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## Building a Competitive Authoritarian Regime: State–Business Relations in the AKP’s Turkey

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### ABSTRACT

The most recent global wave of democratic reversal is marked by executive takeovers. Politically motivated interventions in domestic markets aimed at restructuring the underlying power dynamics in society have been part and parcel of these takeovers. This article investigates the new political economy behind the AKP’s competitive authoritarian rule in Turkey as an example of this larger trend. The article argues that the AKP government has built a loyal business class through an elaborate system of rewards and punishment since 2002. With the aim of consolidating its business constituency, the AKP *politicized state institutions* (debt collection, tax authorities, privatization, public procurement) and *eroded the rule of law* to distribute rents and resources to its supporters, transfer capital from its opponents to its supporters, and to discipline dissidents in business circles. These mechanisms allowed the party to skew the political playing field in its favour through its *access to private resources* as well as its disproportionate *access to the media*—built by pro-AKP businessmen—and thus underpinned the AKP’s competitive authoritarian regime.

### Introduction

There has been a global wave of democratic reversals in recent years.<sup>1</sup> These reversals were evident in countries like Turkey, Hungary, Ukraine, Philippines, Bangladesh, Venezuela, and Thailand and mostly took the form of executive takeovers.<sup>2</sup> In such cases incumbents provided stability after years of economic crisis and political fragmentation but also eroded institutional checks and balances and created an uneven playing field against the opposition.<sup>3</sup> Despite coming to power through free and fair elections, such executive takeovers restructured the political arena to prevent their rivals from defeating them at the polls. These democratic reversals took scholars by surprise as many thought economic liberalization would strengthen political freedoms and civil liberties by curtailing incumbents’ capacity to engage in clientelism.<sup>4</sup> As such, political-economic forces that drive executive takeovers gained prevalence around the globe. What is the nature of these political-economic forces behind executive takeovers? In what ways do incumbents intervene in domestic markets

to restructure the underlying power dynamics in society in their favour and to erect unfair political practices that serve as the basis for an illiberal turn in their countries?

In this article we investigate Adalet ve Kalkınma Partisi (Justice and Development Party, AKP) rule in Turkey as an example of this larger trend. Contrary to expectations that economic liberalization would strengthen political freedoms and civil liberties, the AKP consolidated its competitive authoritarian regime by redesigning the Turkish economy through informal institutions to reward their supporters and punish their opponents via the market mechanism. We assert that such interventions underpinned the AKP's competitive authoritarian regime.

Established in 2001, the AKP first came to power in November 2002<sup>5</sup> and won four general and three local elections in a row. Thanks to this electoral strength, the party currently controls the parliament, presidency, and bureaucracy, and has shaped the composition of the upper echelons of the military and judiciary. In recent years, it has emerged as a dominant party with increasingly autocratic leanings.<sup>6</sup> Scholars have already noted Turkey's democratic backsliding,<sup>7</sup> focusing on the EU's waning influence, existing institutions and political culture, and leaders' over-confidence due to the AKP's electoral hegemony to explain this trend.<sup>8</sup> And yet the economic dynamics of the regime were largely left unexplored. We instead assert that one has to look at the AKP's political economy to understand the party's increasingly authoritarian rule. This article seeks to untangle the interconnected nature of economic and political shifts over the past decade to shed light on this authoritarian trend.

Even before the AKP's rise to power, scholars were interested in the political ties of Islamic capital.<sup>9</sup> In the late 1990s, scholars noted that several Anatolian provinces became the epicentre of intense industrial activity fuelled by a new generation of pious businessmen.<sup>10</sup> Some attributed the AKP's ideological moderation in the early 2000s to the disciplining nature of these entrepreneurs, who would benefit from an open economy and political stability.<sup>11</sup> In recent years scholars have studied different aspects of the AKP's political economy. Some focused on economic governance under AKP rule,<sup>12</sup> while others paid more attention to the party's policy agenda and its impact on economic growth.<sup>13</sup> Still others investigated how various social classes<sup>14</sup> and regions<sup>15</sup> have been affected by the ruling party's policies and why popular classes consistently give their consent to its neoliberal economic agenda.<sup>16</sup> As such, there is also a rich literature on economic voting during the AKP years.<sup>17</sup> Meanwhile, others worked on the politically connected nature of some businessmen to analyse state-business relations under the AKP government.<sup>18</sup> Especially after the 2013 graft probe, which brought to light the organic links between AKP politicians' families, business elites, and state technocrats, corruption began to be studied widely.<sup>19</sup> In particular, scholars analysed how the AKP neutralized regulatory institutions, repressed the media, and captured the judicial system to officiate this clientelist system.<sup>20</sup>

Despite the plethora of studies in recent years, there remains a large disconnect within the academic literature on the AKP regime. Scholars who work on the AKP's political economy rarely analyse the impact of the government's economic policies on long-term regime dynamics.<sup>21</sup> In particular, these studies fail to provide a comprehensive analysis of the political implications of the AKP's economic agenda. Similarly, other studies that describe the AKP's recent authoritarian turn do not pay sufficient attention to the role that economic factors play behind this trend.<sup>22</sup> Our aim in this paper is to bridge these studies by providing a detailed analysis of the AKP's political economy in light of recent regime trends. More specifically, we study the formal and informal mechanisms the party employed to erect a loyal business class along with its implications for regime change. This sheds light

on how the ruling party transformed the Turkish economy in a way that both enlarged the party's support base and reinforced its power over the years.

Our point of departure in this study is that since coming to power the AKP has built a competitive authoritarian regime. In competitive authoritarianism, as defined by Levitsky and Way, elections are unfair; civil liberties are systematically violated; and the playing field is highly skewed in favour of the incumbent party.<sup>23</sup> As we have studied the manifestations of these criteria elsewhere,<sup>24</sup> this article focuses on the political-economic underpinnings of the fundamental feature of competitive authoritarianism: the uneven political playing field. An uneven political playing field entails incumbents' unequal access to public and private resources, media, and the law.<sup>25</sup> In this article, we demonstrate how AKP-business relations relate to (1) the incumbents' politicization of state institutions and (2) their uneven access to public and private resources and the media.

We argue that the AKP government has aimed at building a loyal business class through an elaborate system of rewards and punishment since 2002. With the aim of consolidating its constituency within business circles, the AKP *politicized the state institutions* (debt collection, tax authorities, privatization, public procurement), weakened judicial oversight, and *eroded the rule of law* to distribute public resources to its supporters, transfer capital from its opponents to its cronies, and to discipline dissidents in business circles. These mechanisms in turn allowed the AKP to skew the playing field in its favour by providing *access to private resources* in the form of campaign contributions and in-kind donations from its cronies as well as its disproportionate *access to the media*—built by pro-AKP businessmen. We posit that this symbiotic relationship between the government and business formed the basis of a competitive authoritarian regime in Turkey.

More specifically, AKP-business relations is the driving force behind the rise of a competitive authoritarian regime marked by an unprecedented expansion of informal institutions<sup>26</sup> and gradual erosion of rule of the law.<sup>27</sup> Like its competitive authoritarian counterparts elsewhere,<sup>28</sup> the AKP regime resorts to discretionary use of legal instruments—tax audits, debt collection operations, privatizations, court orders, public procurement, libel laws—to reward its supporters and punish its opponents. Although these mechanisms are formal in the sense that they entail 'the (often technically correct) application of the law', they are informal institutions in that 'enforcement is widely known to be selective'.<sup>29</sup> A compliant judiciary, as Özbudun asserts,<sup>30</sup> is necessary to create such informal institutions and arbitrary execution of the law.<sup>31</sup> To that effect, 'Erdoğan routinely blasted judges who made rulings not to his liking and publicly defied courts that blocked government measures or projects'.<sup>32</sup> In more extreme cases, the government bluntly violated court orders, while in others it passed legislation to bypass court decisions, as we detail below.

In the first part of the article, we discuss how successive AKP governments expanded their executive discretion over the resource distribution process by capturing institutions of economic governance. We focus in particular on the weakening of the Independent Regulatory Agencies (IRAs) created after the 2001 crisis to limit the scope of partisan practices in the distribution of public funds. The highly partisan nature of the AKP's economic policies set the stage for the transfer of public resources and private wealth to a group of businessmen affiliated with the ruling party. In the second part we analyse the specific mechanisms through which the ruling party allocated resources to this dependent business class and punished those firms that remained autonomous from or opposed to its rule. In the third part we demonstrate how these crony businessmen helped the ruling party to sustain its rule

and supported its authoritarian policies in exchange for favourable treatment. We conclude by discussing the sustainability of this economic strategy and elaborating on some possible research directions for scholars.

We should also note that in the process of increasing executive discretion as the head of the government and the leader of the AKP, Erdoğan has not only monopolized power but also consolidated his control on the party and reduced other prominent figures in the AKP to insignificance. As such, over time Erdoğan has turned into an embodiment of his party, and the AKP and its governments are closely controlled by Erdoğan. Although intra-party politics is beyond the scope of this paper, we treat the AKP as a leader party with a strong organization.

