

SHOULD ISTANBUL BE MADE A ‘GLOBAL CITY’?

FATMA PINAR ARSLAN⁽¹⁾

ABSTRACT

Globalization of world economy has serious impacts on cities. Role of individual cities is growing. The term “global city” is used for some which have crucial controlling authorities in the world economy and finance. Istanbul is said to have the potential to be a global city in the near future. This claim was strong enough that policies for Istanbul are designed in parallel to the aim to make the city global. However, these policies deepened the existing problems created new problems of inequality and polarization in Istanbul. This article discusses the theoretical base for “Global City” recommendations for Istanbul; and argues that the negative conclusions of the process were easily foreseen from a Marxist perspective.

Keywords: Globalization, global city, urban transformation.

JEL Codes: F62, O18

İSTANBUL ‘KÜRESEL BİR ŞEHİR’ YAPILMALI MI?

Öz

Dünya ekonomisinin küreselleşmesi, şehirler üzerinde ciddi etkiler yaratmıştır. Şehirlerin tek başlarına sahip oldukları roller değişmiştir. “Küresel kent” kavramı, dünya ekonomisi ve finans sektörü üzerinde kritik kontrol yetkilerine sahip olan bazı kentler için kullanılmaktadır. İstanbul’un da yakın tarihte böyle bir küresel kent olabileceği iddia edilmektedir. Bu iddialar politika yapıcılar tarafından benimsenmiştir ve sonuç olarak, son yıllarda İstanbul kenti ile ilgili politikalar, kenti bir küresel kent yapma amacına uygun olarak düzenlenmiştir. Ancak, bu politikalar, şehirde hâlihazırda var olan eşitsizlik ve kutuplaşmaları derinleştirmiştir ve bunlara yenilerini eklemiştir. Bu çalışma, İstanbul’un bir ‘küresel kent’ olması öneren teorik altyapıyı tartırmakta ve bu sürecin negatif sonuçların Marksist bir perspektiften bakıldığından çok daha önce görülmüş olduğunu öne sürmektedir.

Anahtar Kelimeler: Küreselleşme, kentsel dönüşüm, küresel kent.

JEL Kodları: F62, O18

¹ Research Assistant, İstanbul Medeniyet University, Faculty of Political Sciences, Department of Public Finance, fatma.arslan@medeniyet.edu.tr.

1. Introduction

Çağlar Keyder wrote in the 1990s that Istanbul has the potential to be a “global city”. He claimed that cities have gained importance in the neoliberal era and cities with a well-defined and long-term vision could have autonomy from the central authority of nation-states. In this way, they can be in a race to benefit from the globalization process. Istanbul, in Keyder’s thesis, must be well-integrated in globalization policies to attract national and foreign capital, to support service sector institutions and to settle the employment and consumption structures, appropriate for a global city. Such a policy should increase the resources for Istanbul and create welfare for all citizens, as it will increase the capital flow to the city and consequently increase job opportunities and consumption.

Policies regarding Istanbul have been designed in accordance to Keyder’s thesis since the second half of the 1980s. The existing industry in the city was decentralized and the service sector was supported. Several projects were designed and implemented to attract foreign capital to the city. Luxury hotels, residences, malls and office buildings were built in order to satisfy the consumption demand of capital; and several old settlements in the city center were subject to an urban transformation. Some of these urban transformation projects are continuing despite serious criticisms.

However, as Keyder indicated in his writings in the 2000s, the transformation of the city towards globalization created unequal results for different parts of the society living in Istanbul. The structure of land and labor markets has changed much to the detriment of low-income classes. The land in the city center has become very expensive as the demand of national and foreign capital has increased. As a result, low-income people occupying these areas were pushed to the outer districts of the city. This enhanced the existing social polarization and exclusion, rather than decreasing it. Additionally, the labor market structure changed. New job opportunities were created by the service sector; but these were not secure and well-paid jobs. The effect of globalization policies on the labor market was an increasing number of unregistered, insecure jobs.

The negative implications of neoliberal policies to make Istanbul a “global city” were predictable. David Harvey wrote in the 1970s (Harvey, 1999) that urban policies that do not consider the social aspects of the economy may result in negative results that enhance inequalities; because different groups of people in a society have different capacities in accordance with changing economic conditions. If a decision regarding urban life does not take into account the existing inequalities between social classes, the result can be more unequal than the former situation.

