

Rent as a Means of Capital Accumulation in Turkey

Hakkı Yırtıcı

Department of Architecture, Faculty of Engineering and Architecture,
Istanbul Kültür University, Bakırköy, Istanbul, Turkey

Abstract: Rent as a Means of Capital Accumulation in Turkey Since the 1980s Turkey has been experiencing a new era of urbanization in parallel with global trends. The most important characteristics of this new era is that rent resulting from increasing value of urban land has become a point of interest for global capital. In Turkey, however, in contrast to the Western world, the rent obtained from urban space results from transformation of state property into private. As there has been no legal framework regulating this transformation, the management of urban land has become an object of political manipulation. This phenomenon has some negative effects: preventing a proper urban planning; changing modes of employment, income distribution and spatial organization in cities; causing social polarization and spatial dissociation. This article analyzes the current situation not only by referring to the present conditions, but also from a theoretical and historical perspective. Therefore, in the first section, I present the theory of rent and highlight the differences between means of obtaining rent. Later, I examine land ownership in Turkey from the Ottoman time to the present day. In the last section, based on the rent theory and the phenomenon of land ownership, I examine three different periods of urban development that occurred between 1923 and today.

Key words: Globalization • Urbanization • Rent • Capital accumulation • Landed property

INTRODUCTION

Today, it is already a fact accepted by all that world-wide the 1980s has been a novel threshold in cultural, ideological and economic terms. This fact, called globalization, can be described as the reorganization of capitalism at international scale by relying upon developing communications and cognition technologies and the mobility of capital becoming widespread around the world. The nature of capital accumulation has changed and its area of influence has expanded with the development of an ideological understanding that provides big capital investments with facilities and with the legal regulations that are dependent upon this development. It is observed that in this process the social, political and economic control of the nation-states in their own territories has weakened and that now not the nation-states but the cities, which have become the instruments of capital accumulation, have become prominent.

The concept of global city has begun to be pronounced by relying upon these cities, in which capital is condensed and which have become part of a network

on a global scale. Sassen, one of those who provide us with the most comprehensive definition of this concept, describes "global city" as follows: Global cities are more the cities in which production of trade, service sector and financial renewals are realized than the cities as being the centers of control and administration. Settling of multinational companies there, having global transportation and communications networks, high level of specialization and the legitimation of ideology by media and cultural means are the fundamental characteristics of global cities. Now the integration of nation-states to global economy is becoming possible only by having global cities [1].

A similar transformation is occurring in Turkey too in synchrony with the developments in the world. In, first, Istanbul, presented as a global city and, then, in the other big cities the condensation of capital and its transformations in urban space are being witnessed. Douglass too directs our attention to the fact that the image of city is sold to potential investors and the whole world by encouraging big scale infrastructure projects and providing foreign investors with guarantees in order

to increase the competitiveness of global cities [2]. Not only in Turkey, but also around the world this condition is changing cities' employment structure, income distribution and spatial organization and causing social polarization and spatial discrimination.

Today, it is observed that the cities, which should be common, equal and democratic spaces of living, are leaving these qualities of theirs behind. It would not be wrong to say that the concept of "urban rent", the fundamental tool of understanding the negative developments created by capital, has occupied the center of the debates in the fields of urban planning and protection of city-centered spaces of individual right, freedom and living. Within the framework of this article, first, what the concept of rent means from the perspective of political economy will be touched upon. Then, after the question of landed property since the Ottoman state is dealt with, a historical perspective stretching from the process of nation-state building in Turkey to the present will be developed.

Rent as a Means of Capital Accumulation: The word of capitalism has been derived from the word of capital. That is why it can first be said that capital is a key concept for capitalism. In its most general definition the word capital refers to accumulation that is not wasted, the real source of richness. Actually this definition can be used for all the material goods produced by the pre-capitalist social production systems as well. Wallerstein says that the difference between the two lies in capital's motivation in capitalism to expand itself constantly and the whole of social relationships it creates to increase itself [3]. By relying upon the aforementioned "whole of social relationships" it is possible to define capitalism as a commodity production system concentrated in the nucleus of unequal relationship between the private capital ownership which has such means of production as factory, machinery, land and raw materials and the property-less waged labor. In the context of the subject handled here the relationship between private property and land and between land and other means of production will be touched upon.

