

THE STATE OF TURKEY’S CONSTRUCTION SECTOR DURING THE AKP ERA

MURAT AKDOĞAN

BOĞAZİÇİ UNIVERSITY

2021

THE STATE OF TURKEY’S CONSTRUCTION SECTOR DURING THE AKP ERA

Thesis submitted to the
Institute for Graduate Studies in Social Sciences
in partial fulfillment of the requirements for the degree of

Master of Arts

In

Political Science and International Relations

by

Murat Akdoğan

Boğaziçi University

2021

DECLARATION OF ORIGINALITY

I, Murat Akdoğan, certify that

- I am the sole author of this thesis and that I have fully acknowledged and documented in my thesis all sources of ideas and words, including digital resources, which have been produced or published by another person or institution;
- this thesis contains no material that has been submitted or accepted for a degree or diploma in any other educational institution;
- this is a true copy of the thesis approved by my advisor and thesis committee at Boğaziçi University, including final revisions required by them.

Signature.....

Date

ABSTRACT

The State of Turkey's Construction Sector During the AKP Era

In this research, I focus on the noteworthy performance of Turkey's construction sector during the Justice and Development Party (AKP) era and examine why the construction sector per se has been promoted by the AKP government since 2002. In this study, I argue that construction sector has become crucial to the perpetuation of AKP rule because this sector helps AKP to build and keep its winning coalition constituted by AKP cronies. For this reason, AKP has continuously privileged the sector. To formulate my hypotheses about the role of construction sector under AKP rule, I benefit from crony capitalism framework and supply-side economics theory. While the former explains the importance of construction sector to AKP rule, the latter depicts how construction-driven cronyism is made persistent. To test my hypotheses, I employ a combination of qualitative and quantitative research methods. For the first hypothesis, I use process tracing method, and for the second hypothesis, I employ multivariate regression model. Results of these analyses show that during the AKP era, construction sector has been privileged to build a winning coalition of AKP-cronies, and supply-side measures have been crucial to the persistence of construction-driven cronyism. This work has implications for state-business relations and single party authoritarianism in Turkey.

ÖZET

Türkiye İnşaat Sektörünün AKP Dönemindeki Durumu

Bu araştırma, Türkiye inşaat sektörünün Adalet ve Kalkınma Partisi (AKP) iktidarı dönemindeki dikkat çeken performansına odaklanmakta ve neden özellikle bu sektörün AKP yönetimi tarafından desteklendiğini ve önceliklendirildiğini incelemektedir. Bu çalışma, inşaat sektörünün AKP iktidarının devamı için hayati önemde olduğunu çünkü bu sektörün AKP'nin kazandıran koalisyonunu oluşturmaya ve bir arada tutmaya yardımcı olduğunu iddia etmektedir. Bu çalışmadaki hipotezler oluşturulurken, ahbap-çavuş kapitalizmi yaklaşımından ve arz-kaynaklı ekonomik teoriden faydalanıldı. Bunlardan ilki inşaat sektörünün AKP için önemini açıklarken, ikincisi inşaat merkezli yandaş ilişkilerinin nasıl devam ettirilebildiğini gösterdi. Bu bağlamda oluşturulan hipotezleri test etmek için kalitatif ve kantitatif araştırma metotları beraber kullanıldı. Birinci hipotezin testi için metot olarak süreç izleme yöntemi kullanılırken, ikinci hipotezin testi için çok değişkenli regresyon analizi yöntemi kullanıldı. Sonuçlar gösterdi ki, inşaat sektörü yandaş ilişkilerinin besleyicisi olarak AKP iktidarının devamı için oldukça önemlidir ve bu sebeple AKP tarafından öne çıkarılmıştır. Ayrıca, inşaata dayalı yandaş ilişkilerinin devamı için arz yönlü ekonomik tedbirler belirleyici olmuştur. Bu araştırma, Türkiye'deki siyaset ve iş dünyası ilişkilerine ve tek parti otoriter yönetimine dair neticeler barındırmaktadır.

ACKNOWLEDGMENTS

I would first like to thank my thesis advisor, Professor Mine Eder, not only for inspiring me to develop an interest in the area of political economy but also showing me what it means to be a good academic and a good person at the same time. Thank you Mine Hocam for generously sharing your expertise and precious time with me. Among other things, I also thank you for your patience which has kept my enthusiasm and this work alive in the face of discouraging incidents throughout the pandemic time.

I wish to express my sincere gratitude and appreciation to my committee members, Professor Ziya Öniş and Assistant Professor Mert Arslanalp, not only for accepting to be a part of my thesis committee but also for their guidance, patience and invaluable feedback throughout the entire process. Ziya Hocam and Mert Hocam, your valuable comments on the previous drafts have substantially contributed to theoretical and empirical rigor of the final version. I am so grateful to you.

I would like to thank my parents, Şerife and Tuncay, my sister, Şevval, and my brother, Kemal Faruk, for their endless efforts to keep my spirits up during distressing times. More importantly, I would like to thank them for always standing behind me no matter what I have decided to do in my life.

I wish to thank my aunt, Emine, as well, for her continuous support and encouragement that have kept me motivated to finish this work whenever I felt down.

I also want to thank my friends, Ferhat and Hilal, for helping me in the completion of this work. Guys, I cannot thank you enough! I will always be grateful for your very timely assistance!

Finally, and most importantly, I owe a huge debt of thanks to my beloved wife, Sümeyye. My dear love, I could not ask for a better partner to embark upon such a difficult journey. You have made my life easier and better. Thank you for showing patience and providing me with generous assistance throughout the entire time. This work and I owe you a lot!

I dedicate this work to the oppressed societies of our world.

TABLE OF CONTENTS

CHAPTER 1: INTRODUCTION.....	1
CHAPTER 2: THEORETICAL FRAMEWORK.....	6
2.1 Coalitional politics and the perpetuation of political leadership.....	7
2.2 Economic growth explanations.....	11
2.3 State capitalism, developmentalism and coalitional dynamics in Turkey....	25
2.4 Sector-oriented explanations.....	35
2.5 Crony capitalism explanations.....	37
2.6 Supply-side economics: strategies of crony capitalism.....	41
CHAPTER 3: RESEARCH DESIGN.....	46
3.1 Process tracing method	46
3.2 Multivariate regression method.....	48
CHAPTER 4: HISTORICAL BACKGROUND.....	53
4.1 Finance in Turkey.....	54
4.2 Housing finance in Turkey.....	57
4.3 Turkish REITs.....	63
4.4 Construction and housing in Turkey.....	65
4.5 TOKI	68
4.6 Turkish contractors in international markets	71
CHAPTER 5: RESULTS AND DISCUSSION.....	74
5.1 Construction-driven crony capitalism under AKP rule.....	74
5.2 Strategies of crony capitalism under AKP rule: a supply-side approach.....	92
CHAPTER 6: CONCLUSION.....	101

6.1 Theoretical implications.....	103
6.2 Practical implications.....	104
6.3 Limits and future research agenda.....	106
APPENDIX A: APPROVAL OF THE ETHICS COMMITTEE FOR MASTER’S AND PHD THESES IN SOCIAL SCIENCES AND HUMANITIES.....	107
REFERENCES.....	108

LIST OF FIGURES

Figure 1. Share of construction sector and housing in GDP.....	2
Figure 2. Construction permits by cooperatives, private and public sectors	17
Figure 3. Construction and occupation permits for dwelling units.....	18
Figure 4. Capital inflow, GDP growth and construction sector growth.....	23
Figure 5. AKP and the triangular dependency	32
Figure 6. Media outlet networks and media owners in Turkey	34
Figure 7. Turkey's financial assets and liabilities	56
Figure 8. Money supply and bank loans in Turkey.....	56
Figure 9. Household liabilities, disposable income and debt	57
Figure 10. Housing credits, consumer credits and bank loans.....	60
Figure 11. Residential loan / GDP percentage for selected countries.....	61
Figure 12. Mortgaged house sales and mortgage interest rate.....	62
Figure 13. Number and value of REITs	64
Figure 14. Distribution of REITs in terms of dividend payments	64
Figure 15. Share of construction-real estate sectors in domestic/international loans.....	69
Figure 16. Share of social housing and revenue sharing projects in total number.....	71
Figure 17. Share of international markets for Turkish contractors.....	73
Figure 18. Number and value of Turkish contractors abroad projects.....	73
Figure 19. The number of Turkish contractors among largest firms.....	76
Figure 20. Number and value of construction work contracts, 2002 to 2011.....	77
Figure 21. Investment share in Turkey's public-private partnerships, 1990-2019.....	78
Figure 22. Share of pro-AKP firms in procurement contracts, 2004 to 2011.....	80

Figure 23. Share of construction work contracts by institutions/firms, 2014-2019.....	81
Figure 24. TOKI affordable housing and revenue-sharing projects distribution.....	83
Figure 25. Share and number of open and restricted method auctions, 2002-2011.....	84
Figure 26. Status of Turkey's government effectiveness and regulatory quality.....	86
Figure 27. Corruption control and corruption perceptions in Turkey.....	86
Figure 28. Status of political rights and civil liberties in Turkey.....	88
Figure 29. State of rule of law and voice / accountability in Turkey.....	89
Figure 30. State of Turkey's construction sector in growth, loans and opening firms...	89
Figure 31. Financial status of construction sector.....	90
Figure 32. Status of Turkey's fiscal position and government expenditures.....	91
Figure 33. Housing and construction sector loans in Turkey.....	93
Figure 34. Mortgage credits and mortgage interest rate in Turkey.....	94
Figure 35. Homeownership levels and income distribution in Turkey.....	94

CHAPTER 1

INTRODUCTION

Since the start of Justice and Development Party (AKP) era in 2002, construction sector has occupied a central position in Turkey's political economy. One factor that has contributed to centrality of the construction sector is the superior performance of the sector compared to its historical average. As Figure 1 shows, after AKP became the ruling political party, the share of construction and housing activities in Turkey's gross domestic product (GDP) exceeded 6% and 8%, respectively. Based on the superior performance of the construction sector in the aftermath of 2002, there has grown a large literature that strives to explain the boom in Turkey's construction sector during AKP era. A group of scholars has focused on the political dimension and has examined the clientelistic and crony ties between the AKP government and construction firms (Bugra & Savaskan, 2014; Ceviker-Gurakar, 2016; Ocakli, 2018). Another group has emphasized the sociological aspect of the boom by highlighting the urban land-oriented neoliberal governance under AKP rule (Tansel, 2019; Demiralp, 2018; Kuyucu & Ünsal, 2010). Last but not least, a substantial scholarship has dealt with the economic dimension of the boom by examining the relationship between construction activities, economic growth and housing finance (Acemoglu & Ucer, 2015; Akcigit, Akgunduz, Cilasun, Ozcan-Tok & Yilmaz, 2020; Demiralp, Demiralp & Gumus, 2016; Erguven, 2020; Erol, 2019; Yesilbag, 2019; Karacimen & Celik, 2019).

Though extant scholarship has contributed to our knowledge of construction boom during AKP era, there remains an important yet unanswered question: Why has

the construction sector per se been promoted by the AKP government as the engine of economic activities in the last two decades? This question has twofold importance. Firstly, it contributes to our understanding of construction boom under AKP rule. Secondly, and more importantly, it helps to explain how construction sector has enabled the perpetuation of AKP's rule. To answer this question in this research, I begin with an intuitive yet crucial assumption with regards to political actors: Once political actors gain access to ruling positions like government posts, these actors want to maintain their power by building their own winning coalitions (Bueno de Mesquita, Smith, Siverson & Morrow, 2003). On the basis of this assumption, I contend that construction sector should be seen as the sector that helps AKP to build its winning coalition. For this reason, I argue that AKP has continuously privileged and promoted the construction sector since 2002 to build its winning coalition and keep this coalition intact.

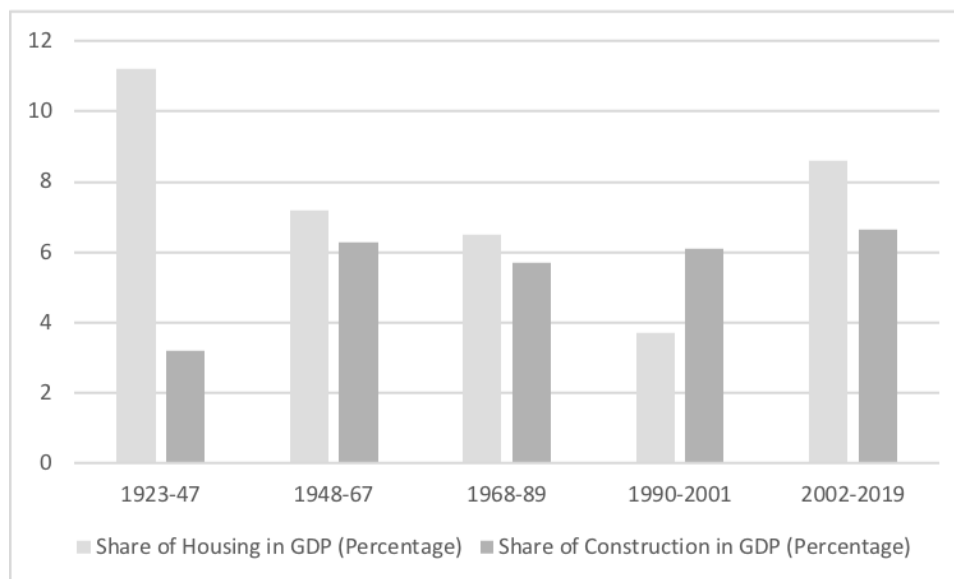


Figure 1 Share of construction sector and housing in GDP

[Directorate for Strategy and Budget [SBB], 2020]

To explain how and why construction sector has become crucial to formation of AKP's winning coalition, I benefit from crony capitalism theoretical framework in this study (Haber, 1999; Kang, 2002). Parallel to the theoretical expectations of crony capitalism, by privileging construction sector, AKP has managed the partisan allocation of urban land rent, enabled its cronies to become monopoly on rent-generating projects, used discretionary power to allocate public resources in a non-Pareto optimal and partisan manner and resorted to authoritarian methods to keep its construction-driven winning coalition intact and solid against any opposition. In other words, crony relations have become central to AKP's construction-driven strategy for remaining in power. Accordingly, I formulate my baseline hypothesis as follows:

Hypothesis 1. The prioritization of construction sector under AKP rule is a result of cronyism that has become central to the formation of AKP's winning coalition.

However, using crony capitalism framework to answer my research question begs further queries, particularly about the persistence of construction-driven crony relations. Put differently, construction sector has been salient to AKP's power consolidating strategy since 2002 but maintaining crony relations on the basis of construction sector is puzzling because as Yesilbag (2019) shows, there has been a mismatch between housing (over)supply and (under)demand (Erguven, 2020; Orhangazi, 2020). Yet, despite the mismatch, construction activities have remained vibrant. Assuming that firms are rational actors in terms of cost and benefit analysis, why do such rational actors have kept constructing further when there is not strong demand? This question matters because it unveils the strategies of crony capitalism that enable the persistence of AKP's construction-driven crony relations. To answer this question, I benefit from supply-side economics theory to explain why such rational

actors undertake these business decisions favoring more production in the presence of supply-demand imbalance which deters further supply increase (Hsieh, 2005).

Accordingly, I formulate my second and final hypothesis as follows:

Hypothesis 2. During the AKP era, supply-side measures have been more effective than demand-side measures in enabling the persistence of construction-driven crony relations that have become central to the formation of AKP's winning coalition.

To test my twofold hypotheses about performance and role of construction sector in Turkey during the AKP era, I employ a combination of quantitative and qualitative research methods. For the first hypothesis, I use qualitative process tracing method, and for the second hypothesis, I employ multivariate regression model. Results of the process tracing analysis show that during AKP era, construction sector has been privileged to build a winning coalition constituted by AKP cronies. Also, the results of the multivariate regression analysis indicate that supply-side measures have been crucial to the persistence of construction-driven crony relations. Thereby, results of my qualitative and quantitative analyses provide support for my twofold hypotheses.

This work has implications with regards to our knowledge about the role of construction sector in Turkey's political economy during AKP era. So far, many studies have evaluated the economic dimension of the construction sector and have pointed to unsustainable nature of construction-driven economic model. However, this work shows that the persistence of construction-driven economic model is not dependent on the sustainability of construction-oriented economic activities. Instead, since the sector has

been crucial to AKP's winning coalition, AKP's pro-construction strategies are likely to continue even at the expense of high economic cost.

In the remainder of this work, I firstly evaluate the extant literature and show why existing studies fail to answer why AKP has promoted the construction sector per se. Then, I refer to crony capitalism theoretical framework to formulate my baseline hypothesis, and supply-side economics theory to develop my secondary hypothesis. In the next part, I give details about the data and my research design, and I elaborate how I plan to test my twofold hypotheses. Next, I present a comprehensive historical background section about the developments related to construction sector in Turkey. Then, I provide the results of my analyses and discuss the findings in the light of theoretical expectations. Lastly, I conclude this work by discussing the theoretical and practical implications of this research.

CHAPTER 2

THEORETICAL FRAMEWORK

There is an extensive literature that attempts to account for the boom in Turkey's construction sector during AKP era. One major strand of the literature focuses on the political and sociological dimensions of construction boom in Turkey. Scholars in this group highlight the instrumentalization of institutional, legal and administrative tools by the governing AKP to extract rent from the urban land through neoliberal authoritarian practices that ignore and harm the social fabric in the areas of urban regeneration and renewal (Tansel, 2019; Demiralp, 2018; Kuyucu & Ünsal, 2010). In addition to them, another group that examines the political dimension of AKP's pro-construction policies stress the clientelistic and crony relations between the government and construction firms. Accordingly, construction sector is not only used to boost economic growth, but it is also used to provide particularistic goods to politicians and pro-AKP firms (Bugra & Savaskan, 2014; Ceviker-Gurakar, 2016; Ocakli, 2018).

Another strand of this literature deals with the relationship between the construction activities and economic growth, and scholars of this strand attribute the construction boom to favorable institutional and administrative conditions. However, these scholars also point to the adverse consequences of construction-driven economic policies with regards to economic development (Acemoglu & Ucer, 2015; Akcigit et al., 2020; Demiralp et al., 2016). Last but not least, there is a small but growing literature that analyzes Turkish construction boom from housing finance perspective. Scholars of this strand benefit from the residential capitalism literature of developed economies

where housing finance is multilayered and sophisticated, and they argue that Turkish construction boom presents a puzzle because even though there has been an increasing supply of housing in Turkey, access to housing finance has remained scarce (Erguven, 2020; Erol, 2019; Yesilbag, 2019; Karacimen & Celik, 2019). In other words, these authors demonstrate the discrepancy between the housing supply and demand in Turkey, and they assert that Turkey's construction boom in the absence of sophisticated housing finance schemes is perplexing.

Despite the contribution of these works to our understanding of construction boom in Turkey during AKP era, we still do not know why construction sector per se has been promoted by the AKP government as the engine of economic activities in the last two decades. In order to fill this gap in our understanding, I start with an intuitive yet important assumption with regards to political actors: Once political actors gain access to ruling positions like government posts, these actors want to maintain their power by building their own winning coalitions (Bueno de Mesquita et al., 2003). On the basis of this assumption, I argue that construction sector should be seen as the sector that helps AKP to build its winning coalition. In the remainder of this section, I firstly focus on theoretical debates that explain how coalitional politics interact with the maintenance of political leadership. Then, I relate these debates to AKP's preference for pro-construction economic policies and show why construction sector has become central to AKP's winning coalition.

2.1 Coalitional politics and the perpetuation of political leadership

As Bueno de Mesquita, Smith, Siverson and Morrow (2003) state in their work, leadership is crucial to politicians for delivering promises and accomplishing goals. For

this reason, politicians are always motivated to become and remain incumbent. Yet, to maintain power, leadership cannot act in isolation because a leader cannot legitimately rule against the wishes of all individuals under his/her rule. However, this proposition does not mean that the leader needs the consent of every single individual under his/her rule. Instead, it is sufficient for a leader to get the support from a group who constitutes the power in the system (Bueno de Mesquita et al., 2003). In democracies, this group refers to those who can get a politician elected; and in dictatorial regimes, this group refers to those who possess necessary means like military power and can help a politician to become a leader or to perpetuate his/her political leadership. Depending on the regime type and institutional design, the size of the group changes, and this can have implications with regards to leader's strategy to keep the supporting group intact.

In any political setting, leaders rely on those who can keep them in the office, and following Bueno de Mesquita et al. (2003), I call this supporting group leader's winning coalition. To get consistent and continuous support from the winning coalition, leader encourages loyalty among the supporters by providing them with access to personal benefits and private / public goods. However, a leader is not necessarily a single person. Rather, leader should be seen as the entity that possesses exclusive control on revenue generation and resource allocation. So, a leader can be a political party, a military junta or a single person. In any case, winning coalition should be seen as the group whose support is indispensable to perpetuate leader's incumbency. So, to maintain power, leader needs a winning coalition, and to keep this coalition intact, leader has to allow coalition members to have access to valuable goods. Accordingly, the access to valuable goods is one of the essential properties of the winning coalition (Bueno de Mesquita et al., 2003).

Winning coalition's access to material benefits can have drastic effects on resource allocation. For example, in Western Europe democracies, leadership requires support from a substantial part of the population in elections. To get that support, resources should be distributed to large number of individuals, and for that reason, public resources are inclusively used for common good and welfare. However, in authoritarian countries, distributing resources to a smaller group can be sufficient to perpetuate one's rule because in those countries, elections are either rigged or absent. So, rather than elections, bureaucratic, military or economic power is likely to determine the prospects of incumbency in non-democracies (Pepinsky, 2008). Thus, the size and constitution of winning coalition differs significantly across regimes and countries.

In this regard, Pepinsky (2008) depicts how coalitional dynamics interact with the public policy management after the Asian financial crisis of 1997 in two authoritarian countries, Indonesia and Malaysia. Despite having similar regimes, these countries differ with regards to leaders' winning coalitions. While Suharto leadership relies on a coalition of ethnic Chinese financial elites possessing extensive mobile assets to remain in power in Indonesia, Mahathir Mohamad's winning coalition is constituted by Malay capitalists, Malay labor and fixed asset owners. Pepinsky (2008) shows how the formation of winning coalition in Indonesia and Malaysia affect fiscal, monetary and distributional policies in the face of banking and currency crises in the aftermath of Asian financial crisis. For example, in Indonesia, owing to importance of mobile asset owners for Suharto's leadership, the local currency was pegged, and capital account convertibility and money transfers were kept active. However, since Mahathir Mohamad's coalition was constituted mostly by fixed asset owners and Malay labor, loose macroeconomic policies were adopted, and capital account convertibility was

restricted to protect the winning coalition. These two cases point to the importance of coalitional dynamics in the allocation of public resources and in the use of state capacity. Also, these cases demonstrate how adjustment policies by two authoritarian states can vary because of the differences in their winning coalitions.

In a complementary work, Pepinsky (2007) further elaborates about the extensive use of fiscal policy and public resources by authoritarian regimes to reward political supporters particularly during election periods. According to Pepinsky (2007), Malaysian government under Mahathir Mohamad instrumentalized public resources to allocate patronage among its supporters. Put differently, Malaysian government weaponized the incumbency in a partisan manner to generate a resource advantage through macroeconomic policies during elections. Thus, not only such policies helped Mahathir Mohamad to win the rigged elections, but also with these elections, Malaysian government got legitimacy both domestically and internationally. Therefore, partisan instrumentalization of fiscal policy benefited Mahathir Mohamad's winning coalition and helped him maintain his leadership.

In a similar work, Gibson (1997) provides insights about the importance of coalitional politics for remaining in power and governability from two Latin American countries, Argentina and Mexico. By wearing territorial lenses, Gibson (1997) analyzes who constitutes the support bases (or winning coalitions) of Argentinian and Mexican incumbents in metropolitan and periphery areas. To Gibson, support groups in these areas constitute the social coalition of the incumbent which helps leader to perpetuate his/her rule. More particularly, Gibson argues that while metropolitan sub-coalition determines the content and feasibility of incumbent policies and support incumbent's developmental strategies, the periphery provides the incumbent with the electoral

legitimacy by voting for the incumbent party. Stated differently, in Argentina's and Mexico's populist social coalitions, metropolitan area acts as a policy coalition and solves the complexities of governability, and periphery area acts as an electoral coalition and helps incumbent to get electoral victory.

These studies show that for the maintenance of ruling position and leadership, leaders need to get support from those who constitute the political power. Besides, above-stated cross-national evidence depict that though coalitional dynamics can vary substantially from country to country, these coalitions still extensively matter for leaders' political survival in distinct regimes and geographies. In the next section, in the light of coalitional politics literature, I evaluate AKP's pro-construction economic policies with reference to economic growth explanations, and then I relate these explanations to coalitional dynamics in Turkey.

2.2 Economic growth explanations

In Turkey's multiparty democracy, elections determine the ruling political actors. For this reason, governing and opposition parties compete to get (re)elected. In this setting, number of factors affect the reelection prospects of the ruling party, and among these factors, economic growth has been found to be vital (Brender & Drazen, 2008). Put simply, if a ruling party ensures high economic growth throughout its reign, it gets higher chance of reelection. Besides, this finding fits the expectations of Bueno de Mesquita et al. (2003) with regards to distributional logic in democracies. According to Bueno de Mesquita et al., in democracies with competitive elections, there needs to emerge an inclusive economic mechanism in terms of resource allocation because compared to authoritarian regimes, leaders in democratic countries need to have a larger

winning coalition. Therefore, by ensuring strong economic growth, incumbent can maintain his/her rule by making the winning coalition economically better off.

