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## NATIONAL AND INTERNATIONAL CHANGE AND THE CASE OF ISTANBUL AND TURKEY

*The article is concerned with the new paradigmatic shifts in social and economic analyses of space as regards the connection between cities, nation states and globalisation. The case of İstanbul is used in order to get into a dialogue with those paradigms. The paper argues that the historical and geographical position of the state is more determining than that of the city, as justified by the situation of İstanbul within Turkey.*

### 1. NEW PARADIGMS

The famous paradigms to define the current transformation of the international and national economies and attempts to find a new institutional fix are centred around the concepts of “globalisation-regionalisation-localisation”, and accompanying processes of each of them expressed in the term of “glocalisation” (Robertson 1995), “post-Fordism” (Amin 1994; Harvey 1989), “flexible accumulation” (Harvey 1989) “information technology” and “network” type of organisations (Castells 1998). Also, regarding state-economy-society relations, “governance” for organisation and administration emerges as another paradigm in the context of “diversity,” “complexity” and “uncertainty” of the new economic, social and political environment (Kooiman 1993).

However, since the common reference point of the present paradigms is the nation state, we should look at the theoretical debate on its transition. Three main trends are defined by Bob Jessop (1996) in terms of reorganisation of the Keynesian Welfare Nation State: The first is the “de-nationalisation of the state; the second is the “de-statization of the political regimes”, and the third one is “the internationalisation of the nation state”. And more significantly, Jessop observes that “neo-liberalism is only one empirical manifestation of this trend and its long-term effectiveness has not been proved superior to other approaches”. The three trends in the denationalisation of the national state are in turn, “the growth of supra-national regimes”; “resurgence of regional and local governance”; and “an emerging trend towards trans-local linkages”. Jessop sees the main factors behind the transformation of the nation state as such: “the rise of new technology”; “growing internalisation”; “shift from Fordism to Post-fordism”; and “the Regionalisation of global and national economies” (Jessop 1996). In the new economic environment, the Keynesian Welfare Nation State is increasingly becoming ineffective, and is “hollowed out” by new functions.

Marxists approach the recent changes of the capitalist economy and geography through the perspective of the crisis theory of capitalism and cite the “raiding” flows of the financial capital around the world. International capital flows and the un-productivity problem of the national welfare state in the face of forceful international competition come together with the declining profit rates as a result of the

overaccumulation of capital. These all deregulate national sovereign states in favour of international capital flow (Harvey 1989; Yıldızoğlu 1996). However, the comprehensive explanations for the current changes must be seen in the well known results of post war economic development in the world; they are “international overcapacity and overproduction in manufacture” in “the face of reduced profitability” (Brenner 1996).

Here I can point to one of the reasons of increasing globalisation, which seems to be ignored in our theoretical understanding of the globalisation phenomenon; that Latin America and Asia has been integrated into “global” capitalism through structural adjustment programs of the IMF as a condition of new loans during 1970s, 1980s and 1990s. Eastern Europe and the former Soviet Union have been integrated in a similar fashion after the dissolution of the socialist system.

Furthermore, many left-oriented writers consider the recent global re-structuration in the context of transnational corporations (TNC's). This perspective is criticised by Sassen (1994) in a way that TNC's cannot explain the entire phenomena when social, spatial and organisational requirements are considered. Moreover, I can say that overemphasising the roles of TNC's reduces the analysis of capitalism into the behaviours of capitalist firms. As far as Marx's theory is concerned, capital-relations operate autonomously and exert structural pressure over the firms.

On the other hand, many of the perspectives which try to conceptualise the recent transformation of capitalist economies suffer from an absence of spatial and geographical imagination. They, to a large degree, concern themselves with the historicity of the capitalism. But I can argue that, following Marxist geographer David Harvey, capitalism is not only a historical social formation but also a geographical one, by which it ever creates and destruct its spatial foundations. Space is not only a limit or possibility for capitalist change and development but a decisive and constitutive aspect of capitalism. And urban space, much more than before, is the hard core of capitalism. It is one constitutive side of the current crises and hence it is one of the main spheres of the re-structuration processes. Because capitalism is an increasingly urbanised system (to use the term and insight in Harvey's, *Urbanisation of Capital*; 1985), the problem has penetrated in the urban spaces, accordingly, the solution must acquire much more urban character. However, spatial solutions also have limits in themselves for the future requirements of capital accumulation and circulation (see Harvey's *The Limits to Capital*, 1982).