In contemporary economic theory rent is defined as income appearing out of scarcity of not only land but also any goods or means of production and, accordingly, gained without labor [4]. Considered from the perspective of this definition scarcity rent may have many causes. Especially in the conditions that the state intervenes into the market economy, puts various restrictions to import

and determines export permit by license and quotas, the income gained, under the conditions of unfair competition, by the entrepreneurs who have these privileged rights constitute rent. Another cause is that, in order to stimulate economy, the state sells intermediate goods produced by state-owned enterprises to the private sector with prices below those of the market. In this sense not only rent is related to such natural mechanisms as scarcity of land, but also artificially created and substantively political concept of land is included into the matter.

Still the fundamental factor that turns rent into a means of capital accumulation is the whole property right to land. No doubt concept of property is not a capitalist invention. Throughout history whole property is seen in all civilizations. In early nomadic and agricultural societies whole property is limited to personal objects. The ownership of objects and resources important for the economic reproduction of society has belonged to the whole community. In nomadic communities herds, pastures and areas of hunting have been subject to common ownership. In settled agricultural societies land belonging to the community has been shared in the form making it possible for all members to make agriculture under guarantee [5].

Looking at the pre-capitalist European geography, too, things are not that different. It is not possible to understand the relationship in European feudalism between landed lord and serf only in terms of the fact of property. Although at first glance it looks like landed lord has had whole right to land, actually there have been mutual responsibilities between landed lord and serf. Both had control over land in certain respects. Serf has had the right to cultivate the land on the condition that he has upheld his responsibilities to the lord. There was more control of land by more than one person according to different functions than ownership of one person [6, 7].

According to Ricardo, who has developed the first rent theory in capitalist relationships, there is scarcity rent because land is fixed in terms of quantity. With economic development first the most fertile part of land is used. As the other factors increase less fertile lands are used too. The value of the products in the market is equal to the price of the products of the less fertile land related to that market. In this condition more fertile lands provide an important advantage and, without spending any labor, a surplus-value is gained depending only on their fertility and locale. So rent becomes an income that is gained without labor and emerged out of whole property right [8].

Marx divides landed property rent by developing this definition even more. The first one, parallel to Ricardo's theory, is "differential rent I" depending upon fertility and locale of land. The second one is "differential rent II" not due to the characteristics specific to land but to differentiation came into being out of investments made on land by human labor. The third and really important, one is "absolute rent". Absolute rent is based upon private property over land. This ownership has the quality of monopoly. Because quantity of land is fixed and cannot be increased by human effort. Since supply is fixed, as demand increases value of land increases and here absolute rent comes into being [9].

Harvey says that land and structures on it are not ordinary commodities in capitalist economy and therefore their use and exchange values have specific significances. According to Harvey, the location of land and structures cannot be changed if wished. This makes them different from such commodities as grain or car. Absolute location provides the person, who has right to decide the use, with monopolistic privileges. Land and structures are the commodities no one can do without them. It is not possible to exist without occupying a locale, to work without occupying a location and using tools located there and to live without having a shelter [10].

At this point it is necessary to pay attention to the difference between the definitions of Harvey and such classical rent theorists as Ricardo and Marx. Classical rent theorists have not attributed much importance to the questions of form of land use and organization of space. What Harvey means is, as he puts land on a plane different from those of other commodities, land in an urban context. When the matter at hand is urban land, it is gaining surplus-value independent from land and dependent on social activities. It is exactly in this form of its that land is turning into a commodity produced in market economy.

The difference between any piece of land and urban land is important. Urban land is one that has not become urban plot yet (i.e. development rights have not been decided) but has begun to be bought and sold with the hope that it will turn into urban plot in the near future. In short urban plot is not any piece of land. Apart from being land it has three properties. It has a location in city; is provided with infrastructure; with development plan what kinds of use it will have has been determined.

According to this, the value of urban land within the perimeters of city increases with the growth of city. That this land is included within the development boundaries

causes its value to increase again. To open it to urban use its such infrastructures as road, water and electricity must be prepared. This makes yet another value increase possible. Afterwards with construction on other plots happens rapid increase of value. In this condition there is no risk involved with keeping the land bought cheaply and there appears speculation of land. So there is no labor of the plot owner involved in the increase of the value of plot and the cost of the value increase can be transferred to such public spending as infrastructure [9].

