

THE RESTRUCTURING IMPACTS OF NEO-LIBERAL POLICIES ON URBAN INDUSTRY: A CASE STUDY, ANKARA, TURKEY.¹

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Introduction

This paper aims to investigate the impact of neo-liberal policies which have been pursued in Turkey since 1980 on the urban industrial sector by taking the metropolitan city of Ankara as a case study.

Turkey pursued import substitution policies which became the official instrument for economic development from the 1960s until 1980. From the early 1960s until 1974, the Turkish economy generated annual growth rates averaging 6 to 7 per cent. These high growth rates were accompanied by relative price stability, reasonable budget deficits, strong reliance on national resources and healthy payments balances. In this period "the role of the state was one of encouragement, of providing inducements and help for import substitution, with investments representing the direct involvement. The inducements mostly took the form of fiscal measures and instruments related to the import regime, such as quotas, tariffs, exchange rate regulation and the like." (Barkley, 1960:6).

From 1974 onwards, however, particularly with the adverse effects of escalating oil prices and the ensuing recession, inflation and rising unemployment in the West, this rosy picture began to deteriorate. The annual growth rate of GNP fell from 8 per cent in 1975 to 3 per cent in 1978, (-)0.3 per cent in 1979 and (-)0.7 per cent in 1980. Coupled with adverse developments in the world economy, and the excessive protectionist policies, Turkey's low degree of export orientation and high dependence on imports resulted in a severe shortage of foreign exchange, a large deficit in the balance of payments, high rate of inflation, increasing short-term external debt and even higher unemployment rates by the end of the 1970s.

In brief, all the symptoms mentioned above signaled the end of an industrialization policy based on import substitution. The economic and political life of the country sank into a series of crises which eventually led to the proclamation of an austerity program in 1980.

On January 24th 1980, a series of economic measures was introduced. The new economic policy package basically contained the following elements:

a) a 33 per cent devaluation of the Turkish Lira (TL) against the US. Dollar, followed by the Central Bank's declaration of exchange rates daily, b) ending or drastically reducing

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most state subsidies for State Economic Enterprises, which resulted in substantial price increases,

- c) a tight monetary policy,
- d) additional export promotion measures,
- e) a greater liberalization of foreign trade and,
- f) a new interest rate policy.

Beginning with the January 24th decree, a new era in the economic history of the country was ushered in. The Implementation of neo-liberal policies brought with it the further integration of the Turkish economy into the world capitalist system. New themes such as export promotion, anti-statism, privatization and liberal competitive individualism replaced the popular policies of the previous two decades which emphasized terms such as import-substitution industrialization, mixed economy and welfare policies.

It was, however, the suppressed and disciplined social environment created by the military coup d'état of September 1980 which made the enforcement of such strict economic measures possible with little or no opposition from organized labour and other groups which bore the brunt of the new policies. The main objectives of the Stabilization Program put into effect at the beginning of the 1980's may be classified under the following five headings :

"a) Elimination of disequilibria in major markets and breaking the inflationary spiral, b) coping with the immediate pressures on the balance of payments, c) reduction of inflation and attainment of price stability, d) privatization of economic life and, e) liberalization of foreign trade and payments as part of the effort to shift to an export-oriented industrialization strategy and attain a sustainable balance of payments position. (Senses, 1983:276. See also Nas and Odekon, 1988)

In 1990, after a decade of implementation of neo-liberal, export-led policies, the macro-economic developments achieved can be summarized as follows: Although exports rose from around 3 to almost \$13 billion, GNP growth rates recovered from the minus rates of 1979 and 1980 to one-digit positive rates through the decade, and per capita income almost doubled, these positive developments were accomplished at a rather high cost.

There have been no significant achievements towards reducing the high inflation rates; external debt rose from almost 16 to almost \$50 billion.; its ratio to GNP increased from 26 per cent to 47 per cent; the unemployment rate remained at virtually the same level; there have been no significant changes in fixed capital formation as percentage of GNP or its distribution between the public and private sectors; and last but not least, already low real wages have been further depressed to finance the new model. Table 1 summarizes some of the basic indicators related to the Turkish economy between 1979 and 1990.

