

# **“State, Capital and Hegemony: Political Economy of the Large Scale Urban Projects in Istanbul”**

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**State, Capital and Hegemony: Political Economy of the Large Scale Urban Projects in Istanbul**

**[Long abstract for RC21]**

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**Abstract**

*After the Justice and Development Party Government, with the rise of neoliberalism, large-scale urban projects have become a powerful mechanism of urban policy in Turkey. Spaces of neoliberal urbanization such as business districts, gated residences and shopping malls produced through these projects play a role not only in reproducing relations of capital accumulation but also in the shift in urban political priorities towards the construction of neoliberal hegemony.*

*The construction of neoliberal hegemony and the role played by large-scale urban projects in this context cannot be analysed only by looking at capital accumulation. The role of the state and capital in these projects; civil society activities and urban movements against these projects; and their collaborative and conflicting relationships should also be examined, while their functions in hegemony are revealed.*

*This study analyses the relationship between the production of space and neoliberal hegemony in the case of two projects in Istanbul (the Third Bosphorus Bridge and the Third Airport). In both projects, the state and capital collaborated and disseminated a hegemonic discourse that tries to legitimize and gain social support for the project. The social opposition against these projects, initiated by professional chambers, has brought legal action against the project development plans in order to prevent their implementation. Some ecological and labour movement organizations made protests and acts of occupation against these projects. Through these relationships and discourses, both projects that produce space imposed a neoliberal hegemony upon urban political priorities in Istanbul.*

**Keywords:** Large-scale urban projects, political economy of urban redevelopments, state intervention, neoliberal hegemony, Istanbul

## **Introduction**

This paper proposes an analysis of the effects of state capital relations on large-scale urban projects. I aim to sketch the basic lines for a research agenda on the relationship between the state intervention on large scale urban projects after Justice and Development Party (JDP) era in Istanbul. Although some general effects of the neoliberal hegemony on urban production are already known, large scale urban projects are continuously inventing new tactics of ‘capital switching’ (Harvey, 1985) in order to reconnect global financial strategies with the production of built spaces (Ashton, 2011; Clark, Dixon and Monk, 2009). However, I try to build a theoretical framework in State Theory Approach and use it for this research. (Clarke, 1991; Gough, 2004) After neoliberalism, the rise of large scale projects has attracted different views on the politics of urban development. Mega projects have begun to lead the rising worldwide practice of neo-liberal urbanization over the last three decades. This paper reveals how mega projects have given rise to the construction of neo-liberal urban hegemony, along with the role of state and capital in this process.

Agent oriented arguments, such as growth machine approach or urban regime theory, neglect the role of capital accumulation, class conflict and hegemony. Although Marxist Geography arguments, overemphasize the role of structural Dynamics (Harvey’s capital accumulation-based arguments, Neil Smith’s rent gap). They neglect the role of agents, their relations and the discourses that give rise to the construction of neo-liberal urban hegemony. (Celik, 2014; Kipfer, 2008; Lefebvre, 1991) Therefore, this paper proposes a Marxist state theory perspective of urban politics to take into account the role of both structural and agential dynamics. In order to uncover these politically constructed dynamics, the article critically reinterprets the two leading mega projects in İstanbul, namely the 3rd Bridge and 3rd Airport Project process.

## **Conclusion**

The in-depth investigation of the Third Bridge and Third Airport projects shows how mega projects affect state, class and capital relations in urban process. In the case of the both projects, there are contested relations between different actors.

First relation is between construction capital and the state. The pressure put by the capital on the state to regulate the market, state- treasury guarantees to Mega Projects, corruption-bribery mechanism in licenses and permits as well. The state assurances to international banks that debts will be covered jointly during the building of both projects as necessary. With these state-treasury guarantees, the top limit of the Treasury assurance will be \$3 billion. However, it was announced that the projects that have been advertised for auction will be exempt from this limit. This means that, in those projects such as The Third Bridge and The Third Airport, the Treasury will step in if they experience any financial trouble. Also, for the Third Airport Project, the state will guarantee the amount of passengers and tariff levels for a certain amount of time. For Third Bridge Project, there are three options as to how the state may structure such a subsidy. These are a demand guarantee, a guarantee of the debts owed to the road PPP project's lenders (domestic and foreign– until recently this guarantee was restricted to foreign lenders), and a grant (Court of Accounts Audit Report, 2013; Ministry of Development, Public-Private Partnership Projects, 2014)

Second relation is between Labour and Construction Capital: poor employment terms and conditions; skills; health and safety. Deaths of workers in the mega projects. Construction sector has the highest number of accidents in the workplace among other sectors: % 7,64 of 2008; % 10,69 of 2009; %10,23 of 2010 and % 11,19. The deaths of workers in the construction sector are rising sharply. 423 workers died in 2014, 185 workers died in the first 6 months of 2015, including mega projects such as the Third Bridge in Istanbul. The capital accumulated by the exploitative working conditions (long working hours, subcontracting and informal employment) are highly visible in the city, as it fuels the erection of many speculative other real estate projects related with Third Bridge and Third airport projects.

Third relation is between different scales of the state: Rescaling of the state from district to central planning institutions and departments, centralizing state authority became very important in large scale mega projects in Turkey. The transfer of authority from the local to the central level was especially important under the JDP rule. After this rescaling process, The central government remained a major player in building urban infrastructure. (Buğra and Savaşkan, 2014: 85) Mega projects continued to be controlled by the central government authority. Rescaling of the state has thus proceeded within limits, and these limits were unlikely to be eliminated by a political party that had a parliamentary majority and full control over the central government apparatus.

In this paper I have investigated how have mega projects given rise to the construction of neo-liberal urban hegemony in practice and how they are related to the state intervention. It suggests that future research on mega projects in Turkey should focus on the financial system and the finance of mega projects. These are much embedded in the broader relations between economy and politics and the relations between different sectors of economy and actors involved in the process. Another contradictory and crucial intervention of the state is on finance sector. The role of finance in the mega projects carries the risk of a construction boom oriented to economic crisis in Turkey; however the state aims to regulate and therefore has a series of interventions through the whole process.

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