In the second part of the article, the writings of Keyder in the 1990s and 2000s are summarized. His policy recommendations in 1990s are explained and the negative implications of globalization policies that Keyder mentioned are dealt with. The change in Keyder's ideas about Istanbul and globalization policies through the 1990s and 2000s is discussed. In the third part, the theories of David Harvey on urban politics, his warnings about the negative results of one-sided urban policies are explained. In the fourth part, the policies regarding Istanbul since the 1980s are discussed. The fifth chapter concludes.

2. İstanbul to Be a ‘Global City’: Claims by Çağlar Keyder

In the 1990s, Keyder was among the first scholars who wholeheartedly supported the neoliberal transformation of the city. He wrote several books and articles to explain the dynamics and characteristics of this possible transformation of Istanbul and to suggest policies for the future. In his writings he set the target of Istanbul as being a “global city”, a new center of global capitalism.

In his book *Ulusal Kalkınmacılığın İflası* (The Collapse of National Developmentalism, 1993), Çağlar Keyder has written an article titled “*İstanbul'u Nasıl Satmalı?*” (How to Sell Istanbul?), and underlined the new opportunities for Istanbul in the neo-liberal era. Accordingly, neo-liberalism and the globalization process could be determinant and decisive for various cities in the third-world countries, including Istanbul, by creating large amounts of financial sources for these cities and by carrying them to the upper levels in the global network of cities under capitalism. The national developmentalist policies were now seen as ineffective in the neoliberal era, and new policies were to be designed to benefit and encourage neoliberal development.

The term “global city” is used by Keyder for cities in which substantial parts of world capital are concentrated and controlled. London, New York and Tokyo are global cities on the highest level of the hierarchy. These cities are followed by Frankfurt, Paris, and Seoul, etc. Global cities are the key points of the global network of the capitalist system. Service sectors, especially banking, finance and insurance sectors are dominant. Capital flows to other regions and countries are controlled by these cities. Employees are well-educated and well-paid. Other service sectors for these well-paid employees have developed such as entertainment, residence and commerce sectors. Living standards for those well-paid employees have reached the highest levels (Keyder, 1993).

In another article written by Keyder and Öncü, it is claimed that new world regions were constituted in the 1990s, due to spatial shifts of capital investments and the expansion of a sphere of organizational control. Furthermore, in Keyder’s and Öncü’s words, “...new ‘global cities’ or ‘world cities’ emerged at the intersection of global transaction networks,

mediating between world productive activity and markets" (1994: 384). These trends emerged in the 1990s, and they put Istanbul in the focus of attention. These cities then needed different policies and strategies, and accordingly, traditional concepts of urban growth, "*under the aegis of strong national governments and their bureaucracies*" (1994: 384) were not enough be able to exploit the newly emerging opportunities.

At this point, Keyder (1993) defined a dichotomy of city policies: the developmentalist and redistributive/populist tendency versus neo-liberal globalization policies. The developmentalist/redistributive policies aim to strike a balance between its citizens, helping the poorer parts of population, especially the immigrants. The use of capital and space is designated to protect the welfare of the society as a whole. Sources of the state are spent to directly support low-income people and to control the income gap between different parts of the population. Although these populist policies are politically useful for the political actors in the short-run, they are costly as they do not consider any long term development perspective, according to Keyder (1993). The resources that are directly spent for low-income people do not create a long term solution, because they are not used in investment.

Keyder, as indicated in the previous paragraphs, praised and legitimized the globalization process as a great opportunity for Istanbul in his writings in the 1990s. He underlined that globalization and financial integration of the city to world capitalism would make Istanbul an affluent global city, albeit with some possible and negligible problems. He wrote that these problems should not discourage the administration of Istanbul in trying to make the city global, because "*the main problem now is (was) integrating into the world economy in a better way*" (1993: 108). However, his writings about the same subject in the 2000s are not as enthusiastic as the former ones. It seems like the side effects of integration of Istanbul to the global capitalist system proved not to be so negligible; but rather they proved to be trouble-making in the long run.

In his article *Globalization and Social Exclusion in Istanbul* (2005), Keyder focused on the increasing inequality and polarization in employment, income levels and the use of built environments in Istanbul in the globalization process which began in the 1980s. Accordingly, before globalization, lower classes in Istanbul and immigrants to the city were incorporated to the city by means of social networks. The state tolerated land appropriation and illegal housing on state-owned lands, so people could find shelter. The informal sector grew to absorb immigrants. Workers in the informal sector did not have any social security, but kinship, neighborhood, reciprocity relations and political and social networks formed in shanty towns filled this gap.