Table 1
Some Basic Statistics Related to Turkish Economy Between 1979 and 1990.

year	pop	cpi	id	w1	w2	fc	gnp	exp	imp	exd	ind	td
1979	43530	60.8	71.1	125	-	21	-0.4	2261	5069	14234	415	43.2
1980	44438	110	104	100	-	19.6	-1.1	2910	7909	16227	529	39.7
1981	45540	36.6	41.9	103	-	18.7	4.1	4703	8933	16841	850	41.3
1982	46688	30.8	27.5	91.5	100	18	4.5	5746	8843	17619	1434	48.9
1983	47864	32.9	28	78.4	91.8	18.9	3.3	5905	9235	18835	3201	63.4
1984	49070	48.4	50.1	71.4	94.5	17.9	5.9	7389	10757	20659	4223	64
1985	50306	45	43.9	67.9	101	20	5.1	8255	11344	25476	6971	72.6
1986	51546	34.6	30.9	63.9	91.9	23.2	8.1	7583	11105	32101	10519	81.6
1987	52845	38.9	38.3	72.9	99.3	24.1	7.4	10322	14158	40225	17223	88.5
1988	54176	75	65.7	55.8	72	24.2	3.6	11846	14340	40722	28463	85.6
1989	55541	69.6	68.2	-	-	22.4	1.6	11627	15763	41021	42016	78.5
1990	59941	60.3	53.1	-	-	21.2	9	12960	22302	49035	55300	60.4

Sources: State Institute of Statistics, State Planning Office, Central Bank, related statistics and reports. pop: population (1000) ; cpi: consumer price index ; id: deflator index w1: workers real wages index in state economic enterprises w2: private manufacturing sector real wages index ; fc: total fixed capital formation (shares in GNP) ; GNP: growth rate of GNP ; exp: exports (1000 US dollars) ; imp: imports (1000 US dollars) ; exd: external debts (million US dollars) ; ind: internal debts (billion Turkish Lira) ; td: total debts as percentage of GNP.

Before proceeding to the presentation of the findings of the research, we must clarify the contents of the categories of production units employed throughout the study.

Classification of the Urban Industrial Sector

A study which aims to investigate the impact of the new economic policies on industrial units should at the outset clarify the conceptual framework utilized in the categorization of the diversity of production units ranging from individual petty producers and households to workshops and factories which have been subsumed under the rubric of "urban industry" or "urban industrial sector".

Classification and categorization are indispensable when dealing with the complexities of the real world which is composed of phenomenal forms and relations. To make our way through this jungle of superficial forms and relations to ascertain the essential/scientific ones is a tedious and complex process since, "while the phenomenal is accessible to, hence can be 'known' by observation and experience, the essential is not." (Bernstein, 1988: 261)

Therefore, to understand the underlying dynamics of the urban industrial sector in a peripheral social formation like Turkey, we should in the first place attempt to develop a proper frame of reference. In general, studies and research concerning the structure of the industrial sector in urban areas of peripheral formations, have concentrated either on the structure and functioning of large-scale, capital intensive factories transplanted from the central formations, or on "small industries", "petty production" or "informal sector" as showplaces for indigenous production techniques and methods.

In our investigation into the restructuring effects of the new policies on "urban industry" which covers the whole spectrum of manufacturing firms in urban areas, we shall rely heavily on the classical Marxist analysis. Within this perspective, following Wolpe's (1980) "restricted concept of mode of production", in urban areas at the level of production units, we distinguish two fundamental modes, namely, a) dominant (capitalist) mode of production, and b) non-dominant (non-capitalist) modes of production. (1)

At the level of production units, the non-capitalist mode is characterized by the production of commodities with no systematic use of wage-labour, without surplus value and capitalist profit. As Marx (1971:717-8) pointed out "the means of production and subsistence, while they remain the property of the immediate producer, are not capital. They become capital, only under circumstances in which they serve at the same time as means of exploitation and subjection of the laborer." This is the case in simple commodity production (PCP) which, in classical Marxist theorization, "exists as a purely analytical device established in order to provide a contrast with and a logical state prior to the state of expanded capitalist production... PCP as an abstract term is independent of historical circumstances" (Scott, 1986a:98-9). As Scott elaborates, this abstract model assumes different historically and culturally specific manifestations at a lower level of abstraction. Petty production commodity can serve as a general term to cover all those specific manifestations which exist in concrete, representing various historically specific forms. Through such a model, various terms such as peasants, artisans, generalized petty commodity producers, service workers, informal sector etc., can be theorized in a general framework.

In this study we employed the term PCP to specify the manufacturing units in Ankara which are characterized as non-dominant and non-capitalist. PCP units, although functioning in an urban economy dominated by the capitalist mode, cannot themselves be characterized as capitalist production units since, as pointed out by Marx above, the means of production they use are not capital and there is no surplus-value and exploitation in Marxian terms. They do not employ wage-labour systematically. They are usually self-employers who occasionally rely on household labour and/or apprentices. (2) The level of technology is rather primitive; producers both own the means of production and the craft skill and dexterity to use them. They have full autonomy over the labour process.