### **Institutional restructuring under AKP rule**

Following the balance of payments crisis in the late 1970s, Turkey shifted from an inward-oriented model of industrialization to an export-driven economy.<sup>33</sup> However, this policy course was not accompanied by a concomitant process of legal and institutional reforms. Instead, then Prime Minister Turgut Özal directed the Turkish economy through government decrees and engaged in discretionary spending to generate support for his policies among low-income voters.<sup>34</sup> Intense political competition in the 1990s pushed successive governments to engage in constituency clientelism and political patronage, which elevated public spending to high levels. Ruling parties financed the resulting public debt by tapping into the unregulated banking system that was buoyed by the liberalization of Turkey's current accounts in 1989. Against the background of Turkey's premature exposure to financial globalization, the twin problems of high inflation and budget deficits caused three economic crises—1994, 2000, and 2001—in less than a decade.<sup>35</sup>

The 2001 crisis created a favourable environment for domestic actors backed by international financial institutions to implement regulatory reforms that would provide macroeconomic stability.<sup>36</sup> In consultation with the International Monetary Fund (IMF) and World Bank, the coalition government enhanced the state's regulatory bodies, guaranteed Central Bank independence, and reformed economic governance.<sup>37</sup> The chief architect behind these reforms was the then Minister of Economics Kemal Derviş, whose top-level career at the World Bank generated credibility and secured assistance in the international markets.<sup>38</sup> In particular, the government introduced strict regulation on the banking system and public spending, laid the groundwork for large-scale privatization schemes, and curtailed clientelist transfer of resources to the agricultural sector. Most importantly, several regulatory agencies were designed or strengthened to limit executive discretion and expand transparency in economic governance.<sup>39</sup> For the electorate, the government's structural adjustment agenda was a hard pill to swallow; pro-reform parties suffered at the polls.

After coming to power in late 2002, the AKP continued this economic recovery programme<sup>40</sup> and kept the IRAs in place to appease foreign investors. In 2003, for instance, the AKP government passed the Public Financial Management and Control Law that extended auditing and coverage to all spheres of public expenditure. Although Erdoğan respected the previous government's reforms to assure financial markets, the ruling party resisted pressures to further reform its fiscal and tax systems and refused to create an independent revenue agency.<sup>41</sup>

As the AKP has risen to predominance, however, it took steps to consolidate its control over institutions that remained outside of its direct authority. The ruling party began to curtail the autonomy enjoyed by the IRAs in an attempt to re-centralize authority in the hands of the Prime Ministry. Using the global financial crisis as a pretext, the government passed executive decrees that transformed the IRAs into extensions of various ministries.<sup>42</sup> With decrees 643 and 649 the government established control over several IRAs including the Public Procurement Authority, the Banking Regulatory and Supervision Agency, and the Energy Market Regulatory Authority, and curtailed the independence of the Competition Authority and the Capital Markets Board. As Özel asserts, these decrees ‘made the regulatory agencies perfectly permeable to respective ministries’ intrusion, meaning that the agencies’ autonomy, now limited by executive discretion, thus became history only a decade after its institutionalization.<sup>43</sup>

Even the formal independence enjoyed by the regulatory agencies was not sufficient to prevent their capture by politicians. Erdoğan’s public rant against the Central Bank chairman for his decision to impose high interest rates is a case in point.<sup>44</sup> In the end, the AKP established closer control over some of these regulatory agencies, exerted political pressure over others (as in the case of the Central Bank), and exempted a number of key agencies tied to the Prime Ministry from independent auditing and horizontal accountability (as in the case of the Housing Development Administration (*Toplu Konut İdaresi*, TOKİ, discussed below).

Increasing political control over the IRAs is complemented by growing disregard of higher courts. For instance, one could look at several Council of State (*Danıştay*) decisions that AKP governments conveniently ignored, as seen in the case of debt collection operations and privatizations, discussed at greater length below.<sup>45</sup> In such conflicts, the government explicitly expressed its desire to ignore court orders. When the administrative court annulled these deals, the AKP government overruled these court decisions in 2012,<sup>46</sup> and altered the legal framework to exempt all privatizations from judicial review five years after their conclusion.<sup>47</sup>

Similarly, the Court of Accounts (*Sayıştay*) has been of particular concern for the AKP government. Arbitrary execution of laws, politically motivated tax settlements, and debt collection were vulnerable to court audits; hence the AKP government took several measures to contain the impact of the Court of Accounts. The government passed the new law on Sayıştay in 2010 that annulled the court’s authority to ‘audit the use of the public resources’, which placed several state institutions such as TOKİ—discussed below—outside the authority of Sayıştay.<sup>48</sup> Finally, the AKP sought to redesign the higher courts to its liking. In a constitutional referendum in 2010 the AKP reformed the higher courts and the Supreme Council of Judges and Prosecutors (*Hakimler ve Savcılar Yüksek Kurulu*, HSYK) and significantly curtailed the authority of the higher courts over privatizations. The AKP later made a more sustained and systematic effort to establish its control over the judiciary in 2014, following the December 2013 graft probe<sup>49</sup>—which the government presented as a plot by its former ally, the Islamic Gülen movement.

In the next section we detail how, given the weakness of regulatory and legal oversight, the AKP transferred resources, capital, and other privileges to pro-government business actors and punished others who requested limits on political discretion in economic relations. The AKP, through a variety of mechanisms discussed below, established highly centralized control over the patron-client system and consolidated its power by expanding the share of loyal businessmen—including small and medium size enterprises (SMEs) and

rising big business mostly with conservative backgrounds but also factions within the old secular bourgeoisie—while disciplining those entrepreneurs in less harmonious relations with the AKP government.<sup>50</sup> Despite certain continuities with earlier decades—patronage links,<sup>51</sup> informal and personal government–business relations<sup>52</sup>—the AKP’s clientelism is more systematic and of a larger scale due to its unprecedented level of electoral hegemony and political dominance.<sup>53</sup> While previous governments helped build fortunes for their supporters within business circles, they could not stay in power long enough to benefit from these entrepreneurs. The AKP in contrast used its political dominance to reinforce the credibility of its threats against and rewards for business circles, leaving the businessmen no choice but to fall in the ranks.<sup>54</sup>

### **Building a loyal business class**

Such executive discretion over economic governance allowed the ruling party to have substantial control over the distribution of public resources. Paradoxically, the government’s decision to privatize state assets has not strengthened market actors but reinforced the government’s role in directing capital accumulation. This stemmed from the AKP’s ability to dilute the legal and institutional infrastructure of the Turkish economy for its partisan agenda. Thanks to the rising informal institutions, the AKP pursued policies of capital accumulation benefiting its supporters and established an elaborate system of rewards and punishment to form and expand a loyal business class.<sup>55</sup>

We identify three mechanisms of capital accumulation and transfer to build a pro-AKP business class: public spending; privatization of state-owned enterprises (SOEs) and public goods; and transfer of private capital from disfavoured groups to privileged circles. More specifically, the AKP government increased its executive discretion over public procurement and privatization in sectors such as construction, mining, health, and energy to assist loyal businesses capture a larger portion of public rent; and used taxation, debt collection, and trusteeship to punish its opponents and transfer private capital from dissident groups to pro-AKP businessmen. In tandem, these strategies led to the expansion of a pro-government business class, while weakening the party’s critics among entrepreneurs. In this section we discuss the ways in which the AKP utilized these mechanisms to establish a symbiotic relationship between the government and business actors.

### **Public procurement**

The AKP government has actively used public procurement to direct capital to pro-AKP businesses of different sizes. Indeed, Erdoğan expressed his discontent with the public procurement system two months after the AKP came to power: ‘The Public Procurement Law, as it is, serves the interests of 50 or 60 firms. I will not leave the construction of a 15,000-kilometer long highway to 50 or 60 firms.’<sup>56</sup> To facilitate resource transfer from the state to favoured businesses, the government changed the public procurement law 32 times, ultimately making 150 amendments between 2003 and 2015.<sup>57</sup> This legislative activity expanded political discretion<sup>58</sup> and reflected notable backsliding in public procurement practices<sup>59</sup> by ‘widen[ing] the discrepancies [and] circumscrib[ing] the main principles of transparency, non-discrimination, and competitiveness’<sup>60</sup> and leaving ‘public tenders extremely vulnerable and prone to corruption.’<sup>61</sup> The fact that one-quarter of public spending

consistently goes to public procurement, constituting 8.5% of Gross Domestic Product (GDP),<sup>62</sup> attests to the sheer scale of distribution that takes place under public procurement.