Yet, the globalization process ended such relations, as Keyder indicated (2005). The population of Istanbul continued to increase rapidly (It increased from 5 million in 1980 to 10 million in 2000), but the mechanisms to absorb the new immigrants disappeared in the neoliberal era. Globalization and the end of developmentalist policies of the state created a social exclusion of low-income masses. Keyder defined social exclusion as "*a failure of social integration of economic, political and cultural levels*" (2005: 128). When the urban context is considered, social exclusion includes spatial segregation and inequality in the usage of space.

Two changes brought by neoliberal transformation of the city are indicated as having negative effects: the change in land market and the change in labor market (Keyder, 2005). Keyder indicated that the structure of land market changed with neoliberal era, and this accelerated polarization and social exclusion in Istanbul. In addition to the above mentioned article written in 2005, he gave a lecture at London School of Economics in 2008 (printed in 2010) and emphasized the negative effects of land market structure of neoliberal era on lower income people in Istanbul. Accordingly, the increasing capital flow to the city and increasing luxury consumption of upper-income level people created a huge demand for land. New hotels, shopping centers, trade and business center, luxury housing estates etc. needed space creation in the central parts of the city. As a result, land became extremely valuable. The new demand for space created pressure on the lands used by ordinary people and immigrants, which were allowed to build houses on state-owned areas by populist politicians in the pre-1980 era. Now, the land was so valuable, and the inhabitants were seen as exploiters of state wealth. The capitalist pressure on land resulted in commodification of that land, and people on this land were obstacles to profit.

Change in the land market was accelerated by the state. A new state agency, Mass Housing Administration (TOKI) was formed in 1990. TOKI has enormous authority on land use; it began to gradually remove the shantytowns in the center of the city under the name of protection of heritage and environment etc. and created profitable empty areas in the center for capitalist development. (Keyder, 2010) Some of these lands were given to contracting companies, and a huge amount of rent was created. These areas were improved immeasurably as consumption areas, with luxury hotels, clubs, malls, and residents, while ex-inhabitants of these towns were dismissed to the distant peripheral areas, without appropriate transportation and infrastructural services. There was now a clear line that separated those who benefited from the capitalist development and those who did not. This polarization was a result of neoliberal transformation and the end of national developmentalist policies of the state (Keyder, 2005; 2010).

The second point indicated by Keyder (2005) about the adverse effects of globalization is the change in labor market of Istanbul and its contribution to the social exclusion process. Deindustrialization and increasing dominance of service sectors, which were blessed as global city characteristics in earlier writings of Keyder, were now held responsible for decreasing formal employment and increasing de-integration of workers from the system (2005). Keyder indicated that a small fraction of new job opportunities created by global integration was upgrading. Rather, most of the newly created jobs were personal services (food, sports, entertainment, house-keeping etc.) for a high-income minority and these jobs were generally short-term, contracted and informal. Wage employment under social security was no longer possible for the majority of new immigrants to Istanbul. So, integration of millions of people to the system has not succeeded and polarization between the different parts of society is rapid.

As mentioned before, Keyder estimated the emergence of some problems in his earlier writings in 1993 and 1999. He wrote that polarization can be a side effect of globalization and integration of world capital into Istanbul. However, he did not question the sustainability of such a development process in the 1990s, rather, he strongly insisted on the inevitability of this. Keyder drew a dramatic picture for a non-integrated Istanbul. Not only Istanbul, but the whole country would have been marginalized if Istanbul lost the opportunity and decided not have become integrated into world economy. He wrote that only the most integrated regions would have enough resources to cope with their problems; so, the “zero-sum” (1993: 109) game of redistributive policies should be abandoned. The capital flow to the city and the resultant development would automatically create jobs and wealth for the whole society; and the direct help to the lower-income classes by redistributive policies would be redundant. So, the resources should have been spent for attractive construction, subsidies and advertisement, in order to collect world capital (Keyder, 1993).