The capitalist mode, on the other hand, consists of: a) at the lower level, transitional forms of manufacture, e.g workshops, where the labour is only formally subsumed by

capital, and b) at the higher levels, factories in which the capitalist production is characterized by the real subsumption of the labour.

Throughout the study, all the comparisons in investigating the impact of neo-liberal policies on urban industrial units in Ankara are made by using the three categories (PCP units, workshops and factories) summarized above. (3)

Method and Data

The central hypothesis of this study is as follows: neo-liberal policies which have been in effect in Turkey since 1980 have functioned to the detriment of PCP units and workshops.

Ankara, the capital of Turkey, though not the best example to investigate was selected as a case study; firstly, because the empirical study conducted by the author (Ersoy, 1982) on urban industry in Ankara in 1979-1980 exactly coincides with the implementation of neo-liberal policies in Turkey. A longitudinal study presents an instructive framework for the evaluation of those policies.

Secondly, the urban industrial sector of the city exhibits each and every level of industrial production: the petty commodity, manufacture and the factory types of production. This is an important pre-condition for this research, since we wish to analyze the impact of the liberalization policies on industrial establishments of different types. In the case of Ankara, aside from its representative nature concerning the types of industrial enterprises, the number of such enterprises is small enough to allow a manageable representative sample to be interviewed.

Ankara is a city which has grown from a town of 10,000 to a metropolis with a population of over 3 million in the space of 70 years. Having been designated as the new Republic's capital in 1923, its economic base and social structure underwent drastic changes. Ankara, being the capital city, is a growing market, with a high concentration of administrative, managerial, clerical and related workers, a significant proportion of whom is employed by the government. This however, does not imply that the industrial sector in the city is insignificant. Ankara is also an important center of production, and the proportion of the industrial labour force in the total labor force is substantial. Furthermore, the share of industrial employment has grown steadily in the last three decades. (See Table 2).

In the study, four sub-sectors of the manufacturing sector were surveyed: 1. Shoemakers, 2. Ready-made clothing, knitwear and garment makers, tailoring, 3. Wooden furniture makers, cabinet makers, joiners, 4. Iron foundries, metal workshops, welders and sheet metal shops. These sub-sectors, whose numbers decreased significantly in the 30 year period, still make up almost 40 % of employment in the total manufacturing sector in Ankara.

Table 2
Production and Related Workers in Ankara

	1955	1965	1975(3)	1985	1990 (4)
Total Population (Within the Metropolitan Area)	451200	905700	1701004	2279354	2434961
Active population (1)	136199	261007	497304	650247	734314
Percentage in total population	0.30	0.29	0.29	0.29	0.30
Production and related workers	26035	57877	147843(2)	153789(2)	179815(2)
Percentage in active population	0.19	0.22	0.29	0.24	0.24

Source: State Institute of Statistics, related censi.

(1)Codes 900-990 until 1970,thereafter codes 991-999 and categories named "unknown", "unemployed persons seeking job" are excluded.

(2)Categories of "Transport equipment operators","unskilled workers not classifiable by occupation or not reporting any occupation" are excluded.

(3)In 1975 census all data, except total population, includes values for the county of Kirikkale also.

(4)Counties of Sincan and Etimesgut which are annexed to the metropolitan area of Ankara after 1985 , are excluded.

They are also responsible for the highest employment-creating sub-sectors in manufacturing. Hence, we may safely argue that the selected sub-sectors are representative of urban industry in Ankara. (See the following table)

Table 3
Employment in 4 Sub-Sectors Studied

	1955	1965	1975	1985 (1)	1990 (2)
Total employment in 4 sub-sectors studied	15502	31262	56488	59988	68845
Percentage of production and related workers	0.59	0.54	0.38	0.39	0.38

Source: Calculated from "Ankara-Social and Economic Characteristics of Population" State Institute of Statistics, related years.

(1)In 1975 census all data, except total population, includes values for the county of Kirikkale also.

(2)Counties of Sincan and Etimesgut which are annexed to the metropolitan area of Ankara after 1985 , are excluded.

As mentioned above, this is a follow-up study of a previous research conducted in 1979-80. The findings of the original study are compared with the findings of the new one conducted in 1990.

In the original study, 195 enterprises from the 4 sub-sectors of manufacturing industry were interviewed. In this research, the same enterprises studied 10 years ago were re-interviewed, in order to explore the impact of liberalization policies on these firms.