Within the debates about the current global and local processes, question of urban space entails a reformulation of the existing concepts of international political economy: “The literature on international economic activities, (...) has traditionally focused on the activities of multinational corporations and banks and has seen the key to globalisation in the power of multinational firms. Again, this conceptualisation has the effect of leaving no room for a possible role by cities” (Sassen 1994: 3).

An involvement of the cities into the analysis is important for economic internalisation:

First, it breaks down the nation-state into a variety of components that may be significant in understanding international activity. Second, it displaces the focus from the power of large corporations over governments and economies to the range of activities and organ-

isational arrangements necessary for the implementation and maintenance of a global network of factories, service operations, and markets; these are all processes only partly encompassed by the activities of transnational corporations and banks. Third, it contributes to a focus on place and on the urban social and political order associated with these activities. Focusing on cities allows us to specify a geography of strategic places on a global scale, as well as the micro geographies and politics unfolding within these places (Sassen 1994: 3–4).

Harvey (1989) uses the term “time-space compression” to capture the fundamental changes in our temporal and spatial conception of capitalist development. It refers to a fact that different processes overlap and occur simultaneously in different places. Fundamental character of capital is that it is a process rather than a thing or a factor. Capital which does not circulate is under the risk of devaluation. This is why all transport and communication development is ever-revolutionised, and that is why “information technology” is developed so much in the new capitalist era. But, new technology explains one novelty of the existing capitalism. Castells (1998) states that

The large factory, dedicated to mass production, was as critical to the constitution of the industrial age as the development and diffusion of new sources of energy. In the information age, the critical organisational form is networking. A network is simply a set of interconnected nodes. It may have a hierarchy, but it has no centre. Relationships between nodes are asymmetrical, but they are all necessary for the functioning of network, for the circulation of money, information, technology, images, goods, services, or people throughout the network. The most critical distinction in this organisational logic is to be or not to be, in the network.

Though Castells is aware of the concentration of capital; he takes attention to the fact that organisation of capital is decentralised: “Large multinational corporations function internally as decentralised networks, whose elements are given considerable autonomy. Each element of these networks is usually a part of other networks”. In networks, co-ordination can be done without centres since we have interactions rather than instructions (Castells 1998).

As for the other side of information age, Castells defines four main social consequences: “de-socialisation of labour”, “over-exploitation” and “social exclusion” and “perverse integration” (Castells 1998). So, the “information age” reminds us of the misery, poverty and social polarisation of the early industrial societies.

## **2. KEYNESIAN AND POST-KEYNESIAN URBAN SPACES ACCORDING TO DAVID HARVEY**

Nineteenth century capitalism is dynamited by the competitive forces of production. Twentieth century capitalism, on the other hand, suffers from monopoly. The search for solution to the internal contradictions of capitalism, leading to overproduction and underconsumption, is directed mainly to the distribution and consumption issues. In this period, capitalism shifted itself from “a supply-side” to “demand-side” urbanisation (Harvey 1985: 202–3). The large corporations, trusts and cartels emerge against the excessive competition. Geopolitical implication of

the monopoly kind of production is either to protect the concentrations of production or maintain the achieved concentrations. Monopoly controls of certain regions and cities, says Harvey, distorted the “relative space” against external competition (Harvey 1985: 203).

On the other hand, dispersal of the corporations would decrease the competition of urban regions for their industrial mix. But, dispersal of the big firms forced urban regions into the competition for presentation of their capacities of labour and commodity markets, social and physical assets to the exploitation of large corporations. Corporations' dependence upon certain places loses its significance. Innovation centres began to shift to the government and corporate research laboratories. Nonetheless, “new product innovation” preserves its traditional urban bases (Harvey 1985: 203).

With the end of the nineteenth century, the context of the financial system in general changed. The rise of finance capital is witnessed. Its hegemonic growth increases the spatial and sectoral mobility of money capital and so, says Harvey, allows “the much finer tuning of the relations between the social and geographical division of labour”. Finance capital permitted the realisation of long term and debt-financed investments of urban infrastructure, which “reduced spatial barriers and helped further annihilate space with time”.

The effect was to tie the production of urban infrastructures more tightly into the overall logic of capital flow, primarily through movements in the demand and supply of money capital as reflected in the interest rate. The 'urban construction cycle' therefore became much more emphatic, as did the rhythmic movement of uneven urban development in geographic space” (Harvey 1985: 204).