Politicization of public procurement has happened in several stages. First, the party removed the SOEs, public utilities sectors, public banks awaiting privatization, and businesses established by municipalities from the framework of the public procurement law.<sup>63</sup> Later, with several amendments, the AKP increasingly replaced the default open tender method with restricted and negotiated tender methods,<sup>64</sup> and adopted the latter for major tenders carried out in the construction, urban transformation, natural gas, coal, and education sectors. In the meantime, the government significantly expanded the list of exceptions in the public procurement law, including energy, water, transportation, and telecommunications projects.<sup>65</sup> Further exemptions from procurement laws included major projects of the Ministry of Education, Ministry of Health, and the TOKİ.<sup>66</sup> As a corollary to these changes, the government reduced the autonomy of the Public Procurement Agency (*Kamu İhale Kurumu*), authorized to oversee the public tenders, and substantially curtailed the transparency of the public procurement system. These changes have not only opened space for smaller firms, which form the basis of pro-AKP business, but also allowed for the growth of larger firms linked to the ruling party.<sup>67</sup>

The consequences of these legal changes were critical for distribution of public resources. Transparency in public procurement decreased significantly from 2005 to 2014: contracts awarded via open auctions fell from 71% to 52.5% of total contracts while less transparent tender procedures rose from 29% to 47.5%.<sup>68</sup> The value of contracts awarded through unpublicized tender methods rose from 10% to 17% of all contracts awarded.<sup>69</sup>

Gürakar, in a recent study of 49,355 high-value public procurement contracts awarded between 2004 and 2011, found that politically connected firms (established by AKP officials or their immediate family members or members of pro-government business associations) received 40% of all contracts while 'local firms,' mostly with informal connections to the AKP (municipalities, local branches etc.), received another 45% of all awards.<sup>70</sup> Moreover, politically connected firms (excluding firms connected to the opposition) ended up getting the three-quarters of contracts granted through restricted procedures.<sup>71</sup> Similarly, construction firms have been some of the main beneficiaries of the relaxed public procurement practices during the AKP rule. As Gürakar and Bircan demonstrate, politically connected firms received 64% of construction work procurements with values above 100 million TL between 2004 and 2011.<sup>72</sup>

The crucial role in capital accumulation through construction was given to TOKİ. Established in 1984 to meet growing demand for housing, TOKİ's resources and authority were vastly expanded by the AKP government in its early years. More specifically, the AKP connected TOKİ to the Office of the Prime Minister and transferred the control of all public lands from the abolished General Directorate of the Office for Land to TOKİ,<sup>73</sup> which was kept exempt from land tax.<sup>74</sup>

Two features of TOKİ are particularly critical for the purposes of this paper. First, TOKİ joined in partnerships with private contractors on public land to which it has free access.<sup>75</sup> In other words, the AKP privatized public land through public-private partnerships under TOKİ's control, thus letting entrepreneurs capture significant rent in metropolitan areas. Second, TOKİ's operations have been exempt from the procurement and budgetary rules set by Public Financial Management and Control Law. These two features render TOKİ one of the largest non-transparent instruments of capital accumulation where the AKP



government's discretion in generation and distribution of urban land rent is maximized. The fact that TOKI had built 700,000 units by 2015,<sup>76</sup> and its total assets reached 2% of GDP in 2010 hints at the extent of capital accumulation it engendered. As intended, more than 60% of all TOKI contracts were awarded to politically connected firms (excluding the firms connected to the opposition), while the remaining 35% was awarded to local firms with or without political ties.<sup>77</sup>

The construction sector is of particular importance to the AKP since the party's supporters within business circles are predominantly SMEs and recently established companies with limited human and financial capital.<sup>78</sup> Technical expertise, know-how, human resources, and start-up capital required for new entrepreneurs in the construction sector is quite limited compared to the manufacturing or finance sectors. Indeed, TOKI formed partnerships with small-, medium-, and large-scale contractors in different parts of the country, ultimately building a coalition of AKP-friendly businesses of different sizes with membership ties to the Association of Independent Industrialists and Businessmen (*Müstakil Sanayici ve İşadamları Derneği*, MÜSİAD) or the Turkish Confederation of Businessmen and Industrialists (*Türkiye Sanayicileri ve İşadamları Derneği*, TUSKON).<sup>79</sup> Again, many local AKP operatives became contractors who pursued public projects and supported the ruling party as a way of upward mobility.<sup>80</sup>

### Privatization

Besides the distribution of lucrative contracts to its supporters, the AKP government also utilized privatization as a method of resource allocation and capital accumulation. Due to an unstable macroeconomic environment, strong opposition by key interest groups, and weak legal protection, previous governments in the late 1980s and 1990s failed to carry out a large-scale privatization programme and to attract a high level of foreign direct investment.<sup>81</sup> In contrast, the AKP government undertook large-scale privatization between 2002 and 2015<sup>82</sup> by way of simplifying bureaucratic procedures, lending sustained political support to key bureaucratic officials, and undermining judicial overview of the privatization process.<sup>83</sup> In particular, the Prime Minister's executive control over the Privatization Agency substantially increased, giving the Office of the PM sufficient autonomy to push through the party's privatization agenda against domestic opposition. One such opponent was the Constitutional Court, which blocked privatization deals from being put into action in the name of public interest. In response, the government drastically limited the Constitutional Court's prerogative to derail major tenders with constitutional amendments ratified by the 2010 referendum and gradually changed its makeup. Consequently, the AKP government successfully evaded any serious bureaucratic and legal oversight of its privatization portfolio.<sup>84</sup>

Since 2002 the AKP governments have facilitated the transfer of public assets worth of US\$62 billion (as opposed to US\$8 billion between 1983 and 2002) to private investors under very favourable terms.<sup>85</sup> In particular, the privatization of state assets and commodification of social services enabled politically connected investors to receive profitable business deals in the energy, mining, tourism, construction, and health care sectors.<sup>86</sup> The AKP governments began privatization in the mining sector with a mining bill passed in 2004. This bill provided mining companies with access to extensive concessions. In an unprecedented move, the AKP government subsequently released more than 20,000 mining concessions

between 2004 and 2014.<sup>87</sup> A striking case in point is the privatization of Eti Aluminium and its holdings, sold to Cengiz Holding for a fraction of its value.<sup>88</sup> In the course of privatization of the mining sector, the ruling party not only undermined the rule of law—as discussed above—but also increased informal institutions through another bill that gave exclusive authority over mining concessions to the Prime Minister's Office in 2012. Before and after this provision several AKP MPs and party operatives established mining companies. The Nationalistic Action Party (*Milliyetçi Hareket Partisi*, MHP) MP Cemalettin Şimşek submitted a written query for Energy Minister Yıldız in 2014, following the mining accident in Soma, regarding the overwhelming presence of AKP officials in the mining sector since 2002. The minister refused to comment on these connections in his brief response.<sup>89</sup>

Similarly, the privatization of energy utilities, which was planned initially by the Ecevit-led government after the 2001 crisis, became a particularly lucrative area for pro-AKP businessmen. Pro-AKP firms—such as the Kolin, Limak, Çalık, Kazancı, and Cengiz conglomerates—won a vast majority of electricity distribution tenders (16 out of 20) across Turkey.<sup>90</sup> A similar picture emerged in the gas distribution tenders; firms connected to the AKP elites won gas distribution tenders in 15 out of 19 large and 13 out of 18 medium size cities.<sup>91</sup> While the government favoured loyal businessmen in large public tenders, small-scale firms with some political connections could also enter these business networks as subcontractors and receive benefits.

The case of hydroelectricity power plants (HEPPs) is also striking. The government designed these power plants to generate electricity in riverbeds ignoring the environmental impact,<sup>92</sup> and kept 70% of HEPPs exempt from environmental impact reports.<sup>93</sup> By 2013 the number of HEPPs reached 400.<sup>94</sup> This open political support for the privatization of natural resources has generated substantial opposition from local people and environmentalists. In response, the AKP used security forces to suppress this environmentalist mobilization and used legal tinkering to defeat court decisions against individual HEPP projects. Furthermore, whenever the opposition parties introduced motions to investigate the political connections of these companies with the government—e.g. the Cengiz holding—AKP MPs rejected these motions to keep such relations immune from parliamentary oversight.<sup>95</sup>

Privatization is one of the policy areas in which the AKP's break from the previous Islamist parties and adoption of a neoliberal agenda is clearly apparent. Although this conversion process has been widely studied,<sup>96</sup> few studies have analysed how the AKP elites used privatization as a tool to create a business class loyal to the party in the context of a globally integrated economy. Through its control of the public tender process, governments could enjoy enormous influence over business elites. Rather than a retreat of the state, privatization offered the AKP government ample opportunities for rewarding politically connected firms.<sup>97</sup> Businessmen with strong ties to the ruling party expanded the market value of their firms, accumulated sufficient capital to invest in a wide array of lucrative sectors, and used part of their profits to support the AKP's agenda.