To enable the researcher to compare the findings of the two studies, a similar questionnaire sheet was used though a few questions were added in order to investigate

the impact of the en-liberal policies of the past decade. A detailed investigation of each firm has been made through the questionnaire responses.

The first task was to locate the 195 firms interviewed 10 years ago. It was a task that demanded considerable time and care. At the end, however, we were able to locate 86 percent of them. However, of those who were located some had gone bankrupt and left the business, some had changed business, some had retired and some had died. In short, we have been able to re interview 104 producers, that is, 53 per cent of the original sample. Though we are not in a position to argue that firms which have "gone bankrupt" and the producers who "changed their business or became workers in other firms" did so as a result of the implementation of neo-liberal policies in the past decade, the ratio of such firms (23 percent) is not an insignificant figure.

In the following, we shall summarize the findings of our study aimed at investigating the changes in the industrial sector of Ankara during the neo-liberal period. (4)

Size of Enterprises

Change in the size - in terms of the number of persons engaged in production - of the production units, per se, gives no crucial information about the structural dynamism of the firms or restructuring effects of the new policies. In other words, it is quite possible to have qualitatively completely different production units employing the same number of workers. Smaller firms may even be presented as the pillars of the new regime of accumulation in the neo-fordist model. Hence, before arriving at a conclusion, other qualitative variables must also be studied.

Our findings clearly indicate that a kind of polarization process has been in effect in the decade of neo-liberal practices. While the percentage of firms employing less than ten persons in production increased from 75 to almost 80 per cent, the percentage of those employing more than 25 workers decreased from 10 per cent to 6 per cent. However, the share of each group in total employment changed in the reverse order. The former firms, while employing 31 per cent of the sample population in 1979, went down to 24 percent in 1990. The latter, on the other hand, increased their share in employment from 53 to 59 per cent of the sample population (See Table 4). Similar findings are found in nationwide statistics. (See Table 5)

Table 4

Change in the Size and the Employment of the Enterprises

size of establishments	year	no.of establishments	%	tot. no. of persons engaged	%
01-09 persons	1979	78	75.0	471	31.4
	1990	83	80.0	279	24.1
10-24 persons	1979	15	14.0	228	15.2
	1990	14	13.0	199	17.2
25 + persons	1979	11	11.0	799	53.3
	1990	07	07.0	678	58.7
total	1979	104	100	1498	100
	1990	104	100	1156	100

Source: Field Surveys 1979 and 1990.

Table 5
Change in the Size and the Employment of the Enterprises (Turkey)

Size of establishments	year	no.of establishments	%	tot.no.of persons engaged	%
01-09	1980	177034	95.31	454931	36.38
	1985	183573	94.52	472062	33.51
	1992**	186574	95.46	545813	34.18
10-24	1980*	8710	4.69	795650	63.62
	1985	5779	2.98	90590	6.43
	1990	3363	1.72	51784	3.28
25 +	1980*	-	-	-	-
	1985	4867	2.50	846142	60.56
	1990	5508	2.82	976412	62.03
Total	1980	185744	100	1250581	100
	1985	194219	100	1408794	100
	1990	195445	100	1574009	100

Source: State Institute of Statistics..

* establishments employing 25+ are included in the category of 10-24 for the year of 1980.

** statistics available only for 1992.

These findings, however, as mentioned above, may remain superficial and open to misinterpretation in terms of the restructuring effects of the new policies if not backed up with the qualitative variables. Therefore, as a first step, we made a similar comparison between the two years in terms of the qualitative classification scheme given at the outset. The findings confirm the polarization process. While the percentage of petty commodity production units increased from 22 percent to 36 percent of the total units studied, the number of workshops decreased from 75 percent to 61 percent. The percentage remained the same in the case of factories.

In summary, while 1/3 of the firms interviewed in 1979-1980 closed down during the decade of "restructuring", those firms which managed to survive the 1980-1990 period were forced to reduce their size.

Form of Business Organization

The tentative assertion stated above is strengthened by the findings concerning the changes in the form of business organization. In the 1979-1980 sample, more than half the firms were individually owned. The second category was ordinary partnership. The limited and joint stock companies made up the last and the least common form of organization in the sector.

This situation changed drastically in the last decade. A significant increase is observed in the percentage of firms owned by a single entrepreneur. An increase of 30 per cent and 45 per cent in the number of individual proprietorship is observed in PCP units and workshops, respectively. While the overall percentage of limited and joint stock

companies taken together remained almost the same, a significant decrease is observed in ordinary partnerships. This decrease in ordinary partnership is most pronounced in the case of PCP units --from 26 percent to 3 percent -- which can be interpreted as another sign of polarization among different production categories of the urban industrial sector (See Table 6).