But, not only “productive consumption” (raising capacity of productive forces) investments in this sort, but also, “final consumption” (raising living standards of both bourgeoisie and working class) were required for the realisation of profits. Perfect allocation of credit to both production and consumption is needed for the perpetuation of economic growth. For this, distribution relations had to be intervened. This could not be made by the limited power of the individual corporations in this sense. “To the degree that the credit system became oriented to these tasks it became the major vehicle for the transformation to demand-side as opposed to supply-side urbanisation”. In this context, Harvey observes that two interrelated problems appeared: the first one is that appropriation of profits is dispersed while the financial markets and money capital are immensely centralised. The solution is the centralisation of the decision making functions in a few hands and in a few urban centres. The second problem is related with the formation of “fictitious capital”. If the “orgies of speculation” and uncontrolled indebtedness is checked, fictitious capital has to be regulated. Compensating for the unprofitable investments and the eliminating negative impacts of the productive ones due to overaccumulation, which “could all too easily be translated into an overaccumulation of debt claims on nonearning assets”, produced a background for state intervention in the macro economy. For the bourgeoisie, the nation state was “the space they could most easily control” and “was the institutional frame within which fiscal and monetary politics were traditionally formulated”. In this sense, Keynesian economic policies “consolidated the turn to demand-side urbanisation”. Fordism reacted with wage increas-

es, but, it “failed and had to convert itself (often reluctantly) into state-managed Keynesianism and New Deal institutional reforms and politics” (Harvey 1985: 205).

The temporal transfer of overaccumulation could be achieved with the “unlimited creation of fictitious capital”, which was allowed by the state credits. However, the system's dependence upon unlimited debt financing at the beginning of 1970s would elevate to a “mountain' of public, private, and corporate debt, much of it wrapped up in urban infrastructures”. Attempts to monetize the debt claims resulted in inflation due to the devaluation of money rather than those of commodities and other assets, later, anti-inflation attempts would lead a large degree of “urbanised capital” into a risk. For this reason, in 1973, property markets, banking and financial institutions which had financed property development collapsed. In this context, fiscal crisis of New York City in 1974–75 would sign a necessary shift to “a whole new mode of the urban process based on non-Keynesian approaches” (Harvey 1985: 206).

Nevertheless, temporal and spatial solutions to overaccumulation problems through Keynesian policies posed some problems. Harvey defines three of them: The first is indebtedness and its related consequence, high inflation rates. The second is that “the fixation of fragmented spaces” as a result of geographical dispersal and urban sprawl, together with their own local engagements and community formation implied barriers for further suburbanisation and the searches for another spatial fix, in other words spatial structures. This is related with the spatial metamorphosing of the overaccumulation problem. And the third one is that the type of urbanisation because of its demand-side nature, which is manifested as “consumer sovereignty”, “individualism”, “social competition for command over space”, “lifestyle and status”, put into the economic agenda the circulation of revenues rather than that of capital itself (Harvey 1985: 209).

Harvey recalls that despite “the necessary unity of production and consumption within the logic of the production and realisation of surplus value”, “there was a shift of emphasis which was of sufficient proportions to warrant depiction as a major transformation of the urban process” in favour of the latter (Harvey 1985: 210).

With the late 1960s, international competition, with the rise of European and Japanese economies, increased global capital flows and hence put into agenda the overaccumulation problem one more time even when the prospects for the absorption of surplus capital fell more than before. For this, “inflationary financing” provoked “a wave of international lending” and resulted in the world wide debt crises in the 1980s. Such policies “generated a spiralling flow of surplus capital and labour power mainly into the production of urban built environments (property investment, office construction, housing development) and to a lesser degree into expansions of social wages (education and welfare)”. However, with a monetarist response to the inflation in early 1970s, the collapse of the property markets, rising costs of borrowings, doom of the fictitious formation of capital and fiscal crisis of local governments became the traumatic developments.

Transformation embraced the unplanned shifts in monetary and fiscal policies and strong competition emerged at the international and interurban level in the spheres of social and spatial division of labour. The problem was, we can say, the



underconsumption problem which manifested itself in the inflationary and stagnating context, called “stagflation” (Harvey 1985: 210–212). Harvey observes that the solution was the establishment of equilibrium between the production of surpluses and their real realisation rather than through fictitious absorption (Harvey 1985: 212–3).

