

Economic Expansion and Democratic Retrogression

AN ANALYSIS ON NEOLIBERALISM, AUTHORITARIANISM AND
POLITICAL ISLAM IN TURKEY AND EGYPT

A specter is haunting the Middle East...

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Introduction

In the last few decades the countries in the MENA-region have witnessed a rise in political Islam and the mobilization of conservative and religious forces. At the same time, while these states have politically become either increasingly authoritarian and repressive or have consolidated their authoritarian character (Akkoyunlu and Öktem 2016; Öktem and Akkoyunlu 2016; Somer 2016; White and Herzog 2016), their economies have developed in the opposite direction, becoming less regulated and more liberal (Maher 2011; Schwartz 2011; Hanieh 2013; Kus 2014; İşleyen 2015; Karataşlı 2015). According to the neoclassical liberal paradigm, this development is an anomaly, as capitalist development and economic growth are associated with the consolidation of the rule-of-law, the expansion of democratic freedoms and greater transparency in the state bureaucracy, as more and more human activity is being outsourced to the market rather than undertaken by the State (Little 1982; Friedman 1990; Lal 2000). Accordingly, the State takes on the role as a mere supervisor of these market-based relations, while dropping to the background and individual pursuit of self-interest and self-development through the market become the central concern of society, hence fostering liberal democracy (Haggard 1985; Lipset 1995; Haggard and Kaufman 1994, 1995).

However, after four decades of neoliberal reforms, there has not been a single example in the MENA-region where this has been the case. In fact, one might argue for an opposite trend, where neoliberal reform has become associated with repressive state apparatuses and an increasing central role for the State. Furthermore, we can observe a congruence towards the same form of government in both democratic and authoritarian countries, namely a populist government embodied by a charismatic and authoritarian leader making use of identity politics. Utilizing nationalist, religious and conservative symbolism, this leader simultaneously delegitimizes the opposition in order to implement otherwise unpopular economic reforms (Roberts 1995; Kienle 1998; Çınar and Sayın 2014; Öztürk 2016; Selçuk 2016; White and Herzog 2016). How is this possible? How can a program that is promoting economic reform and liberal democracy have such a detrimental effect?

In this thesis I will investigate the trajectory of neoliberal reforms in the MENA-region by conducting comparative case studies for Egypt and Turkey. The question I pose is the following:

What has been the implication of neoliberal economic reforms for power configurations in Egypt and Turkey and what kind of popular reaction did this provoke?

Egypt represents a country that has never become fully democratic and therefore, it would not be correct to simply state that it has become repressive due to neoliberal reforms and its simultaneous incorporation into the network of Global Capitalism. However, I believe it is fair to state that Egypt, since the Nasserist period, has significantly altered its state ideology, away from pan-Arabism and nationalism towards an orientation to the market and the West, most significantly the United States. This has caused resentment among the population and created a fertile breeding ground for critical Islamist groups, which they zealously exploited, most notably

the Muslim Brotherhood (Anderson 1997; Kienle 1998; Murphy 2002; Berman 2003; Schwartz 2011; Roccu 2012; Hanieh 2013).

Turkey, on the other hand, is a parliamentary democracy which has become increasingly authoritarian and repressive. In the 16 years of its rule, the Justice and Development Party (*Adalet ve Kalkınma Partisi, AKP*) of Recep Tayyip Erdoğan has been able to take control over the media and the judicial establishment, and has incorporated the private sector into its own power structure, making it subordinate to its own interests (Keyman 2010; Akser and Baybars-Hawks 2012; Kaya 2015; Akkoyunlu and Öktem 2016; Lüküslü 2016; Öktem and Akkoyunlu 2016; Öztürk 2016; Somer 2016; White and Herzog 2016).

What makes the cases for Turkey and Egypt somewhat similar is the fact that both countries have witnessed significant economic growth fueled by far-reaching economic reforms pushed for by the International Financial Institutions (IFIs), most notably the International Monetary Fund (IMF) and the World Bank. Both economies have been praised by these IFIs in the first decade of this century for their rapid economic development and the speed at which they were able to implement these reforms. However, also simultaneously, both countries witnessed greater economic inequality, an erosion of the middle class and an ever more intrusive state. Furthermore, social tension has increased, presenting itself mainly in religious and ethnic terms (Berman 2003; Akser and Baybars-Hawks 2012; Roccu 2012; Kaya 2015). Finally, both countries have witnessed the eruption of mass protests following these new policies. In 2011 Egypt witnessed the Arab Spring, while in 2013 the Gezi-protests shook the foundations of the Turkish political establishment. Nonetheless, there are still enormous social, political and economic differences between the two countries and therefore, this provides an excellent case study to conduct such an analysis; two different countries where the same reforms have created a similar reaction.

By investigating the path of neoliberal development in Turkey and Egypt, I hope to be able to explain the seemingly paradoxical outcome of this project, in the sense that neoclassical economics assumes the reforms would have the opposite effect (Haggard 1985; Lipset 1995; Haggard and Kaufman 1994, 1995). The hypothesis I propose is that neoliberal reforms, as they have been drawn up in the Washington Consensus – and later in the post Washington Consensus – have spawned a new generation of authoritarian leaders who are skilled in mobilizing the masses towards imaginary causes, capitalizing on religious and nationalist beliefs, thereby making them less prone and approachable by the Left or other opposition groups, and more importantly, being already in a constant mode of mobilization, immobile to other causes. What makes these two theoretical frameworks distinct is the fact that they have a different understanding of what constitutes the State. The neoclassical liberal paradigm adopts the ideas of Max Weber, where the State is being treated as something that is disconnected from society and is impartial; a social contract in which the State takes on the responsibility of governing its citizens in a manner that benefits the whole of society (Mann 1983; Nordlinger 1988). According to Marxism, on the other hand, the State is not an autonomous concept that is being imposed on society, but the form it takes is rather being treated as an outcome of Class struggle (Schulman 2003; Albo 2005). Therefore – in Marxism – State and Class are inseparable notions “with the latter providing the conditions of existence for the former” (Hanieh 2013: 8). This distinction is important because it

fundamentally separates them from each other. The neoliberal reforms that have been implemented in Turkey and Egypt derive their theoretical legitimization from the Weberian assumption that these reforms do not alter the form of the state and, as such, the neoclassical liberal paradigm cannot explain the development of authoritarian state forms in an economical context, simply because it lacks the epistemological tools to do so. As such, I regard the neoclassical liberal paradigm as unsupported and thus, as invalid, lacking severe explanatory power. Instead, I will make use of a Marxian/Gramscian/critical theoretical framework. Ultimately, the discussion culminates in the question whether the configurations of State power in Turkey and Egypt are an outcome of neoliberal reforms or are caused by something that is separate from the economic sphere. As I will demonstrate, there is strong evidence that the former is the case.

To understand the deeper structures that lie underneath these processes is relevant due to at least two reasons. Firstly, by mapping out the interrelated connection between economic policies on the one hand and configurations of political power on the other, policymakers will have the tools necessary to assess economic policies not only in narrowly defined economic terms of quantitative economic growth, but also in broader terms of qualitative societal benefits such as national unity, democracy and realizing national sovereignty. In turn, this forces both mainstream academics and policymakers alike to think outside of their comfortable neoclassical paradigm and recalibrate their capabilities to distinguish between 'good' policies and 'bad' ones. Unmasking the economic doctrines that have slipped inside our constructed worldviews and are being perceived as 'natural', 'universal' or 'ahistorical' is a task not to be taken lightly; it will not happen overnight. I can only aspire that this paper will make a contribution to this process by adding to the already well-established literature on this subject, introducing two cases that were thus far absent from this overview.

1: Literature Review

With the acceptance of neoliberal economic reforms since the 1980s as the uncontested economic logic to achieve welfare maximization, the world has witnessed a turning point in its developmental trajectory. The rise of the US hegemony as the protagonist of global capitalism, paralleled with the demise of the Soviet Union and attacks on the global Left caused a major shift to the Right on the international political spectrum. These turn of events have had a significant impact on the developing world in general and on the MENA-region in particular. Located between two major economic blocs and possessing vast amounts of energy resources, the MENA-region is of key strategic importance to the global capitalist system as a whole and control of the region is a fundamental factor in determining the world hegemonic power (Amin 2004; Hanieh 2011; Jones 2012). In this section I will map out the different concepts and theories that are being utilized in this paper as it is necessary to provide an overview of the literature on this subject in order to give way for a meaningful discussion. I will start by describing neoliberalism and its foundations, after which I will explain how this has led to authoritarianism and Islamism. Finally I will introduce the Gramscian notion of *cultural hegemony*, relating it to the subject of this research.

The roots and nature of neoliberalism

Since a term like neoliberalism is being used and misused interchangeably, I would like to define this notion and briefly touch upon the historical context in which it is situated, so as to insure that there is no misunderstanding about what this concept entails in its core.

First, I want to make clear that I do not propose a rigid one-size-fits-all definition of what neoliberalism is. Since ideologies are never carried out on a clean slate – as every society has its own unique historically defined identity – they all need to address this identity when being implemented (Peck 2004). Therefore, a necessary particularism arises and trying to conceive of a universal definition of something that inherently does not lend itself to that end would be anti-productive at most. It would merely keep us in the realm of abstraction, saying nothing meaningful about the real world. Since this is an empirical undertaking, I will refrain from any such attempt.

Rather, I believe it is much more valuable to look at the foundation and the characteristics that comprise the neoliberal project. An academic undertaking from its inception in the 1940s and 1950s, it has grown to be a major political and economic force up and until the present day; never in a pure form, but adaptive and crafty – fitting the specificities of the societies where it is being rolled out – and intrusive and all-encompassing – penetrating every aspect of human social interaction and affecting nearly all life on our planet. Derived from classical economics and liberalism, it is difficult to point out one specific thinker that has its name unconditionally attached to the theory – unlike Marxism or Keynesianism. Instead, its roots can be traced back to a number of different schools in different geographies during the previous century; including the Austrian School which is associated primarily with the economist Friedrich von Hayek; the works of the writer and philosopher Ayn Rand, the most famous of which is her philosophical novel *Atlas*

Shrugged; and the Chicago School, which spawned many theorists like Milton Friedman and Gary Becker, whose work would later have a great impact on US economic policy through key figures like Alan Greenspan, Chair of the Federal Reserve System from 1987 to 2006. Tracing its roots from such diverse sources it is – like Jamie Peck (2004: 400) accurately points out – “the combination of these various and somewhat disparate intellectual strands ... that has shaped what we now understand to be neoliberalism, which encompasses an always problematic alliance between anti-statist libertarianism on the one hand and authoritarian interventionism on the other”. In this last part Peck captures a very important aspect of neoliberalism, namely the dilemma that lies at the foundation of its logic: how to reduce the role of the State while simultaneously a strong State is required to implement neoliberal reforms and in turn needs to safeguard the workings of the “free market” it has implemented?

In the present day, we can identify some basic characteristics of neoliberal policy: privatization, circumscription of social benefits, the reduction of barriers to capital flows, and the imposition of market imperatives throughout all spheres of human activity (Hanieh, 2013: 14). According to market logic, these policies will greatly benefit the life of ordinary citizens. Due to the constant pressure of competition, entrepreneurs are encouraged to allocate scarce resources in the most cost-effective and thus most efficient manner. As production is constantly under pressure to reach maximum efficiency and the drive to innovate is triggered by rising consumer demand, society will be able to achieve the best possible resource allocation to reach maximum welfare without the intervention of the State. Simultaneously, the distribution of this welfare is dependent upon the principle of meritocracy; the more productive one is and thus the more one contributes to society, the more one is entitled to reap the benefits of this hard work and gets to share in the total pool of welfare (Little 1982; Lal 2000). With neoliberalism, all relations are market relations and are expressed in monetary terms¹; there exists no collective, mere individuals²; and the State is reduced to little more than a regulatory agent making sure that the principles of the free market are observed by everyone. It is here that it is distinct from classical liberalism³ that was founded by Adam Smith. According to him, there is a role designated to the State as the guardian of its citizens by making sure that extreme asymmetries that arise through the “invisible hand” of the market are being alleviated. These negative externalities come into existence due to the fact that the far-reaching implementation of market imperatives create increased economic inequality, which can ultimately lead to social inequality. This is the epitome of what is coined ‘bourgeois democracy’ by leftist thinkers and critical theorists like Marx, Lenin and Habermas: a public

¹ This is an extreme understanding of neoliberalism and comes to full expression in Ayn Rand’s *Atlas Shrugged* (1957). In this “capitalist manifesto”, which is written like a novel, Rand describes a dystopian world that has fallen in decay due to socialist decadency and a state that is interfering into the free market. The only thing left to do is to get fully rid of the old order by destroying socialism and thereafter build an entire new world from scratch by expressing all human interaction in terms of the market (Achterhuis, 2010: 75-77, 246-248). Rand’s justification for this is that the highest virtue human beings can aspire is an absolute state of rationality and since markets are rational, allocating everything in the most efficient manner, human beings should be completely subject to market rationale.

² Captured in the notorious words of Margaret Thatcher: “There’s no such thing as society. There are individual men and women and there are families.” In an interview in *Women’s Own* in 1987.

³ Liberalism here needs to be read in economic terms, not as political liberalism.

domain that should allow an equal representation for all but is nevertheless being reduced to an extension of class power and interests (Poulantzas 2000, Harvey 2007, Duellund 2010, Hanieh 2010). However, according to Milton Friedman,

Nothing could be further from the truth. Wherever the free market has been permitted to operate ... the ordinary man has been able to attain levels of living never dreamed of before. Nowhere is the gap between rich and poor wider ... than in those societies that do not permit the free market to operate” (Friedman 1990: 146).