Tekeli, after attracting our attention to the importance of urban plot in appearance of rent, lists the negative consequences of this in the development of city as follows:

- The existence of private property in urban plot prohibits the development of cities as planned and plot speculation turns urban planning into a part of political pressures.
- Because vacant plots within city are kept for speculative purposes, cheaper plots around the city are headed towards and due to infrastructural shortcomings new surroundings, in which urban services are more expansive, are formed.
- Increase of density in the city is permitted due to political pressures; this causes demolition of existing buildings without completing their profitable durations.
- The existence of private property in urban plot causes parcelization and useless small areas emerge as areas between buildings do not coalesce.

The rest of the article will concentrate on the question of how urban rent has developed in Turkey from 1923 to the present. As the question by which actors urban rent is produced and distributed is answered, attention will be attracted to how the above mentioned theory of rent is being reproduced in the specificities of Turkey.

Landed Property in Turkey: Urbanization in its modern sense needs considerable amount of capital accumulation. Migration from the rural to the urban and concentration of population in cities requires, in parallel, big infrastructure investments, spatial organizations to provide the needs of developing trade, finance, law and administration functions and perhaps most important of all mechanisms to satisfy increasing population's housing need. The precondition of all these developments is that it has

become possible to own land as private property before onset of capital accumulation. In short a fully developed capitalism and the process of urbanization dependent upon it rely upon private landed property.

There is a fundamental difference between Turkey and the core European countries, in which capitalist relations have emerged first. In Europe, since the 18th century the production of land as a commodity and distribution of the emergent rent have been actualized in the context of private property relations among capitalists and the amount of capital transferred to the land. This means that here differential rent is primary. However in Turkey this relationship is being actualized as the transfer of land owned by the state to private ownership and as such is the subject of absolute rent. In order to understand the cause of this difference, property relationships in the Ottoman Empire must be looked at. In Europe feudal social structure has been destroyed by the rise of bourgeois class and commodification of land and replaced by property relationships among capital; capital accumulation by means of land has been actualized this way.

However in the Ottoman Empire the ownership of land, the primary means of production, belongs to the state. Land is given to the princes, state elites, soldiers and local governors as *tımar* (fiefdom) and as only use right. Holder of *tımar* is obliged to do agricultural production on these lands, train soldiers, pay taxes and send soldiers to war in case of need. The farmer, on the condition that he pays his taxes, has use right on the land open to cultivation. Moreover he has been able to pass his right to his inheritors. But this has not been seen as private property. No doubt there have been ownership acquired through special permits such as inner city houses and their gardens, *wagf* (foundation) lands but in reality no right over land has been secured [11].

The Ottoman, within this centralist land ownership structure, in contrast to the market economy developed in the 18th and 19th centuries in Europe, has been lethargic in reproducing land as a commodity. The 19th century Ottoman modernization was, on the one hand, accepting land as a commodity and enabling it to be registered as private property and, on the other hand, putting numerous restrictions to land ownership being held in private hands and its trade [9]. This lethargy has continued in the establishment of the Republic in 1923 and its modernization project. The new republic's modernization project was consisting of establishing a

national market and integration with world markets. But as land, as the key to capital accumulation, would be distributed and economic dynamism would be provided, the quantity of land in the hands of the state has actually increased as the minorities had to leave during the national war of independence and in the early years of the republic. In the years to follow the attempts to distribute land to peasants have never been able to be successful; mostly they have resulted with the acquisition of rent by the limited and certain sectors. Even today two thirds of Turkey's geography belongs to the state ownership.

Urbanization and the Fact of Rent in Turkey: There exists a tri-partite periodization that every work that considers Turkey's modern social history agrees upon. The first period covers the decades from the establishment of the Republic up to the 1950s; the second one from 1950s up to the 1980s and the third one from the 1980s up to the present. No doubt it would be wrong to think each period as having a homogeneous continuity. Each period may easily be divided into smaller parts [12, 13, 14]. Depending upon the subjects they consider different authors call these periods by different names. For example, Tekeli calls them respectively "radical modernity", "populist modernity" and "erosion of modernity"; Şengül "urbanization of the nation-state", "urbanization of labor power" and "urbanization of capital" [15, 16]. At the same time these three periods consist of the inclusion of land into the economy and crystallization of actors in this process.