### 3. NOVELTY OF THE CURRENT WORLD ECONOMY ACCORDING TO SASKIA SASSEN

"In the current phase of the world economy, it is precisely the combination of the global dispersal of economic activities and global integration-under conditions of continued concentration of economic ownership and control-that has contributed to a strategic role for certain major cities that I call global cities" (Sassen 1994: 4). She says: "today's global cities are 1) command points in the organisation of the world economy; 2) key locations and marketplaces for the leading industries of the current period, which are finance and specialised services for firms; and 3) major sites of production for these industries, including the production of innovations" (Sassen 1994: 4).

Sassen compares the cities of 1800s with those of 1980s. In the former case, the world economy was largely composed of trade and important sites were harbours, factories, mines. In the latter case, finance and specialised services became significant parts of international transactions. Financial markets and advanced corporate services, which are located in cities, are crucial sites for the transactions. Another uniqueness of 1980s is that foreign direct investment grew three faster times than trade and foreign direct investment is largely in services rather than in manufacturing and raw materials (Sassen 1994: 9). But, for developing countries, FDI in manufacturing is particularly important. In addition, in the 1980s the global economy is narrowed between an East-West Axis, and mainly within the triad of the USA, Western Europe and Japan, as compared to 1950s, for instance (Sassen 1994: 10). The share of developing countries in worldwide trade decreased between early 1980s and late 1980s from 26% to 17. The most advantageous locations for international flows on the part of developing countries were East, South and Southeast Asia. Moreover, previously the most attractive geographic location for FDI among the developing countries was Latin America. But between 1985 and 1989, its share fell from 49% to 38 whereas the share of Southeast Asia rose from 37 to 48%. This region became the most important transnational region for production (Sassen 1994: 11).

Another transformation is seen in the rising importance of the TNCs in international transactions. They are not only dominant in trade, services and manufacturing but also in financial flows towards developing countries. Sassen says that in certain degree TNCs replaced the role of banks in financing especially after the bank crisis of 1982 when bank loans to the developing world were sharply cut (Sassen, 1994, 15).

The 1980s demonstrate that high level of profitability, supported by the deregulative policies, occurs at the expense of manufacturing in general. Speculation, securitisation of financial assets and debts, multiple transactions in a very short time gave superiority to finance over manufacture (Sassen 1994: 18).

These changes in the new global economy explain the significance of certain strategic places: “export processing zones”, “offshore banking centres” and “global cities” (Sassen 1994: 18). But, it should be noted that these locations “capture the prototypical image of today's global economy”. Export processing zones are those “in low wage countries where firms from developed countries can locate factories to process and/or assemble components brought in from and re-exported to the developed countries from where they came”. They offer cheap labour for the labour intensive stages for the firm's production process. They have to do with the internationalisation of production (Sassen 1994: 19). As for the offshore banking centres, they seem to emerge as a response of the private sector to state regulations and they are tax shelters. Singapore and Hong Kong in Asia, Switzerland and Luxemburg in Europe, some centres in Australia and New Zealand and the South Pacific are the main offshore banking centres. In secondary order of the different regions, Cyprus, Kuwait, Channel Islands, Monaco, Bahamas, Malta, Dubai can be mentioned. However, deregulation of financial markets of the 1980s brings back the offshore capital onto the onshore markets. It is very interesting that initially Euromarket was such a place for the dollar transactions coming from the USA and other countries. Its growth was also caused by the oil crisis and finally, that the USA's deregulative policies became inevitable. Sassen observes that offshore banking operations are now concentrated in global cities (Sassen 1994: 23–7).

#### **4. COMPETITIVE ADAPTATIONS OF THE URBAN REGIONS TO THE WORLD ECONOMY AND WORLD CITY FORMATION**

Harvey classifies the possible adaptations of the urban regions to this recent supply side orientation of capitalism within four different categories. “For the sake of clarity”, “urban regions as competitive economic and geographical units within a capitalist geography of seesawing uneven development” are considered. The First is competition within the spatial division of labour, the second, competition within the spatial division of consumption, the third, competition for command functions, and the fourth, competition for redistribution (Harvey 1985: 213–21).