To allow individuals to fully develop themselves, government should be kept at a minimum, only allowed to deal with tasks that guarantee individuals’ rights. He also recognizes correctly that government is made up of free individuals as well, each pursuing its own individual interest. However, throughout his work he treats government – or the State – as something that is disconnected from “society” and has been imposed upon free individuals, keeping them from pursuing their interests and desires. This understanding of the State is based on a Weberian worldview, which lies at the core of classical economics and has had far-reaching implications on the neoliberal reforms that have been implemented (Mann 1983; Nordlinger 1988; Albo 2005: 74; Hanieh 2013: 8-9). Friedman remarks that there are infinite good causes a government can pursue but only limited resources at its disposal. The best way to allocate scarce resources to any of these causes is by means of the market, by making interest groups bid for which causes will get on the government agenda. But if government is made up of free individuals pursuing their own interests, then what keeps these individuals from becoming corrupted by powerful interest groups who represent a small proportion of society and want to influence government for their own benefit (like lobby groups)? Friedman is unable to formulate a clear answer to this question other than the normative ‘should not’. Indeed, regarding his emphasis on the pursuit of self-interest of the individual, it seems quite impossible to do so within such a framework.

Nevertheless, there is still a consensus among mainstream economists and academics that there is a positive relation between economic reforms and democratic outcomes, although it is being debated in which direction this relation points (Haggard 1985; Lipset 1995; Haggard and Kaufman 1994, 1995). While earlier research conducted mainly by Lipset (1959) suggested that democratization necessarily follows economic reform, more recent publications by the World Bank and IMF suggest that it is actually the other way around, that “democracy has a positive and significant impact on the adoption of economic reforms⁴ but [that] there is no evidence that economic reforms foster democracy” (Paola et al. 2010: 1; Amin and Djankov 2009). Simultaneously however, Hoeffler et al. (2012) found that there is a negative correlation between national income per capita and democracy, i.e. the higher the income per capita in authoritarian countries, the less the incentive for democratization. In contrast, when incomes are low under authoritarian regimes, voices for democratization are stronger. This contradicts to some extent

⁴ With ‘economic reforms’ the authors are referring to neoliberal reforms. It is actually striking and an excellent case in point of how neoliberal policy is being propagated with the neutral term of ‘economic reforms’. Would a reconstruction of the economy according to socialist or communist principles also be referred to as just ‘economic reforms’?

the earlier work of Lipset, Seong and Torres (1993) on the relationship between national per capita income and authoritarianism. In their study they found an N-curve in this relationship: the probability for democratization decreased with development in a middle range of countries (between the incomes of \$2346 and \$5000 in 1980), but increased for countries with lower and higher per capita income, i.e. out of these ranges. Taken together, these studies pose a problematic paradox, since the conclusion we can logically derive from even the mainstream literature is compelling. If democratic state forms lend themselves more to economic reforms than authoritarian regimes, income per capita will increase, and in turn there will be less incentive to democratize. In short, democratic low-income countries will become non-democratic middle-income countries, having reached – in game theoretical terms – a Nash equilibrium, meaning that the attained status quo is stable as no individual has anything to gain from attempting to alter the status quo. However, the opposite is not the case, there is no evidence that nondemocratic countries will become more democratic due to a rise in incomes. Rather, democratic or nondemocratic, they are more concerned with an even greater rise in income than trying to democratize, as Saad-Filho shows for the Brazilian case (2013).

Free markets as a politically managed process

To come back to our dilemma then, how to deal with this dichotomy in neoliberal theory between strong State presupposition while at the same time undermining State power in favor of Market power? Critical theory argues that the supposed dichotomy is a false one: indeed, in line with the above, there is no empirical ground to suggest that state power is gradually curbed due to neoliberal reforms. In Peck's (2004) terms, the transformation of state power is not quantitative in nature, but rather qualitative. As social spending is cut, state assets are sold, taxes are reduced, and markets are being deregulated – simultaneously – policing and defense budgets are up, intrusive legislation that undermines civil rights is being implemented, and control over society by the state has increased through the expansion of the prison-industrial complex and security-intelligence agencies (Cole 1999; Roberts, Secor and Sparke 2003; Giroux 2005). As such, the focus of state power shifts from social provisions to regulation and control. This is further reflected in the fact that the term 'neoliberalism' is used primarily by opponents of the policies that can be garnered under this banner. For them, these policies are ideologically motivated, while advocates present their ideas as objective and embedded in common sense, rather using the terms 'free market capitalism' and 'economic reforms' (see footnote 4). Although mainstream economic narratives present this 'free market capitalism' as a positive natural outcome of history, there is nothing natural about the process. It has been a highly "politically managed and institutionally regulated process" (Peck, 2004: 399) from its very start. Nor is it the "endpoint in human history". As Marx had already formulated aptly in his *Poverty of Philosophy*:

Economists have a singular method of procedure. There are only two kinds of institutions for them, artificial and natural. The institutions of feudalism are artificial institutions, those of the bourgeoisie are natural institutions ... When the economists say that present-day relations – the relations of bourgeois production – are natural, they imply that these are the relations in which wealth is created and productive forces developed in conformity with the laws of nature. These relations therefore are themselves natural laws independent

of the influence of time. They are eternal laws which must always govern society. Thus, there has been history, but there is no longer any. There has been history, since there were the institutions of feudalism, and in these institutions of feudalism we find quite different relations of production from those of bourgeoisie society, which the economists try to pass off as natural and, as such, eternal. (Marx 2008: 131)

The same holds when we replace the words “bourgeoisie” and “feudalism” with “neoliberalism” and “socialism” – or any other non-neoliberal mode of production – respectively. If not natural but purposefully crafted, how then did these neoliberal principles materialize? If there has been no empirical evidence supporting the claim that market mechanisms foster liberal democracy, rather the opposite, why are policymakers so vigorously pursuing such programs? Harvey (2007) – in his illuminating essay – argues that neoliberalism developed due to the fact that preexisting arrangements of global capital accumulation had exhausted themselves by the 1970s and were in dire need of a resolution. Exacerbated through the 1973 Oil Shock, the crisis of global capitalism led to rising unemployment and inflation, spawning socialist and communist alternatives to the social contract between labor and capital that had worked so well in the immediate post-war decades. As such, the ruling capitalist classes felt threatened, both politically and economically; “they had to move decisively if they were to protect their power from political and economic annihilation” (Harvey 2007: 28). Therefore, the neoliberal undertaking can be viewed in economic terms “as a utopian project providing a theoretical template for the reorganization of international capitalism or as a political scheme aimed at reestablishing the conditions for capital accumulation and the restoration of class power” (28-29). Harvey argues that the latter has indisputably dominated as it has succeeded only to that end, claiming that the economic “utopian” aspect of neoliberalism has worked merely as a justification and legitimization of the overall project. The accounts in history in the last four decades are numerous. The coming to power of Reagan and Thatcher in the early 1980s marked a symbolic turning point indeed, but the process had been long underway in Chile (1973). Later, the project was to be imposed on Turkey (1980), Egypt (1988), Panama (1989) and Peru (1990) to name just a few. Here we can see the neoliberal project unfold as a highly orchestrated reform process, often initiated through a coup d’état to overthrow a leftist or nationalist government and replace it with an authoritarian dictatorship that implements neoliberal reforms in close collaboration with the IFIs; mainly the International Monetary Fund (IMF) and the World Bank (WB). The aim of these reforms have always been the same, although different methods may have been used: connecting the economy in question to the global circuits of capital accumulation so as to render the national economic interest subordinate to global capital, while simultaneously incorporating the national elite into the new global order and aligning its interests with that of global capital accumulation (Roberts 1995; Stiglitz 2004; Harvey 2007; Hanieh 2011).

Neoliberal reforms in international perspective

Before we get into the details of authoritarian neoliberalism and how it came into being, it is highly relevant to look at the international context and the role that IFIs play in order to have a better understanding of how the power relations of global capital work, since these relations are situated at the core of this process.

The neoliberal programs have been implemented first and foremost through the mechanism of debt. IFIs offered the governments of developing countries cheap loans in order to develop their economies. However, when these countries had accepted these loans, which are denominated in US dollars, the United States Federal Reserve raised its domestic interest rate, triggering investors en masse to invest their money in USD bank accounts, thereby increasing the value of USD and raising the debt level of the developing countries that accepted these loan packages. As debt levels soar and the risk of default increases, they are forced to take on more debt to avoid bankruptcy. However, this time the IFIs put strict conditions on issuing a loan. These conditions, euphemistically called Structural Adjustment Packages (SAPs) and later transformed into Poverty Reduction Strategy Papers (PRSPs)⁵, range from privatization of state assets and the liberalization of the capital account to cutbacks on social spending, the closing of bilateral Free Trade Agreements with Western powers and legalizing foreign ownership of control. Gray, in the *Multinational Monitor*, comes up with the following:

[c]ivil service downsizing, privatization of government-owned enterprises with layoffs required in advance of privatization and frequently following privatization; [p]romotion of labor-flexibility – regulatory changes to remove restrictions on the ability of government and private employers to fire or lay off workers; [m]andated wage reductions, minimum wage reductions of containment, and spreading the wage gap between government employees and managers; and [p]ension reforms, including privatization, that cut social security benefits for workers (Gray, 2001: 7-8).

This is exactly what happened in 1979 and is known as the “Volcker Shock”, after Paul Volcker who was at that time the chairman of the Board of Governors of the Federal Reserve (Harvey 2007, Hanieh 2013: 31). Through this even higher debt level, targeted countries were forced to appropriate a higher percentage of their national income to service their debt, sometimes as high as 50 percent as in the case of Morocco from 1980 to 1982 (Hanieh 2013: 32). As countries became severely indebted, they became vulnerable to being dominated by IFIs and losing sovereign control over their economy. As such, their economies were basically being conditioned to the needs of global capital, whereby substantive amounts of wealth were being transferred from the poorest countries to the most powerful and wealthy ones. Chesnais (2007) keenly remarks that the level of autonomy of the subordinated countries depends on the degree of foreign debt they hold. Thus, indeed, debt functions as both a power tool to implement desired policies as well as a means of wealth transfer: debt is both a means and an end to dominate countries. The more a country is indebted, the more its economy becomes subordinated to IFI demands and the more foreign currency it needs to earn to service its debt. The outcome is an economy that: produces cheap, labor-intensive commodities – due to a cutback on wages and liberalization of the labor

⁵ The IMF and World Bank recognized the adverse effects of the SAPs and came up with the new PRSP approach in 1999. Through this new approach, they attempt to address a country’s “macro-economic, structural and social policies and programs over a three year or longer horizon, to promote broad based growth and reduce poverty, as well as associated external financing needs and major sources of financing” (Craig and Porter 2003: 53). However, there has been a wide discussion about whether this is not just old wine in new bottles; see Booth (2005).

market; through mostly foreign-owned firms – due to privatization and legalization of foreign ownership; whose produces are being exported to highly-developed economies for a low price – due to liberalization of the exchange rate; and the earnings of which are being transferred back to the creditor (IFI) through service on debt and accompanying interests⁶. The situation that arises is roughly that of a wealthy client that is at the same time creditor to a highly indebted small-scale producer and is able to set both the price at which it buys and the rate of interest it charges, even after the terms of the loan have been agreed upon. The result is maximum exploitation whereby, in terms of real value, the client not only gets his product for bottom prices, he is being accredited with a surplus value for the commodities he purchases. Of course this is an oversimplification; in reality the creditor and purchaser are not the same entity, neither do State interests and those of firms always align. However, both are filling different positions within the system of value extraction through capital and thus, they are complementing each other. Harvey (2004) argues that geopolitical and economic modes of rule are intertwined in a dialectic relationship: both state actors and capitalists need each other to achieve their goal of either territorial or economic dominance. From the perspective of the exploited country it does not make any difference; the outcome is the same.

The rise of authoritarian neoliberalism

Eventually, the neoliberal project culminated in the Washington Consensus in the 1990s and later in the post-Washington Consensus in the 2000s, which is the formalization of practices long underway in the preceding decade, but is now being officially acknowledged as the economic and fiscal policy by all IFIs and the WTO (Harvey 2004, 2007). As such, the prescriptions in the Washington Consensus, which are being recognized by nearly all countries in the world through membership of the IMF and WTO, are being elevated to the status of objective and neutral technical knowledge which have both the legal and moral authority to override democratic institutions when seen fit in order to act in the best interest of the people (Heron 2008). This opens up a vast number of possibilities for both the ruling capitalist classes domestically, as well as for the core capitalist countries internationally. Since neoliberal principles are being legitimized as the only means for economic and social prosperity, any deviance or abstention from these principles is being portrayed as an attack on democracy, on individual freedom and on social integrity. Through this line of reasoning, powerful countries that do uphold and embrace these principles (i.e. the US) do not only have the responsibility to intervene in foreign countries and their economies, they have the moral obligation to do so (Barnett 2003). Thus, through arguments like these, the United States legitimized its invasion, occupation and economic transformation of both Afghanistan and Iraq and the economic sanctions against Cuba, Iran, North Korea and Syria as well as prewar Iraq and Libya. Here we can clearly see the link between neoliberalism and imperialism. The one necessitates the other: political domination precedes economic domination, while economic domination reinforces political domination. The result is the undermining of national sovereignty and liberal democracy by subordinating it to demands of global capital: the

⁶ If there are earnings at all, since most foreign firms are exempted from paying taxes in the initial period of their operations in countries that have adopted the SAPs (in order to attract foreign investments), and thereafter merely a small amount, through so-called Special Economic Zones (SEZs).

invisible hand of the free market is complimented with the “hidden fist” (Friedman 1999:373) of the United States military (Roberts, Secor and Sparke 2003; Amin 2004; Harvey 2004).

Authoritarian neoliberalism on the national scale

According to Gramsci (1971), in his critique on capitalism, there are two ways through which States are able to maintain their existence, namely coercion and consent. The first pertains to force, terror and control. These are the hard measures through which a state aims to keep its subjects in check and tries to minimize the number of disturbances. However, a state that relies solely on coercion methods will not be around for very long since this will drive up costs and the state will find itself in a position in which it merely tries to survive. Therefore, the state must also develop the voluntary consent of citizens to make them support the state system. To make this consent possible, Gramsci introduces the notion of *cultural hegemony*. Cultural hegemony entails ideas that are so embedded in society that they are accepted as the Truth and therefore are no longer contested. He applied this notion mainly to ideas related to capitalist structures like free markets through which the capitalist elite tried to legitimize itself by the use of ostensible independent and therefore objective channels of philosophy and science. In this light, ideas like free market competition, industrial exploitation and economic dependency, combined with deep-rooted ideas of colonialism, ought not to be perceived as natural or inevitable phenomena, but rather as social constructs imposed on society to help maintain the status quo of the vested ruling and capitalist class. In other words, capitalist states legitimize and reproduce themselves by diverting the public debate away from the nature of the capitalist structures that make up society, indeed denying the very existence of class structures, a narrative the Left in recent decades has proved unable to detect as false, let alone to challenge.