The Turkish case is particularly informative as it shows the ways in which capital accumulation and privatization can constitute the basis of competitive authoritarianism in a neoliberal context. Recent trends in Turkish politics thus defy the argument that economic liberalization triggers competitive political outcomes by limiting the resources at the disposal of ruling elites.<sup>98</sup> Although we acknowledge that privatization conducted in a transparent fashion may have this effect, we do not think that all privatizations are done in such manner. In contrast to Greene's expectations, incumbents can transform neoliberal practices

into unlikely sources of political patronage and alter the power dynamics between political and economic elites.<sup>99</sup>

### Taxation

Likewise, tax audits have become largely politicized and used for partisan purposes under AKP rule. The nature of businessmen's relations with tax authorities came to depend heavily on their current standing with the government. While tax authorities tend to be lenient towards business actors who are affiliated with the ruling party, they punish economic elites critical of the AKP government. According to the CHP MP Umut Oran, in 2010 the government cancelled nearly US\$1 billion worth of tax debt mostly owed by pro-AKP businessmen, an amount that is roughly equal to taxes paid by around 4 million minimum wage workers.<sup>100</sup> These reductions were undertaken by the Central Reconciliation Council (*Merkezi Uzlaşma Komisyonu*, MUK),<sup>101</sup> led by high-level bureaucrats appointed by the ruling party. In 2011 and 2013 the MUK cancelled 93%<sup>102</sup> of the disputed taxes and almost totally eliminated the fines.<sup>103</sup> The MUK decided to write off the full amount of tax fines (US\$300 million) owed by Cengiz Holding—controlled by Mehmet Cengiz, who received lucrative contracts from the government and is a major shareholder of ATV broadcasting company and the daily *Sabah*<sup>104</sup>—between 2005 and 2009,<sup>105</sup> while Albayrak Holding that owns the Islamist *Yeni Şafak* daily received tax relief of over 97%. The HDP MP Altan Tan submitted a query to the Finance Minister Mehmet Şimşek regarding these favourable tax settlements; Şimşek dismissed this question by invoking 'privacy of taxpayers' and released a statement on the ministry's website defending the legality of such settlements.<sup>106</sup>

In its 2011 audit, the Court of Accounts demanded the minutes of these settlements from the ministry to assess the legality and fairness of such deals, which reduced the approximately US\$720 million of taxes owed by 87 holding companies to US\$320,000. The Directorate of Revenues, however, denied Sayıştay access to these minutes. In its 2011 audit Sayıştay expressed deep concern regarding the limited transparency over these settlements, as well as the government's discrimination of taxpayers on the basis of income and geography.<sup>107</sup>

Given the systemic nature of these discriminatory tax deals, high-ranking government officials felt uneasy with the annual inspections carried out by Sayıştay. In 2013, for instance, the AKP's Chief Whip Nurettin Canikli criticized the Sayıştay bureaucrats of seeking the data for tax settlement rates since the 1960s and accused Sayıştay of imposing tutelage through its annual reports over major state agencies.<sup>108</sup> In line with these concerns, the government made the necessary legal changes to prevent Sayıştay reports from coming to the parliament.

Tax immunity also played a formative role in the government-businessmen relationship. For instance, in 2004 the government exempted several items, including port and airport construction, gold and silver mining, and diamond sales, from value-added tax (VAT).<sup>109</sup> Not surprisingly, many pro-government businessmen have been active in these sectors. For instance, just a few weeks before this legal provision Cihan Kamer, an entrepreneur with close ties to Erdoğan, formed his jewellery company.<sup>110</sup> Furthermore, the leader of the main opposition Kılıçdaroğlu disclosed evidence suggesting that Erdoğan's son also had shares in this company.<sup>111</sup>

The persistence of these favours on the part of the government depended on continued support from businessmen for the AKP and its agenda. In the absence of this support, the ruling elites could employ tax audits and fines as a form of punishment. Although tax

inspection is a routine process for companies, tax authorities tend to publicize these investigations and prolong the auditing process for firms owned by government critics in order to reduce investor confidence. For example, Doğan Media, a major media conglomerate in Turkey, has come under significant political pressure. In 2009, following Doğan Media's coverage of a corruption scandal involving the AKP and a charity called *Deniz Feneri*, the tax agency fined the company a total of US\$3 billion for tax evasion.<sup>112</sup> The European Commission's progress report in 2009 and 2010 claimed that these fines hurt the freedom of press in Turkey.<sup>113</sup> Faced with this government onslaught, Doğan Media sought settlement with the MUK but failed. The company ended up paying US\$1 billion in tax fines after nationwide tax relief and had to sell *Milliyet* and *Vatan*, two widely circulated newspapers, to businessmen with close ties to the ruling party.

Similarly, soon after the Gezi Park Protests of June 2013, tax agencies audited companies affiliated with Koç Holding, which apparently hosted protestors in its downtown hotel.<sup>114</sup> The political nature of these audits were confirmed when the tax agency started another unexpected audit of Boydak Holding, whose CEO criticized the government's treatment of Koç Holding companies.<sup>115</sup> Indeed, from her interviews with TUSIAD members, Özel notes that

Those who mentioned the emerging alliances between the state and new (religiously conservative) businesses provided several examples regarding the risk of endangering their interests in a broad range between the 'punishment' of non-cooperating businessmen by means of arbitrary taxes and 'lack of fair treatment' (read as the government's prioritizing its new/close allies) in the receipt of state resources.<sup>116</sup>

### **Debt collection and the TMSF**

If public procurement and privatization allowed for allocation of public resources to private entrepreneurs, debt collection through the Saving Deposits Insurance Fund (*Tasarruf Mevduatı Sigorta Fonu*, TMSF) proved to be a major means of capital transfer within the capitalist class. The TMSF, which became central in debt collection from bankrupt banks and their parent companies after the 2001 financial crisis, eventually turned into the AKP's instrument of capital transfer to the growing number of pro-AKP businesses. Since 2002 the TMSF has confiscated 219 companies from Uzan Holding,<sup>117</sup> 63 from Dinç Bilgin's Medya Holding, nine from Mehmet Emin Karamehmet's Çukurova Holding, and 38 from Aksoy Holding. The TMSF also confiscated the properties of these companies and their main shareholders.<sup>118</sup> A number of these companies were later transferred to pro-AKP business under favourable terms and limited tender methods.

The case of Aksoy Holding is interesting insofar as it displays how the TMSF transfers capital to companies affiliated with the ruling AKP and erodes the rule of law in the process. Aksoy's properties were confiscated by the TMSF in 2004 to collect debts remaining from Aksoy Holding's failed bank. In this process one major piece of his property was sold for US\$7 million below its market value to a retail chain with close ties to the government—BİM. Aksoy took this sale to court, which annulled the transaction; yet the TMSF defied the court order, arguing that such an annulment would undermine the state's credibility.<sup>119</sup> Aksoy also challenged the sale of Cine5 (Aksoy's television station confiscated by the TMSF), claiming that it was sold below its market value. The court again ruled in Aksoy's favour and yet the TMSF once again defied the court order.

Another striking case that shows the TMSF's favourable treatment of pro-AKP businessmen is that of Sancak Holding, one of the companies with close ties to Erdoğan. Sancak Holding purchased BMC motors, confiscated by the TMSF from Çukurova Holding, under very favourable conditions. Sancak Holding was the only company to enter the bid, and made an offer that was US\$63 million below BMC motors' market value and managed to transfer its debts to the TMSF after its purchase.<sup>120</sup> Furthermore, the TMSF did not collect VAT from some of these transfers that involved pro-AKP businessmen. Sayıştay reported in 2014 that the TMSF underreported the VAT it needed to collect from its sales by US\$29 million.<sup>121</sup> Interestingly, two major contributors to this gap were Sancak Holding of Ethem Sancak and Çalık Holding, whose CEO at the time was Erdoğan's son-in-law.<sup>122</sup>

The AKP government has also used the TMSF to punish its opponents. Entrepreneurs affiliated with the Gulen movement, whose spiritual leader recently broke ranks with Erdoğan, are a case in point. Whereas their firms had received state favours and prospered as a result between 2002 and 2013, those businessmen who remained loyal to Gülen after his feud with Erdoğan found themselves under government assault. The case of Bank Asya, owned by Fethullah Gülen movement, is particularly important.<sup>123</sup> In response to fierce opposition from the Gülen network, the AKP government mobilized its power in the TMSF to take over the shares of the bank, partly owned by Gülenist firms, in June 2015.<sup>124</sup>

### **Bankruptcy trusteeship**

Since the TMSF's authority is limited to companies affiliated with failed banks, the government devised other means to transfer capital from opponents to its supporters. Bankruptcy trustees have recently played a key role in taking over the control of companies and foundations affiliated with government critics. Initially a part of the bankruptcy deferral clause, the ruling party amended Article 128 of the Code of Criminal Procedure to allow the appointment of trustees to allegedly crime-related property.<sup>125</sup> Thus, for the ruling party, trusteeship turned into a powerful tool to intimidate and ultimately weaken its opponents within the business community.<sup>126</sup> Furthermore, by appointing party members to trustee positions with high salaries, the government used this measure to reward its supporters from the private sector's payroll.<sup>127</sup>