Competition within the spatial division of labour: Such a possibility implies a creation of a superior competitive position and good business climate. To achieve this, proper urban conditions have to be provided for the appropriation of either absolute value or relative surplus value. Development of superior technology and organisation of production systems and an improvement of social and physical structures refer to the relative advantages for further surplus value production, while the latter put into motion the attack towards labour movements (Harvey 1985: 213–5).

Competition within the spatial division of consumption: Urban competition is reflected into the creation of a “good living environment” in order to catch some part of the revenue in circulation. Cultural and recreation options are promoted, new living environments are constructed. Besides such physical investments, cities have to have an appearance of innovation, excitement and to be the place of fashion, culture and possibilities of different life-styles. Urban services have to support

such an atmosphere. Harvey observes that: “Fierce competition in this arena leads toward geopolitical struggles in the realm of cultural imperialism. The survival of cities like New York, Los Angeles, London, Paris, and Rome depends in large degree on their relative positions within this international competition for cultural hegemony and for a cut from the global circulation of revenues” (Harvey 1985: 215–6).

**Competition for command functions:** Within such a competition, cities can try to become the centres of finance capital, of bureaucratic decision making processes, of information. Efficiency and centrality within a worldwide network of transportation and communication is vital, and that means the realisation of heavy public investments in airports, rapid transit, communication systems, and the like. The provision of adequate office space and linkages depend upon a public-private coalition of property developers, financiers, and public interests capable of responding to and anticipating needs. Competition in this area is very difficult and expensive because of existing monopolies like that of New York, which are attractive for also their other opportunities.

**Competition for redistribution:** This competition focuses mainly on the redistributive shares to be obtained from either government institutions or private channels such as churches, trade unions and charity organisations. Switches in the redistributive shares actually imply an uneven geographical development. Harvey observes that “the switch from policies designed to support the social wage in the United States to deficit-financed defence expenditures after 1980 (a kind of defence-side of Keynesianism) brought economic prosperity to many urban regions caught up to defence industry”. The regions covering Connecticut, Long Island, North Carolina, Texas, California and the state of Washington caught the economic advantages as such. He says that such channels of flow are contingent upon “politics, the economy and executive judgements” (Harvey 1985: 218).

## 5. THE WORLD CITY FORMATION ACCORDING TO JOHN FRIEDMANN

The world city hypothesis put forward by John Friedmann is “about the spatial organisation of the new international division of labour”. It is stated at the outset that “it is neither a theory nor a universal generalisation about cities, but a starting-point for political inquiry” (Friedmann 1986: 69). Friedmann's seven theses are as follows (Friedmann 1986: 70–7):

1. Form of integration and new roles of the city in the new division of labour define urban structural changes;
2. They are the bases of global capital for the spatial organisation of production and markets. They are arranged in a complex spatial hierarchy on the ground of resultant linkages;
3. Their global control functions are reflected in their production sectors, employment structures and dynamics;
4. They concentrate and accumulate international capital;
5. They attract a large number of domestic and foreign migration;
6. They suffer from the contradictions of industrial capitalism in terms of spatial and class polarisation;



7. Social costs generated by them exceed the fiscal capacity of the state. “To visualise a possible rank ordering of major cities, based on the presumed nature of their integration with the world economy”, R.B. Cohen's taxonomy is exemplified by Friedman (1986: 72); therein, both core and semi-peripheral countries have primary and secondary sort of cities within the world city hierarchy:

Core Countries		Semi-peripheral Countries	
Primary	Secondary	Primary	Secondary
London	Brussels	Singapore	Johannesburg
Paris	Milan	Sao Paulo	Buenos Aires
Rotterdam	Vienna		Caracas
Frankfurt	Madrid		Mexico City
Zurich	Sydney		Hong Kong
New York	Toronto		Taipei
Chicago	Miami		Manila
Los Angeles	Houston		Bangkok
Tokyo	San Francisco		Seoul
			Rio de Janeiro

Selection criteria for the world city hierarchy are to become a “financial centre; headquarters for TNCs (including regional headquarters); international institutions; rapid growth of business service sector; important manufacturing centre; major transportation node; population size”. Also, it is said that it is possible to add “third-and even fourth-order cities to our global hierarchy”. But, they are not so important as compared with certain centres of international capital accumulation. As for the criteria of being core or periphery, the World Bank criteria are used. Nineteen industrial market economies are included. Semi-periphery includes upper middle income countries having industry and market economy (Friedmann 1986: 72).