Though it has been effectively disguised, we have lived through a whole generation of sophisticated class struggle on the part of the upper strata to restore or, as in China and Russia, construct class dominance. This occurred in decades when many progressives were theoretically persuaded that class was a meaningless category and when those institutions from which struggle had hitherto been waged on behalf of the working classes were under fierce assault (Harvey 2007: 41).

This exemplifies how well neoliberal policies have been able to establish themselves as an accepted cultural hegemonic idea. Simultaneously, the brokerage of a social contract between the capitalist and working classes cannot be equitable when the terms of the social contract are based on ideas that the former have imposed upon the latter, for there can be no social rights without political rights, both of which start with an emphasis on free, impartial and inclusive education by the state (Adorno 1998, Giroux 2014). Without class consciousness, the class struggle will always be won by the ruling class and therefore, in neo-Gramscian terms, the (anti-) intellectual endeavors of ruling classes to legitimize their position should be considered as coercive in nature as well. It is an intellectual form of coercion aimed at creating subjects possessing, in Marxian terms, a form of *false consciousness*. The struggle between classes is a struggle about possession of state power. States are not separate entities that stand above society in a Weberian fashion (as Friedman would have it), but are rather an integral part of society

defined by the outcomes of social configurations (Schulman 2003). As such, states are not inherent capitalist in nature, but have evolved that way as an outcome of popular class struggles between those who own the means of production and those that do not. By attaining class dominance, capitalists then are able to augment their dominance by utilizing the state apparatus to further their interests, having at their disposal a vast number of coercive mechanisms to achieve and sustain popular consent (Poulantzas 2000, Bruff 2014). Consequently, the state is able to implement constitutional and legal changes in the name of economic necessity, ignoring the fact that these changes undermine its democratic institutions and social provisions, thereby altering both the character and the expectations about the responsibilities of the state:

This attempted reconfiguring of state and institutional power is threefold: (1) the more immediate appeal to material circumstances as a reason for the state being unable, despite “the best will in the world,” to reverse processes such as greater socioeconomic inequality and dislocation; (2) the deeper and longer-term recalibration of the kinds of activity that are feasible and appropriate for nonmarket institutions to engage in, diminishing expectations in the process; and (3) the reconceptualization of the state as increasingly nondemocratic through its subordination to constitutional and legal rules that are deemed necessary for prosperity to be achieved. In sum, we are witnessing the rise of *authoritarian neoliberalism* (Bruff 2014: 115-116).

Here, Bruff has captured accurately the outlines of what constitutes the core of neoliberal democracy. Especially the third point is of crucial importance for the sake of this paper and deserves more explanation. By presenting, implementing and institutionalizing ideologically motivated policies as mere technical and apolitical adjustments for the benefit of society at large, the state elevates them from the sphere of public contestation. Once in effect, they are withdrawn from the political arena of policy making, incorporated into the status quo and presented as natural, neutral and non-negotiable. According to Bruff (2014), Social Democrats have been unable to form a counter-narrative, as they have been incorporated into the neoliberal project (I will return to this in a later chapter). Through the consolidation of neoliberalism into the state infrastructure, any challenges to the status quo are being swept aside as irrational and inefficient, detrimental to the smooth functioning of the economy (Harvey 2004; Heron 2008). In fact, so powerful is this belief in the market that, in the wake of the 2008 financial crisis, it were not the ill-implemented policies that were blamed by governments and the IFIs. The narrative that was constructed put the blame on anything and everyone, except on neoliberal capitalism. “Making capitalism more moral would make no sense; what is required is an increased ethical responsibility by individuals” (Amable 2010: 12). Bruff (2014) continues by stating: “crucial here has been the relocation of responsibility for the crisis from financial institutions to individuals, who ran up large credit card and mortgage debts, and to states, whose inability to regulate appropriately resulted in the “immoralization” of finance and, consequently, their own budget deficits” (121). And so, while the crisis created an opportunity to transfer wealth from the poorer sections of society to the upper strata, there has not been a rollback but an intensification of neoliberalism (Bruff 2014, Giroux 2005, Hanieh 2011, Harvey 2007, Peck 2004).

Popular reactions

This immense transfer of wealth caused severe cracks in the theoretical utopia that was romanticized by the champions of neoliberalism. As such, the crisis of 2008 was not only a crisis of economic recession, it was a crisis of legitimacy for the ruling neoclassical paradigm from which the neoliberal policies gained their legitimacy. This is why in the aftermath of the crisis people all over the world flocked into the streets to protest. Not for short-term reforms – although these were clearly necessary – but for a radical rethinking of and break from the system of “institutional violence” (Hanieh 2013, Springer 2011, Giroux 2014). As movements like the Zapatistas, Occupy, Gezi and the numerous ones grouped under the banner of the Arab Spring challenged the cultural hegemony of neoliberalism that was established by the ruling capitalist classes, they were met with force (physical coercion) as governments all over the world heavily depended on riot police and other security forces to crack down on protesters, while at the same time used soothing language by promising to take measures to end the exorbitant pursuit of decadency and corruption of individuals within some of the most influential corporate and government bodies (Giroux 2014). Through this carrot and stick method, most governments were eventually successful in silencing the protests.

Nonetheless, it can be argued that neoliberal capitalism as an uncontested ideology died in the post-crisis years. It merely lives on as a “soulless institution of rule and coercion”, for it lost popular legitimacy. In line with Marx’ reasoning, post-2008 neoliberalism is thus merely a *farcical* repetition of its pre-2008 years (1975). Before, neoliberal logic itself was not being put under scrutiny in public discussions and debates, despite the fact that the forces of neoliberal capitalism created the very forces that were undermining liberal democracy, like religious fundamentalism. In other words, the understanding that religious fundamentalism and other anti-democratic movements are a consequence of economic deprivation, or – in Marxian terms – a *symptom* of the same *totality*, was not widely shared and therefore, neoliberal capitalism was able to survive even as a legitimate ideology. It was not until the connection with this totality was made much clearer with the 2008 financial crisis that neoliberalism lost some of its popular legitimacy. “The crisis consists precisely in the fact that the old is dying and the new cannot be born; in this interregnum a great variety of symptoms appear” (Gramsci 1971, quoted from Bruff (2014: 113)). Here, Gramsci touches upon an important aspect of contemporary neoliberal capitalism; the symptoms that culminated in the 9/11 crisis arose precisely because no alternative was allowed to be presented against the ruling narrative and thus, rather than being challenged directly, the narrative spawned perversions of anti-capitalist struggle like religious fundamentalism and right-wing populism. In Žižek’s (2009) words, “the populist “radical” Right [is] nothing but the *symptom* of liberalism’s inability to deal with the Leftist threat” (75). It contains an inability to deal with the complexity of the situation and instead relate the negative externalities that arise to some external agent. This refusal to engage in intellectual endeavor is what comprises the “*fetishistic* dimension of populism” (61).

Political Islam is one such a symptom; its growing popularity corresponds roughly with the implementation of neoliberal reforms and feeds mainly on the widespread discontent due to economic hardships. To define political Islam, or Islamism, which will be used interchangeably throughout this paper, I make use of Mozaffari’s definition of the term. According to him,

“Islamism is a religious *ideology* with a holistic interpretation of Islam whose final aim is the conquest of the world” (Mozaffari 2007: 21, emphasis added). So the distinction between Islam proper and Islamism is the fact that the former is the religion while the latter is the political ideology based on that religion. Furthermore, Islamism is not a traditional movement, as many adherents would like to believe. Rather, it is a modern manifestation that did not exist before⁷. Since “it takes its ideology from a *double* source – *ideology* and *religion*” (Ibid: 22) it can be more appealing to those who share the religious component (i.e. are Muslim) leaving them spiritually satisfied in a world that is becoming more and more ‘disenchanted’ (Anderson 1997; Murphy 2002; Berman 2003; Kaya 2015).

Now we can complete the Gramscian argument: by losing moral and legitimate ground, consent is no longer a viable option through which the neoliberal state is able to survive. To do so it needs to delude public attention away from challenging the class structures that are at the nucleus of the popular struggle and instead having it focus on a – often imaginary – corrupt segment of society. In so doing, inter-class struggles are being transformed into intra-class struggles; the old saying “divide and conquer” is appropriate here. Those who refuse to be deluded (i.e. the political Left) are being met with coercive force and through the utilization of identity politics are being outcast and marked as enemies of the state. The result is a complete and absolute delegitimization of any opposition against the established order. As such, we are witnessing the rise of religious fundamentalism and right-wing populism in parallel with neoliberal reforms.

In the next chapters I will introduce how the above relates to Turkey and Egypt, starting with a descriptive overview of the economic policies that were implemented in each of these countries.

⁷ Islamist thinkers towards the end of the 20th century, like Muhammed ‘Abdu, Rashid Rida and Jamal ad-Din al-Afghani tried to reconcile modern principles from the West with Islam. More contemporary Islamists, like Sayyid Qutb, Hasan al-Banna and Abu al-‘Ala’ Mawdudi take an anti-modernist stance and reject Western norms and values altogether by trying to replace it with an alternative distinctly Islamic model (Cleveland and Bunton 2016). See Nilüfer Göle, “Secularism and Islamism in Turkey: The making of elites and counter-elites.” *The Middle East Journal* (1997): 54.

2. The Turkish Case: Financial Crises and Economic Growth

The adoption of neoliberal reforms in Turkey is mainly a result of the events that happened during the early hours of September 12th 1980; a coup d'état carried out by commanding Army Officer Kenan Evren. The cabinet, parliament and all political parties and labor unions were dissolved, party leaders were arrested and a general State of Emergency was declared, including a denial for anyone to leave the country. The coup came after a decade of unrest between popular leftist and rightist movements, which more than once culminated in bloody confrontations, demanding high numbers of victims, including the infamous massacres of Taksim in 1977 (35), Bahçelievler (7) and Maraş in 1978 (more than 100 people killed). After seizing power, the military junta ruled for more than three years, returning to democracy with the national elections on November 6th 1983. This resulted in a landslide victory for the newly established ANAP (*Anavatan Partisi*, Motherland Party) headed by Turgut Özal who was behind the economic reforms in the final pre-coup years and who also worked in close collaboration with the military government in their years of reign (Zürcher 1993: 292). However, by being democratically elected he garnered recognition and legitimacy to push his reforms further. These reforms were based on an IMF Stabilization Programme of 1979 which the government at that time was unable to implement due to the heavy resistance it met and the political instability the country faced. The programme had three main objectives: to improve the balance of payments, to counter inflation, and to create an export-oriented free market economy, replacing the policies of import substitution industrialization (ISI) that marked the preceding decades. To achieve these objectives, the government had a series of tools at its disposal: currency devaluation, increase of the interest rate, a general freeze of wages and a decrease of state sponsored subsidies. Simultaneously, the government attempted to stimulate foreign investments: tariffs were banned, profit and capital repatriation was introduced, exemptions on import duties were provided and around the ports of İzmir, Mersin and Adana Free Trading Zones were established (Zürcher 1993: 315-317). Özal's neoliberal ideas were clearly reflected in the policies he adopted. Parallel to the above-mentioned measures, he furthermore deregulated financial institutions, increased labor market flexibility, deregulated domestic markets for both capital and private goods, and privatized state assets. However, due to the fact that most state-owned enterprises (SOEs) were out of date and inefficient – making it difficult to find investors for them – the process of privatization went very slow (Zürcher 1993: 320).

Although Özal's reforms initially brought economic growth and prosperity, they were also the main reason for several economic crises, the most severe of which were the 1994 and 2000/2001 crises, both of which I will briefly describe below. It is important to understand these crises, because they prepared the ground for more intensive neoliberal programs under the current AKP government. Furthermore, by understanding what caused them, we are able to evaluate the current government's economic program much better.

The 1994 crisis

The 1994 crisis was a currency crisis and occurred mainly due to: (1) capital account convertibility without a proper regulatory framework; (2) prioritization of both firms and state actors on short-

term gains; (3) an unstable and fragmented political landscape characterized by populism; (4) an inability to attract long-term foreign direct investments (FDI); and (5) an abrupt implementation of trade liberalization policies (Alper and Öniş 2003; Öniş 2004; Cizre and Yeldan 2005). Especially the combination of capital asset liberalization and the inability to attract long-term FDI proved toxic. By implementing capital account convertibility, the government hoped to attract large amounts of foreign investments in order to stimulate the economy. However, in doing so it underestimated the volatility and the accompanying destabilizing effects these financial flows have on domestic markets. It was hoping to attract long-term FDI but ended up stimulating the inflow of highly speculative short-term capital, for in order to attract FDI a stable environment together with a regulatory framework is necessary. As a result, the Turkish stock markets became highly vulnerable leading to a growing number of insolvencies. The response of the Turkish authorities was to issue a large quantity of government bonds with high interest rates – due to the country’s poor credit rating – to Turkish banks (i.e. increasing the money supply), causing inflation, which was exactly what the government wanted to avoid. Eventually, foreign investors lost faith in the Turkish Lira and started speculating on the currency markets, heavily devaluating it in the process. Completely crippled, the government had no choice but to file for an IMF loan.

Despite the dire situation it was in, the Turkish economy quickly recovered and was already growing and attracting short-term capital a year later (Figure 1), demonstrated by a steep rise in the Central Bank’s foreign exchange reserves in 1995 and 1996 (Figure 2). The reason for the rapid recovery was partly due to the flexibility of the labor market and by redistributing income away from wage earners. However, some of the measures that were taken to reduce the impact of the crisis were based on short-term recovery instead of long-term growth, thereby postponing the negative effects and setting up the stage for a second crisis, one that would erupt in late 2000/early 2001.