Keyder himself confessed in his writings in the 2000s that the globalization process did not produce a sustainable development for Istanbul and did not satisfy his earlier expectations. The resources created by integration and globalization did not result in a social welfare; rather it increased the polarization between classes. The new job opportunities were not better than the older ones. Inequality in space use in the city increased very much, that the city was now further divided into two: living spaces of the poor that the rich never wanted to see, and the living spaces of the rich that poor people could only experience for working. So, Istanbul became a global city by excluding a majority of its population, if such a city can be named “global”.

3. Polarization and Inequality Effects of Urban Transformation: Already Explained by Marxists Long Ago

The possible results of an urban transformation policy that is not designed by considering its welfare effects on different classes were formalized by Marxist geographer David Harvey in the 1970s, long before the debates on globalization of Istanbul started.

a. Redistributional effects of city policies

Chapter 2 of *Social Justice and the City* (1999) written by David Harvey in 1973 focuses on the redistribution of income in urban systems. Accordingly, urban policies should consider both the spatial aspect of the city and the social processes within the city, in order to understand the redistributional effects of city planning and other policies about the urban area. If one aspect of urban policies is neglected, the results of policies can be unexpected and undesirable.

The social processes are not independent from decisions of city planners. Any investment decision or appropriation decision taken by city planners in accordance to expectations of tendencies and preferences of people, directly or indirectly, support these tendencies and help their realization. So, it is not easy to claim that tendencies and preferences of people are independent from the choices of city planners and other authorities in the city. For example, if urban planners expect that the number of car users will increase in the future and accept this situation as given, the decision of highway construction will support the preferences of people to use cars. Actually, the number of car users will increase, in relation to the highway construction, even in numbers much higher than the expectations the planners had at the beginning. People will *really* prefer to use cars because the construction decisions accepted that they will use cars.

City planning and land appropriation for different usages are effective for social processes and distribution of real income among different groups. However, these mechanisms of redistribution of real income are not considered enough by city planners, according to David Harvey.

In order to understand the effect of planning decisions on redistribution of income, it is necessary to define the real income. Real income is not only the disposable income earned in a certain time period, but it also includes the change in values of any property rights in a certain time period. This change can be positive or negative, implying an increase or decrease in real income, respectively. The values of property rights are subject to changes due to external impacts, which are not under the control of the property owner, even not under the control of price mechanisms of the market.

Changing the locations of workplace and housing zones have redistributive effects. For example, if job opportunities are carried to suburban areas, high-income people can have the opportunity to live in luxury houses in these areas, whereas low-income people are left in the urban center with nearly no new construction and a limited supply of houses. Also, these low-income people are gradually deprived of job opportunities because transportation cost for them increases. In such a mechanism, the income is redistributed to the detriment of low-income people.

Similarly, benefit of a new appropriation decision is not distributed to the whole society equally. For example, people need green areas in cities for leisure activities. However, land in city centers is expensive and municipalities increasingly tend to carry the green parks to outskirts of the city. However, the benefit of this appropriation is not equally distributed for different groups in a city. High-income people travelling with their cars have the opportunity to go to these green areas outside city centers for leisure and sports, whereas low-income people do not. Low-income people lose their opportunity to have a good time in city parks due to this investment and planning decisions.

b. Changes in labor market

The opportunities created in a city are not utilized equally by different groups of people, if special measures are taken to save low-income groups. Keyder (1993) claimed that the city policies adopted to make Istanbul a global city should improve the living standards of people. But later he accepted that these policies created poverty for low-income people. The opportunities that global capital brought to the city were largely consumed by high-income people, whereas low-income people had to leave their houses and living spaces and to work as marginal, unsecured workers.

The reasoning of such a situation was expected and explained by David Harvey in *Social Justice and the City* (1999). He wrote that the transformation of cities has different effects on different groups of people, because different parts of an urban system have different adjustment capacities to new conditions. The richer and more educated groups are at more of an advantage as they can understand the changes and position themselves for these changes before other groups. The income inequality accelerates with urban transformation.

In another chapter titled “Class Structure and the Theory of Residential Differentiation” in *The Urban Experience* (1989), Harvey explained that there are several reasons of social differentiation between people, other than the main contradiction of capitalism, which is the conflict between capital and labor. Harvey grouped these secondary contradictions in five groups: specialization, consumption patterns, authority relations, identities and

mobility possibilities. The last one, mobility possibilities, is important to understand the different impacts of city policies on people.