In the Turkish context, AKP has been the ruling party since 2002, and AKP's choice of pro-construction economic strategies can be evaluated in the presence of economic growth-oriented explanations. Put differently, has AKP government promoted construction sector thanks to role of construction sector in stimulating economic growth which is expected to increase AKP's chance of reelection by making its winning coalition better off? In the following, I review two major literatures that examine the relationship between economic growth and construction sector, and I show that extant literature provides mixed results on this topic.

The first group of scholars that has attempted to figure out the relationship between construction sector and economic growth has started to provide insights since 1970s when Turin (1973) published his seminal work. Turin (1973) argued that construction activities and economic development are positively correlated but the role of construction sector varies according to development level of countries. In other words, while construction value added as a share of GDP varies from 3% to 5% in developing countries, it varies from 5% to 8% in industrialized countries. To Turin, construction sector must grow faster than national economy not to hinder economic development. Besides, compared to developed countries, developing countries should benefit more from the employment generating capacity of construction sector to boost economic growth.

However, Bon (1992) questioned the reliability of data and research methods that Turin used in his analysis, and Bon reexamined this relationship. Bon found that in the early stages of economic development, the share of construction sector in national

economy is higher than more developed stages. So, Bon's results opened Turin's findings into debate. Ofori (1994) joined the debate to account for diverging results, and he asserted that the initial assumption about the role of construction sector in national economy plays important role in terms of method and data selection. Accordingly, he assigned four different roles for construction sector: (1) as an industry meeting a particular need like housing, (2) as a sector providing gross fixed capital formation and infrastructure development, (3) as an industry contributing to economic growth directly via forward and backward linkages, and (4) as a sector that is considered separately for data gathering and performance measuring purposes. Ofori points at the overlapping character of these conceptualizations, and he argues that researchers should keep them in mind in their analyses for explaining the role of construction sector in economic growth. In other words, varying conclusions about the relationship between the construction sector and economic growth could be attributed to scholars' varying assumptions about the role of construction sector in their studies because each role entail different conceptualization and measurement that lead to different conclusions.

To contribute to this debate in his work, Tan (2002) evaluates countries in three different groups to find out the role and performance of construction sector in different settings. To Tan, in low-income countries, construction output is very low but as industrialization process proceeds, construction of factories, industrial plants and houses become necessary. For this reason, share of construction output in GDP reaches highest levels in middle-income countries. Since shortage of infrastructure and housing needs are low in high income countries, share of construction in those countries gets lower. However, Lewis (2008) provides a different picture, particularly for developing countries. Lewis asserts that there is no consistent relationship between construction

sector and national economic performance because in times of plenty, economic activity leads construction sector performance through surge in public demand for infrastructure, but in times of economic downturn, construction sector can be used to boost economic growth. So, the relationship varies on the basis of multiple factors.

Ofori and Han's work (Ofori & Han, 2003) on Chinese provinces for years between 1990 and 2000 support Lewis' findings about the inconsistent relationship between construction sector and economic growth. In their research, Ofori and Han (2003) analyze the interaction between GDP, GDP growth rate, construction sector value added and construction sector growth rate. Accordingly, they find that though there is a positive correlation between construction value added growth rate and GDP growth rate, this relationship is reversed when growth rate of construction sector is used instead of construction value added growth rate. Besides, when development levels of provinces were included in their analysis, the results display even more dynamic and regional variations.

To provide a conclusive empirical evidence about this debate, Lopes (2012) conducts an analysis in a recent study by using advanced econometric techniques that cover 45 countries for years between 1980 and 2006. Lopes' results show that share of construction in GDP is dependent on the development level of individual countries. Also, similar to Tan (2002), Lopes argues that it is better for low-income countries to invest in construction activities to spur economic growth via building their infrastructure, but such an approach would not make sense for developed countries.

Though scholars present their views about the relationship between construction sector and economic development on the basis of their empirical studies, problems about longitudinal data availability and data reliability have posed a major obstacle to come up

with a decisive result in explaining the relationship between construction sector and economic growth. Put differently, cross-national evidence does not provide unequivocal support for the argument that promoting construction sector leads to higher economic growth rates. Therefore, such a result cast doubt on the reliability of assertions which claim that AKP has applied pro-construction sector economic policies solely on the basis of economic growth explanations because though construction sector has been shown to contribute to economic growth and development in the short term, relying on construction sector for generating lasting economic growth as an election winning strategy has not been supported by comparative empirical evidence.

In addition to the cross-national works on this topic, another group of scholars has focused particularly on Turkey to depict the contribution of construction sector to economic growth and AKP's rule in Turkish context. Among them, Tansel (2019) benefits from Harvey's spatial fix theory (Harvey, 1985) to argue that AKP has facilitated capital flows from first circuit (non-financial economy) to second circuit (built environment) to enhance returns on investments in Turkey's post-2007 unproductive economic environment. Thereby many companies have turned their attention to real estate markets to produce revenue and rent from urban land. To Tansel, these developments increased investments in construction sector, and this led to growth in the sector and in the national economy by promoting private construction activities (See Figure 2).

Similar to Tansel, Onis (2019) also examines the role of construction sector in Turkey's economic growth during AKP era. Onis explains Turkey's prioritization of construction sector in national economic activities through developmental state

literature. To Onis, preference for pro-construction economic strategies represents a new capitalism in Turkey which is similar to the strategies of the BRICS (Brazil, Russia, India, China, South Africa) where certain sectors are privileged in terms of incentives and regulations, and pro-government businesspeople possess overlapping ownerships in the privileged sectors. Accordingly, these sectors are promoted to generate economic growth, and in Turkish case, construction sector represents the privileged position owing to its capacity for promoting economic growth. Although Tansel (2019) and Onis (2019) provide qualitative evidence with regards to role of construction activities in economic growth, their findings lack internal validity thanks to lack of systematic data. In other words, though construction sector has been shown to contribute to economic growth through employment and investments, we fail to capture the long-term marginal impact of construction activities on economic growth, thus we cannot reach a final conclusion about this relationship in Turkish context. Besides, in the following, I show that studies that undertake advanced econometric analyses on the basis of Turkey's data find that despite the surge in the performance of construction sector during AKP era, this has turned out to be costly for Turkey's long-term economic development because prioritization of construction activities by the government has been stimulated by non-Pareto optimal allocation of resources.

To show the misallocation of resources on the basis of construction activities, Demiralp, Demiralp and Gumus (2016) analyze the linkage between the national economy and construction sector in two phases. In the first phase, they cover pre-2006 conditions and they find that though administrative and economic incentives enabled construction sector to boost economic growth in this period, it grew at the expense of

industrial sector. In the second phase, when construction sector growth slowed down in the aftermath of global financial crisis, government still attempted to spur economic growth via real estate markets by legal reforms, institutional regulations and centralization of real estate development. As a result, construction sector activities have increased substantially in the post-2010 period thanks to government's role, instead of market-based supply and demand dynamics (See Figure 3). For this reason, preference for construction activities distorted the free-market economy logic.

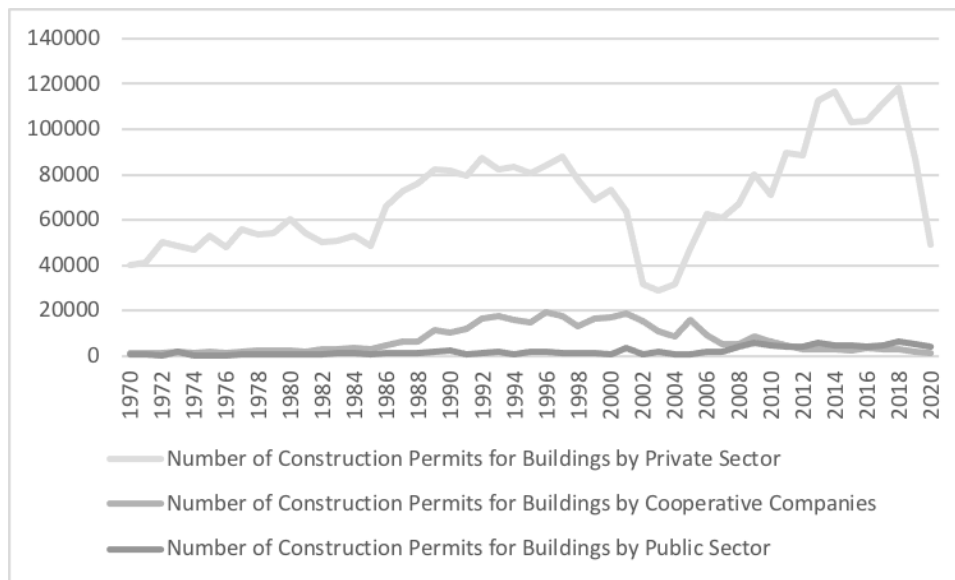


Figure 2 Construction permits by cooperatives, private and public sectors

[Turkish Statistical Institute [TUIK], 2020a]

In a similar work, Acemoglu and Ucer (2015) examine the role of construction sector in economic growth from an institutional perspective. To Acemoglu and Ucer, major reasons behind the good economic performance of 2002-2007 era lie in pro-European Union (EU) structural changes, productivity growth and geographical broadening of economic activities. So, Acemoglu and Ucer do not attribute any significant role to construction sector for pre-2007 growth performance. In the post-2008

period, however, Acemoglu and Ucer identifies a reversal in terms of governance and institutional quality. Though construction sector became the major source of economic activities in this period, since this was realized through non-transparent and discretionary policies, Acemoglu and Ucer argue, construction sector has generated unsustainable and low-quality economic growth.

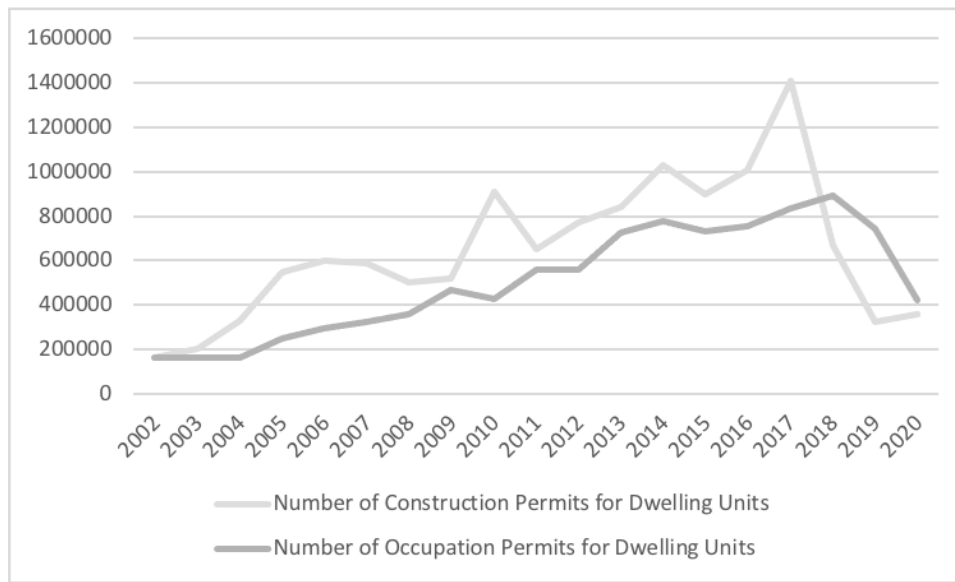


Figure 3 Construction and occupation permits for dwelling units

[TUIK, 2020a]

Last but not least, parallel to Demiralp, Demiralp and Gumus (2016)'s and Acemoglu and Ucer (2015)'s findings, number of scholars study this relationship by pointing at the side effects of instrumentalization of construction sector for spurring economic growth. Akcigit, Akgunduz, Cilasun, Ozcan-Tok and Yilmaz (2020) argue that Turkey has faced worsening economic conditions owing to misallocation of resources. To Akcigit et al. (2020), government policies prioritizing non-productive sectors and rent-oriented sectors have generated higher unemployment, lower productivity, higher market concentration and lower business dynamism in the

manufacturing sector. Besides, Coskun (2018) analyzes the return rates on housing investments, and finds that when adjusted for inflation levels, investment in real estate does not appear as the ideal spot for investment. Finally, Orhangazi (2020) addresses the dependence of construction sector on government spending especially via public-private partnerships. According to Orhangazi, long term payment plans and treasury guarantees with these projects do not only exceed cost of these projects but also socialize the risk of these projects while profits are privatized. In other words, extant cross-national and Turkey-based literatures show that despite the contribution of construction activities to short-term economic growth, the marginal effect of construction activities on long-term economic growth is neither statistically significant nor positive. Particularly for Turkey, construction activities have been found to be driven by non-Pareto optimal logic and this has led to oversupply in the housing market.

To reiterate the initial question of why construction sector has been prioritized by the AKP government, existing literature does not provide support for the argument that AKP has privileged construction sector because it could generate lasting and sustainable economic growth, thus it could increase AKP's chance for reelection. Yet, as I have mentioned in the beginning of this section, these studies cover a subsection of the literature that examines the relationship between economic growth and construction sector, and so far, I have only focused on the works that analyze the role of construction activities on economic performance.

The remaining part of this literature examines the indirect relationship between the construction sector and economic growth via contribution of housing finance to economic growth. In other words, has AKP government chosen to promote construction

sector because housing finance schemes in Turkey is thought to provide abundant demand for housing supplies in the long-term, thus construction-driven economic growth could become sustainable and lasting? Existing housing finance explanations find that it is not reasonable to expect Turkey's housing finance system to produce sufficient demand for abundant construction supply in Turkey thanks to unsophisticated housing finance mechanisms. So, AKP's demand-driven pro-construction sector strategies is not expected to produce sufficient and lasting economic growth for AKP's reelection. In the following, I elaborate on the related literature.

With the end of Fordist era, inequalities in wealth have risen, and this led a to glut of money in the accounts of top companies and tycoons. Since 1980s, this accumulation has looked for ways to make profit, and financialization has provided instruments to make rich richer (Aalbers, 2016). In this process, source of money flow spread from normal production (first circuit) to various channels: built environment and consumption (second circuit), health and education (third circuit) and purely financial flows (fourth circuit). Among them, housing has proved central to wealth accumulation not only because mortgages in housing market played role in second circuit, but also, they have relatively huge size. For example, only the stock of US mortgage-backed securities (MBS) – a type of asset backed securities (ABS) - exceed the stock of federal government debt, even though MBS is only a subset of all the United States (US) mortgages (Seabrooke, 2006).

Financialization in housing market proceeded through two channels basically in global markets: (1) access to credit and (2) securitization. This has been actualized not only through deregulation in finance, but also via constructing regulatory regimes

making securitization and easy access to credit possible. In other words, it is possible define the logic as freer the markets, the more the rules (Schwartz & Seabrooke, 2009). End of Fordist era did not only change the role of housing in wealth accumulation, but it also led to re-evaluation of housing question. In the nineteenth and early twentieth centuries, housing question revolved around how to help working class have their own home. In the postwar period, this problem was solved for most of the people in Europe and in the US via general expansion of social protection to large segments of population. This process produced a huge potential of wealth yet with illiquid financial instruments. The recent query on housing mostly addresses the ways to turn housing system into a market replete with liquid assets that are easily and swiftly tradable without losing value. Therefore, new question has become whether capital is able to extract and profit from the wealth using novel liquid financial instruments (Seabrooke, 2006).

During neoliberalization and globalization processes, residential property and mortgages (debts and securities) have turned into vital items of finance, and they generated consequences on political behavior and macroeconomic outcomes. Thereby, housing finance has become as politically and economically central as industrial finance. Besides, housing finance system has also effects on ballot-box due to its impact on economic growth, taxation and public spending. In other words, when housing finance schemes in a country benefit from securitization and long maturities, then they facilitate increasing use of mortgage credits, thus house sales surge. As a result, housing finance plays a determining role in the demand side of construction activities because even people with average income can afford to buy house owing to sophisticated mortgage products, thus the number of potential house buyers increase (Schwartz & Seabrooke, 2009). In the following, I evaluate how well housing finance arguments help us

understand AKP's prioritization of construction sector on the basis of Turkey's housing finance schemes.

In his research, Erguven (2020) evaluates the financial position of Turkish housing sector by highlighting the dependence of Turkish economy on capital flows. To Erguven, even though the share of real estates in total global assets reached 58% in 2015, Turkish housing sector does not benefit from this surge in real estate markets owing to lack of sophisticated secondary markets. Thereby, he identifies, there emerges two contradictions: (1) Though construction sector gets credit from international markets, demand for its products stems from domestic market, and (2) import-dependent nature of construction sector generates further complications when capital inflows to Turkey slow down and Turkish Lira (TL) loses value.

Similar to Erguven (2020), Yesilbag (2019) also focuses on the weakness of demand-side housing finance means in Turkey like mortgage-backed securities and compares Turkish housing finance schemes to developed countries. To Yesilbag, even though lack of secondary markets in Turkey reduces risk for a US-like mortgage-oriented financial crisis, dominance of deposit banks as major creditors in residential markets leads supply-demand imbalance because, as Yesilbag argues, supply-side legal and financial incentives encourage construction firms to produce housing that exceeds existing demand in the presence of limited financial mechanisms for facilitating home purchase. Also, following Aalbers (2017), Yesilbag argues that Turkey is a part of Global South in terms of housing finance schemes thanks to its unsophisticated secondary markets. Besides, unlike developed ones, most of the countries in the Global

South face subordinate financialization due to their dependence on capital inflows, and Yesilbag asserts that Turkey is an example of this phenomenon (See Figure 4).

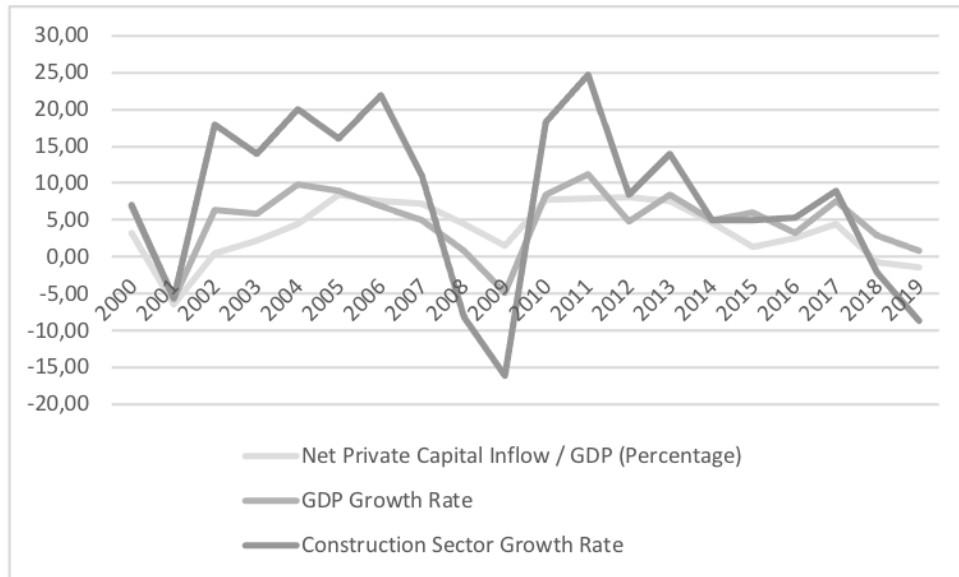


Figure 4 Capital inflow, GDP growth and construction sector growth

[Central Bank of Turkey [CBRT], 2020a; 2020b]

Last but not least, Karacimen and Celik (2017) analyzes the performance of construction sector on the basis of supply-side and demand-side measures, and they argue that though many firms from different sectors entered real estate sector owing to financial and administrative incentives, they faced demand side problems in the sector. To deal with these problems, these companies supported introducing demand-side incentives like housing finance law, sukuk and real estate certificates. However, in a complementary work, Erol (2019) shows why these attempts have failed and are likely to fail in the future by focusing on secondary mortgage markets. According to Erol, the reasons behind the failure include the absence of development and investment banks providing mortgage credits with long maturities, low credit ratings for existing assets,

coordination problems and underdevelopment of capital markets compared to banking sector.

By reviewing the above-mentioned studies, I have firstly evaluated the role of housing finance schemes in boosting economic growth through facilitating house sales, and then I have explained how this literature evaluates Turkish construction boom during AKP era. The findings show that unlike developed countries, Turkey does not benefit from sophisticated housing finance system for the reasons I refer to above. Also, existing literature does not provide support for the argument that AKP has privileged construction sector because it could generate economic growth on the basis of sophisticated housing finance system and vibrant housing demand, thus AKP could increase the chance for reelection.

Put differently, construction sector helps to generate short-term economic growth under AKP rule, but literature shows that construction sector's role under AKP rule is not limited to generating economic growth either through construction activities or through vibrant housing demand because none of them is shown to ensure lasting and stable economic growth. Such a result means that AKP has not chosen to promote construction sector exclusively for economic reasons that spur inclusive economic growth and help AKP maintain power. In other words, construction sector has contributed to economic growth in Turkey through public and private investments and employment, but the AKP's prioritization of construction sector has not been caused solely by an economic logic that favor Pareto optimal allocation of public and private resources. So, economic growth was the by-product of construction-driven economic policies but the motivation behind the prioritization of construction sector cannot be explained exclusively by inclusive economic growth explanations.

However, my conclusion does not mean that AKP have not targeted economic growth as a means of staying in power. Economic growth can be the main strategy for AKP to remain in power. However, that is a topic for another research project, and my work cannot provide a conclusive answer on this topic. Instead, what I argue here is that construction sector is the sector that helps AKP to build and keep its winning coalition for staying in power, and this sector serves a function for AKP's rule that is not limited to economic purposes. Thus, my initial question still remains unanswered: Why has construction sector been promoted by AKP government as the engine of economic activities in the last two decades? And how has construction sector helped AKP consolidate its power?

2.3 State capitalism, developmentalism and coalitional dynamics in Turkey

So far, I have shown that economic growth calculations per se have not driven pro-construction strategies because if construction-driven economic growth were the ultimate goal for remaining in power, as Demiralp et al. (2016) and Akcigit et al. (2020) show, then AKP would have allocated resources to construction sector and housing finance in a different manner. This means that AKP has privileged the construction sector with a distinct motive. In other words, while construction-driven economic growth helps incumbent party to get reelected (Brender and Drazen, 2008), it is not the sole way that construction sector can be instrumental for AKP to get reelected. As Greene (2010) shows, ruling party can still get electoral victory if the party can politicize public resources for partisan motivations when it is in the government. Put simply, when the ruling party use public resources for co-partisans, then it benefits from a major resource advantage during election times. Stated differently, has AKP privileged the

construction sector by politicizing public resources in a pro-construction manner for building a winning coalition constituted by co-partisan figures? And has construction sector become crucial to perpetuation of AKP rule by providing a platform for crony relations between pro-AKP business figures and AKP? Existing literature on authoritarian state capitalism and new developmental state shows that after the Global Financial Crisis of 2008 (GFC), liberal international order and democratic free-market capitalism have been challenged and undermined by the rise of BRICS and this has led to a hybrid international order where state-market relations have been reorganized to favor political leadership and political survival over free-market mechanisms (Onis, 2019; Onis & Kutlay, 2020a). In the following, I describe the characteristics of the hybrid international order, and then, I depict the implications of the new order for AKP's construction-based winning coalition.

The hybrid international order is a recent phenomenon, and its emergence has largely been attributed to the failures of liberal international order, particularly during and after the GFC. When the adverse effects of GFC became apparent in many developed and developing countries, the Bretton Woods institutions made attempts to initiate a recovery in the world economy. However, both (International Monetary Fund) (IMF) and the World Bank (WB) failed to come up with sustainable solutions, and this failure has generated momentous outcomes for world politics and global economy (Onis & Kutlay, 2020a). Among these outcomes, the rise of BRICS is an order-shattering development, and it represents a destructive blow to the US-based liberal international order. As Onis and Kutlay (2020a) state, the hybrid international order has been built on Beijing norms and it has been sponsored by non-Western counterparts of the Bretton Woods institutions, such as the New Development Bank and the Asian Infrastructure

Investment Bank. Such a Beijing-based organizational structure allows hybrid international order to harbor and flourish authoritarian regimes around the world. Besides, in the hybrid order, regulatory neoliberalism and democratic free-market capitalism has largely been replaced by authoritarian state capitalism where state intervention in public and private economic domains is encouraged. As a result, this interventionist approach has led to politically motivated allocation of resources and prioritization of sectors. Parallel to these characteristics, state capitalism undermines the independence of regulatory institutions like central banks for maintaining political leadership. Also, fiscal and monetary policies are instrumentalized to favor co-partisans and punish dissidents. In short, this new form of capitalism is almost completely unsuited to the norms, rules and practices of democratic free-market capitalism (Onis, 2019).

In this regard, state capitalism, by performing non-pareto optimal and partisan allocation of resources, diverges from the proper developmental states where merit-based division of labor is applied and rent-seeking motives are constrained (Onis & Kutlay, 2020a). For this reason, state capitalism is conducive to political leadership's discretionary use of power over private figures, and this leads to multiple forms of crony and oligarchic capitalism. The examples of authoritarian state capitalism are common and becoming more widespread in the non-Western world, particularly among BRICS. Yet, what is more noteworthy is that the unorthodox state-led economic policies have even spread to the EU. As Onis and Kutlay (2019) show in their prize-winning article, under Orban rule, Hungarian government applied policies, particularly in the banking and finance sectors, which BRICS countries have opted for in the last decade. Among them, for instance, Orban expressed that he was not interested in renewing the stand-by

agreement with the IMF. Also, Orban contested the EU-based financial bodies. Moreover, Orban conspicuously pressured Hungarian central bank to cut interest rates, and later, he made one of his close aides the central bank governor (Onis & Kutlay, 2019).