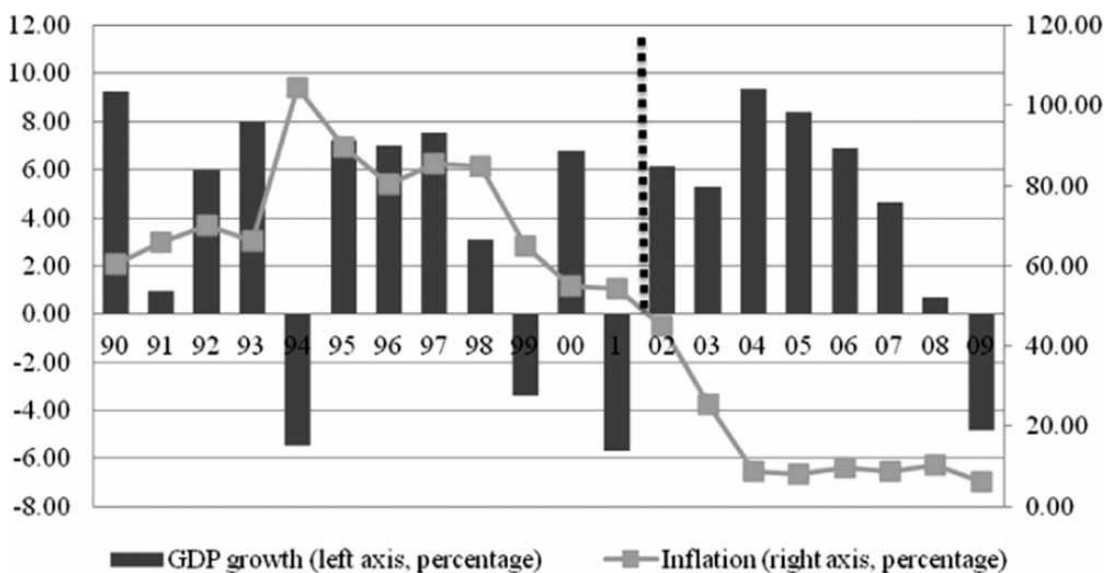


Figure 1 – Inflation and GDP growth from 1990 to 2009
 Source: IMF, World Economic Outlook Database, September 2011

The 2001 crisis

There are a number of different factors that contributed to the eruption of the economic crisis of 2001. First of all, the government proved unable to deter the negative effects of high volatility and risk associated with short-term capital as the economy was still highly dependent upon it. Therefore, in order to keep a positive net balance in short-term capital accumulation it had to encourage inflows and discourage outflows. To attain this goal, the government kept domestic interest rates high, but quickly accumulated domestic debt in the immediate pre-crisis years due to the fact it had a large budget deficit and a higher interest rate increased the burden of debt servicing (Öniş 2009). As such, its fiscal policies were undermining any chance of long-term recovery (Figure 3).

Furthermore, to assure citizens and allow banks to recover rapidly, regulations were imposed on the banking sector. These included full insurance coverage for deposit accounts but created problems of moral hazard, as they were now a potential liability for the state (Isik and Hassan 2003; Öniş 2009).

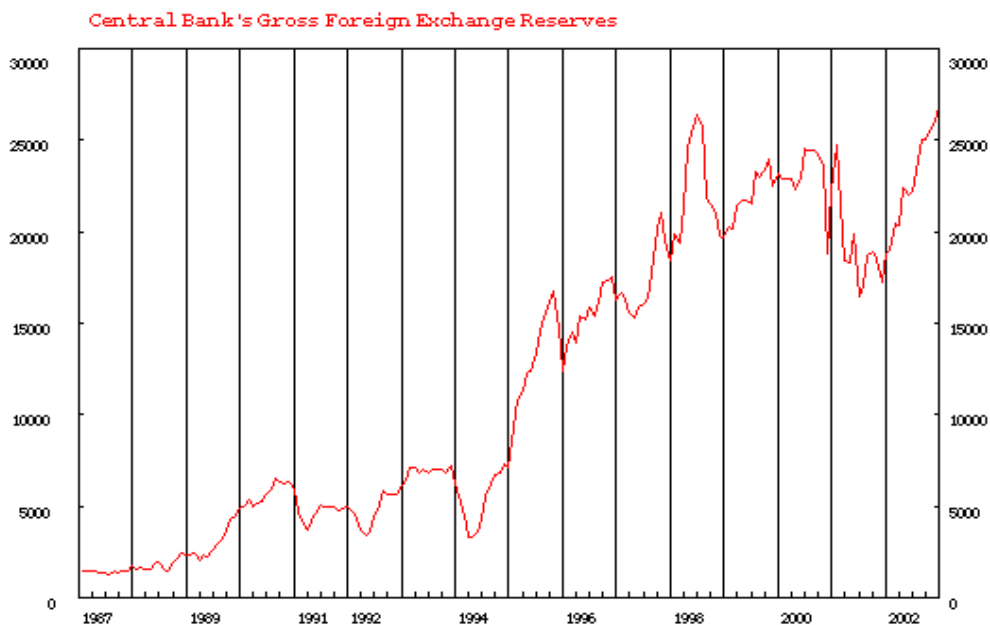


Figure 2 – Central Bank's Gross Foreign Exchange Reserves (Monthly, \$ Millions)

Source: Central Bank of the Republic of Turkey

	Current	Investments	Transfers	Primary	Budget Balance
1981-1985	7.6	3.4	7.0	-1.4	-2.6
1986-90	6.7	3.1	7.2	0.1	-3.2
1991	9.5	2.7	8.3	-1.5	-5.3
1992	10.3	2.6	7.1	-0.6	-4.3
1993	10.3	2.7	11.4	-0.9	-6.7
1994	8.9	1.9	12.3	3.8	-3.9
1995	8.2	1.2	12.4	3.3	-4.0
1996	8.6	1.6	16.2	1.7	-8.3
1997	9.5	2.0	15.7	0.1	-7.6
1998	9.7	1.9	17.6	4.6	-6.9
1999	11.7	2.0	22.1	2.1	-11.6
2000	10.8	2.0	24.2	6.0	-10.2
Average	8.4	2.7	10.6	0.4	-4.7

Source: Central Bank of the Republic of Turkey

Figure 3 – Consolidated Budget Deficit and Its Components (% of GNP)

Third, in the late 1990s, Turkey continued to experience political instabilities due to various coalition governments and fragmented factionalism: from 1995 to 2000 five different coalition governments were formed, of which one was even ousted by the military in 1997 due to the Islamist leanings of one of the coalition parties. The instability of the political system forced these governments to focus on short-term gains as they were constantly focused on forthcoming elections and were stimulated to indulge in populist policies, largely to the detriment of sustainable development. In addition, governments were able to obscure their budgetary expenses due to Özal's deregulation policies, which inevitably led to bribery and corruption, causing the country's democratic deficit to exacerbate its budget deficit (Alper and Öniş 2003; Öniş 2009).

Finally, there were external developments as well that negatively affected the Turkish economy, like the Asian Financial Crisis of 1997 and the Argentine Great Depression of 1999-2002. It was especially the Russian Financial Crisis of 1997 that had a significant impact since Russia had become an important trading partner. All these factors combined made investors wary about the uncertainty that was facing the Turkish economy, making short-term capital even more volatile and speculative, exposing more risk on the economy (Özkan 2005; Öniş 2009).

Due to the above, the IMF in 1999 warned for an impending financial crisis and came up with a new stabilization program which was keenly adopted by the Turkish Central Bank. The key elements of this program were: a strong exchange rate commitment; tight monetary control; a large fiscal adjustment to eliminate inflationary pressures; and a range of structural measures designed to liberalize the economy (Özkan 2005). Nonetheless, this proved unable to deter one of the most severe economic crises Turkey has ever faced. To get into too much detail in explaining how the crisis was ultimately triggered lies out of the scope of this paper, but the

official narrative of the government and popular media attributed the crisis to “the failure of the Turkish bureaucracy to implement the necessary structural adjustment reforms on time, thereby disturbing market agents and letting foreign capital to leave the country” (Yeldan 2006: 204). Since Turkey was basically bankrupt and had to file for an IMF care package, the conditions on which it could get such a loan was by structurally reforming the economy – the methodology of which has already been explained in the first chapter. Nonetheless, how much influence the IFIs actually had in this process is noteworthy due to the fact that after the crisis the vice chair of the World Bank, Kemal Derviş, became a Turkish Minister of State. According to his statement, “with the implementation of a more stringent fiscal policy, the crisis might perhaps have been alleviated. Unfortunately, the fiscal policy had not been strong enough, and the current account deficit widened.”⁸ However, as Yeldan (2006) shows, efforts were definitely made to close the account deficit due to the fact that both voters as well as politicians became aware of the negative consequences of short-term populist decisions that had ruled the country for a number of years, the so-called populist cycles (Alper and Öniş 2003). It was not that “the fiscal policy had not been strong enough”, but rather the erosion of the Central Bank’s ability to implement monetary policy effectively, namely controlling interest rates and exchange rates – due to the liberalization of the capital account and the exchange rate – as well as the reforms made under the stabilization program itself. All that was needed in an economic environment as fragile as this was an arbitrary event like a dispute between the PM and the President, provoking a run on the Turkish Lira on the 21st of February 2001 and causing overnight interest rates to soar at 6200 percent. This devaluated the Turkish Lira and caused inflation to rise, which was being met with an even stronger reaction by foreign investors to withdraw their capital, leaving banks short for cash. The remaining assets the banks held consisted of government bonds but they were unable to liquidate them due to the high budget deficit the government ran in combination with high interest rates. Without any liquidity, the Turkish economy slowed down and ultimately plunged into a financial crisis (Arı 2008).

The AKP years

It was during these troubled years that a newly formed party named the ‘Justice and Development Party’ (*Adalet ve Kalkınma Partisi*, AKP), led by Recep Tayyip Erdoğan, came to power after the elections of 2002. In stark contrast with the turbulent period that marked the 1990s, this newcomer was able to form a single party government, ending the period of numerous coalition governments. The AKP’s economic program basically continued along the same path of Kemal Derviş during the previous coalition government. This program was based on a new kind of economic logic, labelled the so-called ‘post-Washington consensus’ (PWC), a new paradigm that would become the official discourse of both the IMF and World Bank after the 2008 financial crisis. One of the key elements of this new paradigm is the fact that there is a more prominent role reserved for the state, a role that complements the market rather than being substituted by it. It emphasizes the need for regulation of the financial system to counter excessive risk-taking by undercapitalized banks. Furthermore, state support for improving infrastructure, education and

⁸ Panel presentation of Kemal Derviş, Middle East Technical University, Ankara, Turkey, 27 February 2002.

the transmission of technology are regarded as its responsibility, as well as promoting equality and alleviating poverty (Gore 2000; Öniş and Şenses 2005).

Income distribution

In accordance with both the PWC and its own Islamic values, the AKP actively engaged in reducing income disparity. However, it attempted to achieve this not through the formal state apparatus like subsidies, but by using informal mechanisms that involved its own political network and that of allied religious organizations. Necessarily this created a gap between citizens that were a member of the party or an allied religious organization – often Sunni muslim ones – and those that were not, impeding them from gaining access to state support. This worked to the AKP's advantage in two ways. First, it forced citizens to join the party if they wanted to benefit from this advantage, both limiting the costs of the support while at the same time enlarging their popular base. Second, since these welfare programs were not paid for by taxpayers' money but by private donations, it did not drain state resources and hence had no negative effect on economic activity and investments, which was also an important factor in attracting FDI (Öniş 2012).

Privatization and foreign ownership

The AKP also made serious efforts to accelerate the privatization process that was already underway since Özal. However, the AKP proved far more successful in its efforts – while previous governments faced strong opposition, the recent crisis helped to persuade citizens that privatization was necessary if the economy was to become more sustainable. Furthermore, as the only ruling party it was in a far better position to implement its privatization plans. That being said, it were mainly efficient and profitable SOEs that were being sold. Due to its powerful position, the AKP could carry this out without being met with too much opposition and therefore it was much easier to find investors willing to buy these companies. In the chart below (Figure 4) we can clearly see that from 2004 onwards privatization accelerated, roughly correlating with the inflow of FDI which indicates that much of these SOEs were sold to foreign investors (although some major Turkish banks and conglomerates were involved as well). Finally, the Foreign Investment Law that was passed in 2003 lifted the restrictions on foreign investors to acquire ownership of Turkish assets, making it much more attractive and lucrative to invest in the Turkish economy (Öniş 2011).

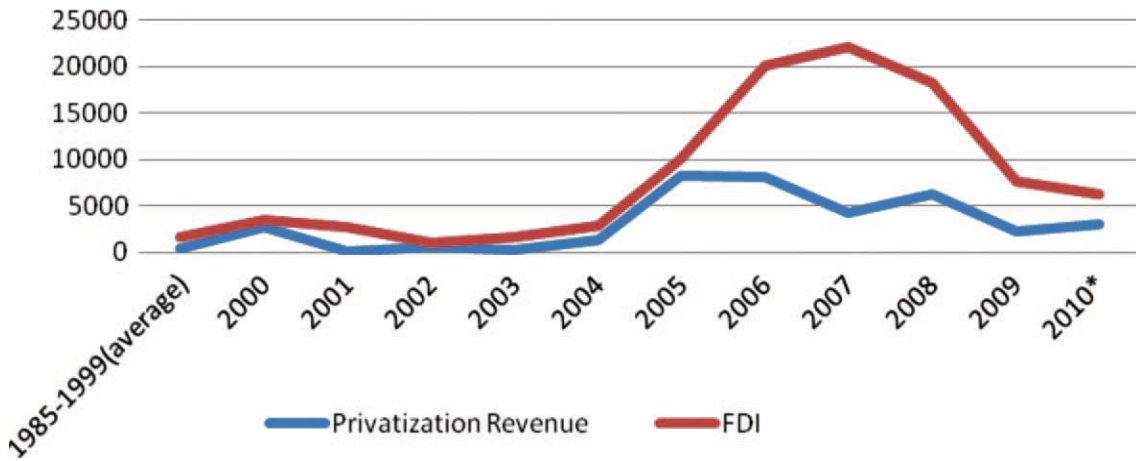


Figure 4 - Privatisation revenue and the inflow of FDI from 1985 to 2010 (\$ million)
Source: Central Bank of the Republic of Turkey

Exports, exchange rate and purchasing power

Simultaneously, we can observe a fivefold increase in national exports between 2001 and 2017 (Figure 5). Nonetheless, imports have grown even more, resulting in a negative trade balance of 76 billion USD, up from 10 billion USD in 2001. This is a clear indication that the Turkish economy has become more globalized in the past 16 years, firmly consolidating its position as a net importer.