Friedman observes that the driving force behind world city formation is the rapid growth of certain sectors such as international finance, global transport and communication, high level business services like advertising, accounting, insurance and legal. They are the locations of corporate headquarters, and the most significant “ancillary function” is “ideologic penetration and control”. Needless to say those primary cities of the core countries, New York, Los Angeles, London and Paris and in certain degree Tokyo are the central locations for the production of culture, entertainment, media information, images and news (Friedmann 1986: 73).

What characterises the occupation structure of the world cities of the core is the “dichotomised labour force”: large amount of specialised professionals for control functions are seen together with an army of low skilled labour working for manufacturing and services in the interests of privileged social classes. On the other hand, even in the world cities of the semi-periphery, migration into the cities is absorbed only within informal sectors (Friedmann 1986: 73).

In the world cities, spatial polarisation is accompanied by the class polarisation, which is caused by the increasing income differentiation between “transnational elites and low-skilled workers, large scale immigration from rural areas or from

abroad and structural trends in the evolution of jobs". Another manifestation of world city formation is seen in the declining power of middle income sectors. The restructuring process in New York and Los Angeles, for example, leads to the destruction of previous high-level wages and unionised incomes whereas newly emerging jobs of the global control functions take the superiority. Nevertheless, income ratio between high income population and lowest ones is 1:3 in the core. This ratio rises to 1:10 in the semi-periphery's world cities (Friedmann 1986: 76). However, inferior positions in the core emerge within the sectors of personal and consumer services, law, wage, manufacturing and most interestingly, finance and business services (Friedmann 1986: 77).

These economic conditions are harder in the semi-periphery where negative impacts of high cost of capital, stagnation of the world economy, international indebtedness, declining per capita incomes, capital flows and IMF policies are considered. It is said that many of the Latin American countries are net exporter of capital (Friedmann 1986: 75).

## 6. GLOBAL CITIES ACCORDING TO SASKIA SASSEN

"Global cities are key sites for the advanced services and telecommunications facilities for the implementation of and management of global operations. They also tend to concentrate the headquarters of firms, especially firms that operate in more than one country" (Sassen 1994: 19). The growth of international trade and investment, erosion of the central power of national states, organisational requirements of globalisation, and an emergence of global markets all contributed to increasing the importance of command functions and the of specialised services for corporations (Sassen 1994: 19-20). These activities as a whole cannot be materialised only through organisations of the transnational corporation. Neither can they be realised upon the power of these corporations. But, Sassen rightly observes that they involve "question of production and of place". She goes on to say, as common in the literature on global cities, that "combination of geographical dispersal of economic activities and system integration that lies at the heart of the current economic era has contributed to a strategic role for major cities". In the face of dispersal of economic activities, cities concentrate command functions, and cities are "the post-industrial production sites for the leading industries of this period, finance and specialised services" and "transnational marketplaces where firms and governments can buy financial instruments and specialised services". Actually what occurs is that dispersal of activities over territories is realised with the concentration of ownership and the growth of transnational activities. Sassen sees the 1982 debt crisis of the third world and the bank-crisis as critical. After 1982, domination of the great transnational banks is challenged by new financial institution as many innovations in the area of finance emerged (Sassen 1994: 20). The first result is the integration of the different markets into the global system and second is the centralisation of the financial industry in a few financial centres. Dispersal of economic activities did not result in the correspondent decentralisation of the command functions. But the reverse happened (Sassen 1994: 22). Banks, security houses and leading

stock markets led to an abnormal concentration of the stock values in few cities (Sassen 1994: 23).

In the case of dispersal of industrial production and some other economic activities, one may ask whether profits and ownership also could be dispersed. However, Sassen claims that newly industrialised countries and other subcontractors are the part of a chain “in which a limited number of corporations continue to control the end product and reap most of the profits associated with the selling on the world market”. Dispersal requires control and management for the concentration of profits (Sassen 1994: 24).

## 7. GENERAL OUTCOMES

The four options stated above can operate within a mixture. Los Angeles, for example, has obtained good scores from all of them after 1973s. Within three decades, the Los Angeles urban region has witnessed important developments in the high tech industry and in concentration of financial institutions at the world wide level. Its position as a core of the military industrial development since the Korean War, its position within cultural production, Hollywood film industry, and its superior position within medical services, its significant harbours between the USA and Japan, and its respectful status in the administrative jobs together with the world's largest concentration of engineers, all explain the success of Los Angeles in the urban competitions of the new global economy. However, it is also one of the most polarised urban regions of the USA. Its prison is the largest in the country. Crime rates follow the suit. Homeless people, the informal economy and sweat shops complete the picture (Soja 1990).