Similar to Hungary, Turkey under Erdogan rule has also become a part of the new hybrid order after 2010 by switching its political economy from regulatory neoliberalism to state capitalism where a new model of developmentalism is practiced through symbiotic state-business relations which privilege pro-AKP business figures (Onis & Kutlay, 2020b). Besides, in the post-2010 period, AKP has increasingly used public resources, fiscal capacity and monetary policy for political goals by undermining autonomous regulatory institutions. In this period, as Onis and Kutlay (2020b) state, certain sectors have become central to new capital accumulation strategies under Erdogan rule, such as construction, defense and energy sectors. Parallel to these developments, similar to the developmentalist strategies of China and Russia, by facilitating macroeconomic and monetary instruments for the sake of the privileged sectors, Erdogan has built a supporting business elite group that is loyal to the AKP government.

Above-stated studies show that the novel hybrid international order has emerged and risen after the GFC on the shoulders of BRICS that have sponsored and transferred the authoritarian state capitalism around the world. These studies also point to the transformation of Turkey's political economy from regulatory neoliberalism to new model of developmentalism that is inspired by Chinese-Russian axis which emphasizes the persistence of political leadership by prioritizing certain sector. Under Erdogan rule, as Onis and Kutlay demonstrate (2020b), based on land and construction activities,

construction sector has become the most privileged sector for capital accumulation in Turkey.

However, despite the contribution of above-stated studies to our knowledge about political and economic prioritization of the construction sector under Erdogan rule particularly after the GFC, we still do not know whether AKP's construction-based winning coalition can generate the sufficient resource advantage and help AKP for reelection (Greene, 2010). Stated differently, can construction sector act as the glue for keeping AKP's winning coalition intact? If yes, how? In the following, I examine works that analyze the interaction between AKP's coalitional dynamics and the instrumentalization of construction sector for maintaining AKP's electoral supremacy.

Benefiting from Gibson's territorial perspective about incumbent's social coalition (Gibson, 1997), Arslanalp (2018) unpacks AKP's social coalition by referring to peripheral and metropolitan constituents of AKP. According to Arslanalp, construction sector, more particularly Mass Housing Administration (TOKI), has been instrumentalized by AKP to form a metropolitan coalition of urban poor and large construction firms in Istanbul and Ankara, and a peripheral coalition of local contractors and low- and middle-income citizens in the remaining cities. To Arslanalp, these TOKI-based electoral and business coalitions help AKP to get electoral victory in the following way: In the big cities, pro-AKP large construction firms get access to public resources via lucrative revenue-sharing projects of TOKI; and these firms, in return, sponsor and own pro-AKP media outlets, make informal electoral campaign contributions and in-kind donations to the politicians and voters and lastly, these firms finance pro-AKP civil society organizations (CSOs). Thus, pro-AKP urban poor has been provided with formal and informal social assistance through this exchange. In the periphery, TOKI helps AKP

to increase its electoral support by allowing middle- and low-income citizens to get homeownership from TOKI projects at reasonable prices. Besides, TOKI also transfer public resources to local pro-AKP contractors via public procurement contracts of TOKI.

Yet, as Arslanalp depicts, it was not easy for AKP to keep this coalition solid, particularly in the metropolitan areas because the original urban development projects generated a tension between the components of the metropolitan coalition. More particularly, AKP had a substantial electoral base among urban poor who resided largely in squatter settlements located on valuable urban land. To develop the squatter areas through lucrative and rent-generating urban development plans, AKP had to relocate the poor. Yet, such an urban policy encountered with pro-AKP squatters' resistance and opposition. To keep its urban-based electoral and policy components of social coalition together, AKP had to make revisions on urban development projects to maintain its social coalition intact and afloat through TOKI projects.

In a complementary work, Onis and Kutlay (2020b) highlights the role of construction sector to maintain crony relations and electoral support through vertical concentration and horizontal distribution. According Onis and Kutlay, construction sector is used to finance pro-AKP business elites through public-private partnerships, procurement contracts and public tenders, and these business deals have resulted in vertical concentration of wealth in favor of pro-AKP large construction firms. Also, construction activities have led to a horizontal distribution (which is the expansion of social expenditures to the large segments of society) in which the construction-based economic activities are used to finance social assistance and provide economic opportunities for pro-AKP low- and middle-income income groups. By facilitating these

vertical and horizontal distribution mechanisms, construction sector has been shown to help AKP to get electoral support and harbor AKP's winning coalition (Onis & Kutlay, 2020b).

Similar to Arslanalp (2018) and Onis and Kutlay (2020), Esen and Gumuscu (2020) also show how AKP has built a triangular dependency which is constituted by AKP, business elites and voters on the basis of construction sector (See Figure 5). Esen and Gumuscu (2020, p. 6) explains this triangular dependency as follows: "...In this relationship, pro-AKP business is dependent on the government for capital accumulation through public procurement, construction permits, cheap credit, and tax reliefs. The AKP, in turn, is dependent on business for financial, material, and human resources in the form of campaign contributions, government-friendly media, donations to pro-AKP charities and foundations, and the provision of goods to the urban poor (Esen and Gumuscu, 2018)...The urban poor provides electoral support the government needs in order to stay in power and injects "democratic legitimacy" to the system despite its increasingly undemocratic character. In exchange for their political support, these poor voters receive selectively distributed social welfare goods, jobs, and charitable goods from the AKP government and pro-AKP foundations...Yet this transaction does not occur in a political vacuum. The party organization, under Erdogan leadership, plays a central role in identifying and reaching out to target groups at the very local level. As Baykan states, AKP's "massive membership organization" is active year-round and "penetrates the remotest corners of the country" (2018:8). The party's local branches, hosting more than 1.5 million activists, in its weekly neighborhood meetings coordinate party's centrally defined strategy, identify those in need, communicate these needs to the

higher levels of the party hierarchy, and ensure the effective operation of clientelist distribution...”

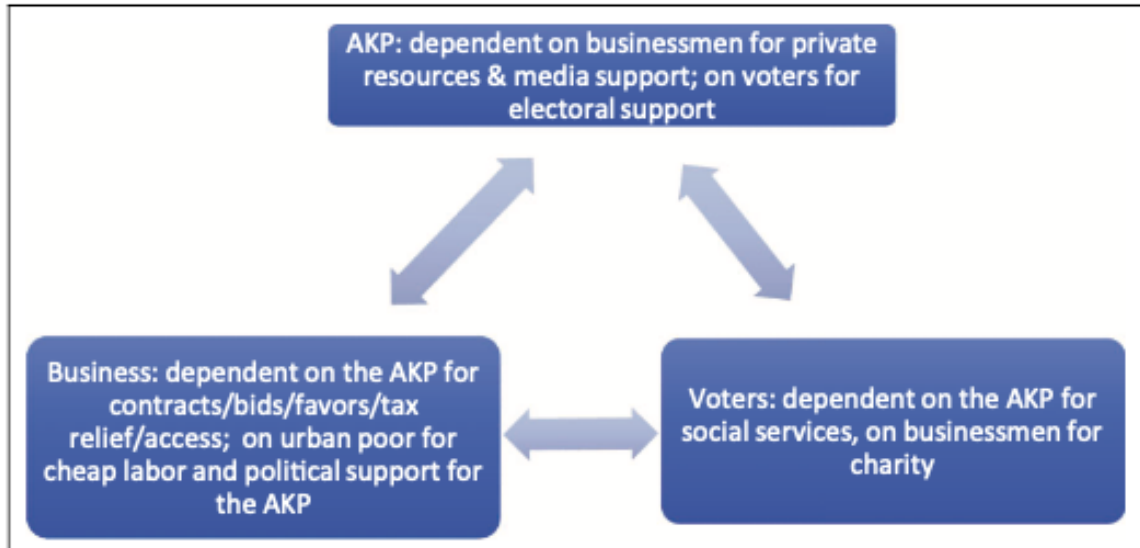


Figure 5 AKP and the triangular dependency

[Esen & Gumuscu, 2020]

Above-elaborated mechanisms of dependency between AKP, pro-AKP business elites and AKP voters have become solidified throughout the AKP era on the basis of partisan allocation of public resources via public and private construction activities (Esen & Gumuscu, 2020). Such a strategy has benefited AKP clients and cronies and has turned them into staunch AKP supporters. Thus, AKP has been supported by electoral and business coalitions that have been financed directly and indirectly from construction sector. In this mechanism, the vital role of construction sector in sustaining these dependencies has also been extensively manifested in the media sector. According to Mulksuzlestirme Aglari (2021)’s work on Turkey’s media owners, most of the pro-AKP large construction firms like Kalyon Construction Co., Cengiz Construction Co., Albayrak Construction Co. possess substantial portion of Turkey’s media outlets (See

Figure 6). Considering the important role of media outlets in shaping public's preferences and perceptions, this close relationship between Turkey's biggest construction firms and biggest media outlets reveals the indispensable role of the construction sector for building and preserving AKP's winning coalition.

In this section, I have referred variety of works which show that in the post-GFC period, there has emerged a new developmentalism based on authoritarian state capitalism, and in Turkey, this novel developmentalist approach has become common under Erdogan rule on the shoulders of certain sectors, such as construction and energy sectors. Then, I have pointed to number of studies that examine AKP's winning coalition and how construction sector has been instrumentalized to keep this coalition intact in return of electoral and business support. In short, extant literature shows that the prioritization of construction activities for partisan allocation of public resources has become a fruitful strategy for AKP to remain in power because construction sector can help AKP to get resource advantage during electoral periods.

Yet, how can construction sector generate such large sums of money that ensure the persistence of AKP's winning coalition? Is construction sector really the most ideal sector for partisan politicization of public resources to maintain the political leadership? To answer these questions, I refer to the sectoral characteristics of the construction sector in the following section, and then I evaluate AKP's preference for pro-construction economic policies in the light of relevant works.

2.4 Sector-oriented explanations

For developing countries, financing construction activities is a major problem due to these developing countries' fiscal restraints. Akintoye and Renukappa (2012) point to developing countries' need for infrastructure construction to acquire economic development but most of the time, these countries fail to finance infrastructure projects, thereby underdevelopment stubbornly persists. To solve the financing problem, Gunawansa (2012) argues, developing countries are increasingly working with private sector via public private partnerships to realize infrastructure projects. With these partnerships, developing countries can have the necessary infrastructure with minimum fiscal involvement in the short term. Put differently, fiscal conditions generate room for cooperation between the state and private construction firms for large scale infrastructure projects in developing countries. For this reason, construction sector can turn into venue for AKP to favor its co-partisan businesspeople through discretionary allocation of public resources.

Moreover, construction sector has further appealing characteristics for ruling party to build informal relations with the private sector. First of all, as Ofori (2012) highlights, construction industry is seen as the most corrupt sector owing to the fertile ground for rent seeking and corruption in large scale projects. Ofori (2012) shows number of examples how politicians in many developing countries prefer to allocate resources for construction activities for rent-seeking motives instead of allocating resources to critical sectors like education and health. As a result, society suffers from the decisions of rent seeking politicians who prioritize personal gains over common good. Ofori (2012) underlines reasons for widespread corruption in construction activities and these reasons include closeness between politicians and business figures in

decision-making process of large-scale projects, lack of uniform standards in construction activities, technically complex structure of construction, involvement of large sums in projects and lack of visibility of materials beneath the surface of final products like tunnels (Global Infrastructure Anti-Corruption Centre [GIACC], 2020).

Parallel to Ofori (2012), Kenny (2007) also analyzes the corruption in construction sector by using polls from 15 countries, and Kenny finds that in Eastern Europe, around 7% of contract value is channeled to bribes by companies because they fear losing the contract owing not to bribing the politicians. Kenny also shows that wealthy countries happen to have less corrupt licensing, contracting and permitting mechanisms, yet there is also substantial variation between countries at the same income levels. Lastly, Kenny discusses the repercussions of corruption in construction sector and list these repercussions as poor construction performance, misallocation of resources, poor quality of provision, high degree of thefts and waste of fiscal resources.

In short, thanks to reasons stated above, construction sector can be an ideal platform for ruling party to build crony relations with private companies on the basis of discretionary and partisan allocation of gigantic public resources. With partisan distribution of resources towards co-partisan economic elites, ruling party possesses resource advantage, and such an advantage is vital to electoral victory because resources that are allocated to party cronies are also used to buy poor constituencies' votes in developing countries during election times (Greene, 2010; Esen & Gumuscu, 2020). In other words, crony relations on the basis of construction sector can become a power consolidating strategy for the ruling party. Accordingly, following literature explains

how crony capitalism framework is useful to account for the importance of construction sector for AKP in perpetuating its rule.

2.5 Crony capitalism explanations

Role of crony relations in maintaining power have been theorized by Kang (2002) and Haber (1999) in two different yet complementary works that build crony capitalism framework to explain the economic growth characteristics in South Korea v. Philippines and economic performance in Latin America, respectively. In the heart of Kang's model, the following argument lies: Politics drive policy choices, and bureaucrats and public institutions are not exempt from political interventions. Put differently, according to Kang, political calculus overrides economic one, thereby allocation of public resources diverges from their pareto-optimal use owing to power-maintaining strategy of the political leadership. The second major component of Kang's work is the assumption that political actors with excessive amount of power are inclined to abuse their authorities, and the means of this abuse is corruption and cronyism. Accordingly, existence of rents leads to corruption since presence of rent-creation opportunities motivate private and public figures to generate excessive profits from these sources. To get large share in these rents, private companies provide bribery and other means to influence politicians' decisions to distribute these rents. As business figures become less powerful and more dependent vis-à-vis politicians, the size of corruption rises owing to higher leverage that latter possesses against the former. So, crony relations between the government and private figures become the *modus operandi* of the existing regime.

In a complementary work to Kang (2002), Haber (1999) shows that affiliation of business elites with the political authority is crucial to crony agreements which provide

above average returns to pro-government business figures. To Haber, political authority benefits from crony relations to consolidate its power by creating resource advantage, and in order for such crony relations to continue, political leadership secures co-partisan business figures' access to monopoly rents by providing privileged financial and regulatory conditions and by protecting them from domestic and international competition. To Haber, as political authorities become more authoritarian and less transparent, the practice of crony arrangement becomes more widespread because with opaqueness, people are kept blind to crony deals, and via authoritarian methods, any opposition to these deals is suppressed by the state if such crony arrangements are publicly revealed.

Existing scholarship that examines the relationship between political elites and business figures in Turkey provides support for the insights derived from crony capitalism framework. Accordingly, Bugra and Savaskan (2014) analyze the relationship between the politics and business in Turkey with a focus on Post-Washington Consensus which assigned states crucial role in regulating market–society relations (Onis & Senses, 2005). To Bugra and Savaskan, Post-Washington Consensus led AKP to benefit from the historically blurred boundaries between the state and private sector in Turkey. Accordingly, AKP built its own business giants from Anatolian Tigers. Bugra and Savaskan identify the nature of this relationship as a symbiotic form; and they place pro-AKP business associations in a rival position to secular business groups. To Bugra and Savaskan, TOKI and public procurement contracts were very influential to privilege loyal yet mostly incompetent firms, and other mechanisms include tax privileges, subsidized credits and looser work standards. Parallel to these findings, Sayari (2014) points at the excellence of AKP in politics of clientelism. Sayari argues that AKP had

patronage relations with pro-AKP firms, and in return, AKP demanded campaign donations and purchase of mass media organs. Sayari also shows that, with these donations, AKP provided food boxes, conditional cash transfers and coal rations to low-income groups, thereby increased its popular support among these groups.

Despite the volatility of state-business relations in Turkey thanks to shifting political power dynamics, Bugra and Savaskan also show that not all sectors are equally affected by the interference of political leadership. For example, during AKP era, compared to other sectors, construction sector has been shown to harbor crony relations more intensely (Bugra & Savaskan, 2014). In one of the works that focuses on this theme, Ocakli (2018) tracks the crony relations between private contractors and the government by analyzing TOKI partnerships. To Ocakli, TOKI enabled many small-scale construction companies, which lacked size and know-how for large scale projects, to become large companies, particularly through revenue sharing projects. Arslanalp (2018) also focuses on AKP's relationship with contractors in metropolitan and peripheral cities. To Arslanalp, AKP used affordable housing projects to support pro-AKP companies in the periphery, and such an approach also increased the popular support for AKP due to increase in affordable housing facilities. In the metropolitan areas, TOKI partnered with large-scale pro-AKP firms to undertake mega infrastructure projects, large scale urban renewal and revenue sharing projects. In return of these favors to large pro-AKP firms, these companies bought and operated pro-government media organs, made informal campaign contributions and in-kind donations. Parallel to these works, Ceviker-Gurakar (2016) traces corruption and clientelism in public construction work procurements. She finds that between 2002 and 2015, more than 150

changes were made to the public procurement law of 2002 to decrease the share transparent and open procedure auctions in order to award contracts to pro-AKP construction firms with ease. In other words, Ceviker-Gurakar shows how AKP used public procurement contracts very effectively to support its cronies, finance politics and increase its electoral success.

In addition to studies that show the crony relations between AKP and construction firms, Tansel (2019) and Demiralp (2018) focus on how state power has been instrumentalized to maintain such crony relations through force and repression. In his work, Tansel (2019) examines the nexus of politics and construction sector by focusing on neoliberal authoritarian practices during AKP era in which urban governance was centralized in the hands of TOKI. In this period, with legal and administrative changes, TOKI have had land expropriation rights, and protests against AKP's urban policies were suppressed using state power. Besides, to profit from the rent gap in squatter settlement areas, AKP introduced laws to criminalize squatters who had been tolerated throughout 1980s and 1990s (Smith, 1987; Bugra, 1998). Tansel (2019) also points at the top-down urban governance practices that ignored social fabric in the areas of urban regeneration. In a complementary work, Demiralp (2018) analyzes the use of populist strategies by AKP to conceal the harms on environment and communal life. Demiralp also highlights the clientelistic structure between AKP and construction firms which try to form good relations with the government to secure cheap land, lucrative procurement contracts and favorable construction permits.

To sum, the scholarship on state-business relations in Turkey and the scholarship on AKP's construction-driven favoritism show that AKP's prioritization of construction sector has become crucial to formation of AKP's winning coalition. By privileging

construction sector, AKP has managed the allocation of urban land rent, enabled its cronies to become monopoly on rent-generating projects, used discretionary power to allocate public resources in a non-Pareto optimal and partisan manner and resorted to authoritarian methods to keep its construction-driven winning coalition intact and solid against any opposition. In other words, crony relations have become central to AKP's construction-driven strategy for remaining in power, and for this reason, applying crony capitalism framework to evaluate why AKP has promoted construction sector during its reign is a suitable theoretical choice. Accordingly, my baseline hypothesis is as follows:

Hypothesis 1. The prioritization of construction sector under AKP rule is a result of cronyism that has become central to the formation of AKP's winning coalition.

2.6 Supply-side economics: strategies of crony capitalism

In the previous part, I have explained the motivation behind AKP's pro-construction policies on the basis of crony capitalism framework. However, this explanation begs further questions, particularly about the persistence of construction-driven crony relations. Put differently, construction sector has been salient to AKP's power consolidating strategy since 2002 (Erguven, 2020; Orhangazi, 2020), but maintaining crony relations on the basis of construction sector is puzzling because as Yesilbag (2019) shows, there has been a mismatch between housing (over)supply and (under)demand. Yet, despite the mismatch, construction activities have remained vibrant. Assuming that firms are rational actors in terms of cost and benefit analysis, why do such rational actors have kept constructing further when there is not strong demand owing to unsophisticated housing finance schemes? This question has twofold importance. Firstly, it uncovers the rationality behind housing oversupply (vis-à-vis

weak demand) in Turkey. Secondly, and more importantly, it unveils the strategies of crony capitalism that enable the persistence of AKP's construction-driven crony relations.

To answer this question, I benefit from the supply-side economics theory. According to this theory (Hsieh, 2005), companies are rational actors oriented towards lucrative business activities. However, to Hsieh (2005), under certain conditions, firms can allocate resources for commercial activities for which there is already a weak demand and oversupply. To explain why such rational actors undertake these business decisions favoring more production in the presence of supply-demand imbalance which deters further supply increase, Hsieh points at the abundance of supply-side incentives in legal, financial and administrative realms to account for why firms enhance the supply further even though the demand is weak.

For example, in Hsieh's study on Taiwan (Hsieh, 2005), Hsieh uses supply-side economics framework to explain the construction boom in Taiwan during 1990s which persisted owing to the presence of strong growth in development loans and pro-development regulations despite weak demand. As a result of this boom, Taiwan had massive oversupply in housing, and such an example shows, as Hsieh argues, how construction firms can be indifferent to market demand dynamics when supply-side incentives outweigh demand-side ones. In the presence of increasing number of housing stock, coupled with low demand-side incentives, Turkish construction sector has faced similar conditions, and existing findings about Turkey's construction boom support the insights derived from supply-side economics theory (Erol, 2019; Guney, 2019; Ozdemir, 2011).

One strand of existing studies focuses on legal and administrative changes made to laws and regulations governing real estate and urban land market in Turkey. Among them, to explain the outstanding performance of Turkish construction sector during 2010s, Erol (2019) argues that the reasons for construction sector's superior performance include internal and external factors. Internally, continuing urbanization process, abundant development loans and AKP's neoliberal urban policies facilitated growth in real estate activities. Externally, alignment with EU in terms of legal harmonization through amendments to land registry law has made it easier to invest in Turkish real estate market. In other words, as more land has been opened to construction activities through planning laws and urban renewal projects, urban rent has become an important source of wealth, and firms increasingly joined construction spree irrespective of the demand. As expected, such a construction drive contributed to the outstanding performance of the sector.

In a complementary study, Guney (2019) explains the boom in Turkish real estate activities with a focus on Istanbul. In his research, Guney attributes above-average increase in house prices in Istanbul to two set of factors: (1) availability of cheap development loans and administrative incentives in the pre-2012 period, and (2) the release of number of mega project plans for the Northern Istanbul like third bridge, Kanal Istanbul, and third airport. All these studies show that when laws and regulations open new urban land to construction activities, the value of respective land increases regardless of existing demand, and such a development leads to further housing supply.

In addition to urban land-oriented explanations, Ozdemir (2011) finds that interventions of government in the housing market via TOKI helped government to promote construction sector growth by aligning financial and administrative tools.

Accordingly, such interventions led to formation of large-scale construction firms that benefited from government incentives and contributed to economic activities via urban renewal and mega infrastructure projects. Parallel to Ozdemir, Yesilbag (2019) examines TOKI's role in the construction boom. According to Yesilbag, TOKI is a gigantic institution that possesses right to form associate private companies and has large-scale planning powers with supreme financial power and legal capacity. Using these powers, Yesilbag argues, TOKI has undertaken the most extensive public housing program in Turkey during AKP era.

Last but not least, Guney (2019) points to the rent generation activities of TOKI by referring to its role in land acquisition for mega projects. According to Guney, TOKI buys lands located in mega project areas at low prices before the announcement of these mega project locations. And later, TOKI generates value from these lands via land speculation and contracting. Besides, TOKI also undertakes state-led property transfer by using its legal and administrative powers, and as a result, inhabitants of urban transformation areas can be displaced and even dispossessed by TOKI in an arbitrary manner (Karatepe, 2016; Kuyucu & Unsal, 2010; Balaban, 2008).

To sum, extant scholarship shows that despite the presence of weak demand, legal, institutional and administrative factors have provided incentives for firms to join construction activities in Turkey during AKP era. Such incentives have been so appealing that even in the absence of sophisticated housing finance system and vibrant demand, only such incentives have been strong enough to generate a construction boom in the last two decades. Put differently, laws and regulations governing urban land and institutional and financial might of TOKI have been instrumentalized by AKP

government to steer companies to construction activities, and such a supply-side incentives mechanism has contributed to both construction boom and persistence of AKP's construction-driven cronyism. Accordingly, I formulate my second and final hypothesis as follows:

Hypothesis 2. During the AKP era, supply-side measures have been more effective than demand-side measures in enabling the persistence of construction-driven crony relations that have become central to the formation of AKP's winning coalition.

CHAPTER 3

RESEARCH DESIGN

In this research, to test my twofold hypotheses about performance and role of construction sector in Turkey during AKP era, I employ a combination of quantitative and qualitative research methods. For the first hypothesis, I employ qualitative process tracing method; and for the second hypothesis, I employ multivariate regression model. In the following, I firstly I elaborate on process tracing method and present the details of my variables and data. Later, I highlight the details of my models, variables and data for multivariate regression analysis.

3.1 Process tracing method

To test my first hypothesis which posits that the prioritization of construction sector under AKP rule is a result of cronyism that has become central to formation of AKP's winning coalition, I choose a qualitative method. More particularly, I employ a within-case study method, namely process-tracing method (Waldner 2014). My preference for this method has three motivations. Firstly, in the absence of transparent and systematic data about AKP's construction-driven cronyism, I use this method to trace how construction sector has become central to crony relations that is at the center of AKP's construction-driven winning coalition. Secondly, this method allows me to benefit from available observations and qualitative data about the political dimensions of the sector.

Lastly, with this method, I provide a descriptive richness about the role of construction sector in AKP's power maintaining strategies. One significant shortcoming of this research method is the possibility of identifying incorrect causal relationships due to lack of systematic and long-term transparent data. Nonetheless, by using the presence of detailed and large number observations about this topic, I try to make up for the lack of rigorous statistical analysis.

