution and consumption—in other words the economy—is always subservient to social, cultural, and political rules. The economy is nowhere entirely left to the market, and the pursuit of material gain plays only a marginal role in assuring the livelihood of the members of the society. In most nonmarket societies, moreover, one observes a conscious effort "to contain" and control markets to protect the society from their disruptive effect.²⁹ In this setting where the market activity is carefully disciplined, it is only natural that trade—and the individuals engaged in trade—are closely watched and kept under control as potentially disruptive forces, with no essential difference between Western and non-Western societies in this regard.³⁰

Through an analysis of the historical developments culminat-

ing in the emergence of the nineteenth-century market economy, Polanyi demonstrates that it was only through certain ideological and institutional developments that Western societies have come to accept the profit motive as legitimate. The establishment of the unquestioned legitimacy of individual property, too, appears as the end result of a long process of ideological and institutional transformation of the Western society.³¹ The rise of economic analysis as a separate discipline based on a particular conception of individual rationality defined with reference to interest maximizing behavior is a reflection of this same process. Marxian theory of history—in which class interest appears as the main explanatory variable—is also a product of the same environment.

Polanyi finds the Marxian emphasis of the ownership of means of production as the most important element of class analysis to be highly misplaced. He also thinks that “class interests offer only a limited explanation of long-run movements in society.” He writes that

The fate of classes is much more often determined by the needs of society than the fate of society is determined by the needs of classes. Given a definite structure of society, the class theory works; but what if the structure undergoes change? A class that has become functionless may disintegrate and be supplanted overnight by a new class or classes. Also, the chances of classes in a struggle will depend upon their ability to win support from outside their own membership, which again will depend upon their fulfillment of tasks set by interests wider than their own. Thus, neither the birth nor the death of classes, neither their aims nor the degree to which they attain them; neither their co-operations nor their antagonisms can be understood apart from the situation of society as a whole.³²

Several decades after Polanyi, we find C. Offe pursuing a very similar idea through the distinction which he makes between two types of rationality, one associated with “conjunctural” and the other with “structural” policies. The first type of rationality aims at optimal satisfaction of interest manifested by societal actors. In periods of institutional or economic crisis situations, however, the nature of interest and interest representation become dependent

variables shaped by the political system. Offe argues that, in the domestic and international conjuncture prevailing since the 1960s, the second type of rationality and policy orientation have become prevalent in advanced capitalist nations.³³

The idea of political determination of private interest, which is central to the discussions around the concepts of pluralism, corporatism and neo-corporatism, also appears in "state-centered" approaches where the "society shaping" role of the state is explored through analyses of the dynamics of interaction between civil society and political authority.³⁴ The emergence of such analyses is sometimes traced to Western developments such as the "Keynesian revolution" of the 1930s and the advent of national macroeconomic management in the 1950s, as well as to British and American responses to the challenge of increasing international economic competition starting with the mid-1970s. In all these instances, there is a rejection of a certain perception of economic development and social change as spontaneous processes. These developments reflect, instead, an environment in which voluntarist interventions of the political authority in the realm of the economic are regarded to be necessary. Relatedly, state-centered approaches emphasize the modification of the structures and activities of different states in response to the requirements set by the international context of the national economy. Shaped in this fashion, state structures and activities in turn shape rights and responsibilities—as well as the behaviors—of individuals and classes in society in conformity with the imperative of international competition and economic development. International factors acquire a central significance in "coalition models of state-society relations," in which social and political structures are jointly determined within the national strategies for "managing interdependence" at an international level.³⁵

These different approaches to the state-society nexus complement Polanyi's work in several ways. They provide empirical support to Polanyi's idea of class as a socially determined category. They relate the configuration of social classes to the situation of the society in the world system, and thus highlight the relationship between the fate of classes and the fate of the society as a whole. They also support, albeit implicitly, Polanyi's view that the present situation in market societies is highly different from the nineteenth-century one characterized by the institutional separation of politics and economics. Consequently, a conceptual ground

is prepared for the evaluation of late capitalism as a new paradigm in which the codetermination of the behavior of states and societal actors is to be analyzed with reference to the international context of economic and social development.

This idea forms an important component of the present analysis of Turkish business environment. There are, however, two points of central significance which must be clarified before completing the presentation of the theoretical perspective adopted in the study. One of these points has to do with the asymmetrical social and economic significance of state-business relations, as compared to the relations between the state and other social groups or classes. Polanyi writes that "it is the relation of a class to the society as a whole which maps out its part in the drama."³⁶ While the business class—as are other classes in society—is to be defined by the coordinates of its position within the totality of national structures shaped by international processes, "its part in the drama" is unambiguously greater than the parts of other societal actors. It seems difficult to overlook the fact that, in all societies where private enterprise has an economic role of some significance, businessmen have a special, highly privileged position relative to the state and the policy process. This is, in fact, a point central to C. Lindblom's analysis of state-business relations and the inherent tension which characterizes this relationship.³⁷ As Lindblom argues, because of the crucial significance of private investment decisions for overall economic performance, government leadership must often defer to business leadership. It must nevertheless do so without compromising the interests of the wider public and endangering social stability. The way this somewhat uneasy relationship is managed appears as one of the key determinants of successful economic performance.