Nonetheless, the case of Los Angeles, like the New York urban region is always seen as models for the theorisation of world city formations. This generalisation of the North American cases is criticised by McNeill (1999). The critique is rather correct since it is considered that different continents and countries have different sorts of urban systems. As Sassen (1994) observes, European has a far more “balanced urban system” whereas the third world demonstrates urban primacy and the USA has numerous urban development cores within the country.

Whatever option is selected, the outcomes of the coercive laws of competition have plenty of paradoxes in all countries having different type of urban systems. On the negative side, the following can be observed; “the grim headlines of capital flight, job loss, and corporate disinvestment in production”, “deindustrialization”, “stagflation”, “deep de-skilling”, “routinization of boring and low-paid labour”, “resurgence of sweatshops”, “new systems of outwork, subcontracting, and homework”, impoverishment, social polarisation and incapability in “the supply of affordable housing for an increasingly impoverished population”, “housing deprivation, hunger, lack of access to medical care and education, injustices of distribution, and discrimination based on race, gender” have all been accompanied by some sort of “urban renaissance”, “gentrification” projects, investments on recreation, amusement and entertainment, shopping malls, office development, tourism, conspicuous consumption, high-tech industries, transport and communication developments, et cetera.

## 8. SIGNIFICANCE OF STATE AND REGION AND THE GLOCALISATION OF ISTANBUL AND TURKEY

Cities, whether they are losing their significance or gaining a new global position still share the fate of their nation states. It is sure that some cities can rise at the expense of their nation state; but this does not mean that they lose their connection with their state and region. In addition, cities can rise or fall along with their regions, which may newly emerge or disappear. Moreover, the erosion of the nation state never means that a state in different forms and contents as well will not emerge. For instance, regional states are the main candidates to replace existing nation state forms. In sum, while the old cities are located within the Keynesian national state frameworks, new cities, especially world cities will first become a part of their regions or regional states. This can be best exemplified by the regional state of Spain or the Great Britain, in which newly raising cities of Barcelona or Edinburgh are parts of their sub-regional states. Cities whether they are local, regional or global must be a part of any kind of state in which they are located. Without their state's and regions' support, cities cannot evolve into or maintain a global position.

Istanbul has decentralised its industry into its near areas in Marmara Region. Marmara Region was already the pole of national economic development; accordingly, İstanbul was the pole of this region. Up to the 1970s, the main impetus of the urban growth had been industry. However, within three decades, state policies directed industrial development into the other regions of Marmara. In this new regional growth, new organised industrial districts, incentives, and other tax and tariff possibilities were decisive. Also, İstanbul's urban rental rates encouraged rent projects and all kind of service development in the city. For this reason, even old industrial structures and facilities were transferred into near areas where land prices were cheaper and planning regulation and control were very weak. Lands of transferred facilities are now used for business districts, malls and for luxury housing projects. In the new areas of industrialisation, not only industrial units decentralised from İstanbul but also new foreign direct investments use large scale capital and high technology.

However, to be able to understand the prospects of İstanbul for a global or transnational position; we need to know its “historico-geographical” position, to use Harvey's meta-disciplinary label.<sup>1</sup>

Economic history of Turkey under the republican period, after 1923, can be divided into three periods. The early period, despite internal differences, covers the years between 1923 and 1960s when the state paved the path for private economic development through import-substitution policies. The state's industrial investments during the 1930s, opportunities of the war years and the Marshall Plan after World War 2 were direct and indirect supports to the development of the capitalist

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<sup>1</sup> “Historico-geographical materialism” suggested first by David Harvey is still in its beginning stage of development and is still confined to urban problems and hence it should be called at this moment as “historico-urban materialism”, for instance. For a concise presentation of the concept see Gündoğan (2009).

classes. The second period encompasses the years from early 1960s to the beginning of 1980s when Turkey developed its light and intermediary goods industry and built the infrastructure of development (dams, highways and electricity). The State Planning Organisation defined public-private composition of investments, priorities of sectors' development and its financial means. In this planned type of import substitution, although the purpose was to produce the goods which were otherwise to be imported, the problem would demonstrate itself in the trade deficit and accordingly in the form of currency shortage. On the other hand, in this period, a sort of industrial democracy was established between urban labourers and the capitalists. But, this compromise would be broken down after the raising militancy of the workers and resultant two subsequent military interventions. Furthermore, towards the end of the 1970s, the overaccumulation problem of the Turkish economy, which appeared even in the early 1970s,<sup>2</sup> apart from inflation and ever-rising energy costs, required a fundamental change in economic and social policies.