3.1.1 Data and variables

In the qualitative analysis section, I use a variety of data consisting of information about Turkish construction firms, public construction work contracts, public procurement methods, Turkey's construction sector performance, domestic and global residential property markets and domestic quality of governance and transparency. The reason for employing these indicators is to explain and operationalize the impact of political incentives and political support on the performance of construction sector. The first set of data is about construction firms, I access this data via Annual Reports of Capital Magazine (Capital, 2020) and The Union of Chambers and Commodity Exchanges of Turkey (TOBB, 2020), and publications of Engineering News Record (ENR, 2020). The data covers years between 2002 and 2019.

The second set of data is about public construction work and procurement contracts. The source of this data is number of publications by academics, magazines and public institutions (ENR Turkey, 2020; Ozgur, 2020; World Bank Group, 2020; TOKI, 2019; Karacimen and Celik, 2017; Ceviker-Gurakar, 2016; Demiral et al., 2016; Sonmez 2011), and this data covers years between 2002 and 2019. Third set of data is

about the construction sector and residential property markets, and it covers years between 2000 and 2019. The source of this data set is number of sectoral and country-specific publications by CBRT (2020b; 2020c), the Association of Real Estate Investment Companies (GYODER, 2020), TUIK (2020a) and Credit Suisse (2020). Finally, to measure the quality of governance and transparency in Turkey, I use data from World Bank Governance Indicators (WB, 2020), Transparency International Annual Reports (Transparency International, 2020) and Freedom House Annual Reports (Freedom House, 2020). This data also covers years between 2000 and 2019.

3.2 Multivariate regression method

To test my second hypothesis which posits during AKP era, supply-side measures have been more effective than demand-side measures in enabling the persistence of construction-driven crony relations that have become central to the formation of AKP's winning coalition, I use a quantitative approach in which I conduct a multiple regression analysis. The reason why I prefer to use this method is threefold: (1) To figure out the relative effect of supply-side variables on construction sector performance while controlling for demand-side variables, (2) to statistically analyze the supply-side factors that have been studied in a qualitative manner extensively, and (3) to take advantage of the available data for testing the existing views about the performance of construction sector. Yet, one major limitation of this research is the size of the data, particularly for the demand-side factors. The reason for this limitation is the short history of housing and mortgage loans in Turkey where it is not possible to come up with large time-series data. Nevertheless, I use different testable models to compensate for this shortcoming.

3.2.1 Dependent variables, data and operationalization

In the quantitative part of the analysis section, I conduct tests for six different models to figure out the impact of supply-side and demand-side factors on construction sector performance by using time-series data. In these models, my dependent variables are twofold: (1) the size of construction sector in terms of TL and (2) number of construction permits for dwelling units. For the first dependent variable, I apply logarithmic transformation because its data distribution is highly skewed and using its logarithm can improve the fit of the model by turning its distribution to a more normally shaped curve (Laerd, 2020).

I test six different models with these dependent variables, and my goal is to see whether supply-side or demand-side factors (or both) can explain the variation in my dependent variables. Model (1) and Model (4), Model (2) and Model (5), and Model (3) and Model (6) include the same independent variables and they only differ in terms of the dependent variable. While Model (1), Model (2) and Model (3) employ the size of construction sector (TL) as dependent variable, Model (4), Model (5) and Model (6) employ the number of construction permits as dependent variable. The aim of using two different dependent variables is to look at two major aspects of construction activities in detail (Hsieh, 2005). The data for these variables is accessed via GYODER Sectoral Publications (2020) and Residential Property Reports of CBRT (2020b), and they cover years between 2002 and 2019.

3.2.2 Independent variables, data and operationalization

Model (1) and Model (4) consist of five independent variables. While three of these variables are used as supply-side variables that are used to boost the activities of construction firms, two of them are employed as demand-side variables that are used to assist consumers for purchasing the final product of construction activities like apartments and buildings. To operationalize these supply-side independent variables in Model (1) and Model (4), I use three indicators, namely (1) percentage share of construction sector loans in total domestic banking loans, (2) percentage share of construction sector loans in non-financial sectors' foreign exchange loans, and (3) number of firms that are opened in the construction sector annually. The data for these variables covers years between 2002 and 2019, and they are accessed via Financial Accounts Reports of CBRT (2020a) and TOBB Report on Opening and Closing Firms (TOBB, 2020). To operationalize the demand-side independent variables in these models, I use two indicators, namely (1) percentage share of housing credits in total domestic bank credits, and (2) homeownership percentage. These variables also cover years between 2002 and 2019, and they are accessed via Sectoral Publications of GYODER (2020) and Residential Property Reports of CBRT (2020b). In these models, I attempt to find out what has driven the performance of construction sector during AKP era by looking at supply-side and demand-side stimuli.

Model (2) and Model (5) include four independent variables that are all employed as supply-side variables. The goal is to increase the depth of supply-side analysis by adding one more variable into the analysis and by removing demand-side variables from these models. In addition to supply-side variables that are included in

Model (1) and Model (4), Model (2) and Model (5) employ one more supply-side variable that is operationalized via housing stock indicator (in number). This number is based on author calculations that are derived from Sectoral Publications (GYODER 2020), and data for this variable covers years between 2002 and 2020. The aim of using this indicator is to see whether construction sector was responsive to demand factors and whether it incentivized by supply-side factors in terms of housing production.

Model (3) and Model (6) employ three independent variables that are completely representative of demand-side factors. The aim of this approach is to enhance the depth of demand-side analysis with an additional variable while removing the supply-side variables from these models. In addition to demand-side variables that are included in Model (1) and Model (4), Model (3) and Model (6) employ one more demand-side variable that is operationalized via the percentage share of mortgaged home sales in total home sales. This data is received from Residential Property Reports of CBRT (2020b) and covers years between 2008 and 2019. The purpose of using this indicator is to see whether construction sector was performing parallel to market dynamics in terms of housing demand or not (See Table 1).

Table 1. Descriptive Statistics About Variables

Variables	Observations	Mean	Standard Deviation	Minimum	Maximum
Share of Construction Sector (TL-Logged)	20	24.96452	1.05754	22.9262	26.31294
Construction Permits: Dwelling-Units	61	378237.9	282863.8	52760	1405447
Share of Construction Sector Loans in Total Loans	17	6.094118	1.662254	3.6	8.9
Share of Construction Sector Loans in Non-Financial Sector Loans	18	9.421629	5.030874	5.477774	22.02842
Newly Opened Firms in Construction Sector	30	7719.767	2753.532	3222	13303
Share of Housing Credits in Total Credits	14	9.878819	1.09718	7.491863	11.1877
Homeowner Rate	14	60.17857	.802092	58.8	61.1
House Stock	19	288945.6	139648.2	122488	556769
Share of Mortgaged House Sale	11	31.16633	11.09568	4.093418	40.84219

CHAPTER 4

HISTORICAL BACKGROUND

In this section, I review substantial components of Turkish housing and construction sectors in a historical manner. These components include financial developments in national economy and housing sector, Turkish Real Estate Investment Trusts (REITs), developments in domestic construction sector, TOKI and international activities of Turkish contractors. The motivation behind including the historical background section is twofold. First of all, this section provides a comprehensive review of developments related to the role of construction sector in Turkey's political economy and how construction sector has performed before and during AKP era. Such a review also explains how state – business relations have evolved in a crony manner particularly in the construction sector. Secondly, this section sheds light on the modalities of construction-driven crony capitalism by providing an evaluation with regards to supply-side and demand-side dimensions of construction sector in Turkey before and during AKP era.

In the following, I firstly present the financial developments that affect the construction sector via households and construction firms because these developments are crucial to understand the behavior of household and firms with regards to housing demand and supply. Put differently, as Schwartz and Seabrook (2009) show, households' access to mortgage credits and construction firms' access to development loans affect the prospects of homeownership and construction activities in a country. To

understand how financial developments have influenced construction sector in Turkey, I firstly provide a subsection that explains how Turkey has been integrated to global financial markets because as Erol (2019) depicts, financial developments that affect the construction sector have evolved in parallel with Turkey's financial transformation. In the next subsections, I give further details about how housing finance and REITs have developed. Secondly, I focus on the domestic and international construction activities of Turkish contractors. The related subsections focus on how Turkish contractors have grown domestically via TOKI and mega infrastructure projects, and on how they have grown internationally via energy, infrastructure and mass-housing projects in Russia, Libya and the Middle East.

4.1 Finance in Turkey

Though there existed linkages between international markets and Turkey in the pre-1990 period, the pace of integration of Turkey with the global financial and capital markets rose dramatically with the 1989 capital market liberalization through which TL became convertible, and the trade, transfer and keeping of foreign exchange became possible. Thereby, Turkey started to witness increasing volume of capital inflows after 1989. However, despite this development, Turkish banking system still failed to perform proper financial intermediation services for the industrial sector in 1990s. Put differently, instead of practicing corporate and productive lending, banking system, whose important segment was owned by large companies, either lent to the government for high level of returns through bonds or to their owner corporations (Erguven, 2020).

However, after series of economic crises throughout 1990s, Turkey introduced a new banking law in 1999 and initiated a strong economy program under the auspices of IMF and WB to deal with high inflation problem that was seen to be major reason behind high and volatile interest rates. According to new requirements, Turkey had to comply with Basel II Capital Accord and banking system had to meet higher liquidity requirements. To make these reforms lasting, new laws ensured that CBRT became independent and autonomous to sustain price stability and to target particular inflation levels. With these changes, not only Turkey has been further integrated to global capital markets but also the share of loans enhanced drastically in the aftermath of 2001 (See Figure 7; Figure 8). Last but not least, new regulations also promoted private sector lending while tightening public fiscal and financial position owing to the adverse consequences of government involvement in the financial system via bonds before 2000 (Yesilbag, 2019).

Such developments have affected the status of housing finance in Turkey too because in the post-2000 period, not only firms but also the households increasingly have become indebted via consumer and housing loans and credit cards thanks to the ease of borrowing. As a result, household liabilities have grown faster than their assets and disposable income (See Figure 9)

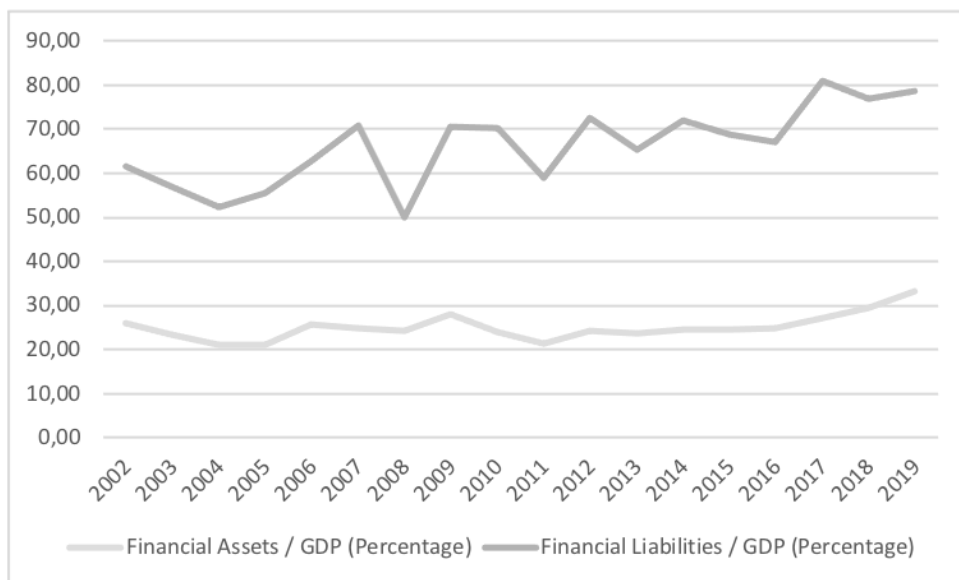


Figure 7 Turkey's financial assets and liabilities

[CBRT, 2020a]

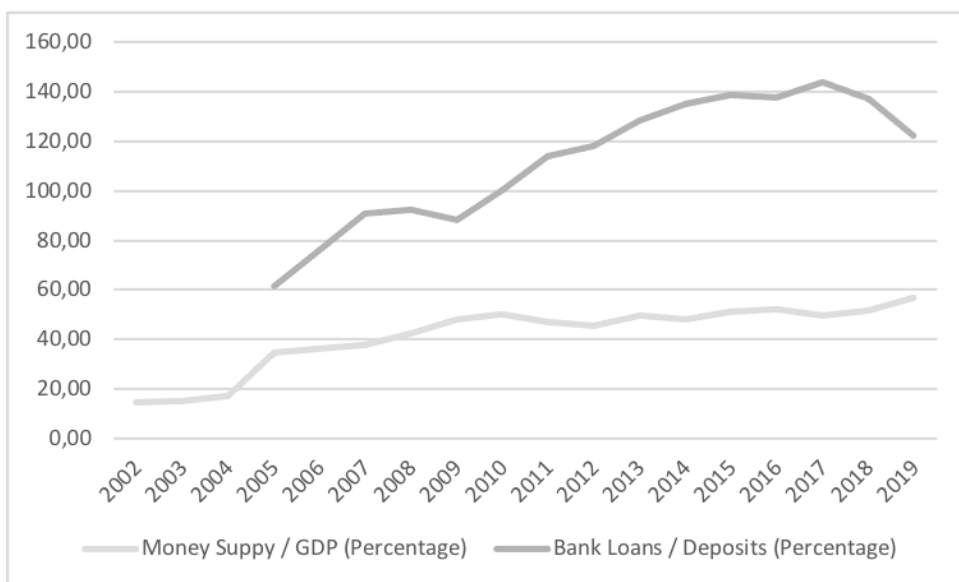


Figure 8 Money supply and bank loans in Turkey

[CBRT, 2020a]

4.2 Housing finance in Turkey

The housing finance structure in Turkey has revolved between institutional and non-institutional mechanisms; former includes housing loans and mortgage credits from banking system and involvement of REITs and public institutions in real estate financing; and latter consists of cooperative housing finance and equity sharing agreements which involve an exchange of land for predetermined number of dwelling units between contractors and landowners. Though the share of institutional and non-institutional means has varied over the years, they have co-existed since 1950s (Erol, 2019).

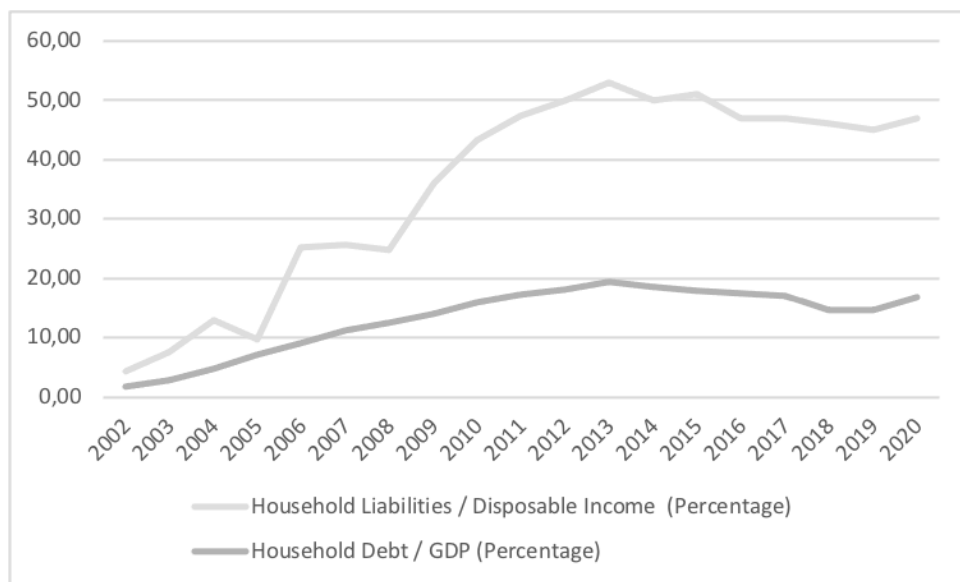


Figure 9 Household liabilities, disposable income and debt

[CBRT, 2020a]

Until 1950s, housing finance had not been seen as an issue in Turkey and the formal means to acquire housing was quite scarce. During 1950s, Social Security Institution of Turkey started financing cooperative housing at fixed annual interest rates in limited amounts and this service continued until 1984. In 1960s, due to absence of

developed tenure system and formal housing schemes, formal housing finance system kept staying thin. In these years, housing finance was largely constituted by Emlak Bank which was a public bank focusing on real estate by providing subsidized loans for residential housing. Yet, its main recipient was construction cooperatives rather than the large segments of the society. In addition to Emlak Bank, Social Insurance Fund provided loans to its members, and with these loans more than 200,000 dwelling units were acquired between 1962 and 1984 (Yesilbag, 2019). Lastly, there was also a subsidized renting system for public sector employees like officers and bureaucrats, yet it was not inclusive enough to meet the growing need. Overall, these financing mechanisms remained insufficient by covering around 2.5% of all home sales throughout 1960s and 1970s (Erol & Patel 2004; Keles, 1989).

In early 1980s, with the emergence of neoliberal governance logic, urban land started to be seen as a source of rent by households and investors. Parallel to this development, public authorities commenced taking more part in housing and land markets. In 1984, TOKI was established with the aim of providing mass housing, particularly for low-income groups (TOKI, 2019). TOKI started to function as a financial medium for construction cooperatives and for people seeking to purchase home. To provide loans, TOKI worked with three public banks as loan originators, namely Pamuk Bank, Emlak Bank and Vakıf Bank, and these banks provided more than 500,000 construction loans to builders and cooperatives, and more than 250,000 loans to homebuyers, who were mostly cooperative members, at subsidized levels with 85% loan to value ratio between 1984 and 2002. In late 1980s, the share of TOKI funds in housing loans reached 87.5% of all housing loans, and the share of housing loans as a share of total bank loans increased to 8% in 1988 from 1.6 % in 1981. Besides, with the new law

in 1984, metropolitan municipalities were established in big cities, and this law allowed such municipalities to possess more financial resources; therefore, they also started financing new real estate and infrastructure projects (Erol & Patel, 2014).

After the capital market deregulation in 1989, access to domestic and foreign capital markets by public and private agents enhanced. Yet, also after 1989, instabilities in Turkey's financial and macroeconomic position increased due to volatility in capital flows, high inflation and depreciating currency. This adverse environment undermined the housing institutions and real estate finance too. In 1993, due to deteriorating conditions, government decided to transfer the assets of TOKI to the general budget. In 1994, after a major devaluation, Emlak Bank started facing restraints in providing loans as a creditor. Such a cycle of macroeconomic instability persisted until 2001, and economic crises led to collapse of not only the national economy but also the housing finance system which had been heavily dominated by public banks.

As a part of the austerity package of IMF and WB, two crucial institutions of housing, Emlak Bank and TOKI Fund, were abolished to attain fiscal discipline. After 2002, Turkey entered into a relatively low inflation, low interest environment which started receiving substantial amounts of capital inflows (Erol, 2019). As a result, banks started to focus their attention more on consumer and commercial credits rather than government bonds, and housing loans turned into an important element in consumer credits (See Figure 10).

With improving economic conditions, the value of TL surged too, and one by-product of this surge was the decline in the cost of goods that were imported by construction sector, and this development supported construction activities. Besides, in this period, Turkish REITs started to join the international finance markets to raise funds

for projects, and also the loan share of construction firms and households began to rise. Though construction sector loans rose significantly, housing loans could not rise as much fast owing to structural problems with the banking system like lack of securitization in the secondary markets and large amount of front payment requirements (Erguven, 2020). So, compared to developed and emerging countries, despite many stimuli in the construction industry, Turkish housing finance remained weak with less than 10% share of residential loans in GDP (See Figure 11).

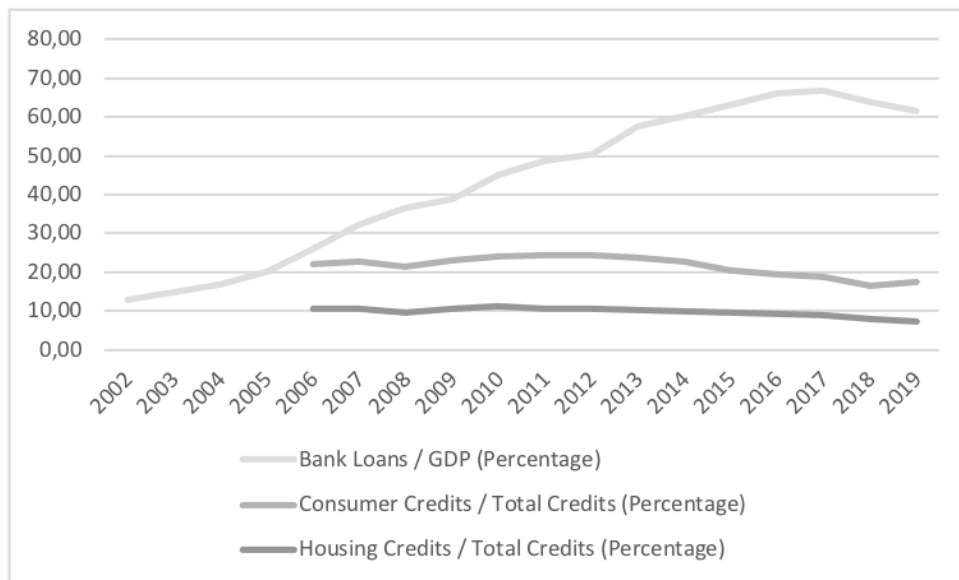


Figure 10 Housing credits, consumer credits and bank loans

[CBRT, 2020a]

In 2007, with Law 5582, known as housing finance law, first steps of mortgage-based credits and securitization were taken. The goal of this law was to provide incentives for future home buyers and reduce mortgage-related risks for banking system. As a part of incentives, transaction and stamp tax were eliminated from mortgage credits, and creditors could start providing mortgage-backed securities which are secured by assets in the cover pool. Also, loan to value ratio went from 75 % to 80 % and

dwelling unit could be used as a collateral. To flourish the mortgage markets, formation of real estate appraisal and insurance companies were incentivized. Yet, these loans were largely provided to middle-income groups, and new housing finance system lacked capacity to provide housing loans for all income groups (Erguven, 2020).

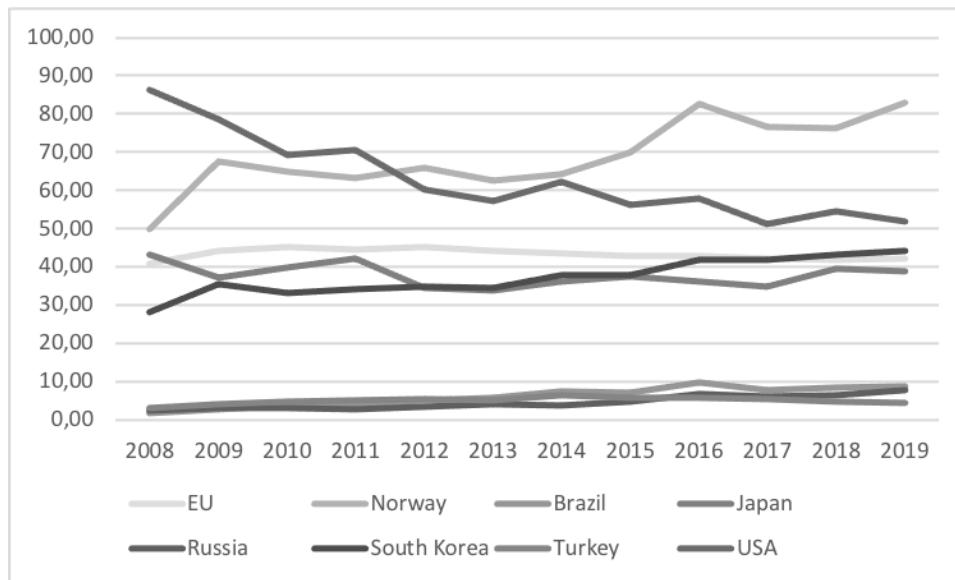


Figure 11 Residential loan / GDP percentage for selected countries

[Hypostat, 2019]

For supporting housing demand further, in 2010, the lease certificate regulations were introduced, and it was named as sukuk, sharia-compliant bond-like financial product used in Islamic finance. The first sukuk was released in 2011, and in 2018, first time a Turkish REIT released sukuk, Halk REIT. Besides, in 2012, modifications and amendments were made to land registry law and the law of reciprocity to relieve conditions for foreigners to buy home in Turkey. As a part of steps taken to boost housing demand, another change in the law of citizenship was made and through this change, investing in a real estate worth of at least 250,000 US Dollars (USD) -reduced from one million USD- became sufficient to get Turkish citizenship (Erguven, 2020).

Also, in 2013, real estate certificates were introduced as tradable assets in the stock exchange. The logic of these certificates was to help people invest partially in real estate projects to benefit from rise in their project value, and if they have enough certificates, they could own the actual real estate. In 2017, TOKI issued first real estate certificate and its funds were invested in government bonds. Finally, in 2018, the first mortgage-backed security was issued in December yet owing to lack of secondary and sophisticated markets for securities in Turkey, the present mortgage markets underperform (See Figure 12).