Yıllar Years	İhracat Exports		İthalat Imports		Dış ticaret dengesi Balance of foreign trade	Dış ticaret hacmi Volume of foreign trade	İhracatın İthalatı karşılama oranı Proportion of imports covered by exports
	Değer Value	Değişim Change (%)	Değer Value	Değişim Change (%)	Değer Value	Değer Value	(%)
	(Değer: Bin ABD \$ / Value: Thousand US \$)						
2001	31 334 216	12,8	41 399 083	-24,0	-10 064 867	72 733 299	75,7
2002	36 059 089	15,1	51 553 797	24,5	-15 494 708	87 612 886	69,9
2003	47 252 836	31,0	69 339 892	34,5	-22 086 856	116 592 528	68,1
2004	63 167 153	33,7	97 539 766	40,7	-34 372 613	160 706 919	64,8
2005	73 476 408	16,3	116 774 151	19,7	-43 297 743	190 250 559	62,9
2006	85 534 676	16,4	139 576 174	19,5	-54 041 499	225 110 850	61,3
2007	107 271 750	25,4	170 062 715	21,8	-62 790 965	277 334 464	63,1
2008	132 027 196	23,1	201 963 574	18,8	-69 936 378	333 990 770	65,4
2009	102 142 613	-22,6	140 928 421	-30,2	-38 785 809	243 071 034	72,5
2010	113 883 219	11,5	185 544 332	31,7	- 71 661 113	299 427 551	61,4
2011	134 906 869	18,5	240 841 676	29,8	- 105 934 807	375 748 545	56,0
2012	152 461 737	13,0	236 545 141	-1,8	- 84 083 404	389 006 877	64,5
2013	151 802 637	-0,4	251 661 250	6,4	- 99 858 613	403 463 887	60,3
2014	157 610 158	3,8	242 177 117	-3,8	- 84 566 959	399 787 275	65,1
2015	143 838 871	-8,7	207 234 359	-14,4	- 63 395 487	351 073 230	69,4
2016	142 529 584	-0,9	198 618 235	-4,2	- 56 088 651	341 147 819	71,8
2017*	157 006 438	10,2	233 798 557	17,7	- 76 792 119	390 804 965	67,2

Figure 5 – Foreign Trade by years, 2001 - 2017 (\$ Thousand)
Source: Turkish Statistical Institute

As a net importer, it is absolutely vital that the economy maintains a strong currency in order to reduce the negative effects on its balance of payments and keep domestic prices stable. However, the currency exchange rate has gone up from 1.66 USD/TRY on January 2nd 2003 to 4.06 USD/TRY during the time of writing, April 6th 2018 (Central Bank of the Republic of Turkey). This is reflected in real domestic purchasing power. Figures 6 and 7 show the growth in GDP per capita and the Consumer Price Index (CPI), respectively, from 2003 to 2017-8. Although significant increases in per capita GDP of more than 100% are to be observed, this is more than being offset by a rise in CPI, which more than tripled. Thus, although GDP per capita did increase, real purchasing power decreased, leaving many relatively worse off than before the AKP-period. It needs to be noted in this regard that, although formally there has not been an increase in income disparity, the fact that real purchasing power for consumption goods has decreased actually increases purchasing power disparity. This is due to the fact that the lower one's income is, the greater the proportion of one's income that will be spent on consumption, thus higher consumer prices are mostly affecting those in the lower income categories. This is further exemplified by the substantial increase in housing prices, especially in the three large cities of Istanbul, Ankara and Izmir. In the period from 2011 - 2016 alone, housing prices in Istanbul nearly tripled and approximately doubled in Ankara and Izmir (Central Bank of the Republic of Turkey 2017⁹), again causing a transfer of wealth from tenants to homeowners and making it more difficult to become a homeowner since interest rates have remained high (Figure 8).

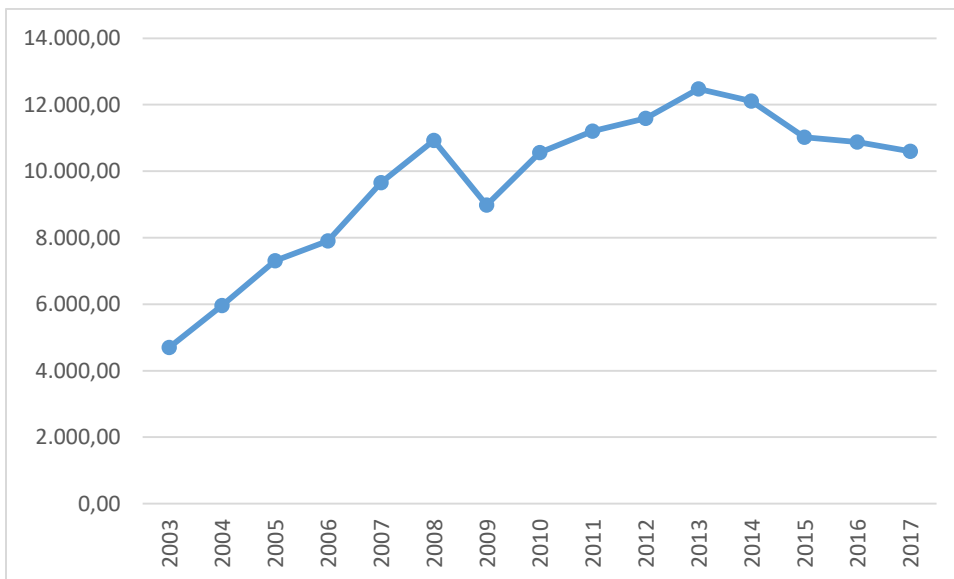


Figure 6 – Gross Domestic Product-Per capita GDP (\$) (Annual)
Source: Turkish Statistical Institute

⁹ House Price Index 2016, Statistics Department, Real Sector Data Division

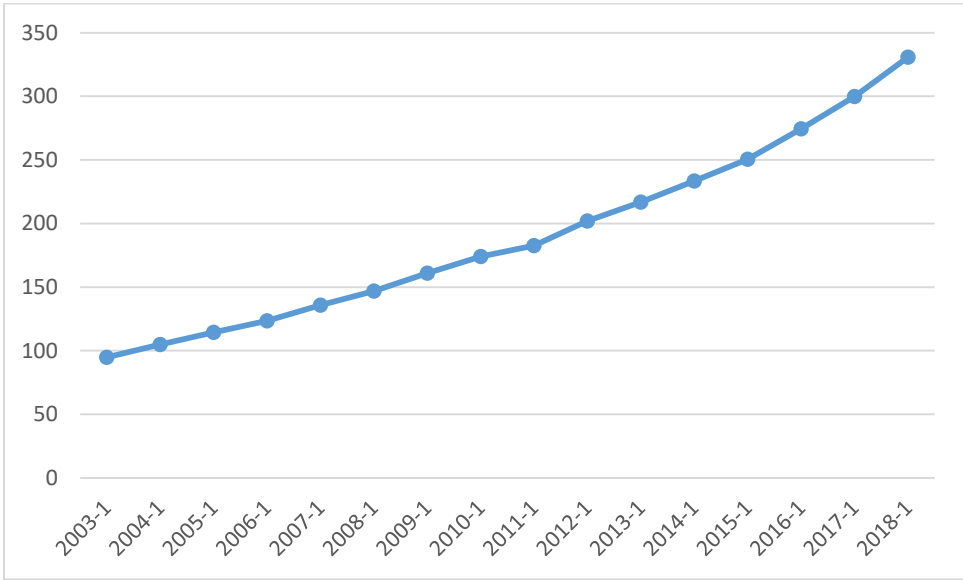


Figure 7 – Consumer Price Index (CPI)-General (2003=100) (Yearly in January)
 Source: Turkish Statistical Institute

House Price Indices for Three Large Cities

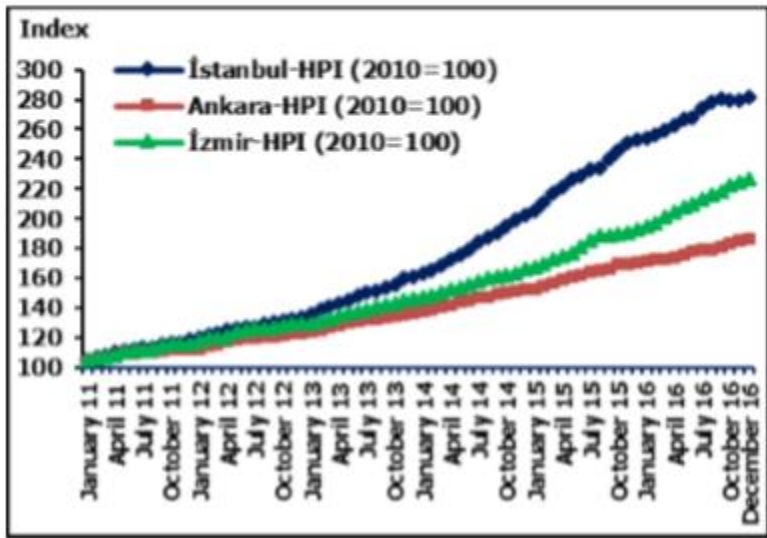


Figure 8 – House Price Indices (HPI) for Three Large Cities (2010=100, Quarterly)
 Source: Central Bank of the Republic of Turkey

Conclusion

Turkey has witnessed a number of neoliberal reform periods from the 1980s onwards, every government contributing its own share. These reforms have culminated in two economic crises and were partly responsible for the AKP's political power. Although the AKP carried out these reforms more thoroughly, it essentially did not deviate from the IMF-based program set out by Derviş. As a consequence of these reforms privatization intensified; foreign investments increased; foreign imports increased, further negatively affecting the trade balance; GDP per capita increased but is set off by a greater increase in CPI due to a devaluation of the currency; purchasing power disparity increased; and housing prices went up. These indicators show that the path the Turkish economy is heading for is not sustainable. The value of the Turkish Lira is deteriorating day by day, which is reflected in the prices of consumer goods. This heavily erodes the growth in GDP, although GDP per capita has decreased as well in recent years. Finally, this development is mostly affecting those in the lower income segments, non-homeowners and homeowners alike. If prices continue to rise, homeowners will be forced to sell their homes in order to meet their payments, causing a crash in the housing market which will plunge the economy into a recession. Like always, this will cause another transfer of wealth from the lower income segments to those owning capital.

3. The Egyptian Case: Extension and Contraction of Social Provisions

Egypt's encounter with economic reforms starts in 1974 with the implementation of Law 43/1974 (Law for Arab and Foreign Investments and Free Zones) under President Anwar Sadat. It was aimed at opening up the Egyptian economy, a strategy referred to as *infitah*, in order to attract foreign resources. The reforms consisted of diminishing state intervention in the market, tax exemptions for foreign companies, and abolishing the requirement that foreign companies need to be partly owned by an Egyptian partner (Brownlee 2011). However, it would take until the 1988 debt crisis under Mubarak to fully implement these reforms and others which have made them earn the title of neoliberal.

Nasser's social reforms

This marked a clear divergence from the pan-Arab nationalism of the Nasser era, which started with the overthrow of the monarch King Farouk in 1952, an event also known as the Free Officers coup. Being the leader of the Free Officers, Gamal Abdel Nasser's main aim was for Egyptians to regain both their political and economic sovereignty by substituting foreign investments with Egyptian investments, both private and public. In 1956 he became president and by nationalizing foreign and domestic firms and banks and engaging in ISI, he was able to create substantial economic growth, averaging 7 percent annually between 1955 and 1965 (Ikram 2006: 85-88). Nasser was able to implement his ideas due to the fact that he had garnered widespread popular support through his handling of the Suez crisis, the creation of the United Arab Republic jointly with Syria and his welfare programs targeting poverty (Roccu 2012: 103-105). Initially Nasser's policies were essentially socialist since he reconfigured class structures and made them more equal. This is exemplified through his land reforms where he nationalized enormous swaths of land and redistributed them to landless farmers, making the ownership of land more equal (Baker 1978; Bush 1998; Hanieh 2013). However, later on his policy changed. As Egypt became severely indebted he needed to build a national capitalist class that was comprised of Egyptians instead of foreigners. Furthermore, this new capitalist class came to be constituted more and more by state elites, both military and bureaucrats rather than by private businessmen, creating a so-called 'state bourgeoisie' (Zaalouk 1989) or 'state class' (Ayubi 1996). Therefore, his policies of later years also came to be known as 'state capitalism' (Cooper 2013) and were marked by some concessions to the benefit of national elites. Nonetheless, since he heavily promoted Egyptian pride and nationalism and emphasized Egyptian independence from foreign powers he kept enjoying widespread popularity, despite the dissolution of the United Arab Republic and the defeat in the Six-Day War against Israel, and remained to do so until his death in 1970.