The second point that must be clarified is that the management of state-business relations becomes both more important and more difficult in late-industrializing countries than elsewhere. In the evaluation of state-business relations in Turkey, the present study takes into account, therefore, the country's position in the world economy as a late-industrializing country. In this regard, two sets of factors relating to the idea of late coming become significant in the analysis. One set of factors pertain to the divergences between domestic and international conditions of industrialization in developed Western countries and those characterizing the industrial development of Turkey, a late-industrializing country. These histor-

ical divergences are considered, however, without overlooking the fact that ideologies and institutions of late capitalism in developed Western nations are not the same as those characterizing the early capitalist development in the same societies. This study tries, therefore, to depict the specificity of Turkish business environment on the basis of the country's position as a late-industrializing country in the international context of late capitalism.

The term *late industrialization* is used here in reference to the case of developing countries where industrialization takes place without an indigenous technology producing capacity. Hence, not only countries such as Turkey or India, but also Japan are placed in this category.³⁸ In these countries, industrial development takes place in an international environment in which the existence of more advanced economies condition the national objectives as well as the means to attain these objectives.

Given the technological dependence of late-industrializing countries, the main prerogative of the entrepreneur in these countries does not appear as the introduction of new manufacturing and marketing methods. The task of the entrepreneur becomes, rather, the steering of activities in a way to benefit from social and economic changes. As Cardoso argues in his study of Latin American entrepreneurs, industrial activity takes on political dimensions in these countries.³⁹

Technological dependence also plays a role in limiting the possibility of a gradual development of small enterprises into modern firms because the scale economies associated with modern technology often entail the requirement of "starting big" from the outset. On the other hand, either the capabilities or the habits of businessmen rarely match the magnitude of this task which consequently requires considerable state support. In the institutional environment of a typical late-industrializing country at the initial stages of the industrializing process, the underdeveloped state of capital markets and financial organizations also makes the state the most likely actor to provide financial resources and to share the risks taken by the individual entrepreneur.⁴⁰

As Lindblom argues, state-business relations are probably characterized by an inherent tension everywhere. Nevertheless, it is possible to hypothesize that there are certain factors which are likely to enhance the element of tension in the relationship between the largely state created big business and political authority in late-

industrializing countries. Because the emergence of big enterprises is not the outcome of a gradual development whereby the institutions and ideologies of a private enterprise economy become entrenched in the social fabric, the problem of social legitimacy of business activity appears to be particularly important in the context of late industrialization. For the business class, the state often appears as the ultimate source of social legitimacy. However, it is not only the big business but also the political authority which functions under the pressure of legitimizing the economically privileged position of businessmen. In the absence of prior ideological developments through which self-interest becomes a component of the social value system, business contribution to national goals of development appears to be particularly important in justifying the social and economic status of the private enterprise. In the presence of pressing economic problems and severe discontentments, this task often becomes too difficult for the new entrepreneurs of late-industrializing countries, and their unsatisfactory performance in this area constitutes a potentially destabilizing element in state-business relations. Hence, the threat of terminating private enterprise in a firm, industry, or the entire system through a governmental decision is neither unusual nor totally empty in these countries. As it will be discussed in the following chapters, in Turkey, throughout the Republican era, businessmen have heard such threats quite often. In Nasser's Egypt, the failure of the Egyptian businessmen to comply with the objectives of the first five-year plan has actually led to massive nationalizations in the industrial sector.⁴¹

The nature of institutional mechanisms which could contribute to the stability of state-business relations, too, is likely to be different in late-industrializing countries than in developed Western countries. In the former, industrialization and nation-state building often takes place simultaneously, with the legal system and bureaucracy reflecting the requirements of social and economic development rather than traditionally accepted norms. The extent to which these institutions would function as stable mechanisms of intermediation in state-business relations depends, therefore, on the attitude of political authorities who may or may not expect the autonomy of bureaucracy and the neutrality of law.