The Gülen movement has been particularly hard hit by this policy. In an unprecedented decision, for instance, a criminal court appointed a trustee for Koza İpek Holding, citing 'strong suspicions of providing financial assistance to the Fethullah Gülen movement'. All Akın İpek's properties along with his media companies were later seized by the court.<sup>128</sup> From October 2015 to June 2016 courts appointed 1200 trustees to more than 350 organizations, including educational institutions, hospitals, and companies of varying sizes with alleged ties to the Gülen movement.<sup>129</sup> As part of this pattern, after the AKP's November 2015 election victory, Istanbul Court of Peace placed *Zaman*<sup>130</sup>—the flagship daily of the Gülen movement—under the management of trustees who subsequently decided to end its operations.<sup>131</sup> After this, several major holding companies left the pro-Gülen business association (TUSKON) and declared their loyalty to the government in public statements, for fear of government reprisals.<sup>132</sup>

Scores of companies with alleged ties to the Gülen movement were placed under bankruptcy trusteeship after the failed coup attempt of July 2016, which the AKP government accused the Gülen movement of initiating. To avoid clampdowns, several businessmen,

known for their sympathies for the Gülen movement, once again printed ads in major newspapers reaffirming their political loyalty to the AKP government. The government, however, refused to spare these companies; and placed them under bankruptcy trusteeship, later to be transferred to the TMSF. Deputy Prime Minister Canikli reported in early November 2016 that the number of firms under the TMSF purview had reached 527.<sup>133</sup> The total assets of these companies amount to US\$13 billion. The TMSF is given the authority to liquidate or sell these companies to their new owners. The government also seized the assets of the Gülen movement—more than 5500 pieces of real estate—worth US\$4 billion. These assets were transferred to the treasury and the foundations directorate.<sup>134</sup> Thus, in the aftermath of the coup attempt, the government has recovered a new source of capital to be taken away from the AKP's opponents and transferred to the party's loyal supporters. The fact that prior to the falling out of the former allies pro-Gülen companies affiliated with TUSKON had received 75% of public procurement contracts awarded to politically connected firms between 2004 and 2011 signals another major wave of capital transfer from government critics to those loyal to the AKP. Indeed, Erdoğan clearly expressed that the AKP government had allocated resources (i.e. landed property) to the Gülen movement in the past, and thanks to the emergency law the government is able to retrieve these resources from the movement.<sup>135</sup>

### **Businessmen return the favour: keeping the AKP in power**

The business actors, who were nurtured by the ruling AKP, reciprocated these favours with their investments in pro-government media, in-kind donations to the party as well as to pro-AKP charities, and campaign contributions. Investments in the pro-AKP media is particularly important in the context of the rising competitive authoritarianism in Turkey, as the ruling party's favourable access to media forms one of the primary pillars of the skewed political playing field.

The TMSF's operations have been central in pro-AKP entrepreneurs' growing control over the media sector. Media outlets formed a significant part of those companies confiscated by the TMSF. Those holdings lost control of their media companies to the TMSF after their parent companies defaulted following the 2001 financial crisis. As a result, the TMSF took over 74 media companies from Uzan Holding,<sup>136</sup> 63 from Medya Holding, nine from Çukurova Holding and two from Aksoy Holding.<sup>137</sup> The government has made considerable efforts to replace these former media bosses with its supporters. Accordingly, several newspapers and TV stations changed hands after 2002.<sup>138</sup> Thanks to its access to state resources, the government even arranged credit on exceptionally favourable terms from two public banks for Çalık Holding, so that the company could take over one of the largest media corporations in the country.<sup>139</sup> In later tenders, prominent businessmen such as Ethem Sancak, Akin Ipek, Erdoğan Demirören, Hasan Kalyoncu, Mehmet Cengiz, and Nihat Özdemir all entered the media sector. Recordings leaked as part of the 17 December graft probe reportedly revealed that these businessmen's decision to invest in media was not based on economic calculations but rather on political concerns dictated by their dependence on the AKP for lucrative deals.<sup>140</sup> Sancak, for instance, in an interview stated that his motive to buy a daily and establish a news broadcasting station was to support Erdoğan and his government.<sup>141</sup>

The ruling party also receives ample donations from these pro-government entrepreneurs.<sup>142</sup> During the 2014 presidential election campaign, for instance, Erdoğan had a clear

advantage in campaign donations over his two rivals.<sup>143</sup> In the last 10 days of the campaign, Erdoğan's campaign funds more than doubled—from \$24 to \$55 million.<sup>144</sup> Part of these contributions came from businessmen linked to the ruling party. MÜSİAD reportedly asked its members via SMS to make donations to Erdoğan's campaign fund and then to make the amount of their contributions public.<sup>145</sup> It would not be wrong to assume that many MÜSİAD members did contribute to Erdoğan's fund in the end, either out of ideological loyalty or fear of reprisals. The People's Democratic Party (*Halkların Demokratik Partisi*, HDP) co-chairman and presidential candidate, Selahattin Demirtaş, accused Erdoğan of collecting donations from businessmen with the help of provincial governors.<sup>146</sup>

The symbiotic AKP-businessmen relationship has become quite visible in the rather unique case of the Civil Solidarity Platform (*Sivil Dayanışma Platformu*, SDP). Established as a network of civil society organizations with close ties to the AKP, the SDP campaigned in favour of Erdoğan soon after the eruption of a corruption scandal in December 2013. As part of this effort, the platform posted ads calling then PM Erdoğan 'strong willed' on 2683 billboards, 500 small billboards, and 750 public transportation points in Istanbul. When questioned about the financial resources for these ads, the chairman of the platform, Ayhan Ogan, stated that the costs were covered by those businessmen who routinely support the pro-AKP foundations and associations.<sup>147</sup> Ogan was elected as an AKP MP in 2015.

Lastly, the AKP government subcontracted part of its public services to businessmen as charitable acts. Accordingly, these businessmen were asked to build schools, mosques, and various other public buildings—including the Turkish embassy building and hospital in Somalia<sup>148</sup>—in exchange for favourable state contracts.<sup>149</sup> Pro-AKP businessmen also voluntarily financed public functions to draw party and state elites into supporting their projects. Faced with significant opposition from local communities against its goldmine in Artvin, for instance, Cengiz Conglomerate forged close ties with public authorities by reportedly financing part of the expenses for a public event sponsored by the Governor's office.<sup>150</sup>

## Conclusion

Since coming to power in 2002 the AKP has established a centralized system of rewards and punishment to pursue a policy of capital accumulation targeting its supporters. First and foremost, the practices in privatization and public procurement as well as executive discretion in certain sectors carved out space for the government's political manoeuvring in the economic arena. Partisan allocation of resources (including natural resources, public properties, and state monopolies) led to the growth and expansion of a pro-AKP business class over time. This entrepreneurial group has financed the pro-government media and part of the ruling party's campaigns. While the AKP governments favoured this class, they also did not hesitate to hurt the party's rivals among entrepreneurs through the partisan use of taxation and bankruptcy trusteeship. In the aftermath of the failed July 2016 coup, the government has continued these practices to eliminate its opponents within the business community. We argued that these mechanisms lie at the centre of competitive authoritarianism in Turkey.

No other political party in Turkey's multi-party era had achieved a higher level of electoral dominance and political control than the AKP. These partisan policies have sustained its rule through several crises, including the 2008/2009 global financial meltdown, diplomatic isolation

in the Middle East after the Arab uprisings, Gezi protests, Russian sanctions, conflict with the Gülenists, and the July 2016 coup attempt. The party's resilience amid these crises made government rewards and threats very credible for the Turkish business community. Direct resistance to the government is therefore costly for the entrepreneurial class. In recent years, only major businesses such as the Koç Group and firms with strong political agendas like those affiliated with the Gülen movement could take a public stand against the AKP government. With the near elimination of the latter group after the July 2016 putsch, the AKP's control over the business sector is expected to rise even further. Thus, pious businessmen no longer have anywhere close to the kind of influence they enjoyed in the 1990s, when they pushed Islamist parties towards greater liberalism, pragmatism and moderation. Indeed, thanks to the mechanisms discussed in this article, Erdoğan and the AKP elites currently have sufficient power to dictate their policy preferences to much of the business community.

At the outset, then, the centralized clientelistic system established by the AKP seems secure in the immediate term. Due to the party's enormous resource advantages and the divided nature of the opposition, no other political party has a credible chance of winning the next election. This will surely lower the possibility of elite defection within the ruling party. Moreover, in the aftermath of the failed coup, opposition groups have been either sidelined or silenced by the Erdoğan administration, which declared a state of emergency. Through decrees, the government sacked or suspended more than 100,000 public officials (including 4200 military personnel) and took over scores of companies alleged to have links to the Gülenist movement.<sup>151</sup> The lifting of legal immunity for MPs set the stage for the arrests of HDP parliamentarians and mayors. The crackdown on the media also intensified after the coup, as evidenced by the closure of 200 media outlets and the arrest of dissident journalists. These developments challenge the competitive nature of the AKP regime and may soon plunge the country into a more hegemonic, if not entirely stable, authoritarian regime.