Sadat's *infitah*

With Nasser's death a new era of modernization took place in Egypt under the leadership of Anwar Sadat. Although capitalist development was already underway during Nasser's final years of presidency, Sadat reopened the economy to foreign investments. The logic behind his policy was that by acquiring access to Western technology, attracting Arab investments derived from

petrodollars, and employing the Egyptian labor force both at home and in the Gulf countries, consumption would be increased and revenues through remittances would be raised (Cooper 2013). Like mentioned above, Law 43 marked the beginning of *infitah*. The law enabled “the creation of tax-free zones, the establishment of much greater foreign exchange freedom also for companies operating outside of the free zones, and the provision of explicit protection for new investors” (Roccu 2012: 106). However, the implemented policies did not have the desired effect. Although a considerable number of projects were approved, they either did not materialize or they focused on non-productive sectors such as construction, tourism and housing (Baker 1978: 145). Furthermore, other than some international oil companies and banks it failed in attracting the hoped-for Arab and Western investments. Nonetheless, in the period between 1975 and 1985 Egypt witnessed the highest economic growth in its modern history, averaging an annual growth rate of 8 percent. This was due to the fact that Egypt’s economic ‘opening’ was accompanied with its political ‘opening’, i.e. a more friendly approach to the West, mainly the United States. In light of this new orientation towards the West, Egypt normalized its relations with Israel and eventually signed the Camp David Accords in September 1978, ending the hostilities between the two countries. In return, Egypt was awarded with a significant increase in foreign aid, ranking it as the largest foreign aid receiver, a title it still holds today. The vast amount of aid it was able to garner resulted in the emergence of a mass consumption society, considered to be the hallmark of Sadat’s presidency (Amin 1995; Shechter 2008). Despite the inflow of so much foreign aid and the accompanying economic growth it spurred, it did not increase employment, nor was it sustainable since the growth was mainly based on debt and the country faced a serious deficit on its balance of payments (Radwan 1998; Roccu 2012). Due to the risk of becoming insolvent, it had to file for more loans from the IMF, which it was granted under a number of conditions that were supposed to open up the economy further and also forced it to cut back on spending, including cutting down on subsidies of basic food stock. Since many citizens were dependent upon these subsidies to support themselves, they flocked onto the streets to protest these measures. The government had to back down eventually, but this was only temporary since the cutbacks on food supply continued in the next decades, albeit very gradually (Ayubi 1995; Amin 1999). The most important aspects of Sadat’s *infitah* however, were twofold. First, it sought to incorporate Egypt into the structure of global hierarchies and thus made it subordinate to US interests (Maher 2011: 33; Hanieh 2013). Second, it made an initial effort to create a new capitalist business class, alongside the military and state bureaucracy. At the same time, the public sector expanded significantly, making both state capitalists and the new ‘business bourgeoisie’ rely heavily on the state for their survival (Sadowski 1991: 138-140; Ayubi 1995; Bush 1999: 89-99). In this regard Egypt remained very much statist, as the private sector only made up 10 percent of the assets of the public sector (Ayubi 1995: 349). It would take another few decades for the private sector to become a full-fledged member in the game of capital accumulation.

Mubarak’s counter-reforms

After the assassination of Anwar Sadat on the 6th of October 1981 by a member of the Egyptian Islamic Jihad, Hosni Mubarak took office, becoming the 4th president of Egypt. The first decade of his tenure his economic policy continued more or less along the same line as that of Sadat. The conditions that were imposed on the IMF loan that was granted during Sadat’s final year in office did not materialize and as such Egypt’s budget deficit increased during Mubarak’s initial years.

This resulted in the 1988 debt crisis and by 1990 the financial situation had become untenable, forcing the government to file for a new IMF loan. It was granted the loan, but in return Egypt was to implement a thorough neoliberal program according to the Washington Consensus: an Economic Reform and Structural Adjustment Program (ERSAP). ERSAP contained the usual monetary and fiscal policies and was aimed to first stabilize the economy and national finances and second to implement economic reforms (Roccu 2012). To achieve this goal, the government was “to cut spending on social services, relax price controls, cut subsidies, deregulate and privatize industries, target inflation, and liberalize capital flows” (Maher 2011: 33). This would be the start of the true neoliberal turn in Egypt, having major implications on both power and economic relations in society as well as on its configuration within the global system of capital accumulation (Maher 2011; Roccu 2012; Hanieh 2013).

In accordance with ERSAP, the initial years focused mainly on fiscal discipline and the increasing budget deficit. In this regard the program proved successful: the budget deficit declined from 15.3 percent in 1991 to 1.3 percent in 1996 (Subramanian 1997). This was further positively affected by such measures as the unification of the exchange rate and also the remission of a part of its debt obligations by the Paris Club¹⁰ (Ikram 2007). Furthermore, in order to tackle inflation the Central Bank of Egypt became more independent, disabling the government’s ability to indulge in monetary expansion. This had a significant impact, as inflation dropped from an annual average of approximately 19 percent in the 1987-1991 period to 4.6 percent in 1997 (Zaki 2001: 1873). Indeed, Egypt’s economic climate looked bright, as real GDP grew at an annual rate of around 5 percent in the initial years of the ERSAP (Abdel-Khalek 2001: 60).

However, during these initial stages the foundations were laid to implement an all-out neoliberal program on the Egyptian economy in the following years. Like neoliberal programs elsewhere, they were to have a significant implication on the standard of living of many Egyptians, causing a reversal of the many social reforms that were made during Nasser’s presidency. In this section I will highlight two policies which had the most visible impact: agricultural reform and privatization.

Agricultural reforms

Although attempts were already made to reform the agricultural sector in the 1980s (Sadowski 1991: 144-154), it was not until Law 96 was passed in 1992 that significantly altered the structure of land ownership in Egypt. Law 96 consisted of three components. For a five-year transitional period rent was revised from 7 to 22 times the land tax and would be completely liberalized afterwards. Second, owners were allowed to buy back their lands and after the transitional phase the contracts could only be renewed for a maximum amount of 12 months, whereas in Nasser’s reforms land tenancy was inheritable and as long as tenants were able to pay their rents their

¹⁰ "The Paris Club is an informal group of official creditors whose role is to find coordinated and sustainable solutions to the payment difficulties experienced by debtor countries. As debtor countries undertake reforms to stabilize and restore their macroeconomic and financial situation, Paris Club creditors provide an appropriate debt treatment. Paris Club creditors provide debt treatments to debtor countries in the form of rescheduling, which is debt relief by postponement or, in the case of concessional rescheduling, reduction in debt service obligations during a defined period (flow treatment) or as of a set date (stock treatment)." From the Paris Club website: <http://www.clubdeparis.org/>. Accessed April 27th 2018.

contracts were valid indefinitely. Lastly, the owner got the right to evict tenants from his land if he wanted to sell it and there was no agreement between the two (Bush 1999: 46; Saad 2002: 120; Roccu 2012: 119).

I hope that some people would not think that the purpose of this law is to give the landlords a sword to hit the tenants' neck with, for the law has come to achieve balance and justice between the two parties. We should not forget that we are a compassionate and supportive society, that it is inconceivable that an owner would expel a tenant just because a law was issued. (Prime Minister Atef Sidki on the closing of the parliamentary debate confirming Law 96 of 1992. Saad 2002: 103)

However, this is exactly what happened. Not only was land taken away from small and medium tenants and given to large landholders, small landholders were also forced to sell their lands as the government withdrew from the sector and smaller farms were unable to compete with large ones. As a result, by 2000 landholding had become more unequal than before 1952 with 0.05 percent of total holders accounting for 11 percent of the total landholding area (Ministry of Agriculture and Land Reclamation 2000). In the same period, 700 thousand farmers lost their job and almost a million were evicted from their land (Mitchell 2002: 265), not to mention the more than 800 tenants that got killed and the 7000 that were detained when objecting against the land reform (Roccu 2012: 120). This massive deprivation of land contributed significantly to the urbanization and the proletarianization of society, and together with a deregulation of the labor market caused the price of unskilled labor to plunge (Hanieh 2013).

Privatization

The proletarianization process and the deregulation of the labor market was aimed to accelerate privatization. The logic of the IFIs that promoted this process was that it would become more attractive to invest in the private sector if wages were lowered and social protection measures were rolled back as much as possible. The privatization process can be divided in two phases. The first phase was from 1988 to 1999 and was aimed at selling off profitable companies in non-strategic sectors. In line with ERSAP Law 203 was passed in 1991, designating 314 public sectors for sale, most of them manufacturing companies and total privatization revenues in this period totaled 4,172 million USD. After this initial phase privatization decelerated a bit, coming to a halt in 2002 and 2003, after which it started off again in 2004, reaching its peak of 7,583 million USD in 2006. The main difference between these two phases, apart from the value of the assets that were divested, is the fact that privatization also moved into sectors that were considered as strategic, like telecommunications and finance – the largest two SOEs that were privatized were from these two sectors (Roccu 2012: 120-122; Hanieh 2013: 50-52).

Economic growth and living standards

Due to the reforms mentioned above, the World Bank recognized Egypt as the region's top reformer in three consecutive years from 2006 to 2008 and even the world's top reformer in 2008. Not surprisingly, when looking at Figure 9 below we can see that GDP per capita in the 1990-2016 period nearly doubled – from 1560 USD to 2724 USD. At the same time, however, a significant increase in poverty is to be observed. The national poverty headcount ratio is the percentage of

the population living below the national poverty line. When counting from the first year when this data is present it is to be observed that the percentage of people below the poverty line also nearly doubled – from 16.7 percent in 1999 to 27.8 percent in 2015. Simultaneously, unemployment has remained high fluctuating between 8 and 13 percent in the 1990-2016 period and has been even higher among youth peaking at 34.4 percent in 2012, but already as high as 24.9 percent in 2010, the year before the Arab Spring¹¹.

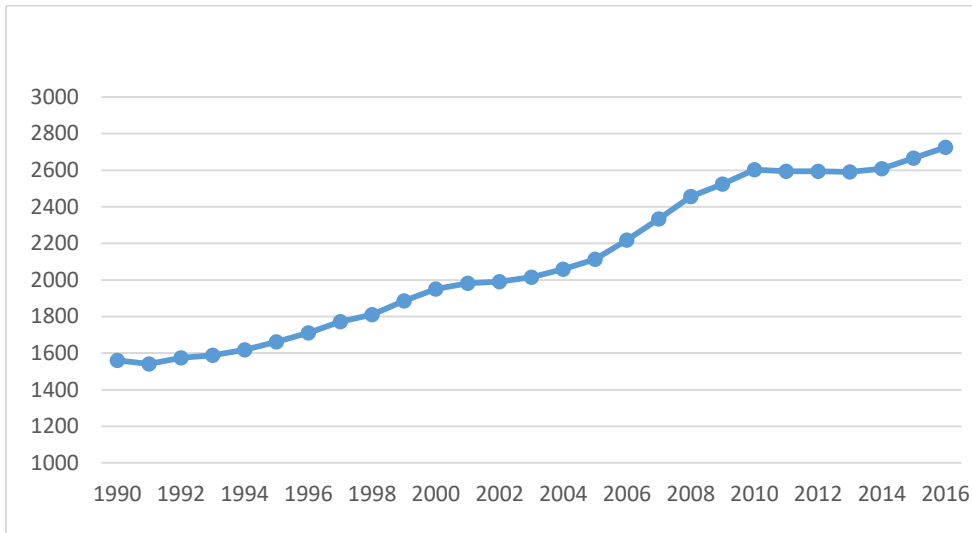


Figure 9 – GDP per capita for the Arab Republic of Egypt (constant 2010 US\$)
Source: World Bank database

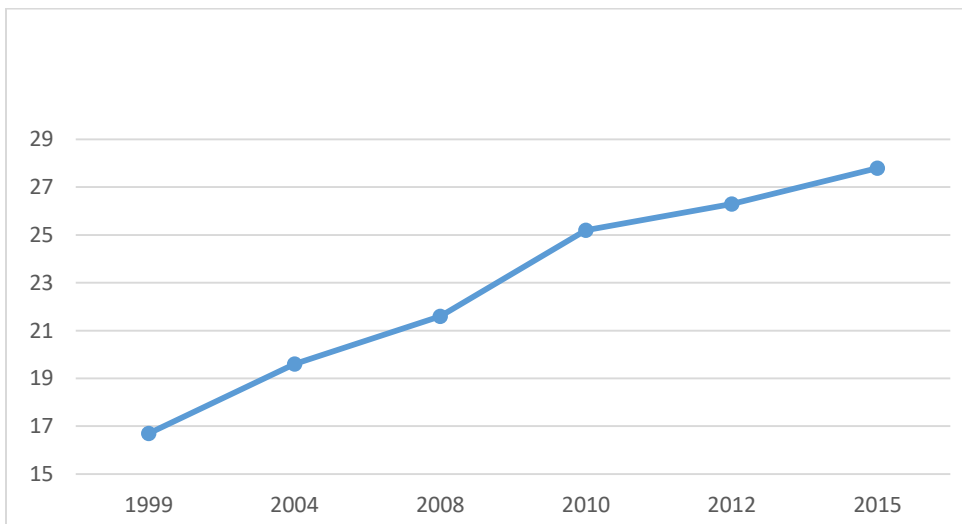


Figure 10 – Poverty headcount ratio at national poverty lines (% of population) for the Arab Republic of Egypt
Source: World Bank database

¹¹World Bank database: <https://data.worldbank.org/>. Accessed April 22, 2018.

Conclusion

Although Egypt slowly opened up to the world economy in the post-Nasser years with Sadat's *infitah*, it was not until the 1990s with Mubarak that we can see a clear shift towards neoliberal policies. These policies have been mostly notable through the land reforms and privatization. However, labor market deregulation, trade liberalization, cutting of subsidies and social provisions, and the creation of tax-free zones can also be categorized under this banner. All these measures have reformed the Egyptian economy indeed, making it financially healthier and have generated immense wealth for the country. At the same time however, Egyptian society has become less equal, with wealth concentrated in the hands of a happy few, causing poverty and unemployment to rise substantially and leaving a growing proportion of society worse off. More than that, they have transformed the Egyptian state in a conduit of wealth that can be utilized for private benefits the closer one is to the center of power. It is this power dimension of the state and its transformation that will be the subject of the next chapter.

4. The Configurations of Power in the Neoliberal State

The policies that have been described in the previous chapters were met with severe protests in both countries. The protests included large-scale demonstrations, labor strikes and student protests – the most prominent being the Arab Spring and the Gezi Park protests – and a reconfiguration of opposition movements. As a response to this resistance the state had to step up its security apparatus if it wanted to implement its neoliberal reforms successfully (Hanieh 2013: 64). In both Turkey and Egypt this has led to an authoritarian regime that has become more oppressive ever since. In this chapter I will outline how state power has been reconstructed and how this has influenced democratic institutions – starting first by examining democratic regression in Turkey, and thereafter observing the consolidation of autocratic power in Egypt. For Turkey I will investigate the media, since Turkey enjoyed a relative amount of press freedom before the situation deteriorated significantly. For Egypt on the other hand I will examine the process of agricultural reforms and privatization – the process of which also illustrates well how political power has become intertwined with private sector interests. Since the objective of this chapter is not to present a comparison for each country according to specific sectors or processes but rather illustrating how in both countries power has been reconstructed due to neoliberal policies, I have picked those cases that best exemplify this process. Due to the specificities per country this necessarily creates variation in the sectors under scrutiny.