Mobility possibilities are the ability of people to change their bulk of knowledge and talents, geographical positions and consumption patterns in order to cope up with changing conditions. These abilities are limited by capitalist relations. An “expert” group has more chances to reach to the necessary bulk of information and talents to easily coordinate with the changing environment; whereas others will have difficulties and will get harmed by changes, rather than receive benefits.

c. Changes in land market

The change in the land market in Istanbul during the globalization process resulted in dismissal of low-income groups from the city center. Land in the city center became valuable for capital, so low-income people were driven to distant areas and the land in the center were used for the necessities of global capital, including luxury hotel, residents, offices and shopping malls (Keyder, 2005).

Harvey foresaw this situation when he wrote that the differentiation of people with different mobility opportunities will be reflected to their positions within a city (1989). This is explained under the heading “Residential Differentiation and Social Order” in Chapter 4 (Class Structure and the Residential Differentiation) of *The Urban Experience*. Accordingly, residential differentiation is not a result of people’s own choices, but they are results of capitalist production forces that rise in a given time period. Residential differentiation is necessary to continuously reproduce class differentiation. The space in which a group of people lives is where a certain appropriate type of labor is produced. People do not prefer this; they are obliged to accord with this residential differentiation in order to survive.

4. Policies Regarding Istanbul

The “global city” perspective for Istanbul has been accepted by all mayors of Istanbul since 1984; and the policies for the city were designed according to this perspective (Öktem, 2006). Not only the municipalities, but also governments that were in power after 1980 evaluated Istanbul as a tool for integrating the Turkish economy into the world economy. The 1984 election for Istanbul Metropolitan Municipality was won by the Motherland Party (ANAP). This party had strong relations with domestic and foreign capital groups. The municipality implemented some projects in favor of these groups. In this period, luxury office buildings, shopping malls and hotels were built in the center of Istanbul, in parallel with the global city form that Keyder defined in his writings of

1990s (Keyder, 1993; Keyder & Öncü, 1994). Accordingly, a global city should contain luxury hotels and consumption facilities, which will make appropriate environment for international capital groups and attract world investment to the city. The service sectors that give service at world quality would be visible. These facilities should give service to high-waged employers, who are rewarded for their qualification and knowledge (Keyder, 1993: 104-105). Çırağan and Swiss hotels, Galleria and Akmerkez shopping malls were built in this period, in parallel to this idea of global city image. However, corruption and bribery claims about these projects have weakened the party.

The following 1989 election for Istanbul Metropolitan Municipality was won by Social Democratic Populist Party (SHP) candidate. Not totally abandoning the recent policies of ANAP, SHP tried to integrate some social considerations into the globalization policies (Öktem, 2006). However, this strategy was not successful because it could not create an alternative to neoliberal policies. The party slowed down the ongoing projects but did not stop them all or create a new way for Istanbul. SHP lost any support from the two conflicting groups of the subject: capital groups were annoyed because their projects were slowed down and their costs increased, and the opponents of globalization policies were dissatisfied by the semi-opposition by the social democrat party. SHP lost popular support and the next elections in 1994 (Öktem, 2006).

Since 1994, municipal elections for Istanbul Metropolitan Municipality have been won by conservative parties. In 1994, the Welfare Party candidate (RP) was elected. This party accepted the neoliberal trend of the world economy and proposed that Istanbul had to cope with changing economic environment and globalization. It aimed to finish the projects that were initiated by ANAP, but were stopped by SHP administration (Öktem, 2006). The policy recommendations of Structural Plan Report prepared by the municipality in 1995 were: to increase the number of international events in the city, to develop tourism facilities, to decentralize industrial facilities, to support service sectors, and to enhance transportation and communication facilities.

The Welfare Party was neither strong nor long-lasting, due to its conflict with the secular forces in Turkey (Öktem, 2006). The conservative politics were followed by Virtue Party (FP), when the RP was closed in 1998. Ali Müfit Gürtuna was selected as the mayor of Istanbul in the 1999 local elections.

Keyder wrote in the 1990s that Istanbul had the chance to be a global city and to attract world capital; if administrators of Istanbul had a long-term vision and appropriate policies were to be designed (Keyder, 1993). The strategy and administrative structure that Keyder suggested to make Istanbul a global city is summarized as:

Istanbul can be said to be ready to break through. What is needed for this is a forward looking perspective, a competition strategy that will mobilize the necessary resources, an institutional structure that is able to move fast and an administration that saved itself from the redistributionist populist limits and aware of the potential gains and costs of missing the opportunities (Keyder, 1993: 108, my translation).