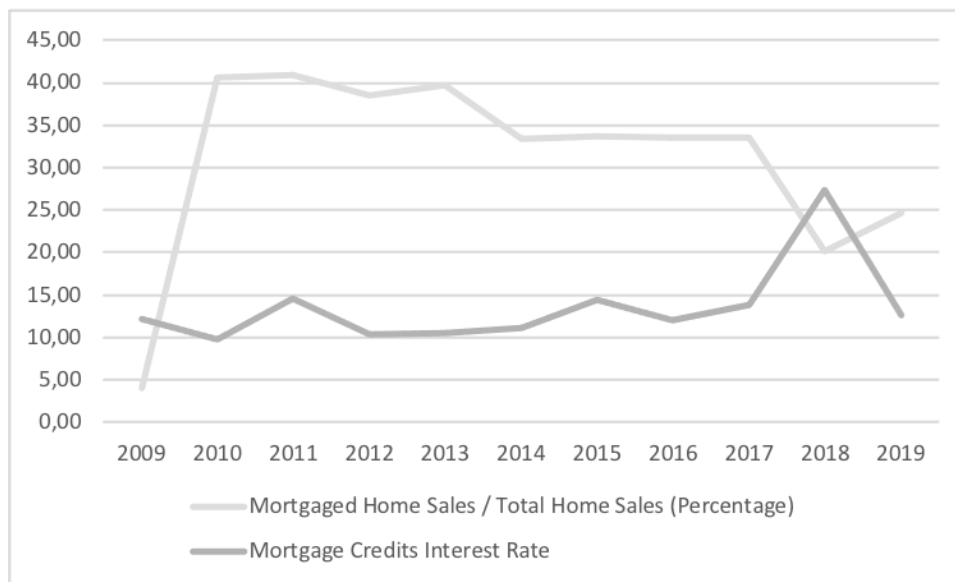


Figure 12 Mortgaged house sales and mortgage interest rate

[CBRT, 2020b]

Currently, mortgage credits in Turkey are 10-year fixed rate products in general, and unlike many countries, Turkish mortgage markets suffer from maturity mismatch since rather than capital market institutions, deposit banks provide mortgage credits. To enhance the demand for housing in the absence of large mortgage markets, construction companies either practice pre-building sales at lower prices to finance their projects or

they use company-owned financing mechanisms, and these two financing mechanisms are not marginal in Turkey (Yesilbag, 2019; Aslan & Dincer, 2018). Lastly, unlike European counterparts, there are almost no rental subsidies in Turkey, and this causes another burden for low-income groups in accessing residential facilities (Erol, 2019).

4.3 Turkish REITs

REITs are capital market structures that form connection between construction activities, real estate sector and financial markets. In other words, REITs facilitate investments in real estate projects via real estate backed capital market institutions. The law regulating REITs were enacted in 1992, and their earnings are designed to be exempted from corporate and stamp tax. The goal of providing these incentives to REITs is to raise fund via stock exchange for financing large scale construction projects. The first REIT, Vakif REIT, was established in 1996 in Turkey (Erguven, 2020). Though there were only nine REITs in 2005, their number has reached 33 today (See Figure 13).

Laws and regulations in 2004, 2006 and 2011 further supported REITs. With these laws and regulations, the rate of initial public offering fell to 25% from 49% and the scope of tax exemptions were broadened (Yesilbag, 2019). Among Turkish REITs, Emlak Konut has been a dominant actor, particularly due to fact that it is affiliated with TOKI and heavily privileged by the government (See Figure 14). As of 2019, Emlak Konut REIT has financed more than 135 projects which consisted of more than 125,000 dwelling units (Erol, 2019).

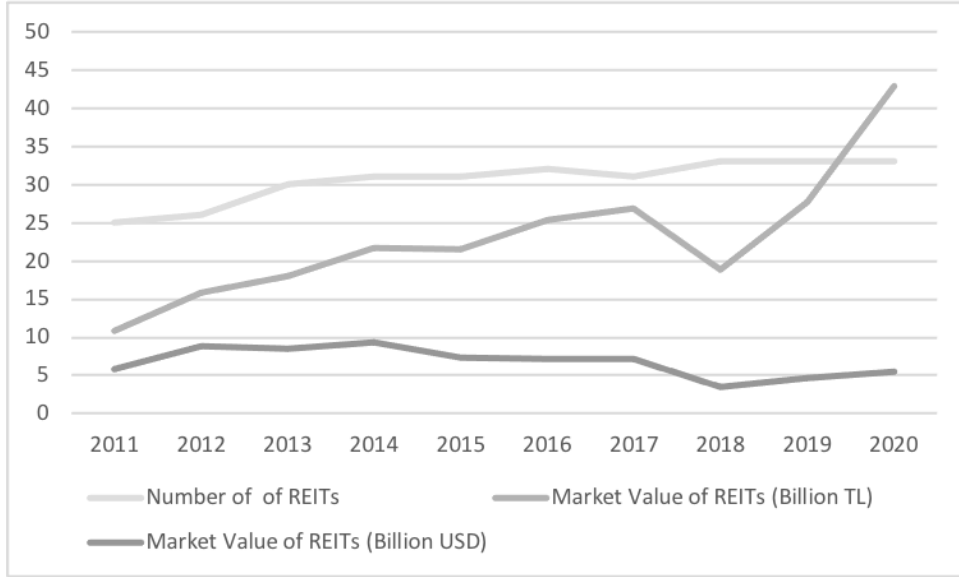


Figure 13 Number and value of REITs

[GYODER, 2020]

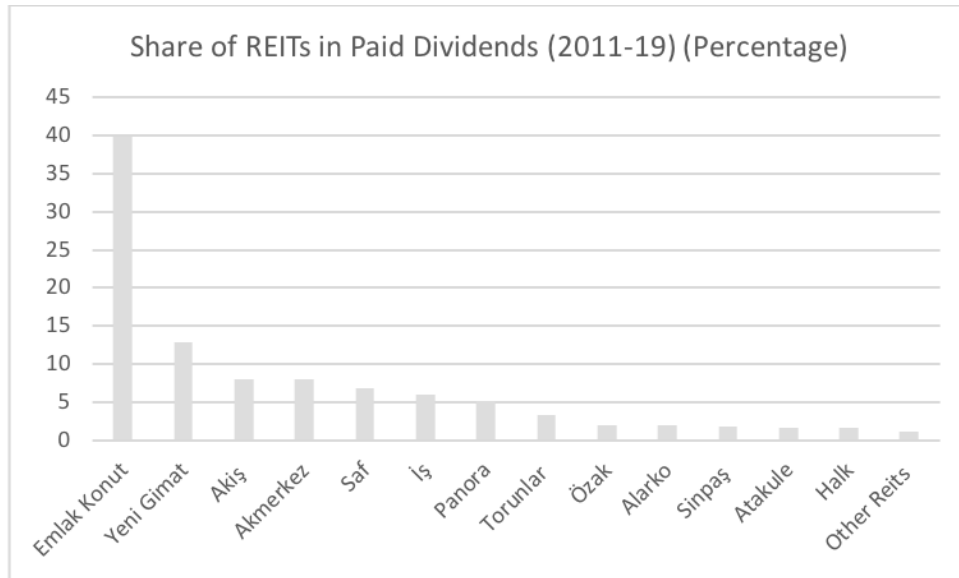


Figure 14 Distribution of REITs in terms of dividend payments

[GYODER, 2020]

4.4 Construction and housing in Turkey

Throughout the twentieth century, Turkey lacked fiscal capacity to provide long-term housing policies for citizens due to several external and internal problems. Until early 2000s, housing policies failed to provide formal housing options to low-income groups, and only public employees and cooperative members could benefit from the limited housing availability. In 1925, Law 586 and in 1928, Law 1532 were enacted to solve the problem of housing for certain segments of public workers and bureaucrats. In 1926, Emlak and Eytam Bank was founded to support construction activities, and later this bank was transferred to Turkish Emlak Credit Bank in 1946, and Turkish Emlak Credit Bank became the Emlak Bank in 1988 (Turkun, Aslan & Sen, 2014).

During 1930s, owing to impact of Great Depression, Turkish state withdrew its resources from housing sector and enacted Law 1580 to assign housing production responsibility to municipalities in 1930. In those years, first squatter housing concept emerged in Ankara since Ankara was the fastest urbanizing and growing city in 1930s and 1940s; and later, this squatter housing concept expanded in Istanbul during 1950s. In 1940s, subsidized rental housing for workers of state economic enterprises was arranged. Also, Social Security Institution started issuing cooperative construction credits in those years. In 1944, with Law 4626, public initiatives for providing housing were extended to include civil servants too. However, for low-income groups, only option was informal squatter housing, and between 1940 and 1950, squatter settlements and shelters for workers sprawled (Keles, 1989).

In 1951, Law 5656 made housing production a mandate for municipalities but due to failure of municipalities to provide housing for low-income people, government

enacted an amnesty law in 1953 for informal housing, therefore squatters received occupancy permits from the state. In 1958, the Ministry of Development and Housing was formed but it could not solve the housing problem in those years. Another amnesty law was enacted in 1963 when the number of squatter settlements reached to 120,000 in Istanbul, though it was around 5,000 in 1949, with around 35% of the population residing in those housings. Nevertheless, housing did not attract attention as a big socioeconomic problem until 1960s since there was no large-scale intra-country migration, no large-scale industrialization and no debate about social issues under one-party government (Keles, 1989).

In 1960s, housing emerged as an issue after rising levels of industrialization and urbanization. Though Turkish state failed to provide a Fordist housing regime for workers, housing was included in the constitution in 1961 as a part of right to health for the first time (Florida & Feldman, 1988). Later, State Planning Organization included housing plans in five-year development plans and assigned state a regulator role for the housing industry (Turkun et al., 2014).

Formalization of condominium ownership in 1965 increased the number of build-and-sell contractors in those years, and squatter settlements occupied 64% of housing in Ankara, 40% in Istanbul and 48% in Adana. Later, Law 775 on squatter settlements tried to address informal housing problem by legalizing all the squatter settlements that had been built until 1966. In addition to amnesty laws in 1948 (twice), 1949, 1953, 1959, pro-squatter legal developments paved the way for more squatter settlements. Besides, after 1966, Turkish state issued eight other amnesty laws for squatter settlements in 1976, 1983, 1984, 1986i 1987, 1988, 1989, 2008 and 2018 (Giritlioglu & Oden, 2020).

In 1969, Land Office was formed to provide land for housing, industry, tourism and government facilities and to moderate abrupt residential price increases. Also, government started to support cooperatives in those years by exempting them from value added tax, and between 1966 and 2007, around 2.6 million dwelling units were constructed by cooperatives whose share was 18 % in all housing starts. In 1970s, sales of multistorey squatter settlements and sales of lands for squatter housing construction with informal joint ownership titles increased. Number of squatter settlements reached to 195,000 in 1972, and to 208,000 in 1982 in Istanbul. In the absence of widespread and inclusive formal social security coverage, people evaluated squatter housings as their social security insurance, and they increased the pace of construction of squatter settlements (Turkun et al., 2014).

In 1980s, multistorey squatter settlements and public land in urban areas became items of commercialization and commodification as the use-value concerns were replaced by the exchange-value concerns. To address informal housing issue, National Security Council prohibited construction of squatter settlements, and the Law 2487 enacted the first mass housing law in 1981 with the goal of producing housing for low- and middle-income groups. Also, cooperatives were given privilege to benefit from public housing fund. The executive responsibility of enforcing this law was assigned to the Ministry of Development and Housing (Pamuk, 1996; Turkun et al., 2014).

In 1984, second mass housing law, Law 2985, was enacted and it removed mass housing fund from government budget. In the meantime, occupancy permit requirement for getting utilities services was eliminated in 1985 and this raised the living quality of inhabitants of squatter settlements whose share in total housing reached to 70% in Ankara, 50% in Istanbul and 50% in Izmir in the end of 1980 (Turkun et al., 2014).

In 1994, to support formal housing for low- and middle-income groups in Istanbul, Istanbul Metropolitan Municipality Housing Company (KIPTAS) was restructured after its foundation in 1987. Since 1994, KIPTAS delivered more than 80,000 dwelling units. The need for formal housing rose significantly after 1999 earthquake since post-earthquake legal and administrative changes increased the new building standards and targeted unhealthy squatter settlements. Accordingly, a new criminal code, criminalizing the construction of squatter housing with a five-year sentence, was introduced. Also, TOKI was restructured in 2003 to undertake large-scale mass housing and urban renewal projects. To support construction activities, Law 5393 gave municipalities right to undertake urban transformation projects in decaying areas. Besides, with urban renewal law for areas under disaster risk, Law 6306 in 2012, and metropolitan law, Law 6330, in 2013 expanded the scope of TOKI and municipalities' authorities in terms of construction activities, and the number of construction permits rose significantly in the last decade (Erguven, 2020). Last not but least, mega infrastructure projects through public-private partnerships became an important part of construction activities in addition to housing building (Yesilbag, 2019) As a result, these activities enhanced the financial liabilities of Turkish contractors substantially (See Figure 15).

4.5 TOKI

TOKI was founded as a part of Housing and Partnership Directorate under Law 2985 in 1984, and it became a single entity in 1990 with the aim of providing state-supported financing to residential projects, particularly for low-income families via subsidized credits. Though it was removed from the fiscal budget in 1994 due to adverse economic

conditions, in 2001, TOKI Fund was reinstated in the government budget. After 2002, with the liquidation of Emlak Bank and Land Office, their real estate and public land inventories were transferred to TOKI in 2003 through Law 5273. So, TOKI became the sole controlling authority of all public land. Through amendments to Law 4966 of 1984, TOKI was attached to the office of Prime Minister in 2003, and TOKI became the regulator and facilitator of large- scale housing and urban transformation projects (Tansel, 2019). Again, in 2003, TOKI started its revenue sharing partnership model with the land TOKI received from the Land Office. With Law 5018, TOKI finances were also removed from Court of Accounts auditing, and it had its own special budget that is exempt from public procurement law and Public Procurement Authority regulations. As a result, TOKI has become a powerful public institution in terms of its administrative, planning and financial capacities. In 2007, share of TOKI in housing markets rose to 18.6% in four years (Kuyucu, 2014).

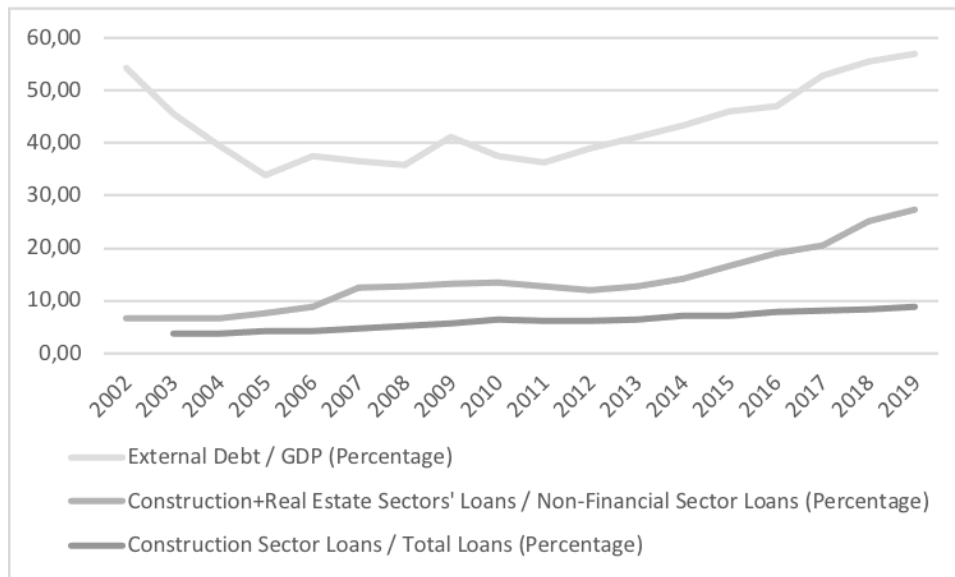


Figure 15 Share of construction-real estate sectors in domestic/international loans
[CBRT, 2020a]

With Law 5162, TOKI was empowered on urban renewal projects by receiving ability to grab and expropriate any land, by getting license to prepare and finance urban transformation projects and by getting privilege to establish partnerships with private firms in revenue sharing projects in 2004. In 2008, Law 5793 gave TOKI license to authorize projects even if these projects were not approved by the municipalities, therefore TOKI could override the authority of municipalities after 2008. In 2012, TOKI received further privileges via Law 6292 that made the sale of protected and forested areas for commercial use possible if these areas lose their protected status due to a burning or cut down. TOKI sold more than 1.5 million square meter area thanks to this law. Another TOKI reinforcement was installed via Law 6306 according to which TOKI could define any areas as zones of disaster risk, then it can confiscate these lands under the banner of enhancing city resilience vis-à-vis disasters. Though TOKI was attached to the Ministry of Environment and Urbanization after the presidential Decree Law 703 in 2018, it still enjoys its financial, administrative and legal privileges (Tansel 2019; TOKI, 2019)

TOKI undertakes social housing projects generally on plots at urban peripheries by contracting construction activities to private companies. TOKI provides dwelling units whose prices are lower than average market prices, and it provides credits directly and indirectly via public banks. Besides, TOKI offers favorable payment schemes to home buyers who get the ownership title of dwelling units after they make their last payment. Also, as a part of revenue sharing projects, TOKI offers plots in city centers and at popular spots that have high rent capacity for private companies which perform land development and building and later share the revenue with TOKI in the end of the

project according to predetermined conditions (Tansel, 2019). On average, in terms of project numbers, TOKI is largely involved in social housing projects (See Figure 16).

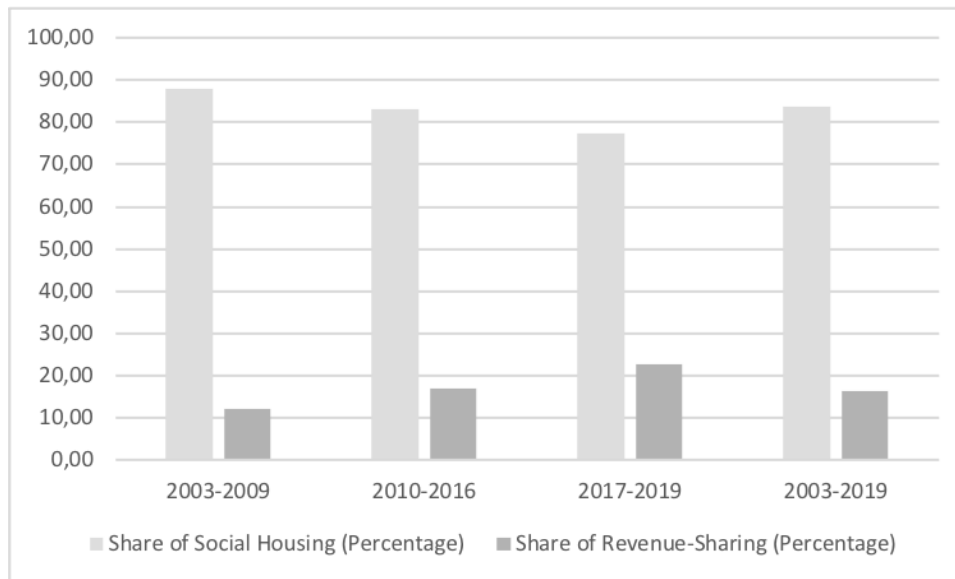


Figure 16 Share of social housing and revenue sharing projects in total number
[GYODER, 2020]

4.6 Turkish contractors in international markets

Turkey's domestic economic problems in 1970s coincided with the rise of Middle Eastern and North African countries on the shoulders of petro-dollars. In 1975, Turkish Libyan Joint Economic Cooperation Protocol allowed Turkish contractors to enter Libyan market. Later, activities of Turkish contractors spread to North Africa and Middle East. During 1970s, Turkish firms focused mostly on Libya, and to a lesser extent, on Saudi Arabia, Iraq, Kuwait. Their major activities included construction of housing, seaport, roads, bridges and tunnels. After the 1984 Agreement with Russia, Turkish contractors entered the Russian market. Nevertheless, throughout 1980s, Libya still dominated the share of Turkish contractors' activities (Oz, 2001).

In 1990s, the share of Libya in Turkish firms' activities fell to 15% and share of Russia rose to 40%. Former USSR countries were included in the portfolio of Turkish contractors as well, particularly Kazakhstan and Azerbaijan. Role of housing in those countries kept important place in overall activities but construction of industrial facilities and trade centers started to receive substantial share too. The economic crisis in Russia in 1997 led to diversification attempts by Turkish contractors on Russian market. Nonetheless, between 2000 and 2009, Russia was leading in terms of share of project values with 21 %, and followed by Libya (10.3%), Turkmenistan (10.1%), Kazakhstan (8.5%) and Iraq (5.3%). In the same period, while the share of housing construction share fell to 11 %, share of commercial centers and infrastructure projects rose (See Figure 17).

In the post-2010 era, Russia kept her leadership in terms of its share (18%), and Russia was followed by Turkmenistan (14.1%), Iraq (7.8%), Saudi Arabia (6.6%) and Kazakhstan (5.1%). In those markets, the share of infrastructure project prevailed by 15 %, and second rank was taken by housing projects by 12%. Also, construction of power plants (8.6%) got the third place over commercial centers (7.5%) (The Union of Turkish Contractors [TMB], 2020; See Figure 18).



Figure 17 Share of international markets for Turkish contractors
[TMB, 2020]

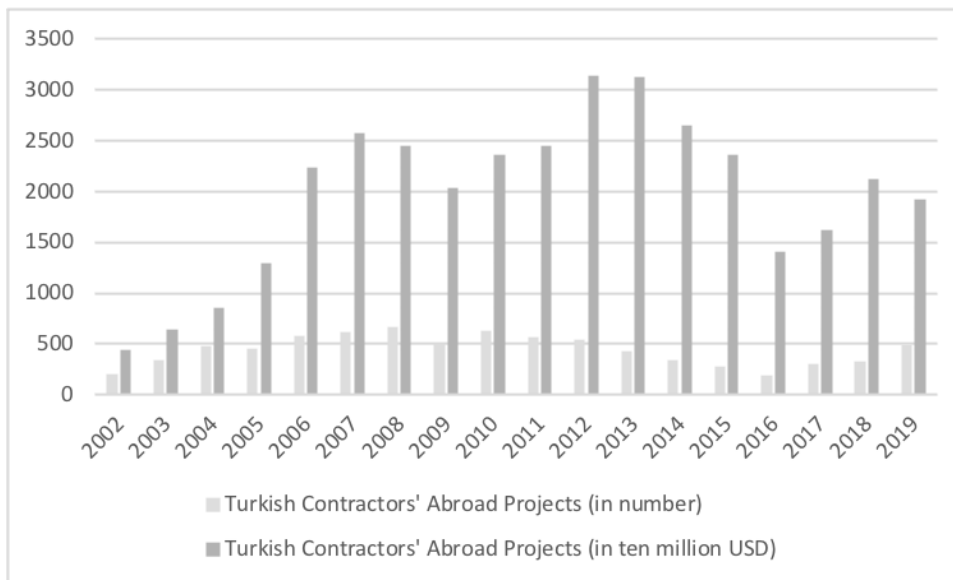


Figure 18 Number and value of Turkish contractors abroad projects
[TMB, 2020]

CHAPTER 5

RESULTS AND DISCUSSION

In this section, I firstly present the results of my qualitative analysis and evaluate whether my first hypothesis is supported or not. More particularly, I trace if and how construction sector has become crucial to the formation of AKP's winning coalition constituted by cronies. Results of the process tracing analysis provides support for the insights derived from crony capitalism theory (Haber, 1999; Kang, 2002), thus for the Hypothesis 1. In the second part, I perform a quantitative test to evaluate my second hypothesis by using time-series data. More specifically, I conduct a multiple regression analysis on six different models to see whether supply-side measures or demand-side measures have been more effective in enabling the persistence of construction-driven crony relations that have become central to the formation of AKP's winning coalition. Results of the quantitative analysis provides support for the insights derived from the supply-side economics theory (Hsieh, 2005), thus for the Hypothesis 2.

5.1 Construction-driven crony capitalism under AKP rule

The theoretical framework stresses that certain sectors are instrumentalized by the ruling political party as a means to create a winning coalition constituted by cronies. To that end, ruling party uses its political power to politicize public resources to promote the privileged sector. This privileged sector allows cronies to access to monopoly rents and get above-average returns. To maintain the crony relations, governing party does not only use state power to protect cronies from domestic and international competition but

also uses authoritarian methods to suppress any opposing forces. In this research, I expect these theoretical expectations to be supported by observations related to Turkey's construction sector under AKP rule.

5.1.1 Rise of pro-AKP construction firms through public resources

When AKP won the national election in 2002, the number of construction firms among Turkey's biggest companies was small. In 2002, there were only two construction firms in the Top 100 companies list, and only eight firms in the Top 500 list (Capital, 2020). However, this number has risen significantly under AKP rule. In 2011, the number of construction firms in Turkey's Top 100 companies reached seven, and in 2016, it reached nine. Besides, the number of construction firms in the Top 500 in 2011 reached 20, and in 2019, it reached 34. Yet, the rise of Turkish construction firms was not only a domestic phenomenon. According to ENR which is an internationally recognized agency that publishes about recent engineering and construction developments, (ENR, 2020), Turkish construction firms have grown extensively compared to their international counterparts. Put simply, while the number of Turkish contractors in the Global Top 250 contractors list was only 11 in 2002, this number climbed up to 46 in 2016 (See Figure 19). In short, both domestic and global data reveal the outstanding performance of Turkish construction firms since AKP became Turkey's ruling political party.

One major source of Turkish contractors' extraordinary performance is found in AKP's preferences with regards to allocation of public resources. During AKP era, public procurement mechanism has become an important tool to transfer funds from public to private sector. In Turkey, the public procurement system is applicable to 28 public institutions and these institutions use this system to get service and goods from

private companies. Since 2002, both number and value of public procurement contracts have risen, and among these contracts, construction works have constituted a substantial place. Put simply, between 2002 and 2011, one fourth of annual public spending was channeled to public procurement contracts, and this value is worth of more than 8% of the GDP. In these years, more than 100,000 public procurement contracts were awarded to more than 50,000 private companies. Among these contracts, construction works constituted around 20% of them. What is more worthy of attention is the significant rise in the value of construction works. Though construction works were worth of less than five billion TL in 2004, this value reached almost 35 billion TL in 2011. In other words, contracting public construction works to private firms became an effective tool to transfer public funds to private figures and to empower construction firms (See Figure 20).