Democratic retrogression in Turkey

When the AKP first came to power in 2002, it promised that it would make Turkey more democratic, curb the power of the military and liberalize religious freedoms. Although it made some progress in this regard – passing legislation to protect media freedoms, lifting the headscarf ban, neutralizing the political role of the military and implementing anti-corruption laws – it started to alter its course after its reelection in 2007. After the consolidation of its power in that same year, the AKP – under the leadership of then PM Erdoğan – started to assert itself more and more as an authoritarian party. This is illustrated through its attacks on the media, the extension and incorporation of the military and its security apparatus, its attacks on judicial impartiality, its imposition of religious education to transform the youth, and its numerous violations of the constitution to keep itself in power – to name just a few (Keyman 2010; Akser and Baybars-Hawks 2012; Kaya 2015; Akkoyunlu and Öktem 2016; Lüküslü 2016; Öktem and Akkoyunlu 2016; Öztürk 2016; Somer 2016; White and Herzog 2016). The number of inmates has never been this high – from 49,512 (or 0.073% of the total population) in 2000 to 200,339 (or 0.251%) in 2016 – even exceeding the levels during the military dictatorship at the beginning of the 1980s.¹²

According to White and Herzog (2016), Turkey should be labelled as ‘electoral authoritarian’, instead of a variant of democracy. In such a system multi-party elections may still take place “but liberal-democratic principles of freedom and fairness are violated to such a degree as to neutralize the democratic nature of such elections, effectively making them instruments of authoritarian rule” (White and Herzog 2016: 554). The overall goal of such a regime is to “reap the fruits of

¹² <http://www.prisonstudies.org/country/turkey>.

electoral legitimacy without running the risks of democratic uncertainty” (Schedler 2002: 37). This is exactly what happened with the elections of June 2015, where the AKP lost its absolute majority in parliament and had to form a coalition government. The AKP’s ‘defeat’ was caused by a rise in popularity of the Kurdish-led left-leaning HDP (*Halkların Demokratik Partisi*, The Peoples’ Democracy Party), which was able to undermine AKP political dominance effectively. However, immediately after the disappointing election results, the AKP aborted peace talks with the Kurdish terror organization PKK and re-engaged in military operations against it while simultaneously trying to affiliate it with the HDP. For the first time in Turkish electoral history since 1950 the winner of the elections refused to form a government and stalled the process for 6 months, after which, according to Turkish law, voters had to return to the ballot box and vote again. With a full-scale media campaign aimed at undermining HDP credibility – utilizing Turkish national symbolism and all the rhetoric of war and national security – and the detainment of some of its most prominent members on the grounds of supporting terrorism, 6 months later the AKP was able to alter the election results in its own favor; once again it was able to rule the country with an absolute majority in parliament (Öktem and Akkoyunlu 2016; White and Herzog 2016). Since the role of the media has been critical in this process, it deserves to be examined in more detail.

The media

Turkey ranked 149th out of 180 countries included in the Reporters Without Borders’ World Press Freedom Index (Transparency International 2018). “This is part of a worrying trend in Turkey where the government is moving towards autocratic rule. These actions threaten the very foundations of democracy”.¹³ Although the profession of journalism in Turkey has never been without danger, the AKP has stepped up the state’s autocratic stance towards the media since 2007; including pressurizing the Doğan Media Group, tapping phones of political figures, arresting journalists – first in the Ergenekon trials and later in its fight against the so-called Gülen Terror Organization (FETÖ) – excluding non-aligned reporters from political circles and banning foreign media websites like the Dutch National Broadcast Agency (NOS) and Wikipedia (Akser and Baybars-Hawks 2012).

With the ascension of Özal’s presidency Turkish media became more sensationalist since they were more motivated by profit rather than journalistic ideals, a process that accelerated well into the 1990s when large conglomerates started acquiring media outlets (Kaya 1994; Adaklı 2009; Sönmez 2010). These business groups – through their alliances with political elites – were able to increase their economic interests at the expense of full press freedom and the position of the labor unions for journalists (Finkel 2000; Tilic 2000; Tunç 2003). Nonetheless, in the 1999-2005 period – which corresponds roughly with the acceptance of its EU membership candidacy until the launch of accession talks – Turkey made some remarkable progress in transforming its legislature regarding the media, although it did not culminate in a paradigmatic shift in practice (Sümer 2007; Akser and Baybars-Hawks 2012).

¹³ José Ugaz, Chair of Transparency International, https://www.transparency.org/news/pressrelease/transparency_international_condemns_forced_takeover_of_media_organisations.

In the aftermath of the 2001 economic crisis – parallel to the banking sector – Turkey’s media sector underwent restructuring, regarding the fact that the companies in this sector were sometimes owned by the same holding company. The media assets of these holding companies were taken over by the newly established Savings Deposit Insurance Fund (*Tasarruf Mevduatı Sigorta Fonu*, TMSF) and were later sold to conglomerates already active in the media sector or by new groups that were just entering it. Within this context, the AKP actively tried to benefit its affiliated business circles to own media outlets; the case of the Uzan family’s media empire is an illustrative example of how media ownership changed hands from opposition to government-friendly groups (Bora 2002; Akin 2010; Akser and Baybars-Hawks 2012).

The picture that arises today is one of large conglomerates that are economically tied to the political elite in a number of different ways. All the large media groups – Turkuvaz Medya Grubu, Doğan Holding, Doğu Holding – have subsidiaries that are active in infrastructural projects in both the energy and construction sector, both of which are sectors that rely heavily on government permits and tenders to gain approval for projects.¹⁴ At the same time we can observe that there has been an erosion of Turkish democratic institutions and an increasing prevalence of corruption (Bedirhanoglu 2007). Transparency International scored Turkey 40/100 in 2017 in their Corruption Perception Index, down from 50/100 in 2013. This is further exemplified by the fact that the privatization process has almost entirely been dominated by business elites that have strong ties to the political elite.¹⁵ Thus, in order to survive these large holding companies have to be careful about being too critical about the government. Adding the fact that since the attempted coup on July 15th 2016 Turkey has officially been in a state of emergency, and thus media outlets are to conform to a strict discourse in their coverage of news items, it is very unlikely that there can be any kind of critical media in such an environment.

Autocratic consolidation in Egypt

In 2008 Egypt employed an estimated 1.7 million security personnel and support staff, relatively similar to what East Germany used to allocate for internal monitoring (Brownlee 2011: 641). From 1992 to 2011, the prison population rate went up from 0.058 percent to 0.083 percent.¹⁶ Egypt differs from Turkey in that it has never become fully democratic. Therefore, it would be wrong to talk about a rise in authoritarianism in Egypt, but rather about a consolidation of autocratic power and an alteration in the structure of this power. Nonetheless, it is possible to witness a slight political liberalization during Sadat’s *infitah* with the introduction of limited multiparty polls in 1976, which was followed by a “relative expansion of liberties in the early 1980s” until this process was reversed by the end of the decade and Egypt became even more authoritarian than before, implementing repressive legislation against trade unions and syndicates, and witnessed unprecedented electoral fraud. Since the assassination of Sadat, “Egypt has been under a continuous State of Emergency, which has permitted the Egyptian state apparatus to engage in massive and often systemic labor rights violations, while torturing and even murdering regime critics” (Maher 2011: 37). This period coincided roughly with the 1988 debt crisis and the

¹⁴ See <http://mulksuzlestirme.org/turkey-media-ownership-network/>.

¹⁵ <http://mulksuzlestirme.org/energy-privization-network/>.

¹⁶ <http://www.prisonstudies.org/country/egypt>.

implementation of neoliberal reforms (Kienle 1998: 220; Roccu 2012). It were these reforms that have shaped contemporary Egyptian society and have configured power relations within the state. In line with the chapter on Egypt's neoliberal experience, in this section I will map out the political implications of both the agricultural reforms and the privatization process.

Agricultural reforms

As has already been mentioned, Law 96 had significant economic consequences, rolling back Nasser's reforms and causing a vast transfer of wealth from the poorer sections of the rural population to large landlords. Simultaneously with the transfer of this wealth however, there was also a transfer of political power. Nasser had decreed that half of the seats of parliament were to be held by the lower classes and two seats in each electoral district were reserved for either an industrial worker or a peasant and by a professional or an official. Although this edict is still in force today, the parliament that approved Law 96 did not contain a single tenant, allowing landlords to present the issue according to their own perspective and interests (Saad 2002: 106; Roccu 2012: 133). Furthermore, the regime chose to downsize the Principal Bank for Development and Agricultural Credit (PBDAC) – which was responsible for providing credit for agricultural production – and to liberalize prices for credit as well as to eliminate subsidies on agricultural input (Bush 1999: 34). This benefitted the capitalist classes in two ways. First, with the reduction of the role of the state in providing credit to farmers, the cost of obtaining loans that are essential for investment rose and could only be obtained by those with the economic means, benefitting the landed elite as a large part of their competition was being eliminated. Second, the tasks that were previously performed by the state – the provision of credit and other banking services for the agricultural sector – were delegated increasingly to “members of the wider ruling bloc in their private capacity” (Roccu 2012: 136). Thus, a select group of businessmen with close ties to the political regime were able to benefit substantially at the expense of lower and middle classes.

Privatization

Something similar is to be observed with regard to the privatization process. According to both the IFIs and the government, like mentioned before, the inefficient and bureaucratic SOEs had to be replaced with efficient and competitive private firms which would ultimately benefit the whole of society. What actually took place however, was that SOEs were sold to those private groups that were created in the *infithah* reforms and had been loyal to the regime. As such, the state did not lose control over them as they were informally still tied to the state bureaucracy. Furthermore, the market did not open up to competition, but rather changed from being dominated by a state-run monopoly to either a private one or an oligopoly. Neither did they have an incentive to become competitive as long as they were dominating the national market. Furthermore, with the creation of designated tax-free zones, which were officially for a period of ten years but could technically continue perpetually, the state did not derive any revenue from economic activity, while at the same time many SOEs were sold below market value. Lastly, adding the fact that subsidies on consumption were cut and prices were liberalized, the state became a conduit of wealth for the capitalist class, both statist and private, causing the deterioration of living standards of the working class (Mitchell 2002: 282-283; Roll 2010: 358-359; Roccu 2012: 120-122).

Conclusion

In correlation with the implementation of neoliberal reforms since the 1980s the configurations of power within the state have altered significantly. Although both the Turkish and the Egyptian state have become authoritarian, what is remarkable in this regard are not the similarities regarding the extent of their authoritarianism, but rather regarding their nature. With the liberalization of markets and the retreat of the state from public provisions, powerful business and political elites have grasped this opportunity to obtain both economic as well as political dominance. In this respect the presence of the state did not diminish nor did private interests overcome political ones. What has changed however, has been the proliferation of business interests within state structures, creating a complex network that ties the private sector to the ruling classes. Thus, the state has become an arena in which the interests of these networks are being pursued, thereby altering its function from that of safeguarding the interests of its citizens to that of furthering the interests of those that are closest to power.

5. The Islamist Reaction

The retreat of the state as a provider of public services and social security caused resentment among the population and made it to question its legitimacy. This came to expression in a number of different ways from a wide array of different political movements, the most successful of which have been the religious right, or those of the political Islamists. They have been able to use the neoliberal reforms to advance their own political agenda, incorporating them into their own narrative. In both Turkey and Egypt it has been the same current of political Islam – pro-business Sunni – that has been able to garner political power and has vested itself as a societal force to be reckoned with, firmly positioning itself at the heart of society. At the same time however, these groups were not constituted of lower-class laborers, but rather of educated upper-middle-class businessmen. Indeed, the political agenda of both the AKP and the Muslim Brotherhood (MB) has been neoliberal, or at least pro-capitalist. But if their political views have been supportive of these reforms then how were they able to garner popular support by utilizing the resentment against these very same measures?

[From a bottom-up cultural revolution...](#)

Apart from the fact that the Egyptian government's economic policy deprived many citizens from a basic means of living, it was also its political orientation towards the West that alienated a large part of its population. Due to the fact that Egypt became incorporated into the global network of capital accumulation and became dependent on US economical support, it could not afford to challenge its patron politically and the rift between the state and its subjects started to get wider. Mainly the peace with Israel following the Camp David accords caused widespread resentment among the population (Berman 2003). It was within this context that religious organizations – mainly the Muslim Brotherhood – started filling the vacuum that was left by the state. Although they were officially banned as a political party, they provided citizens help with employment, education, housing, and health care, which made them gain popularity and support from the public. In short, they constituted the bulk of civil society. However, along with all this aid and support came a political message: "Islam is the way" (Ibid: 261). It was precisely because of this situation however that the Egyptian government was unable to counter this movement. Not only would it cut a growing number of people that were dependent on them from access to basic human provisions, but the secularly-oriented Egyptian state would run the risk of losing even more support and legitimacy if it openly opposed Islamic organizations (Anderson 1997; Murphy 2002; Berman 2003). Thus, with a growing power base, the Islamist movement manifested itself as a political voice that could no longer be ignored. "In short, while the Islamist movement has not been able to topple the Egyptian state, it has contributed to isolating it still further from its people and transforming the country's society and culture to such a degree that some scholars refer to what has occurred as the 'Islamization of society' or a 'cultural revolution'" (Berman 2003: 263). As Abdo describes it, "[a nation] long considered an outpost of democracy and secularism in the Arab world is quietly being transformed into an Islamic order" (2000: 12). In 2011 this discontent culminated in the ousting of Mubarak and the election of Mohamed Morsi – the leader of the Muslim Brotherhood – as president in the event we all know too well as the Arab Spring.

However, his reign was soon put to an end by the Egyptian military headed by its Commander-in-Chief Abdel Fattah el-Sisi as it took over through a coup d'état and is still in charge of the government. Thus, what Berman already noted in 2003 still holds today: "state failure preceded the revolutionary challenge; ...the state has not collapsed; and ... the revolutionary movement has managed to effect a profound social and cultural transformation nonetheless" (Berman 2003: 264). The situation has produced a stale-mate in which the state is the holder of political power and military force but has delegated its legitimacy and credibility to opposition movements. The revolution has been accomplished only in the domain of civil society, transforming it from the bottom up by spreading the political message through grass-roots organizations.