The reflection of Keyder's thesis on administrators of Istanbul can be seen in a project of Istanbul Metropolitan Municipality, named "Istanbul Vision 2023 Projects", introduced by Ali Müfit Gürtuna. In these projects, Istanbul was defined as "*Leader and Ruler City of Information Age*". The projects were introduced with the following expectations:

The future will be made by trends. The most important trend of 21st century will be the global forces reached by universal cities. Leading cities of the future will take their energies from their visions. Today the main competition is not between cities, but between visions (cited by Yapıçı, 2005).

The definitions of the report prepared by the Municipality are very unclear, like Keyder's definitions about the importance of vision for cities in today's world. And they were obviously inspired by a thesis like Keyder's. It is believed that there is a competition among cities of different countries, in which Istanbul must participate with a "creative vision".

Since 2004, two local elections in Istanbul have been won by the Justice and Development Party (AKP). This party is distinguished by its full commitment to liberal ideals (Öktem, 2006). This party underlined that its aims are decentralization of the state, development of civil society, participatory democracy and governance, and to support competition in markets. In parallel to these aims, Istanbul is labeled as the flagship of Turkey in full integration to world economy.

Kadir Topbaş, the mayor of Istanbul Metropolitan Municipality since 2004, said in 2011 that Istanbul has all characteristics necessary to be the regional and financial center (Başkan Topbaş: İstanbul Küresel Finans Merkezi Oluyor, www.ibb.gov.tr, 14.03.2011). Accordingly, the traditional finance centers of the world are losing their importance against the newly emerging global cities, including Istanbul. In Topbaş's words, "*The way for Istanbul to be financial center is a necessity and reality created by new economies and trends of the world*". He indicated that the finance sector in Istanbul is developing very fast. Istanbul has the office and real estate facilities to be a global finance center. And, he claimed that Istanbul has reached to a position to affect economic decision-making processes in Europe, Balkans, Middle East, Caucasus and the Far East. He also indicated that the interest of investors in Turkey has increased in the last years. The claims of Topbaş are parallel to the definition of a global city that Keyder explained and the aims

that Keyder put for Istanbul. However, Topbaş does not comment on the changing labor market structure of Istanbul and the results of these changes.

a. Structural change in labor market in İstanbul and Turkey in globalization era

Globalization had several impacts on labor, both in the world and in Turkey. Globalization era symbolized the transition of Fordist production to the post-Fordist type of production (Uyanık, 2008). The main effects of this transition were the decreasing importance of industrial sectors versus the services sector. In labor markets, new employment styles emerged and became widespread: flexible and part-time employment became accepted.

This transformation of employment styles changed international interaction of labor markets. Globalization of labor markets was realized as a world-wide division of labor. Production was transferred to the developing countries; however, main activities that create added value, including design, research and development, were not transferred to the developing countries (Uyanık, 2008).

The transfer of low value-added production activities to the developing countries should have created “chances” for cities of developing countries, as Keyder claimed (Keyder, 1993: 104-107). However, in reality, the globalization era created changes in labor markets, in the detriment of labor. These changes can be grouped under four headings, according to Uyanık (2008):

i) Flexibility of Labor Market

The technological advancement of production facilities removed the need for full-time and permanent labor (Uyanık, 2008). The labor need of automated technologies changed in time, and this supported a tendency towards seasonal and temporary labor contracts. Contract labor, part-time employment and working at home via internet etc. are newly accepted forms of labor. All these types of employment decreased the responsibility of capital against labor, in terms of social security.

As a result of technological development, labor became heterogeneous. A group of people have the necessary information and knowledge to use technology and they are employed in knowledge- and technology-intensive jobs for relatively high-wages and comfortable working conditions. This heterogeneity of labor is valid both for working conditions and payments of the labor force within countries, and also for the labor forces of developed and developing countries. Polarization within the labor force, in terms of payments and working conditions, is a phenomenon of globalization era.

ii) Increasing Unemployment

In the post-Fordist production, labor has a smaller share in the production process, related to the Fordist era; because production processes are largely automated. The labor costs of production decreased very much today (Uyanık, 2008). Unemployment, on the other hand, became a serious and permanent problem of the world; both for developing and developed countries. The unemployment rate of the world in 2007 was 5.7% (ILO, 2010). In addition to this rate of unemployment, it is estimated that 25-30% of the employed world population are underemployed⁽²⁾ (Uyanık, 2008).