Table 6
Form of Business Organization (In Percentages)

form of organization	PCP units		workshops		Factories		all enterprises	
	1979	1990	1979	1990	1979	1990	1979	1990
Individual proprietorship	74	96.5	54	78	-	-	57.4	80.3
ordinary partnership	26	3.5	42	14	-	-	37.5	10.4
limited and joint stock	-	-	04	08	100	100	05.1	09.3
total	100	100	100	100	100	100	100	100

Source: Field Surveys, 1979 and 1990

Instruments of Production

Certain instruments are used by the producers to change the given object of nature into a commodity. However, it is not the same thing as fixed capital. In other words, not all instruments of labor are fixed capital, as "fixed capital is not a thing but a process of circulation of capital through the use of material objects, such as machines...fixed capital is...only that part of the total social wealth, the total stock of material assets, that is used to produce surplus value" (Harvey, 1982: 205). Since the tools of the PCP producers are not used to produce surplus value, they are not defined as fixed capital. However, in the survey, we investigated the changes in the machinery used by the petty commodity production units, as well. Therefore, we thought that "instruments of production" would be a more sensible term.

Having said this, we will continue with a description of the survey findings. Field survey results show that 11 per cent of all manufacturing enterprises in Ankara did not use mechanical power at all in their production. This percentage rose to 21 percent in the case of PCP units. 62 percent of PCP units and 29 percent of workshops utilized less than 5 HP's. We have also compared the findings of 1979-1980 and 1990 surveys. Comparison shows that, though there seems to be some improvement concerning the HP power utilized -on the average from 9.5 HP to 13.8 HP per firm- it is not at all impressive. Furthermore, findings suggest that there is no correlation ($r^2=0.003$) between the age of the firms and the HP utilized by them. The average number of detail machines used in PCP units and in workshops was 4 in 1979-1980, increasing to 7 in 1990.

However, although the number of detail machines per firm almost doubled in the neo-liberal period, the findings concerning the age of the machinery are not that encouraging. It has been found that detail machines utilized in the located firms are obsolete, that is, on average, they are 17 years old. Only 1/5 of the machinery is 10 or

less years old. Furthermore, there is a rather limited positive correlation between the age of the firm and the age of the machinery used ($r^2=0.31$).⁽⁵⁾

All the above findings show conclusively that, although the average HP and the number of machines used improved by approximately 50 percent in the past decade, a high percentage of the machines are over aged and obsolete. According to the 1979-1980 findings, 3/4 of the detail machines utilized in all enterprises except factories were locally produced. The 1990 survey data indicates that, this ratio decreased to 1/2. We are not in a position technologically to compare the quality of the machinery used in the two survey years. However, when taken together with the above findings concerning the power and age of the machinery in the two time period, it is rather difficult to argue that the technological base of the manufacturing sector improved in Ankara during the period 1980-1990.⁽⁶⁾

The producers seem to be aware of this fact. When asked whether there exist any more modern models of the detail machines they utilize, 90 per cent answered affirmatively. However, only 7 per cent of the sample indicated that they were willing to buy new machinery. The rest pointed out that either they cannot afford to buy new machinery, or the present machinery is sufficient to meet the demand. In sum, the expectations regarding the restructuring of capitalist manufacturing industry in terms of technological improvements did not materialize. Let aside the introduction of new high-tech machinery, most of the firms had problems in sustaining the present level of technology. Finally, findings indicate a tendency towards technological polarization between different categories, particularly between the factories and the rest.

Profitability and Other Variables

As is well known, in a society where the capitalist mode of production is dominant, the fundamental incentive to invest is private profitability of the establishments.

"Profit", in this study, is defined as sales (including the value of outwork, if any) less the sum of wages, purchased inputs, rents, miscellaneous expenses, 1/20 of the value of the fixed capital. We obtained estimates on an annual basis. Annual figures for wages, rents and miscellaneous expenses were calculated by extending the monthly figures given at the time of the interview. We preferred to ask for sales and purchased inputs on an annual basis in order to offset the misleading effects of monthly changes and the value of stocks during the year. ⁽⁷⁾

By using the 1979-1980 and 1990 survey data it has been calculated that when all the located firms are taken together, the average annual profits increased around 100 times. Considering that the inflation rate and the consumer price index increased 84 and 91 times, respectively, during the same period, it may be argued that the sector in general did not suffer from the high inflation years. Such a conclusion, however, must be taken with caution when we consider the fact that 1/3 of the total firms went out of business in the same period. Furthermore, for the purposes of this study, average figures for all enterprises are not of great interest. Rather, the changes in the average profits of

different categories of production (PCP units, workshops and factories) can provide sensible and meaningful information as to the dynamics of the sector. When the calculations are remade within this framework we come up with a rather different picture. Findings indicate that, while the average annual profit of PCP units increased by only 41 times - less than half the inflation rate - during the decade examined, the corresponding figures are 89 and 106 times in the case of workshops and factories (See Table 7).