...to a top-down political implementation

Exactly the opposite has happened in Turkey, where it was not civil society that was altered, but the state itself. Since the outcomes of power contestation in Turkey remain dependent on elections, the seated government could be directly challenged and replaced through the ballot box. Therefore, no cultural revolution had to take place from the bottom up to alter politics. In fact, when the AKP came to power in 2002 it described itself as "moderately Islamist", emphasizing that Turkey should be more inclusive, a country for everyone regardless of religious preference or ethnic background (Keyman 2010; Kaya 2015). Since its foundation in 1923 Turkey has been run by very distinct but all outspokenly secular governments. Unfortunately, these governments had been unable to realize neither a full-fledged democracy nor sustained economic development. The crises of the late 1990s and early 2000s however created an opening for a "moderately Islamist" party with a fresh look on the status quo, promising to both democratize the country as well as economically develop it. Like already mentioned above, the AKP's main point of departure in this regard was the lift of the headscarf ban in public buildings, making universities and workplaces accessible for women wearing a headscarf. However, during its tenure it slowly but steadily made steps to Islamize society. When running the numbers, between 2005 and 2015 the number of mosques in Turkey increased with nearly 9,000 to 90,000 in total – or one mosque for every 866 people. In comparison, for Egypt the ratio is approximately 1 to 1,340 while for the Islamic republic of Iran the number is just one mosque for every 1,625 citizens.¹⁷ Furthermore, in the period between 2002 and 2016 the number of students enrolled at religious schools (*İmam Hatip*) increased from 60,000 to 1.2 million.¹⁸ This has been a direct consequence of educational reforms the AKP has implemented. It turned the religious schools from a selective option into a central component of the educational system – making the recognition of its degrees equal to those of secular schools and introducing entrance examinations for all high schools *except* for the religious ones (Cornell 2015). This trend continues; as recently as last year (2017) Darwin's theory of evolution was scrapped from the standard high school curriculum, while students are being set to discuss problems regarding the implementation

¹⁷ Based on numbers provided by Gatestone Institute: <https://www.gatestoneinstitute.org/9002/turkey-mosques-prisons>. Accessed May 4th 2018.

¹⁸ Idem.

of democracy.¹⁹ In recent years however, especially since the attempted coup, nationalism has been added to this new discourse of state ideology – dubbed as ‘Turkishness’.

[T]he AKP’s education and youth policies can be characterized by their dual nature: On the one side, they are infused with social conservatism and religious discourse, including an Islamized version of Turkish nationalism, which creates the image of a unified Turkey, where religious identity trumps class and ethnicity. On the other side, neoliberal economic policies deepen social inequalities and create conditions of severely unequal access to education. They aim at the imposition of a new national identity based on Islamic symbols and an Islamized historical narrative with symbolic dates and events that are untainted by the Kemalist history narrative. (Lüküslü 2016: 645)

It needs to be added here that the Islamic symbols that are being used are outspokenly Sunni. In other words, being Turkish is being equated with being nationalist and a pious Sunni Muslim. A complication that arises with this new narrative of national identity however, is the fact that an estimated 12 million²⁰ Turkish citizens are not Sunni Muslim but are Alevi, not counting the fact that according to a 2017 poll 14 percent of the population – comprising both Sunni and Alevi backgrounds – does not consider itself Muslim at all²¹ (Kaya 2015; Lüküslü 2016; Öztürk 2016). Thus, a divide is created between those that adhere to this crafted official identity and those that do not.

Conclusion

The Islamization of Egyptian and Turkish society has been a direct result of the economic policies both countries have implemented in recent decades. Although other factors have no doubt made a contribution to this process as well – like the spread and funding of Islamic organizations by the wealthy Gulf States, mainly Saudi Arabia and Qatar – it has been the economic deprivation of large parts of society that has created an opportunity for political Islam to openly challenge the traditionally secular state elite. In both countries the secular state has failed to meet expectations and both the MB and the AKP have been successful in constructing a narrative that has been able to garner popular support by incorporating the economic hardships into their own ideology, formulating an alternative to the peoples’ sorrows – albeit a false one. The main difference between the MB and the AKP is the fact that for the MB this has not resulted in yielding political power. Being denied any participation in the political process, the only way for the MB to contest the state has been by transforming Egyptian society from the bottom up and isolating the government from its citizens. For the AKP however, the path to political power was hurdle-ridden but open, and so it did not have to transform society to walk it. What remains remarkable though

¹⁹ *Milliyet* newspaper from January 14th 2017: www.milliyet.com.tr/evrim-ve-darwin-derslerden-cikiyor-gundem-2378271/. Accessed May 4th 2018.

²⁰ <https://www.haberler.com/chp-li-ozbolat-ulke-genelinde-12-milyon-521-bin-5732812-haberi/>. Accessed May 4th 2018.

²¹ *Yeni Çağ* newspaper: <http://www.yenicaggazetesi.com.tr/iktidara-yakin-anket-sirketi-halifeligi-sordu-43225yy.htm>. Accessed May 4th 2018.

is the fact that both movements are pro-capitalist in nature and have no desire whatsoever to alleviate class differences. As has already been discussed at length in Chapter 2, the AKP even intensified neoliberal policies, widening the economic gap between income levels. Therefore, two questions remain to be answered: why do the lower income classes keep politically supporting parties that offer no structural relief for their hardships – but are rather aggravating them – and what is the role of religion in this process?

Conclusion: Neoliberalism, Authoritarianism and Islamism as one Totality

The neoliberal project has had a profound impact on Turkish and Egyptian society, disrupting the traditional configurations of both social relations and the state. It has caused a drop in the standards of living for the great majority of people and has altered the power structure of the state. At the same time we can observe a growing level of state authority and a rise of religious and nationalist conservatism. Indeed, these are all observable facts, well documented and to some extent even turned into quantitative objective information; but what does all of this mean? How can we interpret the relationship between these developments and how can we explain their causes?

To provide some insight on these questions I return to Gramsci's theory on state legitimacy and his notions of coercion and consent, as has already been introduced in the first chapter. With Gramsci, the existence of states are a dependent variable determined first and foremost by the level of consent they enjoy and thereafter the level of coercion they are able to exercise to compensate for the consent they lack. In this context, it is important to ask where the Turkish and Egyptian states derive their legitimacy from. Through their economic restructuring they have excluded the majority of their citizens from economic and social benefits while at the same time those that were doing well are doing even better. They have become states that are benefitting the few who exploit the many. The state did not become less transparent and socially equal despite its economic restructuring, but rather because of it. By giving the private sector significant influence in the decision-making process with the absence of solid democratic institutions, a rift occurred between the state and its citizenry, alienating the majority of people from their government.

As the state had to give up on consent, it needed to compensate this with coercion. This happened in a number of ways, both directly and indirectly. First of all, the state became more authoritarian, expanding its military and intelligence apparatus, passing more restrictive legislation and granting itself more authority to desecrate human rights and undermine democratic institutions – like perpetually prolonging the state of emergency, something that is now also being witnessed in Turkey since July 15th 2016. By tightening their grip on power, state elites are trying to repress popular discontent that is being expressed through opposition movements.

Second, they are constantly trying to build consent by focusing attention away from these issues and engaging in identity politics. In Turkey this has played out differently than in Egypt, as political power was and is still dependent on democratic elections. Therefore the state cannot solely rely on coercion; it has to look for new ways to legitimize itself by focusing on issues other than economic ones. Since a large number of the AKP's electoral base is comprised of the poorer and uneducated segments of society, it was able to successfully address their national and religious identity that cuts across all their particular identities, ultimately rendering them irrelevant. As such it has created a big divide in society of *us* versus *them*, or those that identify with the idealized and romanticized picture of Turkey and those that do not. For the AKP to accomplish its

goal it is merely enough to win half of the votes, as the other half can be forced to comply through coercive measures. Coercion does not only imply physical force however, it ranges from passing intrusive legislation and media censorship to altering the education system, setting up organizations that spread the government's message which is being packaged as neutral information, and making the religious establishment an extension of its PR office.²²

Since Egypt was already more authoritarian to begin with and the democratic way to political power was closed off, it did not have to go through too much trouble to legitimize itself; it could just step up coercive measures. It is able to finance this due to the great amount of foreign financial aid it still receives today. Therefore, the Egyptian state has been more passive in this regard, with the rhetoric it uses being more cynical in character; "we know very well that there are problems but there is no alternative, this government is the only one that can contain some of the misery". The Muslim Brotherhood is able to contest this cynical approach precisely because it is an empty shell, it does not offer any justification other than desperate fatalism. Nonetheless, the MB does not address class issues either, rather it explains economic inequality through its own Islamist narrative in order to mobilize society, leaving class inequality untouched.

In this respect it can be compared with the AKP, which has deployed the same tactic. Indeed, both the AKP's and the MB's foundational thrust are constituted of middle-class businessmen from the more conservative strata of society. Although they have been able to benefit from the economic reforms that have been implemented in recent decades, they have been ignored by the political establishment. The AKP's and the MB's success have been a result of their efforts to transform their economic accomplishments into political influence, while the traditional secular elite has failed to address some of the most critical socio-economic issues. Simultaneously, this same elite has prepared a societal base for the Islamist movement through decades of repression against the secular Left. By undermining the lower classes' ability to recognize class divisions as the root of their torment, the only way remaining to express their discontent was through the conservative right, something that the Islamist movements were more than willing to exploit. In this sense, the proposed antagonism of secularists versus Islamists, nationalists versus apostates – or basically *us versus them* – is a false one. They are fabricates that serve to mystify the class struggle that lies underneath its surface. Through the creation of false identities the neoliberal state has undermined its own liberal and secular values – rendering them hollow and meaningless – and has created a sharp divide throughout society. In fact, the main variable that separates the outcome of the neoliberal project in Turkey from the one in Egypt is the fact that in the former popular discontent was able to express itself democratically and therefore it has manifested itself in a completely different manner. By getting itself elected and wielding state power, the AKP was able to propagate its Islamist message more effectively and undermine liberal democracy itself. How then are we to understand this process of democratic regression within the context of neoliberalism? The Marxian notion of *totality* can be of useful assistance here. In order to understand a phenomenon in its totality we have to be aware of all its relations and symptoms. In this sense, neoliberalism and Islamism are part of the same totality, for the former has created the latter by undermining communal values and aggravating class divisions, while at the same

²² Mosques and other religious institutions in Turkey are funded and run by the state through the Directorate of Religious Affairs (*Diyanet İşleri Başkanlığı*).

time directing attention away from this process and attacking the secular Left that was upholding the ideals of egalitarian democracy. Indeed, after the Turkish military coup in 1980, it was Evren himself who actively promoted Islam to counter Leftist activism under the assumption that a pious youth will cause “no harm” to society.

Discussion and limitations

In this research paper I have made a qualitative inquiry into the connection between neoliberalism on the one hand and authoritarianism and Islamism on the other. From all of the above we can derive three facts: Turkey and Egypt (1) both implemented far-reaching neoliberal policies, (2) both grew closer to each other in the way power is constructed and distributed, and (3) both have become more Islamist. Although these developments may seem disconnected at first, it should be clear by now that this is actually not the case; they are very much interrelated, interdependent and are all outcomes of the very same process, the process of class domination. While this is the process that is unfolding on the national scale, it is important to remember that this is part of a broader development in which sovereign governments are being made subordinate to the interests of global capital through the conditioned loan packages of the IFIs and the economic policies of Western powers. Therefore, in a deeper sense, the questions regarding neoliberalism and authoritarianism ultimately lead down to questions regarding national sovereignty. To what extent can we call nations truly sovereign if their economic policy is being forced into submission through debt and other mechanisms? If we want the different peoples and nations that constitute humankind to be truly masters of their own fate, it is time for us to break away from the system of imperialism and subjugation. Recognizing the fact that this is not possible with the outdated economic models that are still being used today is a first step in the right direction. If we want to address issues like war, poverty, social injustice and human rights violations, we need to address the problems that lie at the heart of these issues. To this end I hope this paper has made a contribution by examining the practical implementations and effects of neoliberalism in a comparative case study.

Nevertheless, I have been limited in this exercise on a number of points. First of all, I was limited in my space and therefore I could not cover some topics which are highly relevant for this research, like the events regarding the Gülen movement in Turkey – the so-called 17-25th of December operations, the corruption cases, and the 15th of July attempted coup and its aftermath – and the post-Mubarak events that unfolded after the election of Morsi as president and which had a deep impact on Egypt’s current configuration.

At the same time, as is common when doing research on these topics, there is a limitation regarding the information I was able to obtain. Since the subject of this research continues to be controversial and contradicts official narratives that are being propagated through mainstream channels of dissemination, it remains challenging to establish the link between the different concepts. For instance, how much of the reconfigurations of state power can be truly attributed to the neoliberal reforms? In other words, to what extent are the events causally related instead of being correlated? As such, there is more room for interpretation of the information that is being presented than I am comfortable with. This being said, I do believe that the theoretical framework that has been presented in this paper – despite its limitations – has a greater

explanatory power than the mainstream theories of economics, precisely because they fail to connect economic policy to political context.

Finally then, some trends remain to be observed which – at least for the time being – go against the findings of this research. One of these is the dropping rate of Muslims and the rise of less religious worldviews like deism and atheism in Turkey.²³ It seems that there is a popular counter-reaction against the suffocating use of religion by the government, as more and more young people are turning away from traditional beliefs. In this respect it might be regarded as a form of protest – to actively disengage from the political identification process that the AKP has crafted so carefully. The upcoming elections by June 24th 2018 will reveal how much of the national discourse of the AKP is actually grounded and will earn President Erdoğan another victory; with the current deteriorating state of both the economy and democratic institutions, there is not much else left to keep supporting him, or so it seems. At the same time Egypt's President Sisi is manifesting himself more and more as a "Mubarak-style" leader, given the manner in which the last elections have played out. His involvement in the imprisonment and torture of tens of thousands of Egyptians, the deaths of thousands more, and the way he is greatly endorsed by both the Trump administration and Netanyahu reminds one very much of the situation prior to the Arab Spring.²⁴ It remains to be seen how all of this will play out but one thing is certain, the cultural and political transformation of both Turkey and Egypt are far from being finished.

²³ BBC news website from May 10, 2018: <http://www.bbc.com/news/world-europe-43981745>. Accessed May 30, 2018.

²⁴ Vox news article from April 3, 2018: <https://www.vox.com/2018/3/26/17033030/egypt-elections-results-sisi-president-trump>. Accessed May 30, 2018.

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