However, there are valid reasons to suggest that the AKP's rule is not sustainable beyond the immediate future. Even before the 2016 July coup attempt, Turkey experienced low growth rates and faced another economic crisis.<sup>152</sup> The post-coup repression and the ensuing political instability will lower investor confidence further. Due to its historically low savings rate, Turkey relies on a deficit-led growth trajectory that requires regular flow of foreign capital to sustain its economy.<sup>153</sup> During its early years, the AKP expanded its political base by sustaining a consumption-oriented economy with stable macroeconomic indicators and a strong financial system. The welfare gains during the AKP's first two terms that benefited both businessmen and voters alike cannot be maintained under current growth rates.<sup>154</sup>

In the medium term, the AKP is likely to face the limits of its partisan redistribution. The party's political economy ultimately relies on redistribution of existing resources and rents—privatization schemes, public land, mining concessions, transfer of capital within the capitalist class—which are non-renewable or unsustainable in the longer run. Unless the AKP manages to expand the economic pie for all actors, constant rationing of the pieces of the pie will not deliver the prolonged support the party seeks. Given the ongoing authoritarian retreat and erosion of the rule of law, it is unlikely that the ruling party will be able to deliver meaningful growth that would satisfy the pro-AKP businessmen.

An imminent economic decline due to Turkey's rising political risks could create discontent among the AKP constituencies in the medium term, including the businessmen who are expected to bankroll the government's large construction projects and support the party's



political agenda. Conditions under which such discontent might generate political dissent remain to be seen. Should the regime turn into a more hegemonic authoritarian direction and stabilize the political arena, growing AKP hegemony built on rewards, punishment, and erosion of the rule of law might deter dissent and drive businessmen towards self-preservation through political connections. The dependence of the business circles on the party could thus prolong the AKP's regime. Needless to say, business is not the only actor that could determine the fate of the regime. Popular classes are also critical, particularly if the regime retains its competitive authoritarian elements. Amid growing unemployment and inflation rates, the AKP's electorate may decrease its support for government policies and could even support the party's rivals during elections. Under such circumstances business could afford to withhold support from the AKP. Therefore, a more comprehensive analysis of AKP's competitive authoritarian regime requires a closer look at the relationship between the AKP, business, and the electorate.<sup>155</sup>

There are several areas into which this research could be extended. First of all, this analysis on the interplay between the AKP and pro-government businessmen should be broadened to include the relationship between voters, businessmen, and political elites. While our article focuses exclusively on the Turkish case, ruling elites and businessmen have similarly developed a partisan relationship in other hybrid regimes such as Hungary, India, and South Africa. Several prominent scholars have already noted the global decline of liberal democracy in recent years.<sup>156</sup> We indeed suggest that government intervention in the process of capital accumulation, which enables the ruling elites to shape business development, is an important mechanism driving the global decline in liberal democracy. Due to the upsurge of competitive authoritarian regimes around the globe, scholarly focus on the opaque ties between business and political elites may help us understand how economic and political practices are interrelated in this globalized environment.

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No potential conflict of interest was reported by the authors.

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42. Özel, 'The politics of de-delegation', op. cit.
43. I. Özel, 'Reverting structural reforms in Turkey: towards an illiberal economic governance?', *Global Turkey in Europe III: Democracy, Trade, and the Kurdish Question in Turkey-EU Relations*, 19, 2015, p. 22.
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46. Buğra and Savaşkan, op. cit., p. 82.
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48. Gürakar, op. cit., p. 96.
49. Özbudun, op. cit.
50. Gürakar, op. cit., p. 17.
51. S. Sayarı, 'Interdisciplinary approaches to political clientelism and patronage in Turkey', *Turkish Studies*, 15(4), 2014, pp. 655–670; M. Heper and E. F. Keyman, 'Double-faced state: political patronage and the consolidation of democracy in Turkey', *Middle Eastern Studies*, 34(4), 1998, pp. 259–277; E. Kalaycıoğlu, 'Turkish democracy: patronage versus governance', *Turkish Studies*, 2(1), 2001, pp. 54–70.
52. A. Buğra, *State and Business in Modern Turkey: A Comparative Study*, Albany: State University of New York Press, 1994; Buğra and Savaşkan, op. cit.
53. Sayarı notes the qualitative difference in clientelistic practices between the AKP and its predecessors, see S. Sayarı, 'Opposition parties and democratic consolidation in Turkey', in C. Erişen and P. Kubicek (eds), *Democratic Consolidation in Turkey*, Routledge, New York, 2016, pp. 166–183.

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55. Buğra and Savaşkan, op. cit.
56. Quoted in *ibid.*, p. 80.
57. Gürakar, op. cit., p. 53.
58. Buğra and Savaşkan, op. cit., ch. 3.
59. European Commission Turkey Progress Report 2014, available at: [https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/key\\_documents/2014/20141008-turkey-progress-report\\_en.pdf](https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/key_documents/2014/20141008-turkey-progress-report_en.pdf)
60. European Commission Regular Report on Turkey's Progress towards Accession 2003, available at: [https://www.ab.gov.tr/files/AB\\_Iliskileri/Tur\\_En\\_Realitons/Progress/Turkey\\_Progress\\_Report\\_2003.pdf](https://www.ab.gov.tr/files/AB_Iliskileri/Tur_En_Realitons/Progress/Turkey_Progress_Report_2003.pdf)
61. European Commission Turkey Progress Report 2016, available at: [https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/key\\_documents/2016/20161109\\_report\\_turkey.pdf](https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/key_documents/2016/20161109_report_turkey.pdf)
62. Gürakar, op. cit., p. 72.
63. Buğra and Savaşkan, op. cit., p. 79.
64. Open tenders are announced publicly and are open to all suppliers. Restricted tender methods only include those suppliers that fulfil certain criteria designated by the government, while negotiated tenders, often done without a public announcement, include select suppliers invited by the government. As such, open tenders are the most transparent, whereas restricted and negotiated tender methods are less competitive, transparent, and open to political influence.
65. Gürakar, op. cit., p. 57.
66. For instance in the scope of the Fatih project the Ministry of Education purchased millions of personal computers and tablets to distribute to students and improve the technological infrastructure of schools. The ministry estimated the total cost of the project to be US\$4.2 billion in 2012 and was treated as an exception to the public procurement law. *Ibid.*, pp. 60–61.
67. For a detailed study of a sample of these large firms see chapter 3 in Buğra and Savaşkan, op. cit.
68. Gürakar, op. cit., p. 6.
69. *Ibid.*, p. 59.
70. *Ibid.*, p. 84.
71. *Ibid.*, p. 90.
72. E. C. Gürakar and T. Bircan, 'Political connections and public procurement in Turkey: evidence from construction work contracts', *ERF Working Paper*, 2016.
73. Buğra and Savaşkan, op. cit., p. 85; see also Atiyas, op. cit.
74. S. Demiralp and İ. Gümüş, 'The state of property development in Turkey: facts and comparisons', *New Perspectives on Turkey*, 55, 2016, pp. 85–106; Gürakar, op. cit., p. 96.
75. For an excellent study of state-business collaboration within the framework of TOKİ, see F. Ocaklı, 'Reconfiguring state-business relations in Turkey: housing and hydroelectric energy sectors in comparative perspective', *Journal of Balkan and Near Eastern Studies*, 2017. <https://doi.org/10.1080/19448953.2018.1385926>
76. TOKİ'nin konut sayısı 700 bine vardı <<http://www.aa.com.tr/tr/turkiye/510765--quot-tokinin-konut-sayisi-700-bine-var-di-quot>> (accessed 20 July 2015).
77. Gürakar, op. cit., p. 97.
78. A majority of the firms in Gürakar's study of public procurements, for instance, were established in the 1990s and 2000s, Gürakar, op. cit. p. 76.
79. For a network analysis of TOKİ and its contractees, see <<http://mulksuzlestirme.org/toki-ihaleleri>> (accessed 21 October 2015). For more on these business networks, see A. Buğra, 'Class, culture, and state: an analysis of interest representation by two Turkish business associations', *International Journal of Middle East Studies*, 30(4), 1998, pp. 521–539; E. Tok, 'Islamic vs. secular business interests: towards Turkey's new state spaces', *Journal of Islamic Studies*, 3(1), 2015, pp. 81–92; and Gumuscu, op. cit.
80. See Gürakar, op. cit.