Table 7
Annual Profits Per Firm (In 1000 TL)

	Year	PCP firms	Workshops	Factories
Average	1979	497	2777	36497
	1990	20252	245767	3876525
Increase(%)		4075	8850	10621
Median	1979	266	1079	30342
	1990	2885	28830	1224580
Increase(%)		1084	2672	4036

Source: Field Surveys, 1979 and 1990.

In sum, although the average annual profit for the enterprises increased significantly between 1979 and 1990, its distribution among different categories of production unit shows wide divergence. It is clear that the PCP units were most adversely affected by the no-liberal policies, while workshops and particularly factories increased their profits significantly. In other words, a palpable polarization process was witnessed.

We have also studied profits per person engaged in production. Related statistics support the conclusion we arrived at regarding the findings related to the annual profit of the enterprises studied (See Table 8).

Table 8
Annual Profits Per Worker Per (In 1000 TL)

	Year	PCP firms	Workshops	Factories
Average	1979	378	248	240
	1990	6720	20230	21152
Increase(%)		1659	8157	8813
Median	1979	258	167	215
	1990	1952	8730	20205
Increase(%)		757	5227	9398

Source: Field Surveys, 1979 and 1990.

To repeat, our objective in this survey is to trace the restructuring process in the urban manufacturing sector during the last decade characterized by the dominance of neo-liberal policies. Hence, the question to be asked in this section concerns the source of this increase. The first hypothesis can be related to an increase in the physical productivity of labour power. In other words, the source of increase in profits can be attributed to the employment of new and modern machinery in the production process or other changes in work organization which would certainly result in an increase in the physical productivity of labor.

To ascertain the source of the increase we started with two variables, namely, K/O and K/L ratios. Capital/labor ratio (K/L) and capital/output ratio (K/O) are frequently used to illustrate the relationship between the generation of income and employment associated with capital formation. K/L indicates the capital requirements per job. The higher the K/L ratio, the more capital intensive is the structure of the industry; if it is low, it means that labor-intensive techniques are employed in the economy. In these terms, changes in the K/L ratio are positively correlated with the increases in the physical productivity of labor.

During the 1980-1990 period, the average values of K/L ratio (K is taken as the present value of the fixed capital employed in the production unit) for PCP units, workshops and factories studied, increased 30, 39 and 27 times, respectively, which are much lower than the inflation rate. Findings concerning the K/L ratio show that during the neo-liberal period, capital formation in these firms surveyed either remained the same or slowed down (See Table 9). It is obvious that the reluctance to invest in new machinery results in the decline of the physical productivity of labor, which decreased in each production category, and in the competitiveness of the production unit and the sector on the market, which can only be offset by lowering of wage levels (8).

Table 9
Present Value of Fixed Capital Per Worker (In 1000 TI)

	Year	PCP firms	Workshops	Factories	All Firms
Average	1979	92	108	208	142
	1990	2732	4165	5591	4595
Increase(%)		2970	3856	2688	3236

Source: Field Surveys, 1979 and 1990.

The K/O ratio shows the capital formation required or associated with increments in the GDP. Conflicting views are cited concerning the K/O ratios of "small" and "large-sized" undertakings (Fisher, 1968:142-143). We shall not deal with them in this study. Our survey findings show that when taken separately for the interview years of 1979-1980 and 1990, there seems to be a consistent decline in K/O ratios for all categories of production.

We have also studied the changes in the value added per enterprise. As indicated in various studies which used statistics compiled at the national level for the value added per establishment, there exist huge gaps between "small-scale" and "large-scale" firms (Buldam, 1978; Tüzün, 1979).

A similar finding was obtained in our field survey. In terms of value added, there is a huge gap between PCP units and workshops and factories (See Table 10). Concerning the changes in value added per enterprise in the past decade, a pattern similar to the one for changes in profits is evident.

Table 10
Value Added Per Worker (In TL 1000)

	Year	PCP firms	Workshops	Factories
Average	1979	256	301	323
	1990	6410	16664	28707
Increase(%)		2504	5536	8888
Median	1979	261	198	299
	1990	5080	10352	24935
Increase(%)		1946	5228	8339

Source: Field Surveys, 1979 and 1990.