At the base of the ideology behind the establishment of the Turkish Republic there was the idea of integration into the modern world and modernization with its institution and rules. The modernization project organized from top to bottom by the Republican elites relied upon the Enlightenment tradition, the establishment of free market economy, the institutionalization of the nation-state and putting all these into a legal framework. In order for this modernity project to be able to be realized landed peasant masses needed to gain mobility and individuals of the society had to be able to provide the labor needed by economy where it was needed and in anonymous relationships. The key for this to happen was urban development. So the project of being contemporary would have been realized thanks to urbanization [17, 14].

The most important decision of the new Republic with respect to urbanization was to proclaim Ankara, in the middle of Anatolia, the capital in contrast to Istanbul,

which has been the biggest city and the one that has been integrated most to the West in the Ottoman Empire in the 19th century. The investments of the Republic, which had limited resources, were directed heavily towards Ankara and other Anatolian cities. However that there was not capital accumulation to enable both industrialization and urbanization left many plans unrealized and only in Ankara concrete urban transformations were able to occur. In contrast to its examples in the West, the development of Ankara was more coming from up as a part of the modernity project of politicians and bureaucrats than from bottom by civil pressures. In this period in which there was not speculation in urban plots in real terms urban rent was shared between bureaucrats and middle classes. The structural foundations of the role played by the small entrepreneur in urban development would be laid in this period and in the later periods, at least until the 1980s, they would sustain this dominant role.

Turkey began to feel the pressure of urban problems around the 1950s, 150 years after the European cities. The scale of the migration from the rural to the urban areas, which started with the beginning of the 1950s, was astounding. While in 1950 the number of cities with more than 100.000 inhabitants was 4 and their ratio to the general population was %40, in 1980 these numbers changed as 29 as the number of the cities and as %63 as the ratio [18]. With modernization of agriculture, for the first time, modernization as the project of the state elite left its place to a process of modernization that comes from bottom and is pushed by capitalist conditions. With the oversupply of labor appeared in the rural areas beginning to migrate to all the big cities - first and foremost Istanbul - the necessity of urban planning, increasing housing demand, infrastructure and similar problems became prominent.

In this period there were two big obstacles in front of planned urbanization. The first one was that the land in the hands of the state could not be distributed fairly and integrated into the economy. Also there was not a legal and financial regulation to turn the land owned by the state into the urban plot and transfer it into private property. The second one was the adoption of industrialization by means of import substitution as the state's economic policy; that as scarcity rent appeared by imported goods restricted by licenses and quotas was becoming the real area of interest of the big capital, the distribution of rent income acquired by urban transformation and urban land was left to middle and small

entrepreneurs. These factors produced two different forms of housing model and transformation of urban land, one legal and one illegal. *Yapsatçılık*, a model specific to Turkey, was the legal part and *gecekondu* (shantyhouse) the illegal one.

In this time period in which the state couldn't succeed in a fair distribution of the land it owned *gecekondu* became the illegal solution of the need of some of those who have migrated from the rural to the urban areas. Within the perimeters of the city and in the vacant areas of the city, parts of city were begun to be build. In this way as the production of houses was provided without any investments made for the land, on the other hand, cheap and non-qualified labor for the developing industry was provided. This model, which both enables the capital to maximize its profitability and provides the need for shelter of masses of people with minimum investment and beneficial for both parties at first sight, at the same time produced a condition in which everyone has lost in terms of quality of life in the cities. With the later pardons these areas have earned legal status; the cost of these areas' infrastructure investments have been put as a burden on the public.