These factors appear at the level of general hypotheses about the nature of state-business relations in late-industrializing coun-

tries. There are important differences, however, in the way in which they manifest themselves in different countries. Consequently, the forms of management of state-business relations do not exhibit uniform characteristics across these countries. This lack of uniformity is in turn reflected in highly dissimilar economic performances at an international level. In this regard, some recent studies of comparative economic performance in East Asia and Latin America present very interesting observations pertaining to intercountry differences in the societal framework of business activity.⁴²

In these studies, the concepts of "state autonomy" and "state capacity" often have a significant place in the explanation of economic success. State autonomy refers to the ability of the state to make policy decisions independently of the interests of societal actors, and, as such, is related to the extent to which the dominant class—or classes—can dictate and determine the course of the economic strategy. State capacity, on the other hand, appears as a determinant of the effectiveness with which policy decisions are implemented by the public authority. Several factors, such as the presence or the absence of extensive state control over the financial system or the existence of an efficient and autonomous bureaucratic apparatus which could function independently of political manipulation, in turn determine state capacity in a given society. On the basis of these notions of state autonomy and capacity, successful economic development of countries such as Taiwan and South Korea is often attributed to the limited influence of private interests on the formulation of public policy and to the ability of the state to pursue a consistent economic strategy. This effectiveness of state intervention in East Asia is then contrasted with the limited autonomy and capacity of the Latin American state.

Evaluated in the light of this comparison between East Asia and Latin America, Turkey presents an interesting intermediate case which suggests that it might be necessary to further break down the concepts of state autonomy and capacity and to analyze their societal determinants in a more detailed fashion. As in South Korea and Taiwan, the conditions for state autonomy are largely present in Turkey. Yet, the nature of the policy process in Turkey is rather similar to the one which is reflected in the lack of a coherent, systematically pursued industrial strategy in Latin America. Consequently, although the state has a substantial degree of autonomy to discipline the big business in conformity with national objectives,

business behavior manifests characteristics which are dissimilar to those observed in East Asia. Given the absence of a long-term commitment to an industrial strategy in the country, Turkish businessmen, too, do not develop an industrial outlook and manifest a marked tendency to engage in rent-seeking activity. In a parallel fashion, in Turkey, the state control over the financial system, which is rather important—although not as pervasive as in the case of South Korea—does not significantly enhance state capacity, but appears as a component of an economic system characterized by an ineffective interventionism as in the Latin American context.

These observations suggest that, for each country, the specificity of the business environment is given by a particular configuration of factors which also appear as determinants of state autonomy and capacity. Taken individually, or combined with a different set of factors, each of these factors might yield a totally different picture concerning the relative positions of and the mutual interaction between state and business. Consequently, one could conceptualize a certain combination of elements which interdependently enhance and accentuate the significance of each other in shaping the private business environment in a given society. This is, in fact, the approach adopted in this study and, for the analysis of the Turkish case, I define the elements of the conceptual matrix defining the societal context of business activity at four levels. The issues explored at these levels form the subject matter of the four following chapters of this book.

TURKISH BUSINESS ENVIRONMENT IN A COMPARATIVE PERSPECTIVE

Factors characterizing the historical conditions of industrialization form the subject matter of analysis at the first level. The relative strength of state and business at initial stages of industrialization constitutes a crucial element which determines both the role of the political authority in guiding early entrepreneurial efforts, and the future course of the relationship between these two actors. In comparisons of state autonomy in East Asia and Latin America, economic strength of industrial interests appears as one of the points of emphasis. In these analyses, the fact that the indigenous business community in South Korea and Taiwan possessed a negligible fraction of industrial capital during the early state-

building phase is presented as an important condition of state autonomy in these countries. The state-created character of the business class is also highlighted with reference to industrial capital from the colonial era that the latter has inherited through state handouts. This situation is then contrasted with the situation in Latin American countries, such as Brazil and Mexico, where almost all of the currently active big multiactivity enterprises were founded or were already in existence in the 1930s and 1940s. It is thus suggested that Latin American economic development in the twentieth century has taken place with the autonomy of the state largely restricted by the presence of an already strong industrial business class.⁴³

However, the situation in South Korea and Taiwan does not only contrast with the Latin American one. It is also different, for example, from that of Japan, a country which is often presented—along with South Korea—as one where a certain partnership between the state and big business community is central to the national economic development experience. Nevertheless, it is also argued that, in Japan, the partnership in question is one between equal parties while, in the South Korean case, the state is undoubtedly the stronger partner.⁴⁴ The stronger position of the Japanese businessmen could be explained, at least partially, with reference to the historical legacy of their collaboration with the state as an equal partner.⁴⁵ The type of interdependence observed in Japan is quite different from the one observed between the state-created South Korean business class and its state.

As it will be discussed in the following chapter, in this area there is a close similarity between the initial conditions of industrialization in South Korea and Taiwan on the one hand, and Turkey on the other. In Turkey, too, an indigenous business class was virtually nonexistent in the early years of the Republican period. As the East Asian entrepreneurs who have built their businesses on the basis of state-allocated Japanese colonial property, Muslim-Turkish entrepreneurs have received the property rights of the businesses abandoned by non-Muslim minorities who had left the country after the foundation of the Republic.

With regards to the social position of landed interests, too, Turkey resembles South Korea and Taiwan more than Latin American countries. While large landownership has been quite significant in Latin America throughout the industrialization process, comprehensive land reforms in the two East Asian countries around