Figure 19 The number of Turkish contractors among largest firms

[Capital, 2020; ENR, 2020]



Figure 20 Number and value of construction work contracts, 2002 to 2011
[Ceviker-Gurakar, 2016]

In addition to public procurement contracts, AKP government has also initiated large number of public-private partnership projects. The aim of these projects is to contract the construction of large-scale infrastructure projects like airports and highways to private companies which are supposed to finance and build the project. So that, public budget is not pressured by the finance of the project. However, in Turkey, these projects are used as a venue to transfer public funds to private figures because the terms of partnership contracts between the government agencies and private companies are very favorable to private sector thanks to long term payment plans and treasury guarantees (Orhangazi, 2020). Under AKP rule, these partnership projects have become widespread and construction firms have grown extraordinarily owing to these sizable projects. For example, as shown in Figure 21, even only the top three companies' investments in these partnership projects are worth of more than 120 billion USD, and these companies are expected to gain substantial profit on these projects as well (WB, 2020).

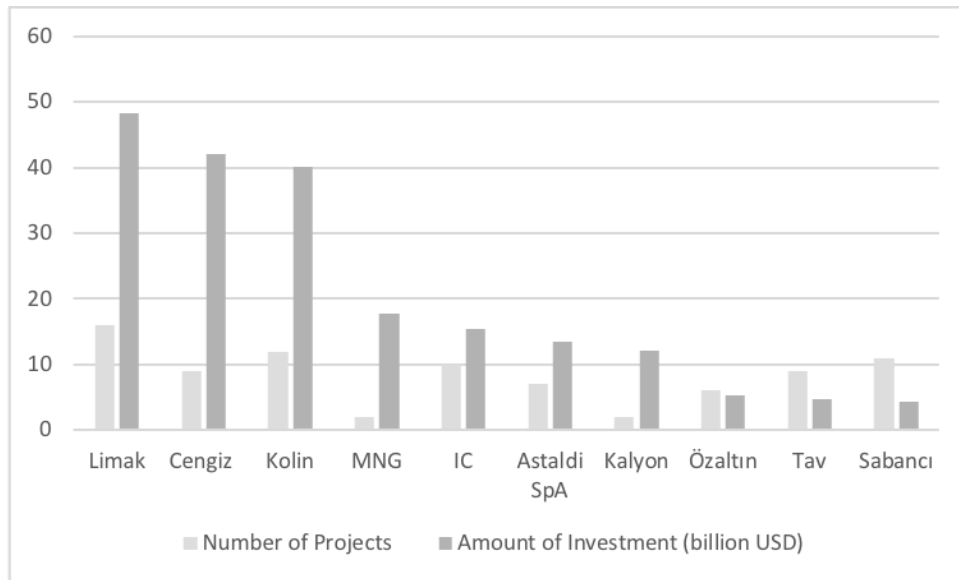


Figure 21 Investment share in Turkey's public-private partnerships, 1990-2019
[World Bank Group, 2020]

Given the use of public procurement system and public-private partnerships for supporting the construction sector, the extraordinarily superior performance of Turkish construction firms is no longer perplexing because AKP government has used domestic policy measures to promote the construction sector. Yet, the motivation behind promoting this sector has not been generating sustainable and inclusive economic growth on the basis of construction sector because, despite its short-term economic benefits, construction-driven economic growth strategies are shown to be unsustainable owing to suboptimal allocation of public resources (Acemoglu & Ucer, 2015; Akcigit et al., 2020). Instead, as the theory suggests, the sector has been privileged by the AKP government for building a winning coalition constituted by cronies. For that reason, construction sector has become pivotal to perpetuation of AKP's rule. For instance, the construction firms that are identified as pro-AKP companies like Limak and Cengiz have turned out to be the fastest growing companies during AKP era (Ceviker-Gurakar,

2016). Also, according to World Bank Group (2020), the public-private partnership projects have favored pro-AKP companies heavily (See Figure 21).

Moreover, through public procurement system, AKP rewarded high and low value construction work contracts systematically to build cronies in the construction sector at national and local levels. In other words, as Ceviker-Gurakar shows, between 2004 and 2011, when the construction work contract value was less than 25 million TL, more than 70% of the contracts were rewarded to pro-AKP local firms, and when the contract value was more than 100 million TL, more than 70% of the procurement contracts were awarded to large-sized pro-AKP firms. Therefore, AKP made use of public procurement system to benefit both small-scale (local) and large-scale (national) cronies in the sector (See Figure 22). For that reason, construction sector has become an area of partisan allocation of public contracts, and companies that are not pro-AKP have had less chance of winning a public construction work contract.

The policies that favor pro-AKP construction firms have persisted between 2014 and 2019 too. As Figure 21 shows, state institutions have privileged the AKP cronies when awarding contracts. For example, the Infrastructure Directorate awarded more than 95% of public construction works contract to Turkey's largest 10 construction firms that are known to be pro-AKP. Besides, AKP government has taken additional steps to protect these cronies from any financial and legal problems. To that end, in a 2014 decree of the Council of Ministers, for instance, the government decided to provide treasury guarantees for the projects that are worth of more than one billion TL. Besides, if the project is not completed, the treasury takes the responsibility for the loans of private consortiums. Also, according to this decree, the Council of Ministers decides which project to be supported and company to be bailed out, and the Council can keep

this information confidential while registering any project related liability as external debt (Karacimen & Celik, 2017). In other words, AKP has used state power and public resources to benefit co-partisan construction companies, and this finding supports the theoretical expectations about the partisan use of state capacity for supporting cronies.

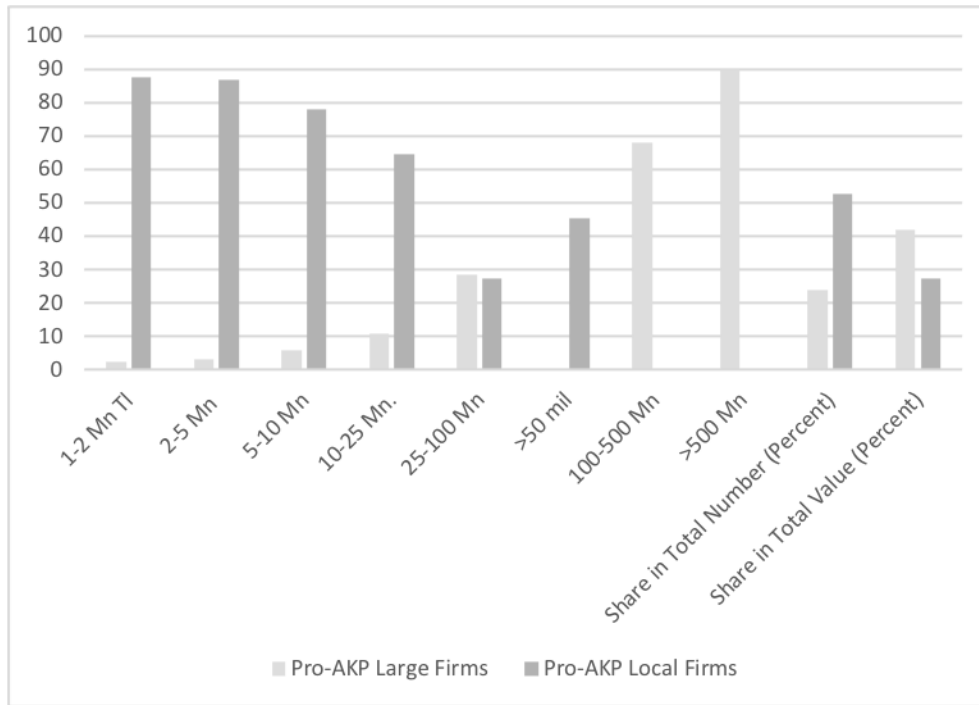


Figure 22 Share of pro-AKP firms in procurement contracts, 2004 to 2011
[Ceviker-Gurakar, 2016]

5.1.2 TOKI and cronies' access to monopoly rents

Among the state institutions, TOKI has become gigantic in terms of the financial might. Owing to its financial power, the value of TOKI-based public construction work contracts exceeded the value of construction work contracts awarded by the remaining state institutions (See Figure 23). TOKI has fed not only large-scale cronies but also small-scale local firms. So, TOKI has become an agent of paramount importance to

understand the growth of construction sector and growth of pro-AKP construction firms. To make TOKI the center of construction-driven cronyism, AKP has made several legal, administrative and institutional changes in TOKI structure. Firstly, TOKI was exempted from the auditing and regulations of Court of Accounts and Public Procurement Law, so Public Procurement Authority has failed to regulate construction activities of TOKI. Secondly, a special budget has been provided to TOKI that was not bound to control by Court of Accounts. Thirdly, with the changes on the law on land development and planning, law on municipalities' authorities, law on transformation of areas under disaster risk and law on land registry and cadastral services, the procedures to get construction permit got looser and the scope of TOKI authorities got extensive. Even the enforcement of court decisions in TOKI projects became limited (Demiral et al., 2016). These changes opened the way TOKI and affiliated companies to grow.

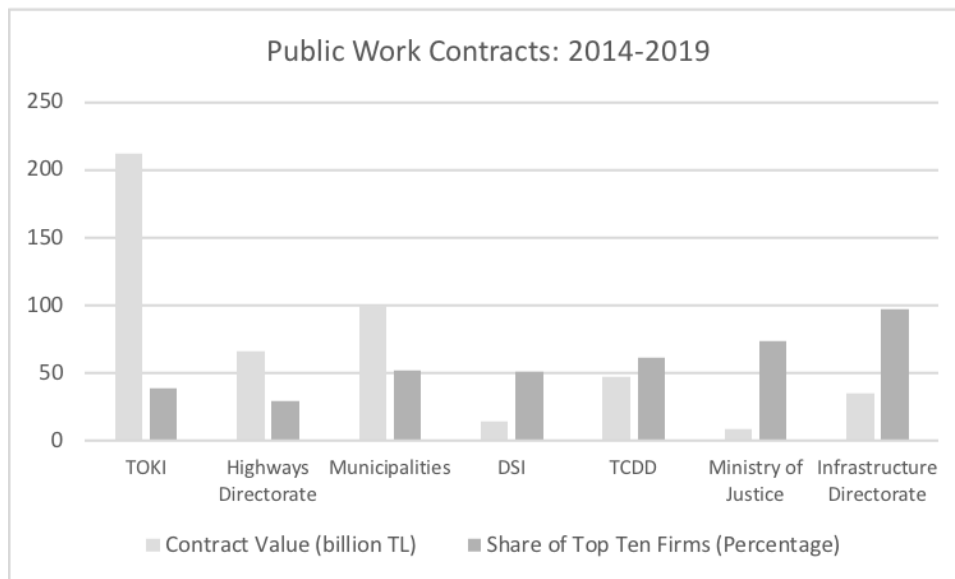


Figure 23 Share of construction work contracts by institutions/firms, 2014-2019

[ENR Turkey, 2020; Ozgur 2020]

Despite the enormous power that TOKI possesses, it still has not fulfilled its establishment purpose of providing affordable housing for low- and middle-income groups. In contrast, though TOKI has been empowered steadily under AKP rule, the homeownership level of low-income people has declined to below 60% (Guney, 2019). One major reason behind not fulfilling the establishment purpose is the distribution of TOKI's affordable housing projects. Put differently, TOKI is expected to build affordable mass housing projects for all income groups. However, this expectation has not been met so far because TOKI has allocated substantial part of its resources to revenue-sharing projects which focuses on rent generation on valuable urban land. For example, Istanbul hosts more than 16 million people, and at the current house prices, it is difficult to buy a home in Istanbul for average citizens. For this reason, affordable housing becomes very necessary for people who live in Istanbul. Yet, though Istanbul's population is around 20% of Turkey's population, as Figure 24 shows, Istanbul gets around 7% of TOKI's total affordable housing projects (TOKI, 2019). Instead, TOKI uses Istanbul's rent-generating urban land to collaborate with pro-AKP firms to undertake revenue-sharing projects that are only suitable to high-income citizens. The theory stresses the importance of rent-generation activities to reward the cronies for keeping the winning coalition intact, and the theory also suggests that co-partisan firms are privileged in terms of access to monopoly rents. In line with these theoretical expectations, TOKI-based strategies do not only show the importance of urban land in terms of rent generation for AKP's cronies but also point to pivotality of TOKI in building AKP's construction-driven crony ties.

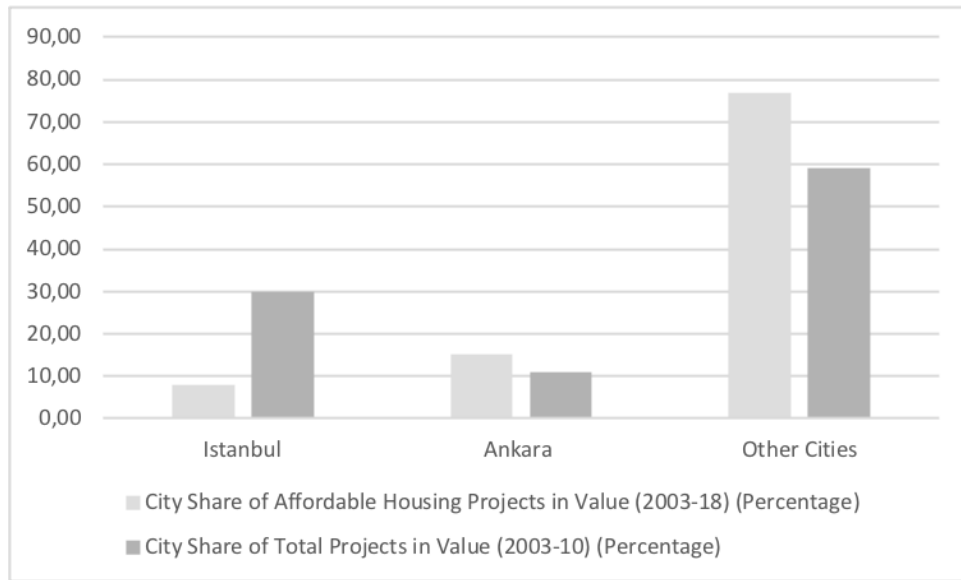


Figure 24 TOKI affordable housing and revenue-sharing projects distribution
[TOKI, 2019; Sonmez 2011]

5.1.3 Discretionary and partisan use of public resources and state power

As the theory suggests, the persistence of crony relations between the AKP government and construction companies depends on discretionary and untransparent use of state power in rewarding public construction work contracts to co-partisans. Put differently, during AKP era, both transparent and untransparent procurement methods have been used, but whenever procurement methods lacked transparency, the probabilities of awarding contract to pro-AKP firms rose (Ceviker-Gurakar, 2016). More particularly, in the process of contract-awarding, there are three different methods that have been used, namely open auction, restricted procedure, and negotiated procedure methods. The open procedure method is the most widespread and transparent one in which authorities are not free to choose between firms and they have limited discretion in the awarding process since they have to obey the predetermined rules. However, post-2002

modifications in the laws opened the way for increasing the procurement methods that do not include open auction. For instance, between 2004 and 2011, more than 145,000 construction work procurement auctions were held, and they were worth of 153 billion USD. Among these auctions, around 18,000 auctions constituted more than 75% of all value (Ceviker-Gurakar, 2016). Parallel to rise in the value of contracts, the number and value of the non-open procedure procurement contracts rose significantly (See Figure 25). Besides, from 2004 to 2011, the share of high value construction procurements rose from 37% to 57% in all contracts, and most of them were awarded through non-open procedures. These findings support the theoretical expectation with regards to role of opacity in ensuring the persistence of crony relations because as transparency in the procurement process disappeared, AKP used its power to reward the cronies in a stealth way.

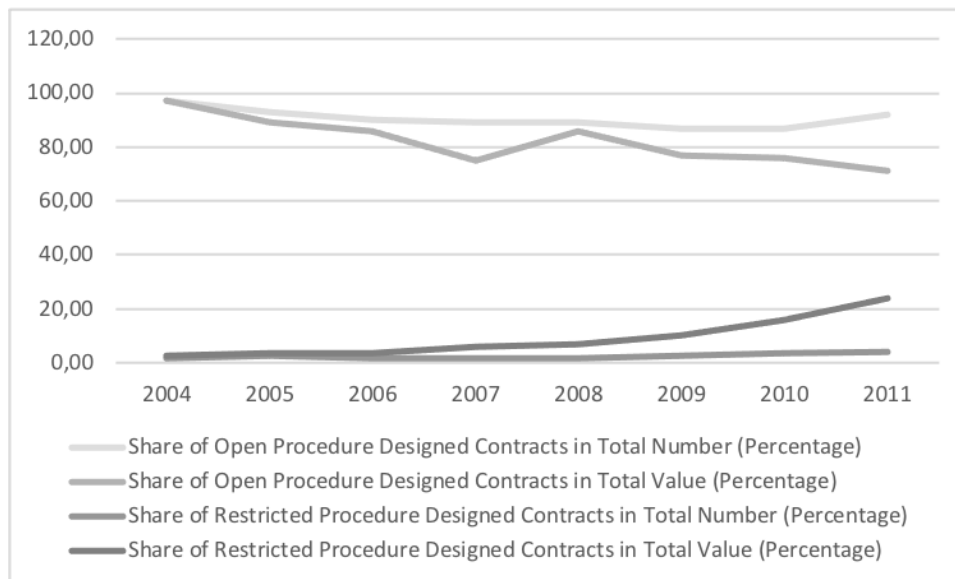


Figure 25 Share and number of open and restricted method auctions, 2002-2011

[Ceviker-Gurakar, 2016]

To maintain the transfer of funds from public institutions to pro-AKP cronies for the persistence of construction-driven winning coalition, AKP has had to allocate resources and award contracts in a partisan manner. To that end, AKP further employed arbitrary use of state power and crippled the independence of policy making from the political pressure. As suggested by the theory, this has resulted in the decline of government effectiveness and regulatory quality particularly after 2011, and global indices reflect this downward trend in Figure 26 (WB, 2020b). Moreover, the theory suggests that as the ruling party consolidates its power in the government, it is likely to abuse state power for reinforcing the winning coalition. For this purpose, ruling party is expected by the theory to get involved in corruption to strengthen the co-partisan crony relations. In the case of AKP rule, we have already observed the allocation of public resources to pro-AKP construction companies in the previous figures. Parallel to theoretical expectations, as shown by the data, corruption under AKP government has increased and become visible in the global governance and transparency indices as well. According to Transparency International (2020) and World Bank (2020b), since 2012, Turkey has been in a negative trend in terms of combating corruption (See Figure 27).

5.1.4 Increasing authoritarianism to defend cronies

In the presence of construction-driven corrupt and crony relations, there emerges a non-inclusive economic model that heavily favors pro-AKP figures. Yet, preventing the use of public resources for non-AKP companies generates a backlash from the opposition. In the face of such an opposition, the theoretical framework expects ruling party to use state power for controlling and suppressing the dissidents to keep its crony-populated

winning coalition intact via authoritarian and violent means. Under the AKP government, observations meet the theoretical expectations.



Figure 26 Status of Turkey's government effectiveness and regulatory quality
[World Bank, 2020b]

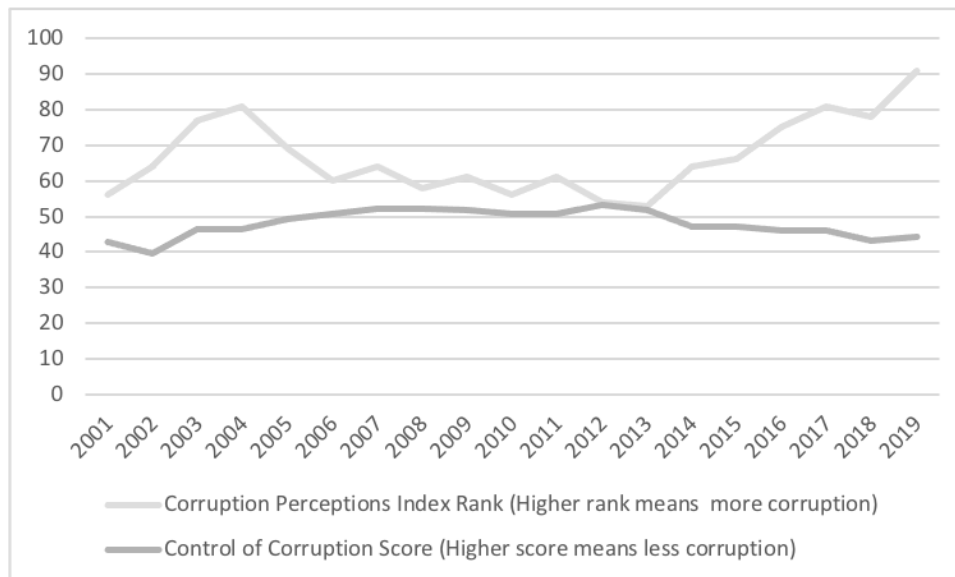


Figure 27 Corruption control and corruption perceptions in Turkey
[Transparency International, 2020; World Bank Group, 2020b]

In the aftermath of 2010, toleration for the opposition under AKP rule has started to wane, and in 2013, we observed a turning point in the autocratization of AKP rule. In the May of 2013, a very momentous protest erupted in Istanbul's Gezi Park against the construction-driven authoritarian policies of AKP (Demiralp, 2018). Gezi protest turned into a nationwide opposition movement in a week, and this movement threatened the legitimacy of AKP rule. However, nationwide peaceful protests were attempted to be suppressed through violent use of state and police power. Unfortunately, some protesters lost their lives, and many of these protesters were jailed. In the end, protesters left the protest areas, but the Gezi movement clearly showed the intolerance of AKP government for the opposition. With the Gezi, we also realized the importance of construction sector for AKP to maintain its rule because during the Gezi, AKP government mobilized state and police power at the national level to protect its construction-driven winning coalition constituted by cronies. Parallel to these developments, not only Turkey's civil rights and political rights scores declined according to Freedom House (2020) reports (See Figure 28), but also Turkey under the AKP government has become a more authoritarian state where rule of law began to disappear and where it has become more difficult to keep policy-makers accountable for their wrongdoings according to World Bank Group (2020b) global governance indices (See Figure 29).

5.1.5 Politics overrides economics

Last but not least, the theory stresses that the persistence of cronyism is not dependent on Pareto optimal allocation of public resources and economic sustainability. Instead, since crony relations are crucial to ruling party for keeping the winning coalition intact,

cronyism is maintained even at high economic cost. During AKP era, construction sector has been favored heavily, and one of the mechanisms to keep construction activities vibrant has been easing the access of construction firms to credits and loans. Through development credits and loans, construction firms kept their activities vibrant. However, in the last five years, not only the growth rates of construction sector have stumbled but also the share of construction firms in newly opened firms has declined (See Figure 30). Yet, in the same period, as depicted in Figure 30, the share of construction sector loans in non-financial sector loans have grown. Such a divergence between the performance of the sector and the access of sector to credits have become threatening for the health of financial system because since 2010, the share of construction sector loans in non-performing loans rose from less than 5% to more than 10% (CBRT, 2020a). Besides, as shown in Figure 31, in the last five years, the financial risk that constructions sector poses to Turkish economy reached around 17% of GDP.