So far, we have studied the changes during the last decade in the profitability and factor proportions of the production units. Before concluding this section of the study, which aimed at locating the source of profit increases for the workshops and particularly of the factories, we shall investigate how the sole source of surplus, e.g. labor-power, and its value, wages, and its ratio to profits, have changed during the neo-liberal period.

Changes in the wage levels and profits/wages ratio, provide clues as to the real source of increase in profits. In the period studied, while the average profits per enterprise increased above the inflation rate, the increase in average wages could not catch up with it. In other words, real wages were kept down through various means (including involvement by the military regime) in order to obtain high returns. Hence, the source of high profitability witnessed, to a certain extent in workshops but particularly in factories, should be sought, not in the technical relations of production, but totally in social relations of production. Workers' movements were suppressed through various means during the 1980-1990 period to keep real wages down and to increase the level of profits in the dominant segments of the urban industrial sector.

Effects of the Neo-Liberal Policies on Markets for Means of Production, Money Capital and Final Product

Provision of raw materials on time, at the desired quality and price is reported in several studies as one of the significant problems of producers. In general, the availability and the terms for buying raw materials on credit are the indicators of the economic situation. In 1979-80, the rate of inflation was high relative to 1990 at 65 per cent vs. 49 per cent, respectively. Furthermore, the availability of raw materials was limited; due to a serious crisis in the balance of payments, significant restrictions were imposed on imports. Coupled with the high inflation rate, it was more profitable not to sell at all rather than to sell on credit. In 1990, though the rate of inflation was still high, the abundance of raw materials coupled with the relatively favourable balance of payments, resulted in the persistence of the practice of payments on credit in the market, which can be cited as a positive impact of the neo-liberal policies.

The provision of cheap and sufficient credit is vital for the expanding reproduction of enterprises. However, for most of the small producers in Turkey, the source of working

capital is the savings of the producers and/or surplus value obtained in the production process. Survey findings show that the ratio of producers who did not receive any credits through formal channels rose significantly, thanks to the neo-liberal fiscal policies which resulted in high positive real interest rates. The percentage of those producers who took loans through banks and cooperatives decreased over the past decade for all the production categories including factories. Since almost all of the producers not using loans are in fact in need of credits, that is, those whose working capital is insufficient, we may assert that they are badly in need of cash or credits in order to make their business survive.

Fiscal policies hit each category of producers though to a varying degree. The average amount of credit used by workshops is almost 7 times higher than that used by PCP units. Factories received, on the average, 43 times more credit than workshops. These ratios were 5 and 13, respectively, in the 1979-1980 survey. In other words, in terms of the amount of credits received, the already existing gap among different categories of production seems to have widened (9).

The picture of capital formation is rather gloomy. 3/4 of PCP unit owners stated that they were not able to save in their present business. Only 10 per cent of them noted that they were able to reinvest their savings in capital formation. The proportion of workshop and factory owners who reinvest their savings in enlarging their present businesses is 40 and 100 per cent, respectively. These findings confirm the above tentative conclusions relating to the polarization process in the manufacturing sector. The PCP units with almost no new investment will surely be worse off in the future.

The spatial distribution of the final products witnessed a positive development during the neo-liberal period. While in 1980, 90 per cent of the final products was marketed within the province of Ankara, the proportion went down to 75 percent in 1990. This positive development is particularly marked in the relatively more capital intensive subsectors such as metal works and furniture. As would be expected, while 88 per cent of the final products of the factories is marketed outside the province of Ankara, this decreased to 27 per cent and 11 per cent for the products of workshops and PCP units, respectively (10). In the Ankara case, almost all of the successful producers who were able to expand their business were those who managed to market their products through their own marketing outlets. The incorporation of the producers' and merchants' profits enabled them to accumulate enough capital to improve their businesses. Briefly, the higher the percentage of producers who have marketing outlets of their own, the faster the rate of their capital formation. This assertion is verified by the survey results. While only 19 per cent of all the enterprises in the 1979-1980 survey had marketing outlets, this ratio went up to 42 per cent for those which survived. In other words, the chance of survival was much higher for those production units which had marketing outlets of their own. To ascertain the impact of the neo-liberal policies on the manufacturing sector in Ankara, we have investigated the changes in the located firms in this respect. We found that, while in 1980 almost half the located enterprises had a marketing outlet of their own, this diminished to 1/5 in 1990. Its distribution among different production categories shows the widening gap between factories and the rest. While all of the factories had a

marketing outlet of their own, both in 1979-1980 and 1990, more than half the PCP units and workshop owners who owned a marketing outlet in 1980 had to close them during the past decade.