After the 1980s, the collapse of the socialist bloc, and fundamental changes within adjacent regions, such as the Black Sea, the Caucasus and the Balkans created new opportunities for the historical and geographical roles of İstanbul. This was the possibility for İstanbul to become a world city (Sönmez 1998: 68). İstanbul in this period is not only a jumping and penetration point for the inner market of the country but also for the Middle East and other regions mentioned above. In this conjuncture, both Turkish holdings and global corporations try to render İstanbul their "control tower" for these hungry and huge markets. Financial institutions, their representatives and branches together with their all white-collar workers are located in İstanbul (Sönmez 1998: 138).

A perfect transformation of the regions adjacent to Turkey into the capitalist economy should be expected to decrease the role of Turkey and hence that of İstanbul. In addition, the Balkans are in the hinterland of Central and Eastern Europe and Germany as the Caucasus and Turkic republics of Central Asia are expected to go back under Russian hegemony. Iran, on the other hand, since it does not provide any channel of integration to global capitalism for any country, is not a rival to Turkey or İstanbul. The prospect for İstanbul of being a world city is limited with the prospects of Turkey itself and the Kurdish and probably Islamic Arab hinterland. If so, it seems clear that the fate of İstanbul depends upon the regional and international position of Turkey. And, put aside the global position within the world city hierarchy, İstanbul's regional position is also under the risk of temporality.

## CONCLUDING REMARKS

During the twentieth century, Turkey remained both in the periphery of international capitalist development and outside of the twentieth century socialist experi-

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<sup>2</sup> This observation is made by Küçük (1985), demonstrating that Turkish capitalism acquired a certain level of maturity. The same book can be applied also as a socialist criticism of Turkey's planning experience. There is no need to say that Turkey's planning experience is limited within the context of a sort of neo-liberal Keynesianism implemented in periphery conditions.



ences. It was not directly impacted from the mainstreams of political and economic transformations. Hence, under global transformation, it neither lives a global capitalist transformation nor a post-communist transition, but just seeks an advantageous position for itself and obviously a position within the European Union, which itself seeks a good position within global politics and economy.<sup>3</sup> A current shift of the global economic gravity to China, India, Russia, and Brazil and a further development and penetration of the EU economic region to Turkey are likely to offer new regional prospects to Turkey and İstanbul. However, the possible role to be left to them is expected to be only a limited regional or sub-regional role. İstanbul's roles and position will be limited by the roles and position Turkey can acquire. It is true that, just like Turkey, İstanbul is likely to be a strategic place, but only in the periphery of the newly emerging global regional systems. Its proximity to the Middle East, Caucasus, Caspian Sea, Balkans and Russia provides a strategic position for the USA, EU and Russia in terms of global regional rivalries especially for the control of oil and natural gas production and corridors. As a result, it can be seen that Turkey tries to be a part of one or two of the globally competing regions, by trying to use and sell its strategically important geographical position, its young population, rapidly developing small and medium size industrial and commercial enterprises and unfortunately, its military power. According to R.B. Cohen's taxonomy as exemplified by Friedman above (1986: 72), whose updated version does not create significant changes for my arguments, acquiring a world city status, is closely related with the integration of the country and region where the city is located with the global economy. With several exceptions, those cities are located in the northern hemisphere and close to links and the web of the developed industrial and financial centres of the world economy. Unlike them, İstanbul and Turkey are outside of those global centres of economy and finance, but inside of the global centres of politics, ideology and strategic military operations in Eurasia in general and in the Middle East in particular. Only upon these bases of comparative advantages, İstanbul and Turkey can find for themselves advantageous peripheral positions under global change, development and transformation.

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<sup>3</sup> Despite all "political and ideological discourses" about Turkey's rising economic position in the world, it is stated that it is just a "secondary emerging market". See a brief discription of Turkish economic conditions at [http://www.economywatch.com/world\\_economy/turkey/](http://www.economywatch.com/world_economy/turkey/)

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