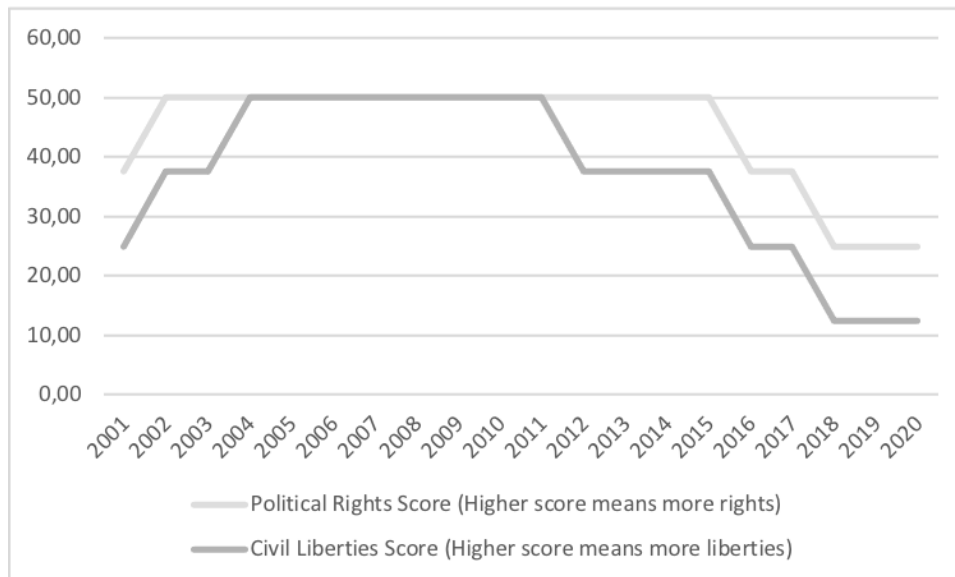


Figure 28 Status of political rights and civil liberties in Turkey

[Freedom House, 2020]

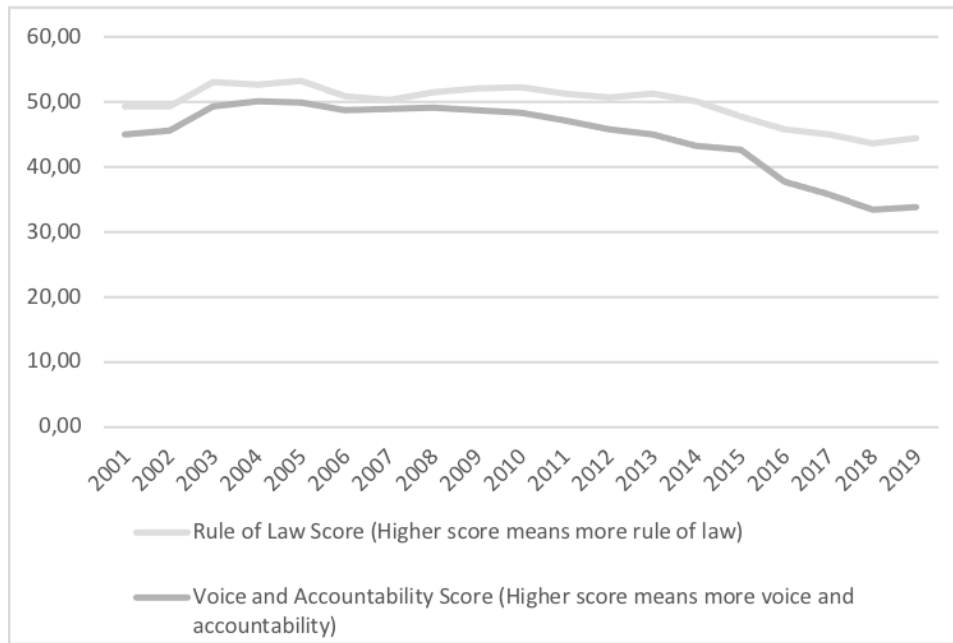


Figure 29 State of rule of law and voice / accountability in Turkey
[World Bank Group, 2020b]

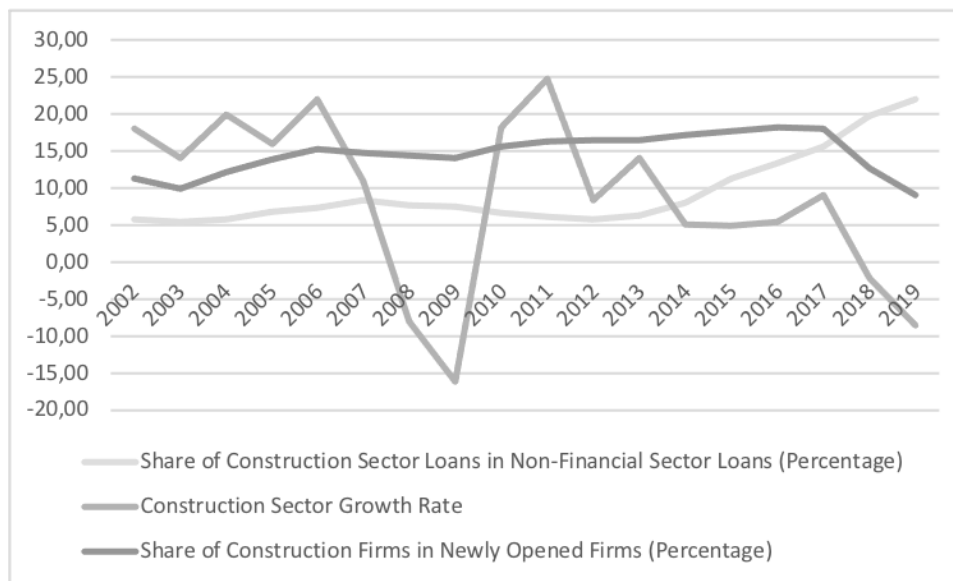


Figure 30 State of Turkey's construction sector in growth, loans and opening firms
[GYODER, 2020; TOBB, 2020; CBRT, 2020a]

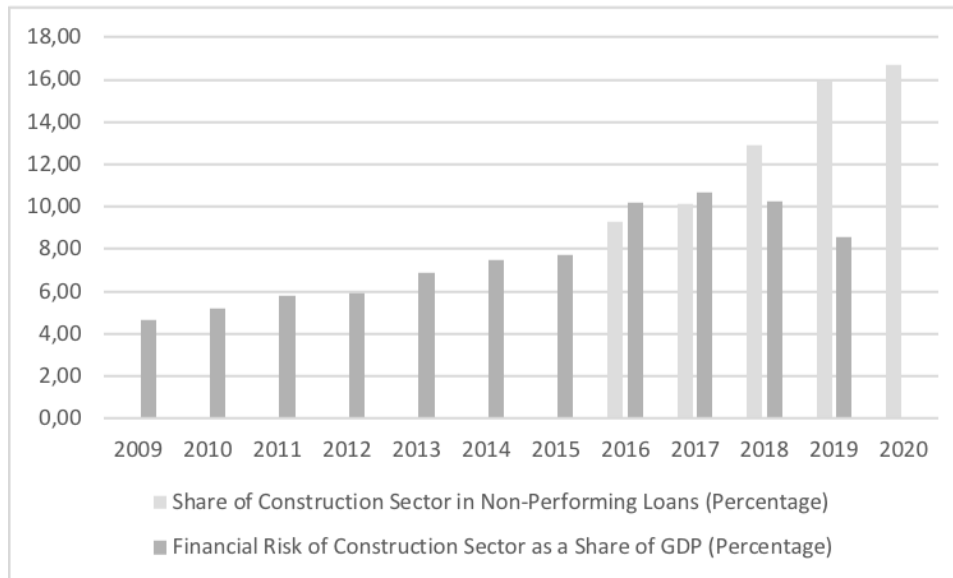


Figure 31 Financial status of construction sector

[CBRT, 2020a]

In addition to the financial aspect, construction sector under the AKP government has also become threatening to Turkey's fiscal health. As mentioned above, pro-AKP construction firms benefit from public resources through two major mechanisms. The first one is the arbitrary rewarding of public construction work contracts to co-partisan yet incompetent contraction firms. As Ceviker-Gurakar (2016) shows, the value of such contracts rose substantially during AKP era. The second mechanism is the public-private partnerships for large-scale infrastructure projects. Such partnerships are supposed to ease the pressure on the government budget, but in Turkey, the terms of partnership contracts are very favorable to private construction firms which are shown to be AKP cronies (Ozgun, 2020). With such partnerships, these firms do not only get easy access to credits from public banks, but also, they get steady fund support from public budget thanks to treasury guarantees. Figure 32 shows the repercussions of partisan allocation of public resources to AKP cronies via public procurement contracts

and public-private partnerships. According to Figure 32, after 2015, Turkey's fiscal position has deteriorated thanks to increased use of public funds for co-partisans. In the same period, fiscal deficit reached almost 4% of Turkey's GDP, and this development is a menace to Turkish economy because Turkey is already troubled with high levels of private sector debt.

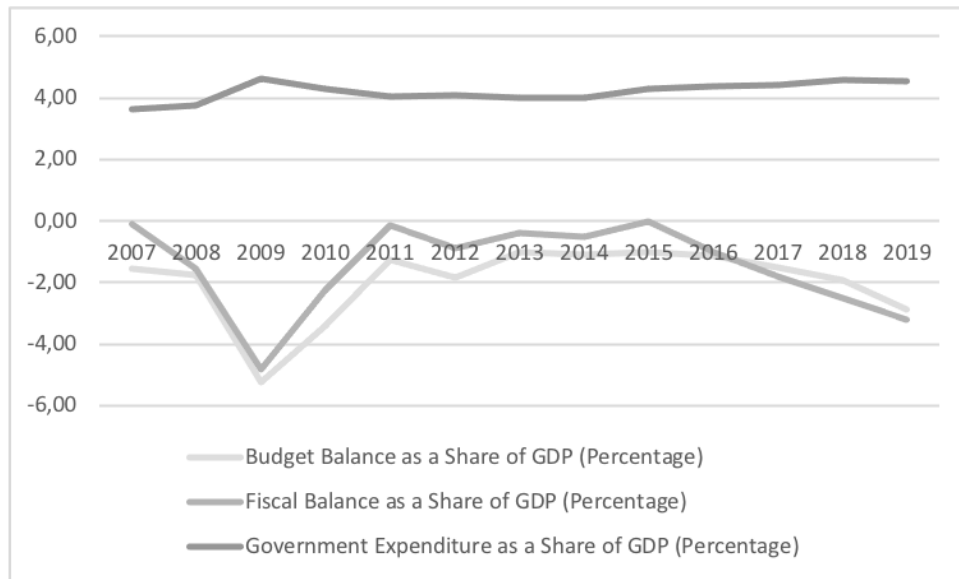


Figure 32 Status of Turkey's fiscal position and government expenditures
[CBRT, 2020c]

In the light of this data, construction sector has been shown to pose threat to Turkey's financial and fiscal health. Nevertheless, despite this threat, I have shown above how AKP government keeps supporting the cronies in the sector, particularly via public resources. Such findings provide support for the theoretical expectations because according to the theory, the persistence of cronyism is not dependent on economic sustainability. Rather, since crony relations are crucial to ruling party for keeping the winning coalition intact, cronyism is maintained even at high economic cost. Existing

results depict how AKP is willing to tolerate fiscal and financial risks for maintaining the construction-driven crony relations that constitutes AKP's winning coalition.

The data and results presented in this section help us to trace how construction sector has grown under AKP rule, how the sector has become crucial to forming crony ties with pro-AKP firms, how these crony relations have been made persistent, and how AKP is willing to keep the construction-driven winning coalition intact. These results also provide support for the Hypothesis 1 that posits that the prioritization of construction sector under AKP rule is a result of cronyism that has become central to formation of AKP's winning coalition. Therefore, the privileged position the construction sector during AKP era can be explained by the insights derived from crony capitalism theoretical framework.

5.2 Strategies of crony capitalism under AKP rule: a supply-side approach

In the previous section, I have shown how AKP has privileged the construction sector to build a winning coalition, even at the expense of Turkey's economic health. Yet, this result leads to further questions about the persistence of construction-driven crony relations. In other words, construction sector has been salient to AKP's power consolidating strategy since 2002 (Erguven, 2020; Orhangazi, 2020), but maintaining crony relations on the basis of construction sector is perplexing because as Yesilbag (2019) shows, there has been a mismatch between housing (over)supply and (under)demand. Figure 33 and Figure 34 present descriptive statistics concerning the source of this supply-demand mismatch. In Figure 33, it is depicted that while housing loans as a share of total domestic bank loans declined below 10% between 2006 and 2019, construction sector loans grew not only as a share of total domestic bank loans but

also as a share of non-financial sector foreign exchange loans. Put differently, though construction firms had ample access to TL and foreign exchange credits, the consumers lacked access to financial resources to purchase the construction output, e.g. housing.

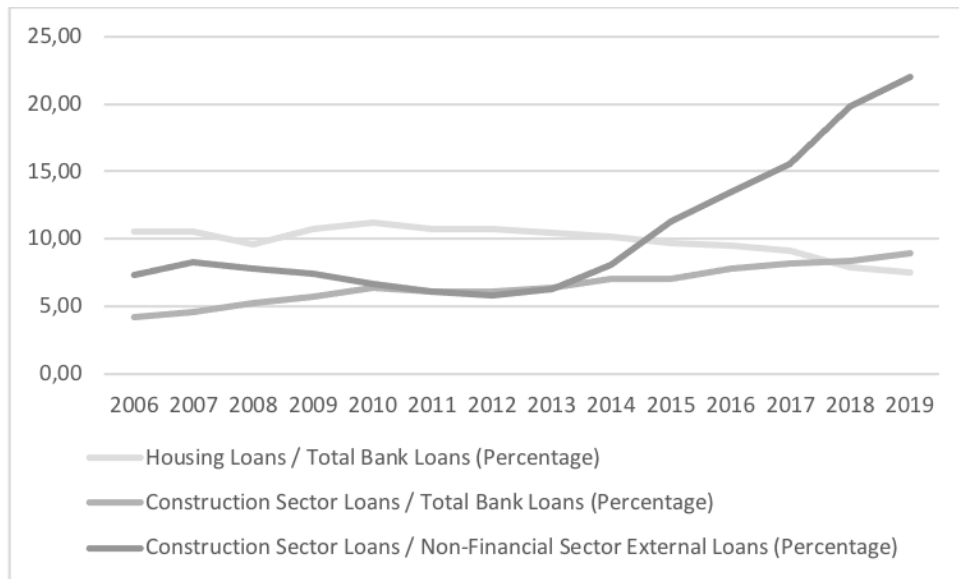


Figure 33 Housing and construction sector loans in Turkey

[CBRT, 2020a]

For a well-functioning housing market, mortgage credits are supposed to constitute a major part of housing sales (Schwartz & Seabrooke, 2009). In Turkey, however, we do not observe this development because in Turkey, after the rise in mortgage interest rates, share of mortgaged home sales as a share of total home sales fell from 40% to 25% in the last 10 years. Parallel to this development, the share of mortgage credits in total credits fell below 10% too (See Figure 34). Put simply, during AKP era, while construction sector has benefited largely from financial facilities, the consumers have lacked means to buy home. As a result, as Figure 35 shows, in an era of construction spree, homeownership levels in Turkey have fallen below 60%, particularly among low-income groups.

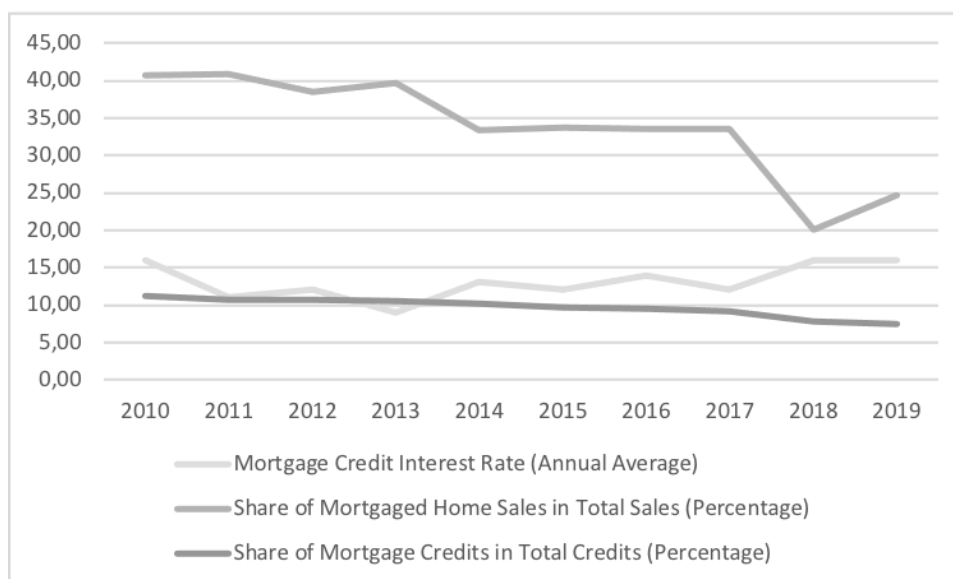


Figure 34 Mortgage credits and mortgage interest rate in Turkey
[CBRT, 2020b]

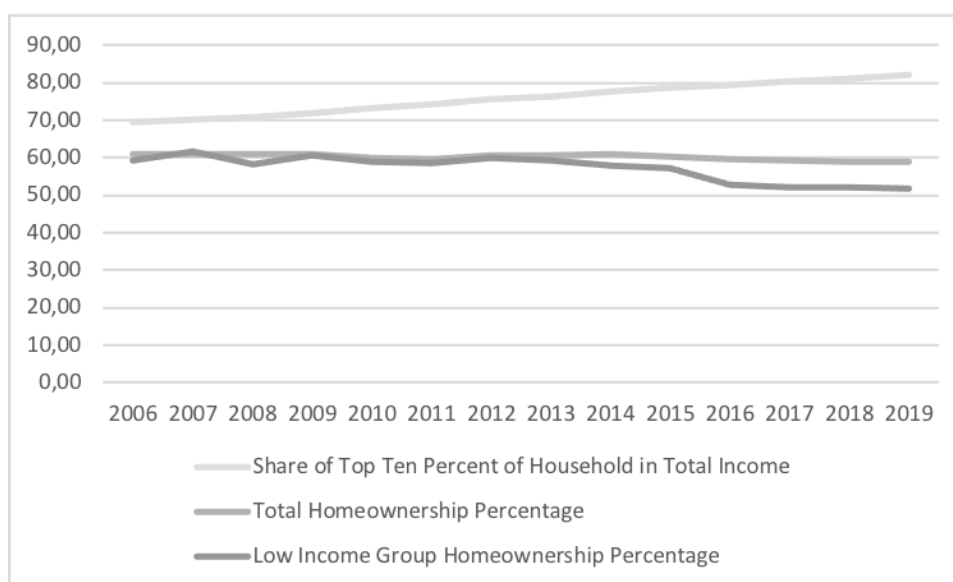


Figure 35 Homeownership levels and income distribution in Turkey
[CBRT, 2020b; Credit Suisse, 2020]

Descriptive statistics presented in Figures 33, 34 and 35 show that in Turkey's housing market, demand-side measures have remained weaker than supply-side measures, and this has resulted in declining homeownership rates. Despite the mismatch

between supply-side and demand-side measures, why have construction firms, which are assumed to be rational actors in terms of cost and benefit analysis, kept constructing further when there is not strong demand in the housing market? The supply-side economics theory stresses that firms are rational agents oriented towards profitable business activities. Accordingly, under specific conditions, firms can allocate resources for commercial activities for which there is already a weak demand and oversupply. To account for why such rational agents make these business decisions favoring more production in the presence of supply-demand imbalance which deters further supply increase, the theory points to the abundance of supply-side incentives in legal, financial and administrative realms to account for why firms enhance the supply further even though the demand is weak. The above-stated descriptive statistics in Figures 33, 34 and 35 provide support for these theoretical expectations.

Turning from descriptive to inferential statistics, Table 2 presents six Ordinary Least Squares (OLS) regression models assessing the demand-side and supply-side roots of construction boom during the AKP era. In Model (1) and Model (4), the goal is to find out whether demand-side or supply-side factors are statistically significant in explaining the variation in construction sector performance. In Model (1), results show that there is a statistically significant relationship between supply-side variables and the size of construction, and they are positively correlated. In other words, when there is one percent increase in the share of construction sector loans in total domestic banking loans, this increases the size of construction sector (TL) around 0.37 percent; and when the number of firms that are opened in the construction sector surge by one unit, this increases the size of construction sector (TL) 0.0001 percent. In Model (1), there is no

statistically significant relationship observed between the demand-side variables and the size of construction sector.

There is a similarity of results between Model (1) and Model (4). Parallel to Model (1) findings, there is a statistically significant relationship between supply-side variables and the number of construction permits for dwelling units, and they are positively correlated according to Model (4). Put differently, when there is one percent increase in the share of construction sector loans in total domestic banking loans, this increases the number of construction permits around 120,000; and when the number of firms that are opened in the construction sector surges by one unit, this increases the number of construction permits around 100,000. Similar to Model (1), there is no statistically significant relationship observed between the demand-side variables and the number of construction permits (See Table 2).

In Model (2) and Model (5), the aim is to discover the impact of supply-side factors on the construction sector performance more extensively. In Model (2), results show that there is a statistically significant relationship between two of the supply-side variables and the size of construction, and they are positively correlated. In other words, when there is one percent increase in the share of construction sector loans in total domestic banking loans, this increases the size of construction sector (TL) 0.39 percent; and when the number of firms that are opened in the construction sector surges by one unit, this increases the size of construction sector (TL) 0.0001 percent. There is no statistically significant relationship observed between housing stock and share of construction sector loans in non-financial sector foreign exchange loans vis-à-vis the size of construction sector.

Table 2. Multiple Regression Results for Six Models

Variables / Models	(1) Share of Constructi on Sector (TL- Logged)	(2) Share of Construction Sector (TL- Logged)	(3) Share of Construction Sector (TL- Logged)	(4) Construction Permits: Dwelling-Units	(5) Constructio n Permits: Dwelling- Units	(6) Constructio n Permits: Dwelling- Units
Share of Constructio n Sector Loans in Total Loans	.366*** (.073)	.39*** (.071)		119344.91* (55189.676)	95561.801* (44367.447)	
Share of Constructio n Sector Loans in Non- Financial Sector Loans	-.079 (.045)	-.015 (.019)		-4183.773 (33848.141)	-44510.1*** (11981.593)	
Newly Opened Firms in Constructio n Sector	.0001** (0)	0.0001** (0)		99.464*** (21.808)	95.523*** (19.291)	
Share of Housing Credits in Total Credits	-.356* (.181)		-.53 (.101)	171874.5 (136142.94)		-3785.285 (130339.57)
Homeowner Rate	.035 (.131)		.206 (.144)	70758.225 (98924.771)		33749.13 (186488.62)
House Stock		0 (0)			-.189 (.269)	
Share of Mortgaged House Sale			.024 (.007)			11873.108 (9641.971)
Constant	24.55** (9.34)	22.344*** (.241)	17.812* (7.971)	-6831088 (7044383.4)	-199486.79 (150412.03)	-1537313.3 (10335630)
Observation s	14	17	11	14	17	11
R-squared	.946	.952	.864	.848	.87	.216

Standard errors are in parentheses

*** p<.01, ** p<.05, * p<.1

There is both similarity and difference of results between Model (2) and Model (5). Parallel to Model (2) findings, there is a statistically significant relationship between two supply-side variables and the number of construction permits for dwelling units, and they are positively correlated according to Model (4). Put differently, when there is one percent increase in the share of construction sector loans in total domestic banking loans, this increases the number of construction permits around 96,000; and when the number of firms that are opened in the construction sector surges by one unit, this increases the number of construction permits around 95,000. Different from Model (2), Model (5) results show that there is a statistically significant and negatively correlated relationship between share of construction sector loans in non-financial sector foreign exchange loans and the number of construction permits for dwelling units. In other words, when there is one percent increase in the former, this decreases the number of construction permits around 45,000.

Lastly, in Model (3) and Model (6), I aim to find out the impact of demand-side factors on construction sector performance in detail. I use three independent variables in these models, and the results show that neither of them has statistically significant relationship with either the size of the construction sector or the number of construction permits. Besides, unlike the rest of the models, the R-Square value is lower in demand-side incentives models. The implications of these findings are discussed in the following with reference to stated theory, hypothesis and relevant literature.

As suggested by the theory, findings of the regression analysis depict that the performance of Turkish construction industry has been positively correlated with the supply-side incentives, and these results support Hypothesis 2. Besides, it is possible to draw several conclusions from these findings. Firstly, Model (1), Model (2), Model (4)

and Model (5) show that access of construction companies to commercial credits is crucial in determining the performance of the sector. Thereby, as Yesilbag (2019) and Karacimen and Celik (2017) argue, the nexus of finance-real estate which depends on capital inflows and credits can explain the variation in construction sector activities.

Secondly, the number of opening construction firms seem to have statistically significant and positively correlated impact on construction sector performance. Similar to what Demiralp (2018) argues, it is likely that companies enjoy the ease of regulations regarding the construction sector permits and licenses, and their construction activities contribute to sectoral growth. However, a closer look at the results reveals that this impact is limited in practical terms. The reason behind this limited impact might be monopolistic nature of construction industry which generally favors pro-AKP firms and discriminates against other firms (Ceviker-Gurakar, 2016).

Thirdly, though foreign exchange loans of construction firms have no statistically significant impact on the size of the sector, it has a negative effect on construction permits. It is likely that construction firms that borrow from abroad invest in projects that do not include housing facilities. Considering Erguven's argument that large construction companies depend on international capital markets to undertake large scale infrastructure projects (Erguven, 2020), it is reasonable to find no impact of foreign exchange loans on dwelling unit permits. Yet the statistically significant negative correlation between these factors require further attention in future studies.

Fourthly, findings show no statistically significant relationship between construction-based dependent variables and demand-side oriented independent variables.

Though this is an expected result given a large literature on the weakness of Turkish housing finance mechanisms (Erguven, 2020; Erol, 2019; Yesilbag, 2019), the test of this relationship by using advanced statistical techniques is important to provide substantial evidence on this topic. However, given the limited span of data on mortgage credits, this test can be repeated in five years when there will be more data available about mortgage markets. Overall, these results support Hypothesis 2 and show how Turkish construction firms can be indifferent to market demand dynamics when there is abundance of supply-side incentives to undertake construction activities. In short, the construction sector's performance during AKP era meets the theoretical expectations of supply-side economics approach.

CHAPTER 6

CONCLUSION

In this study, I focus on the specific role that construction sector plays in the perpetuation of AKP's rule, and I argue that construction sector should be seen as the sector that helps AKP to build and maintain its winning coalition constituted by AKP-cronies. To develop my twofold hypotheses about the role of construction sector in the continuation of AKP's reign and about the persistence of construction-driven crony relations in the presence of supply-demand mismatch, I firstly cover the extant literature on Turkey that examine the construction boom under AKP rule. Then, to show why existing explanations cannot explain why the construction sector per se has been promoted and privileged by the AKP government, I refer to construction sector-oriented economic growth explanations and depict why the role of construction sector under AKP rule, despite this sector's short-term economic benefits, cannot be limited to its long-run economic growth-generating dimension.

Next, I turn to crony capitalism theoretical framework and show that AKP has promoted the sector because construction sector helps AKP to build and keep its winning coalition constituted by AKP-cronies. Later, to explain how these crony relations are made persistent, I refer to the supply-side economics theory and demonstrate that supply-side economic measures have been more effective than demand-side measures in enabling the persistence of construction-driven cronyism. To test my twofold hypotheses about the role and performance of construction sector in

Turkey during the AKP era, I employ a combination of quantitative and qualitative research methods. For the first hypothesis, I use qualitative process tracing method, and for the second hypothesis, I employ multivariate regression model. Results of the process tracing analysis show that during AKP era, construction sector has been privileged to build a winning coalition constituted by AKP-cronies. Also, the results of the multivariate regression analysis indicate that supply-side measures have been crucial to the persistence of construction-driven crony relations. Thereby, results of my qualitative and quantitative analyses provide support for my twofold hypotheses.