When the producers were asked to comment on the neo-liberal policies implemented since 1980 on their business, 3/4 of the producers stated that the policies implemented had had a negative impact on their business. Categories other than factories seem to have been negatively affected by the neo-liberal policies; although these findings make sense and are reasonable, since they reflect the deteriorating situation of the PCP units, it is surprising to have such a high rate of negative replies in the case of workshops which also seem to have improved their profitability, though not to the same degree as factories. An explanation may be the highly skewed distribution of profits among the workshops. If this is the case we can safely assert that the polarization process created by the neo-liberal policies is sharper than we expected.

Concluding Remarks

The study aimed at investigating the impact of the liberalization policies pursued in Turkey since 1980, on the urban industrial sector by taking the metropolitan city of Ankara as a case study. In this longitudinal study, findings of the 1979-1980 field survey conducted in Ankara are compared with the findings of the 1990 field survey which was comprised of the located firms of the former survey.

In conclusion, we may assert tentatively that within the constraints of the limited data collected in Ankara, the neo-liberal policies implemented in the last decade have been detrimental to the survival of small-scale production units in almost all respects. Although the profitability of the establishments increased during the neo-liberal period, its distribution, among the different categories of production showed significant variability. Far from increasing their revenues, PCP units suffered dramatic decreases and lost their edge in the market. Workshops improved their lot significantly in terms of mean values. The category which gained most from the new economic policies is the "factories". In other words, a clear polarization process can be observed among the different categories of production in terms of changes in the average profits accrued by the enterprises during the last decade. While the role of PCP units in the urban economy deteriorated, factories enjoyed impressive gains due to the neo-liberal policies.

Higher level production units increased their profits significantly thanks to the suppressed level of wages. The technical base of the production units, however, did not improve as had been expected. Most probably, the capital thus accumulated was not reinvested in the urban industrial sector.

Notes

(1) Referring to this more limited category, Scott (1986) prefers to use the term of "form of production" to avoid terminological confusion.

(2) Certainly, when we take the "economic system" as a whole ,that is, when we include the reproduction mechanisms -in Wolpe's terminology "mode of production in extended terms" - PCP firms can contribute to the overall social surplus created within the system without themselves realizing any of it as profit. The aim of the author is ,however,to develop different categories of production in quantitative terms in order to compare the effects of the neo-liberal policies. So it is thought that such a categorization, which necessarily led to distinguish each category at the micro level, would shed more light on the issue.

(3) Certainly this is a way of classification among many and can be criticized as being "old-fashioned". I preferred to refer to it rather than utilizing theoretically ambiguous terms such as "small industry" or "informal sector" (See Ersoy,1982 for a critical evaluation). These terms may,however, be considered under the rubric of PCP if theorized properly.

(4) For detailed findings of the study, see Ersoy,1993.

(5) Findings of the survey conducted by K sget (1990) and Eximbank (1990) give more optimistic figures. Former survey findings showed that average age of machinery used are less than 10 years old for 67 and 77 % of the manufacturing firms employing 1-9 and 10-49 workers,respectively (K sget,1990,vol.5). Eximbank study (1990) indicated that average age of the machinery used are less than 10 years old for 73 % of the manufacturing establishments employing 10-49 workers.

(6) In K sget's study 78 and 64 % of the manufacturing establishments employing 1-9 and 10-49 workers,respectively, pointed out that the production process they employ is "traditional" (K sget,1990).

(7) In the case of PCP units,the term "profit" should be read as "earnings".

(8) Although in a different context, Ybarra (1989:221) comes to a similar conclusion by arguing that restructuring of the informal sector "has not been conducted by modernizing machinery or by improving the quality of manufacturing skills and finished products. Instead, the trend has been toward maintaining traditional manufacturing schemes while intensifying the use of cheap unskilled and semi-skilled labor." Lyberaki's (1991) research findings on the restructuring effects of the economic recession on the small-scale industry in Greece, corroborates the above statement by Ybarra.

(9) In K sget's study (1990,vol.9) 90 and 75 % of the establishments employing 1-9 and 10-49 workers, respectively stated that they had not received any credits. In the Eximbank study (1990,vol.3), 79 % of the establishments employing10-24 workers informed that they did not receive any credits.

(10) Findings of the K sget study (1990,vol.6) showed that 42 % of the total final products of those firms employing 1-49 workers are marketed outside the province where they are located.

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