81. Öniş, 'Beyond the 2001 financial crisis', op. cit., p. 423.
82. For a detailed discussion of privatization in Turkey, see Z. Öniş, 'Power, interests and coalitions: the political economy of mass privatisation in Turkey', *Third World Quarterly*, 32(4), 2011, pp. 707–724. Also see V. N. Geyikdağı and F. Karaman, 'Foreign direct investment and profit transfers: the Turkish case', *Journal of Balkan and Near Eastern Studies*, 15(4), 2013, pp. 383–395.
83. Buğra and Savaşkan, op. cit., p. 82.
84. For a discussion on Turkey's foreign capital-dependent growth, see M. U. Tutan and A. Campbell, 'Turkey's economic fragility, foreign capital dependent growth and hot money', *Journal of Balkan and Near Eastern Studies*, 17(4), 2015, pp. 373–391.
85. The party's official website states that 90% of all privatization in Turkey since 1923 has been done by the AKP <<https://www.akparti.org.tr/site/icraat/13938/505-milyar-dolarlik-ozellestirme-geliri>> (accessed 11 June 2015); Z. Tezer, 'Degistirilen yasalar yolsuzluklara zemin oldu' [New legislation has become the basis for corruption], *Cumhuriyet*, 23 June 2015 <[http://www.cumhuriyet.com.tr/haber/turkiye/305183/Degistirilen\\_yasalar\\_yolsuzluklara\\_zemin\\_oldu.html](http://www.cumhuriyet.com.tr/haber/turkiye/305183/Degistirilen_yasalar_yolsuzluklara_zemin_oldu.html)> (accessed 30 June 2015).
86. Buğra and Savaşkan, op. cit., p. 82.
87. <<http://www.birgun.net/haber-detay/akp-nin-rant-hirsi-ulkenin-yarisi-maden-sahasi-108994.html>> (accessed 20 June 2016).
88. Cengiz Holding paid US\$305 million for Eti Aliminum, its holdings, Antalya port, and Oymapınar HESS. The estimated value of Eti Aliminum alone was US\$4 billion <[http://www.cumhuriyet.com.tr/koseyazisi/128003/AKP\\_nin\\_Altin\\_Semeri\\_\\_Ozellestirme.html](http://www.cumhuriyet.com.tr/koseyazisi/128003/AKP_nin_Altin_Semeri__Ozellestirme.html)> (accessed 20 June 2016).
89. For Şimşek's question and Yıldız's response see <<http://www2.tbmm.gov.tr/d24/7/7-34585c.pdf>> (accessed 24 November 2016).
90. Özcan and Gündüz, 'Energy privatizations', op. cit., pp. 1726–1730.
91. Ibid., pp. 1730–1731.
92. A striking case in point is former Minister of Environment Osman Pepe, whose sons engaged in building hydroelectric power plants – among other sectors such as ship-building and maritime trade – using their father's political access <<http://www.gazetevatan.com/eski-bakandan-240-milyon--lik-yatirim-303094-ekonomi/>> (accessed 12 November 2015).
93. Buğra and Savaşkan, op. cit., p. 82. For a network analysis of hydroelectric power plants, see <<http://mulksuzlestirme.org/hes-projeleri>> (accessed 21 October 2015).
94. Ibid.
95. See the parliamentary minutes on a motion introduced by HDP members on Cengiz Holding on 24 February 2016 <[https://www.tbmm.gov.tr/develop/owa/Tutanak\\_B\\_SD.birlesim\\_baslangic\\_yazici?P4=22541&P5=H&page1=1&page2=98](https://www.tbmm.gov.tr/develop/owa/Tutanak_B_SD.birlesim_baslangic_yazici?P4=22541&P5=H&page1=1&page2=98)> (accessed 24 November 2016).
96. F. Başkan, 'The rising Islamic business elite and democratization in Turkey', *Journal of Balkan and Near Eastern Studies*, 12(4), 2010, pp. 399–416; Gumuscu, op. cit.
97. G. B. Özcan and U. Gündüz, 'Political connectedness and business performance: evidence from Turkish industry rankings', *Business and Politics*, 17(1), 2015, pp. 41–73; Buğra and Savaşkan, op. cit.
98. Greene, op. cit.
99. Buğra and Savaşkan, op. cit.; Özcan and Gündüz, 'Energy privatisations', op. cit.
100. <<http://umutoran.com/2015/05/14/yandasa-vergi-cok-de-af-cikar/>> (accessed 1 July 2015).
101. The MUK, which consists of the head of the Revenue Administration (*Gelir İdaresi Başkanı*), his deputy, and head of the revenue management department (*Gelir Yönetimi Daire Başkanı*), is responsible for the settlement of tax disputes above the US\$780,000 mark.
102. <<http://www.hurriyet.com.tr/yazarlar/20548440.asp>> (accessed 5 June 2015), <<http://www.sozcu.com.tr/2014/ekonomi/vergi-cezalarinin-yuzde-99u-silindi-501302>> and <<http://www.hurriyet.com.tr/yazarlar/26388761.asp>> (accessed 30 June 2015).
103. The corresponding rate in the Provincial Reconciliation Councils was as low as 42%, demonstrating the government's leniency towards big business <<http://www.meslektebirlik.org.tr/haber/153/uzlasmada-keyfilik-bitirilmelidir.html>> (accessed 29 June 2015).

104. For more on Cengiz Holding and its investments in the media, construction, mining, and energy sectors, see <<http://www.cengiz.com.tr/en-us/Pages/default.aspx>> (accessed 15 November 2016). Also see <<http://mulksuzlestirme.org/cengiz-holding-enerji-ortakliklari>> (accessed 15 June 2016).
105. For details on these settlements see Altan Tan's parliamentary query to Finance Minister Mehmet Şimşek <<http://www2.tbmm.gov.tr/d24/7/7-27275c.pdf>> (accessed 10 November 2016).
106. For Mehmet Şimşek's official response to Tan's query <<http://www2.tbmm.gov.tr/d24/7/7-27275c.pdf>>; for the statement of the Ministry of Finance see <<http://www.maliye.gov.tr/Sayfalar/HaberDetay.aspx?rid=151&lst=DuyurularListesi>> (accessed 10 November 2016).
107. HDP MP Levent Tüzel submitted a parliamentary query on Sayıştay's 2011 report on the Directorate of Revenues and these tax settlements <<http://www2.tbmm.gov.tr/d24/7/7-33052s.pdf>> (accessed 10 November 2016).
108. For Canikli's statement, see <<http://www.milliyet.com.tr/hatayi-biz-yaptik-vesayet-olustu-siyaset/detay/1711540/default.htm>>; for a response delivered by Sayıştay chairman Recai Akyel, see <<http://www.milliyet.com.tr/sayistay-baskani-ndan-ak-partili-siyaset/detay/1715732/default.htm>> (accessed 10 November 2016).
109. See Ministry of Finance's official statement on the VAT exceptions introduced by Law no 5228 at <<http://www.resmigazete.gov.tr/eskiler/2005/01/20050119-17.htm>> (accessed 10 November 2016).
110. <[http://www.cumhuriyet.com.tr/haber/diger/41734/\\_Cihan\\_Kamer\\_OTV\\_odemiyor\\_.html](http://www.cumhuriyet.com.tr/haber/diger/41734/_Cihan_Kamer_OTV_odemiyor_.html)> (accessed 1 July 2015).
111. <<http://www.hurriyet.com.tr/english/home/10956684.asp>> (accessed 1 July 2015).
112. S. Özel, 'Seçimli otoriterlik' [Electoral authoritarianism], *Habertürk*, 16 September 2009; N. Mert, 'Sivil istibdad' [Civilian authoritarianism], *Radikal*, 17 November 2009. Also see Esen and Gumuscu, 'Rising competitive authoritarianism in Turkey', op. cit.
113. European Commission Turkey Progress Reports 2009 and 2010.
114. <<http://www.radikal.com.tr/ekonomi/maliyeden-koc-sirketleri-tupras-ve-aygaza-ani-denetim-1143226/>> (accessed 8 June 2015).
115. <<http://www.hurriyet.com.tr/boydak-sirketlerine-vergi-denetimi-25236055>> (accessed 8 June 2015).
116. I. Özel, 'Is it none of their business? Business and democratization, the case of Turkey', *Democratization*, 20(6), 2013, p. 1097.
117. <<http://arsiv.ntv.com.tr/news/257043.asp>> (accessed 4 July 2015).
118. <<http://www.gazetevatan.com/tmsf-yali-zengini-oldu-28622-ekonomi/>> (accessed 4 July 2015).
119. Ç. Toker, 'Fiyati dusur, yandasa sat, yargi kararini uygulama' [Lower its price, sell it to your supporter, do not enforce the court decision], *Cumhuriyet*, 20 July 2015 <[http://www.cumhuriyet.com.tr/haber/ekonomi/173863/Fiyati\\_dusur\\_yandasa\\_sat\\_yargi\\_kararini\\_uygulama.html](http://www.cumhuriyet.com.tr/haber/ekonomi/173863/Fiyati_dusur_yandasa_sat_yargi_kararini_uygulama.html)> (accessed 22 June 2016).
120. <<http://t24.com.tr/haber/bmcnin-gelirini-kasasina-indiren-ethem-sancak-borcu-tmsfeyikti,296371>> (accessed 4 July 2015).
121. Sayıştay TMSF Denetim Raporu 2014, pp. 11–14, [https://www.sayistay.gov.tr/tr/Upload/62643830/files/raporlar/kid/2014/Diger\\_Kamu\\_Idareleri/TASARRUF%20MEVDUATI%20SIGORTA%20FONU.pdf](https://www.sayistay.gov.tr/tr/Upload/62643830/files/raporlar/kid/2014/Diger_Kamu_Idareleri/TASARRUF%20MEVDUATI%20SIGORTA%20FONU.pdf) (Accessed 23 October 2015).
122. Ibid. Also see Ç. Toker, 'Sayıştay ve Bir Eksik KDV Hikayesi' [Court of Accounts and a story of unpaid value added tax], *Cumhuriyet*, 10 October 2015 <[http://www.cumhuriyet.com.tr/koseyazisi/384903/Sayistay\\_ve\\_bir\\_eksik\\_KDV\\_oykusu.html](http://www.cumhuriyet.com.tr/koseyazisi/384903/Sayistay_ve_bir_eksik_KDV_oykusu.html)> (accessed 17 October 2015).
123. Previously part of the AKP's ruling coalition, the Gülen movement parted ways with the AKP after the 2011 elections. In 2013, however, the rift turned into open conflict. For details on this conflict, see C. Berlinski, 'Anatomy of a power struggle', *Journal of International Security Affairs*, 2012, No. 23, Fall/Winter 2012, pp. 125–128; S. Gumuscu 'The clash of Islamists: The crisis of the Turkish state and democracy' POMEPS Memo, November 2016, available