From a historical perspective, the findings of this research echo some of Turkey's old political parties' attempts to build crony and clientelistic ties for their political survival particularly during 1990s. However, compared to these parties, AKP has proved to be superior and more resilient in maintaining such ties. As Esen and Gumuscu (2020) state, AKP has three basic superiorities compared to its (center-right) predecessors. First of all, no other party has had such a large electoral support that is sufficient enough to hand the incumbent total control over public resources for such a long time. Considering that the economy and the size of government expenditures have grown substantially since 2002, there has emerged a sizeable pool of resources that can be transferred from AKP government to its clients and cronies. Thus, AKP has combined both electoral and economic dominance.

Secondly, AKP possesses a very strong and disciplined party organization with more than 10 million members (Esen & Gumuscu, 2020). Such an organizational structure does not only mobilize voters at urban and rural areas, but also identify the ideal clients for partisan resource transfer. Thus, party organization allows AKP to

maintain its winning coalition and electoral support. Thirdly, under AKP rule, social welfare state has been liquidated as a part of neoliberal reforms, and this has paved the way for the delegation and privatization of social assistance to CSOs. Thanks to AKP's strong connections with local municipalities, religious charities and pro-AKP CSOs, AKP has had chance to subcontract social assistance to these actors (Esen & Gumuscu, 2018). Therefore, AKP government has remained in contact with voters via social assistance mechanisms.

Lastly, the findings of this work have several contributions to the literature. Firstly, this work contributes to our understanding of construction boom under AKP rule. Secondly, and more importantly, this work helps to explain how construction sector has enabled the perpetuation of AKP's rule. Lastly, by identifying the supply-side strategies of crony capitalism, this study unveils the factors that enable the persistence of AKP's construction-driven crony relations. Last but not least, this work has theoretical and practical implications.

6.1 Theoretical implications

The first theoretical implication is about the external validity and generalizability of crony capitalism theoretical framework. In the works of Haber (1999) and Kang (2002), the expectations of crony capitalism framework are tested successfully in two different geographies (Latin America and Asia, respectively) and in different sectors. In this study, I test the insights derived from crony capitalism framework in Turkey's construction sector, and similar to Haber and Kang, my findings also meet the theoretical expectations. Such a result shows that crony capitalism framework can be

helpful to understand how state-business relations are formed in developing countries and how these relations can be vital to continuation of political leadership.

The second implication is related to modalities of crony capitalism. In my work, I show how construction sector has been promoted through supply-side measures and how these measures helped the sector remain vibrant even in the absence of strong demand. Though this finding is illuminating with regards to persistence of crony relations, it also leads to another theoretical debate. Put differently, what is the difference between demand-side and supply-side measures in the continuation of crony relations? Or are supply-side measures always more effective than demand-side measures for the perpetuation of crony relations? Or how do supply-side and demand-side measures affect the prospects of crony relations in different sectors? Answering this question can reveal the strategies of crony capitalism in different countries and in different sectors, thereby it can contribute to our understanding of state-business relations.

6.2. Practical implications

This work has practical implications with regards to our knowledge about the role of construction sector in Turkey's political economy during AKP era. So far, many studies have evaluated the economic dimension of the construction sector and have pointed to unsustainable nature of construction-driven economic model. However, this work shows that the persistence of construction-driven economic model is not dependent on the sustainability of construction-oriented economic activities. Instead, since the sector has been crucial to AKP's winning coalition, AKP's pro-construction strategies are likely to continue even at the expense of high economic cost. This result implies that AKP can

become even more authoritarian to defend the construction-driven winning coalition. Besides, this result can give meaning to AKP's insistence on Kanal Istanbul project whose unfeasibility has been shown in numerous academic and non-academic reports.

Nevertheless, AKP's insistence on pro-construction policies does not mean that AKP is indifferent to strategies that can make construction activities economically sustainable. In other words, I do not argue that AKP is willing to support the sector only with supply-side means. Actually, as mentioned in the historical background chapter, AKP government has taken many steps to increase the demand in the construction sector. Among these steps, in 2007, with Law 5582 (known as housing finance law), first steps of mortgage-based credits and securitization were taken. For supporting housing demand further, in 2010, the lease certificate regulations were introduced, and it was named as sukuk, sharia-compliant bond-like financial product used in Islamic finance. As a part of steps taken to boost housing demand, another change in the law of citizenship was made, and through this change, investing in a real estate worth of at least 250,000 USD -reduced from one million USD- became sufficient to get Turkish citizenship (Erguven, 2020).

Also, in 2013, real estate certificates were introduced as tradable assets in the stock exchange. In 2017, TOKI issued first real estate certificate and its funds were invested in government bonds. In 2018, the first mortgage-backed security was issued in December. Last but not least, laws and regulations in 2004, 2006 and 2011 further supported REITs. For instance, the rate of initial public offering fell to 25 % from 49 % and the scope of tax exemptions were broadened (Yesilbag, 2019). All these developments point to AKP's efforts to support the sector by demand-side mechanisms.

6.3 Limits and future research agenda

There are two major methodological limitations of this research. The first limitation is about the data that is used in multivariate regression analysis, and this limitation stems from the short history of housing and mortgage loans in Turkey where it is not possible to come up with large time-series data. Nevertheless, I use different testable models to compensate for this shortcoming. The second limitation is about the process-tracing method in which there is a possibility of identifying incorrect causal relationships due to lack of systematic and long-term transparent data. Nonetheless, by benefiting from the presence of detailed and large number observations about this topic, I try to make up for the lack of rigorous statistical analysis.

Finally, there are two major research directions to contribute to this research project. The first direction is related to availability of data for variables that I include in this study. As mentioned above, for mortgage credits, there is a limited amount of data, and for political dimension, there is small and untransparent data. Once more data becomes available, this study can be replicated with more methodological rigor in order to provide more reliable results. The second research direction is a substantive one. To test the sectoral scope of crony capitalism framework, the government-business relations can be traced and analyzed in different sectors in Turkey, thereby sector-based crony relations and their role in national political economy can be revealed.

APPENDIX A

APPROVAL OF THE ETHICS COMMITTEE FOR

MASTER’S AND PHD THESES IN SOCIAL SCIENCES AND HUMANITIES

Evrak Tarih ve Sayısı: 26/06/2020-59

T.C.
BOĞAZİÇİ ÜNİVERSİTESİ
SOSYAL VE BEŞERİ BİLİMLER YÜKSEK LİSANS VE DOKTORA TEZLERİ ETİK İNCELEME
KOMİSYONU
TOPLANTI TUTANAĞI

Toplantı Sayısı : 3
Toplantı Tarihi : 06/04/2020
Toplantı Saati : 14:00
Toplantı Yeri : Zoom Sanal Toplantı
Bulunanlar : Prof. Dr. Feyza Çorapçı, Dr. Öğr. Üyesi Yasemin Sohtorik İlkmen, Prof. Dr. Özlem Hesapçı
Karaca, Doç. Dr. Ebru Kaya, Prof. Dr. Fatma Nevra Seggie
Bulunmayanlar :

Murat Akdoğan
Siyaset Bilimi ve Uluslararası İlişkiler

Sayın Araştırmacı,

"AKP Döneminde Türkiye'de Konut ve Toprak Ekonomi Politikası" başlıklı projeniz ile ilgili olarak yaptığımız SBB-EAK 2020/24 sayılı başvuru komisyonumuz tarafından 6 Nisan 2020 tarihli toplantıda incelenmiş ve uygun bulunmuştur.

Bu karar tüm üyelerin toplantıya çevrimiçi olarak katılımı ve oybirliği ile alınmıştır. COVID-19 önlemleri kapsamında kurul üyelerinden ıslak imza alınamadığı için bu onam mektubu üye ve raportör olarak Fatma Nevra Seggie tarafından bütün üyeler adına e-imzalanmıştır. Saygılarımızla, bilgilerinizi rica ederiz.

Prof. Dr. Fatma Nevra SEGGIE
ÜYE

e-imzalıdır
Prof. Dr. Fatma Nevra SEGGIE
Raportör

SOBETİK 3 06/04/2020

Bu belge 5070 sayılı Elektronik İmza Kanununun 5. Maddesi gereğince güvenli elektronik imza ile imzalanmıştır.

REFERENCES

- Aalbers, M. B. (2017). The Variegated Financialization of Housing. *International Journal of Urban and Regional Research*, 41(4), 542–554.
- Aalbers, M. B. (2016). *The Financialization of Housing: A political economy approach* (1st edition). Routledge.
- Acemoglu, D. & Ucer, M. (2015). *The Ups and Downs of Turkish Growth, 2002-2015: Political Dynamics, the European Union and the Institutional Slide* (SSRN Scholarly Paper ID 2669797). Social Science Research Network.
- Akcigit, U. Akgunduz, Y. E., Cilasun, S. M., Ozcan-Tok, E., & Yilmaz, F. (2020). Facts on business dynamism in Turkey. *European Economic Review*, 128, 103490.
- Akintoye, A., & Renukappa, S. (2012). Financing construction projects in developing countries. In G. Ofori (Ed.), *New Perspectives on Construction in Developing Countries* (pp. 325–364). Routledge.
- Arslanalp, M. (2018). Coalitional politics of housing policy in AKP's Turkey. *Project on Middle East Political Science*.
- Aslan, A. S., & Dincer, I. (2018). The Impact of Mortgage Loans on the Financialization Process in Turkey. *Planlama Journal*.
- Balaban, O. (2008). *Capital Accumulation, The State and The Production of Built Environment: The Case of Turkey*. METU.
- Baykan, T. S. (2018). *The justice and development party in turkey: Populism, personalism, organization*. Cambridge University Press.
- Birgün. (2020). *Günde 7 dava: TOKİ, 26 bin davayı kaybetti*.
<https://www.birgun.net/haber/gunde-7-dava-toki-26-bin-davayi-kaybetti-280988>
- Bon, R. (1992). The Future of International Construction. Secular Patterns of Growth and Decline. *Habitat International*, 16, 119–128.
- Brender, A., & Drazen, A. (2008). How Do Budget Deficits and Economic Growth Affect Reelection Prospects? Evidence from a Large Panel of Countries. *American Economic Review*, 98(5), 2203–2220.
- Bugra, A. (1998). The Immoral Economy of Housing in Turkey. *International Journal of Urban and Regional Research*, 22(2), 303–307.

- Bugra, A., & Savaskan, O. (2014). *New Capitalism in Turkey: The Relationship between Politics, Religion and Business* (p. 208). Edward Elgar.
- Capital. (2020). *Türkiye'nin En Büyük 500 Şirketi*. Capital Online. <https://www.capital.com.tr/listeler/capital-500>
- Central Bank of Turkey. (2020a). *Financial Accounts Report*. <https://www.tcmb.gov.tr/wps/wcm/connect/EN/TCMB+EN/Main+Menu/Publications/Reports/Financial+Accounts+Report/>
- Central Bank of Turkey. (2020b). *Residential Property Data*. <https://www.tcmb.gov.tr/wps/wcm/connect/en/tcmb+en/main+menu/statistics/real+sector+statistics/residential+property+price+index>
- Central Bank of Turkey. (2020c). *TCMB - Balance of Payments Statistics*. <https://www.tcmb.gov.tr/wps/wcm/connect/en/tcmb+en/main+menu/statistics/balance+of+payments+and+related+statistics/balance+of+payments+statistics>
- Ceviker-Gurakar, E. (2016). *Politics of Favoritism in Public Procurement in Turkey: Reconfigurations of Dependency Networks in the AKP Era*. Palgrave Macmillan US.
- Coskun, Y. (2018). Konut Piyasası Durgunluğu Rasyonelleşme Fırsatı Sunabilir. *İktisat ve Toplum Dergisi*. <https://iktisatvetoplum.com/konut-piyasasi-durgunlugu-rasyonellesme-firsati-sunabilir-yener-coskun/>
- Credit Suisse. (2020). *Global Wealth Report*. Credit Suisse. <https://www.credit-suisse.com/about-us/en/reports-research/global-wealth-report.html>
- Demiralp, S. (2018). Making Winners: Urban Transformation and Neoliberal Populism in Turkey. *The Middle East Journal*, 72(1), 89–108.
- Demiralp, S., Demiralp, S., & Gümüş, İ. (2016). The state of property development in Turkey: Facts and comparisons. *New Perspectives on Turkey*, 55, 85–106.
- Engineering News Record. (2020). *ENR's 2020 Top 250 International Contractors*. <https://www.enr.com/toplists/2020-Top-250-International-Contractors-Preview>
- Engineering News Record Turkey. (2020). *İhale Sonuçları Türkiye*. <https://csnturkiye.com/ihale-sonuclari/>
- Erguven, E. (2020). The Political Economy of Housing Financialization in Turkey: Links With and Contradictions to the Accumulation Model. *Housing Policy Debate*, 30(4), 559–584.
- Erol, Isil, & Patel, K. (2004). *Housing Policy and Mortgage Finance in Turkey During the Late 1990s Inflationary Period*. *International Real Estate Review*.

- Erol, Işıl. (2019). Financial Transformation and Housing Finance in Turkey. In G. Yalman, T. Morais, & A. R. Güngen (Eds.), *The Political Economy of Financial Transformation in Turkey* (First, pp. 243–268). Routledge.
- Esen, B., & Gumuscu, S. (2020). Why did Turkish democracy collapse? A political economy account of AKP's authoritarianism. *Party Politics*.
- Esen, B., & Gumuscu, S. (2018). Building a competitive authoritarian regime: State–business relations in the akp's turkey. *Journal of Balkan and Near Eastern Studies*, 20(4), 349–372.
- Fernandez, R., & Aalbers, M. B. (2020). Housing Financialization in the Global South: In Search of a Comparative Framework. *Housing Policy Debate*, 30(4), 680–701.
- Florida, R. L., & Feldman, M. M. A. (1988). Housing in US Fordism. *International Journal of Urban and Regional Research*, 12(2), 187–210.
- Freedom House. (2020). *Countries and Territories Data on Rights and Liberties*. Freedom House. <https://freedomhouse.org/countries/freedom-world/scores>
- Global Infrastructure Anti-Corruption Centre. (2020). *How Corruption Occurs*. <https://giaccentre.org/how-corruption-occurs/>
- Gibson, E. L. (1997). The populist road to market reform: Policy and electoral coalitions in mexico and argentina. *World Politics*, 49(3), 339–370.
- Giritlioglu, P. & Ozden, K. (2020). Kentsel Adalet Ekseninde İmar Afları: “İmar Barışı” Üzerine Bir Değerlendirme. In Collective (Ed.), *Prof. Dr. Necla Giritlioğlu'na Armağan* (pp. 255–283).
- Greene, K. F. (2010). The Political Economy of Authoritarian Single-Party Dominance. *Comparative Political Studies*, 43(7), 807–834.
- Gunawansa, A. (2012). Public–private partnerships for major infrastructure projects in developing countries: Asanga Gunawansa. In G. Ofori (Ed.), *Contemporary Issues in Construction in Developing Countries* (pp. 38–76). Routledge.
- Guney, K. M. (2019). Massive Suburbanization: (Re)Building the Global Periphery. In K. M. Güney, R. Keil, & M. Ucoglu (Eds.), *Building Northern Istanbul: Mega-Projects, Speculation, And New Suburbs* (pp. 181–200). University of Toronto Press.
- The Association of Real Estate Investment Companies. (2020). *Sectoral Publications*. GYODER. <https://www.gyoder.org.tr/en/publications/sectoral-publications>
- Haber, S. (1999). *Crony Capitalism and Economic Growth in Latin America: Theory and Evidence* (1st edition). Hoover Press.

- Harvey, D. (1985). The Geopolitics of Capitalism. In D. Gregory & J. Urry (Eds.), *Social Relations and Spatial Structures* (pp. 128–163). Macmillan Education UK.
- Hsieh, H. (2005). The 1990s Taiwan residential construction boom: A supply side interpretation. *Construction Management & Economics*, 23, 265–284.
- Hypostat. (2019). *Hypostat Statistics on Mortgage Markets*.
- The Chamber of Civil Engineers. (2011). [*E-Bültenler- Toki Faaliyet Raporu*. http://www.imo.org.tr/resimler/dosya_ekler/2d6528de98702ba_ek.pdf
- Kang, D. C. (2002). *Crony Capitalism: Corruption and Development in South Korea and the Philippines*. Cambridge University Press.
- Karacimen, E., & Celik, Ö. (2017). Türkiye’de Gayrimenkul ve Finansın Derinleşen ve Yeniden Yapılanan İlişkisi. In P. Bedirhanoglu, Ö. Çelik, & H. Mıhçı (Eds.), *Finansallaşma Kısacasında Türkiye’de Devlet, Sermaye Birikimi ve Emek*. Notabene.
- Karatepe, İ. D. (2016). The State, Islamists, Discourses, and Bourgeoisie: The Construction Industry in Turkey. *Research and Policy on Turkey*, 1(1), 46–62.
- Keles, R. (1989). Konut Politikalarımız. *Ankara Üniversitesi SBF Dergisi*, 44(1).
- Kenny, C. (2007). *Construction, Corruption, and Developing Countries* (SSRN Scholarly Paper ID 996954). Social Science Research Network.
- Kuyucu, T. (2014). Law, Property and Ambiguity: The Uses and Abuses of Legal Ambiguity in Remaking Istanbul’s Informal Settlements. *International Journal of Urban and Regional Research*, 38(2), 609–627.
- Kuyucu, T., & Ünsal, Ö. (2010). ‘Urban Transformation’ as State-led Property Transfer: An Analysis of Two Cases of Urban Renewal in Istanbul. *Urban Studies*, 47(7), 1479–1499.
- Laerd. (2020). *How to perform a Multiple Regression Analysis?* <https://statistics.laerd.com/spss-tutorials/multiple-regression-using-spss-statistics.php>
- Lewis, T. M. (2008). Quantifying the GDP–construction relationship. In L. Ruddock (Ed.), *Economics for the Modern Built Environment* (pp. 54–79). Routledge.
- Lopes, J. (2012). Construction in the economy and its role in socio-economic development. In G. Ofori (Ed.), *New Perspectives on Construction in Developing Countries* (pp. 60–91). Routledge.

- Mülksüzleştirme Ağı. (2021). *Türkiye Medya Sahipleri Ağı*. Retrieved July 3, 2021, from <http://mulksuzlestirme.org/turkiye-medya-sahipleri-agi/>
- Ocaklı, F. (2018). Reconfiguring State–Business Relations in Turkey: Housing and Hydroelectric Energy Sectors in Comparative Perspective. *Journal of Balkan and Near Eastern Studies*, 20(4), 373–387.
- Ofori, G. (1994). Formulating a long-term strategy for developing the construction industry of Singapore. *Construction Management and Economics*, 12(3), 219–231.
- Ofori, G. (2012). Transparency in construction. In G. Ofori (Ed.), *Contemporary Issues in Construction in Developing Countries* (pp. 99–140). Routledge.
- Ofori, G., & Han, S. S. (2003). Testing hypotheses on construction and development using data on China’s provinces, 1990–2000. *Habitat International*, 27, 37–62.
- Ofori, G., & Lean, C. S. (2001). Factors influencing development of construction enterprises in Singapore. *Construction Management and Economics*, 19(2), 145–154.
- Onis, Z. (2019). Turkey Under the Challenge of State Capitalism: The Political Economy of the late AKP Era. *Southeast European and Black Sea Studies*, 19(2), 201–225.
- Oniş, Z., & Kutlay, M. (2019). Global shifts and the limits of the eu’s transformative power in the european periphery: Comparative perspectives from hungary and turkey. *Government and Opposition*, 54(2), 226–253.
- Oniş, Z., & Kutlay, M. (2020a). The global political economy of right-wing populism: Deconstructing the paradox. *The International Spectator*, 55(2), 108–126.
- Oniş, Z., & Kutlay, M. (2020b). The anatomy of Turkey’s new heterodox crisis: The interplay of domestic politics and global dynamics. *Turkish Studies*, 1–31.
- Onis, Z., & Senses, F. (2005). Rethinking the Emerging Post-Washington Consensus. *Development and Change*, 36(2), 263–290.
- Orhangazi, Ö. (2020). *Türkiye Ekonomisinin Yapısı: Sorunlar Kirilganlıklar ve Kriz Dinamikleri*. İmge Kitabevi Yayınları.
- Oz, O. (2001). Sources of competitive advantage of Turkish construction companies in international markets. *Construction Management and Economics*, 19(2), 135–144.
- Ozdemir, D. (2011). The Role of the Public Sector in the Provision of Housing Supply in Turkey, 1950–2009. *International Journal of Urban and Regional Research*, 35(6), 1099–1117.

- Ozgur, B. (2020). *İnşaat-siyaset kompleksi: Kim, kimi besliyor?*
<https://www.gazeteduvar.com.tr/yazarlar/2020/05/19/insaat-siyaset-kompleksi-kim-kimi-besliyor>
- Pamuk, A. (1996). Convergence Trends in Formal and Informal Housing Markets: The Case of Turkey. *Journal of Planning Education and Research*.
- Pepinsky, T. B. (2008). Capital mobility and coalitional politics: Authoritarian regimes and economic adjustment in southeast asia. *World Politics*, 60(3), 438–474.
- Pepinsky, T. (2007). Autocracy, elections, and fiscal policy: Evidence from malaysia. *Studies in Comparative International Development*, 42(1–2), 136–163.
- Sayarı, S. (2014). Interdisciplinary Approaches to Political Clientelism and Patronage in Turkey. *Turkish Studies*, 15(4), 655–670.
- Directorate for Strategy and Budget. (2020). *Social Indicators*. T.C. Cumhurbaşkanlığı Strateji ve Bütçe Başkanlığı - SBB. <http://www.sbb.gov.tr/sosyal-gostergeler/>
- Schwartz, H. M., & Seabrooke, L. (Eds.). (2009). *The Politics of Housing Booms and Busts*. Palgrave Macmillan UK.
- Seabrooke, L. (2006). *The Social Sources of Financial Power: Domestic Legitimacy And International Financial Orders* (1st edition). Cornell University Press.
- Smith, N. (1987). Gentrification and the Rent Gap. *Annals of the Association of American Geographers*, 77(3), 462–465.
- Sonmez, M. (2011). *TOKİ ve Rant Dağıtımı*.
<https://www.cumhuriyet.com.tr/yazarlar/mustafa-sonmez/toki-ve-rant-dagitimi-250238>
- Tan, W. (2002). Construction and economic development in selected LDCs: Past, present and future. *Construction Management & Economics*, 20, 593–599.
- Tansel, C. B. (2019). Reproducing Authoritarian Neoliberalism in Turkey: Urban Governance and State Restructuring in the Shadow of Executive Centralization. *Globalizations*, 16(3), 320–335.
- The Union of Turkish Contractors. (2020). *Türk Yurtdışı Müteahhitlik Hizmetleri*.
<https://www.tmb.org.tr/tr/yayinlar/arastirma-ve-yayinlar/turk-yurtdisi-muteahhitlik-hizmetleri/12>
- The Union of Chambers and Commodity Exchanges of Turkey. (2020). *Açılan ve Kapanan Şirket İstatistikleri*.
<https://www.tobb.org.tr/BilgiErisimMudurlugu/Sayfalar/KurulanKapananSirketis-tatistikleri.php>

- Mass Housing Administration. (2019). *TOKİ Faaliyet Raporları*. TOKİ.
<https://www.toki.gov.tr/>
- Trading Economics. (2020). *GDP from Construction—Countries—List*.
<https://tradingeconomics.com/country-list/gdp-from-construction>
- Transparency International. (2020). *Corruption Perceptions Index Report*.
Transparency.Org. <https://www.transparency.org/en/cpi/2019>
- Turkish Statistical Institute. (2020a). *Construction and Occupancy Permits*.
<https://data.tuik.gov.tr/Bulten/Index?p=Yapi-Izin-Istatistikleri-Ocak-Eylul,-2020-33782>
- Turkish Statistical Institute. (2020b). *Employment Statistics*.
<https://data.tuik.gov.tr/Bulten/Index?p=Isgucu-Istatistikleri-Agustos-2020-33792>
- Turin, D. A. (1973). *The Construction Industry: Its Economic Significance and Its Role in Development* (Second). University College London.
- Turkun, A., Aslan, Ş., & Şen, B. (2014). 1923-1980 Döneminde Kentsel Politikalar ve İstanbul'da Konut Alanlarının Gelişimi: Mevzuat, Aktörler ve Hakim Söylem. İn A. Türkün (Ed.), *Mülk, Mahal, İnsan—İstanbul'da Kentsel Dönüşüm*. İstanbul Bilgi Üniversitesi Yayınları.
- Waldner, D. (2014). What makes process tracing good? In A. Bennett & J. T. Checkel (Eds.), *Process Tracing: From Metaphor to Analytic Tool* (pp. 126–152). Cambridge University Press.
- World Bank. (2020a). *Gini index (World Bank estimate)—Turkey / Data*.
<https://data.worldbank.org/indicator/SI.POV.GINI?locations=TR>
- World Bank. (2020b). *WGI 2020 Interactive—Turkey*.
<https://info.worldbank.org/governance/wgi/>
- World Bank Group. (2020). *Private Participation in Infrastructure (PPI)—World Bank Group*. <https://ppi.worldbank.org/en/ppi>
- Yeşilbag, M. (2020). The State-Orchestrated Financialization of Housing in Turkey. *Housing Policy Debate*, 30(4), 533–558.