In the same period legal housing need of urban middle classes was provided with *yapsatçılık*, a model special to Turkey. This model has provided capital accumulation over differential rent created by capital investment made by middle and small entrepreneur on private property. This is how *yapsatçılık* was functioning: Entrepreneur, who did not have enough capital accumulation, was promising to the land owner to give some of the apartments to be built and so he did not have to invest capital to the land. To sell houses during the groundwork and with payment installments enabled to make investment to the construction without capital accumulation; unqualified labor force coming from the rural areas decreased costs of construction considerably. Until the 1980s *yapsatçılık* has been prominent as an important model in urbanization and transformation of urban land in Turkey. Today still the problems of a city texture developed on the basis of parcels and joined together instead of a general planning and housing stock constructed by non-qualified labor is emerging as one of the most important urban problems [19].

A new period was opened up for Turkey with 24 January 1980 decisions. In Turkey, where the import substitute industrialization strategy was abandoned, a series of regulations was initiated to be integrated into the

global capital. The characteristic feature of this last period was that a series of decisions that would establish free market conditions was taken and that circulation of global capital was facilitated. That the state emphasized infrastructure investments by borrowing turned such investments tools as bonds and stocks as the new instruments of gaining rent without production. During the period of Özal, with the legislation of the mass housing law, the city which promises high rent has for the first time entered into the interest area of big capital. So the small and medium entrepreneur making investments on the basis of plot in the previous period was replaced by the capital that created new satellite cities in the wide lands outside the city and added the rent created there to its own capital accumulation. In this way the cities in Turkey, with various luxurious housing sites, shopping malls, educational campuses and industrial zones, began to look like a bag with fragmented, secluded and multi-centered patches.

This is the landscape that appears when the production and distribution of urban rent is observed today: The fact of private property in the areas owned by the state has accelerated with privileged housing rights and the new finance methods in order to satisfy the demands of the big scale projects since the 2000s. In this process, in which financial capital has become an independent actor, urban rents have become an important means of being integrated into the global capitalism. First differential rent, which enables capital accumulation, is made to come into being by changing the plan of the area, whose ownership transfer wants to be realized and location rent is high and then absolute rent following the sales provided with the privileges during the process of bidding. In this way differential rent and absolute rent are transferred to the new owner of the land. Dense housing and infrastructure cost due to privileges provided with planning are satisfied by the state which causes the public to go bankrupt and the social justice principle to be infringed [20].

No doubt this is not an unavoidable condition imposed upon by the free market economy. Against this mechanism, which distorts both urban structures and the country's development dynamics, there exist especially in Western European countries institutional regulations. For example, to increase stocks of land at the hands of the public, to develop ways of prolonged hiring instead of transferring the ownership of plots, to accept urban land ownership as two dimensional and to consider the third dimension, right to build buildings, as the right of

the public and to transfer it in return to the cost paid to the public or to develop a very serious taxation policy. Moreover, by turning increases in values of urban plots into income for local administrations, finances of urbanization are provided and production of urban services are made to become adequate [9].

CONCLUSION

Today in Turkey rent gained from land has become one of the most important means of capital accumulation in parallel with the globalization of capital. The most important problem in this process is, while in the West land as a commodity is a part of market economy, passing of ownership of land from the state to private property in the context of centralist state tradition and land regime which goes back to the Ottoman Empire and there does not exist a legal structure to prevent unequal development about this situation. To transfer the land in the hands of the state to private ownership has always turned into a problem, a feasible land regime has not been applied, stock of land has usually become instrument of the populist methods of the governing elite. That legal control mechanisms over land has not developed fully creates political pressures; as differential rent and absolute rent that emerge in the process of the transfer of urban land to private property are channeled to certain sectors, income gained from this cannot turn into public and urbanization investments; instead the income is channeled into infrastructure works with the aim of satisfying increasing urban density. Therefore the cost of land rent is channeled to the public by means of the infrastructure investments of the state and local administrations. This condition is one of the most important problems facing urbanization in Turkey.

Looking at the social dimension of this condition, one observes that, without making a general planning within the city and its perimeters, land rent is channeled to big capital with changes only at the scale of parcel and that as a new white collared class benefits from this rent other residents of city are pushed outside these areas. Within this framework in cities, which have turned into big capital's areas of speculation, class distinctions, inequality in income distribution and unfairness in opportunities to use basic services provided by cities are crystallizing. So cities, instead of becoming centers of culture of living together, are rapidly turning into spaces of social inequalities and sharp distinctions.

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