- at: <https://pomeps.org/2016/11/03/the-clash-of-islamists-the-crisis-of-the-turkish-state-and-democracy/>
124. <[https://www.bddk.org.tr/websitesi/turkce/Duyurular/Basin\\_Aciklamalari/14196basin\\_aciklamasi\\_29\\_05\\_2015.pdf](https://www.bddk.org.tr/websitesi/turkce/Duyurular/Basin_Aciklamalari/14196basin_aciklamasi_29_05_2015.pdf)> (accessed 8 June 2016).
  125. Özbudun, op. cit. p. 52; also <<http://m.karsigazete.com.tr/politika/akpli-bakandan-itiraf-gibi-sozler-h83076.html>> (accessed 26 June 2016).
  126. M. Yetkin, 'Muhalefet Hapis, Şirketler Kayyum Tehdidi Altında Olursa', *Hurriyet*, 16 June 2016.
  127. Some trustees allegedly hold more than 50 companies in their portfolio, earning them thousands of US dollars per month <<http://www.hurriyet.com.tr/iflas-ertelemeler-icin-cok-onemli-gibi-duzenlemeler-geliyor-40122916>> (accessed 22 June 2016).
  128. <<http://www.al-monitor.com/pulse/originals/2016/06/turkey-unemployed-youth-demand-trustee-post.html#ixzz4CUUIIGwM>> (accessed 20 June 2016).
  129. Ibid.
  130. <<http://www.radikal.com.tr/turkiye/zaman-gazetesine-kayyum-atandi-1522464/>> and <<http://www.dw.com/en/turkish-police-raid-zaman-opposition-newspaper-using-tear-gas-water-cannon/a-19095747>> (accessed 10 June 2016).
  131. <<http://www.milliyet.com.tr/kayyum-atanan-zaman-ve-cihan-gundem-2239981/>> (accessed 10 June 2016).
  132. <<http://www.dunya.com/sirketler/boydaktan-sonra-naksan-holding-de-ayrildi-haberi-297604>> (accessed 28 October 2015).
  133. <<http://aa.com.tr/tr/ekonomi/basbakan-yardimcisi-canikli-tmsfy-kayyum-sifatiyla-devredilen-sirket-sayisi-527dir/680731>>.
  134. <<http://www.milliyet.com.tr/bakan-ozhaseki-feto-nun-12-milyar-siyaset-2304494/>>.
  135. For Erdoğan's statement of 22 September 2016 see <<http://t24.com.tr/haber/erdogan-ohalile-normal-zamanlarda-yapamayacagimiz-seyleri-yapabilme-gucune-sahip-olduk,361194>>.
  136. <<http://arsiv.ntv.com.tr/news/257043.asp>>.
  137. <<http://www.hurriyet.com.tr/ekonomi/9946934.asp>>.
  138. G. Jenkins, 'AKP strengthens its hold on the Turkish media', *Eurasia Daily Monitor*, 5, 15 May 2008.
  139. *Radikal*, 23 April 2008; S. Yılmaz, 'Çalık'ın Kullandığı Kredinin Koşulları' [The conditions of the credit given to Çalık Holding], *Milliyet*, 2008, 23 July 2008.
  140. These recordings revealed that Erdoğan asked the Limak-Kolin partnership to buy the Sabah-ATV media group in exchange for a contract to build Istanbul's multibillion-dollar third airport. Ethem Sancak, a Turkish businessman with close ties to Erdoğan, bought three media outlets previously owned by the Çukurova Group from TMSF. Soon after this sale, Sancak bought BMC motors from the TMSF at a significantly lowered price without an open tender. For details see *Democracy in Crisis: Corruption, Power and Media in Turkey*, Freedom House Report, 2014, available at <<https://freedomhouse.org/sites/default/files/Turkey%20Report%20-%202014-3-14.pdf>>.
  141. Fatih Vural's interview with Ethem Sancak, *Türkiye Gazetesi*, 12 February 2013.
  142. For an informative report on Turkey's level of transparency in campaign finance, see <[http://www.seffaflik.org/wp-content/uploads/2015/03/siyasetin-finansmani-rapor\\_Ocak-2016.pdf](http://www.seffaflik.org/wp-content/uploads/2015/03/siyasetin-finansmani-rapor_Ocak-2016.pdf)> (accessed 24 January 2017).
  143. <<http://www.osce.org/odihr/122553?download=true>> (accessed 12 January 2016).
  144. <[http://www.cumhuriyet.com.tr/haber/turkiye/100997/iste-Erdogan\\_a\\_yapilan\\_bagis.html](http://www.cumhuriyet.com.tr/haber/turkiye/100997/iste-Erdogan_a_yapilan_bagis.html)>.
  145. <<http://www.sozcu.com.tr/2014/gundem/patronlara-bagis-yapin-baskisi-565980/>>.
  146. <<http://www.medya56.com/demirtas-isadamlarina-basbakanin-kampanyasina-zorla-bagis-yaptiriliyor.html>>.
  147. SDP başkanı Ayhan Ogan Oğün habere konuştu [SDP Chairman talks to Ogun News] <<http://www.ogunhaber.com/haber/sdp-baskani-ayhan-ogun-ogunhabere-konustu-haberi-237313h.html>> (accessed 10 June 2015).



148. For a propagandist piece on the AKP's foreign policy in Africa and Albayrak's humanitarian investments written by a Yeni Şafak columnist, see <<http://t24.com.tr/haber/ali-bayramoglu-patronunu-yazdi-somalide-elcilik-ve-hastane-insaati-ile-liman-isletmesini-albayraklar-yapıyor,285250>> (accessed 28 June 2015).
149. <<http://www.cengizholding.com.tr/tr-tr/Sosyal-Sorumluluk/Egitim/Sayfalar/Marmara-Ilahiyat-Fakultesi.aspx>> (accessed 10 June 2016).
150. <<http://www.birgun.net/haber-detay/cengiz-den-valilige-maden-bagisi-83803.html>> (accessed 10 June 2016).
151. The bitter conflict with the Gülen movement has disrupted the AKP's clientelist networks. While the recent takeovers provide the AKP with even more assets to distribute to its supporters, the sudden shifts may diminish the Islamist economic base. For instance, the government even turned against the few Islamist industrial firms such as the Ipek and Boydak conglomerates that had amassed sufficient capital to compete with Istanbul-based economic powerhouses. Even before the coup attempt, the Turkish private sector—with the exception of the energy and construction sectors—was still dominated by old secular firms located in Istanbul and its vicinity.
152. For an analysis of the coup night, see B. Esen and S. Gumuscu, 'Turkey: how the coup failed', *Journal of Democracy*, 28(1), 2017, pp. 59–73.
153. A. Güven, 'Rethinking development space in emerging countries: Turkey's conservative countermovement', *Development and Change*, 47(5), 2016, p. 1012.
154. Ibid.
155. The AKP's social policy regime will be critical in determining the party's support among the popular classes in the face of increasing economic hardships. For an analysis of the party's social policy regime see A. Buğra, 'Social policy and different dimensions of inequality in Turkey: a historical overview', *Journal of Balkan and Near Eastern Studies*, 2017. <https://doi.org/10.1080/19448953.2018.1385283>.
156. Plattner, op. cit.; Levitsky and Way, 'The myth of democratic recession', op. cit.; Diamond, op. cit.