iii) Decreasing Industrial Employment

According to Uyanık (2008), the technological developments decreased the importance of industrial works and workers and increased the importance of service sector and the related knowledge. Technology is most shaped and used in the service sector. According to World Bank data, cited by Uyanık (2008), the distribution of world employment over sectors was 53% agricultural sector, 18.5% industrial sector and 26.75% in services sector in the beginning of the 1980, whereas the rates were absorbed as 16%, 25% and 59%, subsequently, in the first years of 2000s. The industrial production was transferred to the developing countries, low-qualified and cheap labor was abundant.

iv) Informal Employment

An important critic about the neoliberal era is a deregulation in labor markets (Uyanık, 2008). Informal sector is enlarging all over world, due to the financial crisis and increasing number of people fired from their jobs. Unemployed people support the existing informal sector by their labor. In informal sector, wages decline and social security system is abolished. In globalization, the formal and informal sectors became increasingly interrelated. Because, formal sector cooperates with informal sector in order to decrease the costs.

The policies suggested and implemented after 1980 included decentralization of industry, increasing support to service sectors and increasing flexible working (Uyanık, 2008;

2 Definitions of employment and underemployment by ILO (International Labour Organization) "Underemployment exists when employed persons have not attained their full employment level in the sense of the Employment Policy Convention adopted by the International Labour Conference in 1964. According to this Convention, full employment ensures that (i) there is work for all persons who are willing to work and look for work; (ii) that such work is as productive as possible; and (iii) that they have the freedom to choose the employment and that each workers has all the possibilities to acquire the necessary skills to get the employment that most suits them and to use in this employment such skills and other qualifications that they possess. The situations which do not fulfill objective (i) refer to unemployment, and those that do not satisfy objectives (ii) or (iii) refer mainly to underemployment." (ILO, 2011).

Göztepe, 2007). The effects indicated by Uyanık (2008) can be seen in the statistics showing the structure of labor market in Turkey. Göztepe (2007) wrote that, according to Turkish Statistical Institute (TURKSTAT) data of 2007, the labor participation rate of Turkey decreased from 57.5% in 1988 to 48% in 2006. Similarly, the unemployment rate in Turkey increased from ~8% in 1980s to ~10% in 2000s.

In economic terms, Istanbul is the most important city in Turkey. The largest part of employment, production and consumption are realized in Istanbul. Any economic development in Istanbul affects the whole Turkish economy. In Istanbul, the increase in unemployment after 1980s is sharper than Turkey's average. The change in employment rates in Istanbul is ignored by policy makers of Istanbul. As seen in Table 1, employment did not rise in Istanbul after 1980, when the redistributive policies were dismantled (Keyder, 1993) and neoliberal policies to make the city global initiated. Rather, the employment decreased, both as a ratio in working age population and labor force. Unemployment rates rose substantially between 1980 and 2006.⁽³⁾

Table 1:
Rate of Employment in Working Age Population and Rate of Unemployment in Istanbul (1980-2006)

	Rate of Employment in Working Age Population in Istanbul (%)	Rate of Unemployment in Istanbul (%)
1980*	44.7	5.5
1990*	45.3	5.4
2000*	43.8	8.9
2004	39.6	12.4
2005	41	11.5
2006	41.3	11.4
2007	40.9	10.4
2008	41.3	11.2
2009	38.8	16.8
2010	41	14.3

Source: Sedat, 2007; TURKSTAT (Turkish Statistical Institute), 2011.⁽⁴⁾

3 "Working age population" is the total population between ages 15-64. "Labor force" consists of people in the working age population, who wants to work. "Unemployment rate" is the ratio of unemployed to the labor force (Sedat, 2007).

4 The data for years 1980, 1990 and 2000 are taken from Sedat, 2007; data for other years are taken from TURKSTAT, 2011. There are differences of calculation of the two different sources (their numbers for year 2004 are not the same). However, both types of data are useful to see the trends.

When we compare the employment data for Turkey and Istanbul, we can see that indicators about employment (labor force participation rate, unemployment rate and employment rate) are worse in Istanbul than they are for Turkey. A comparison of these indicators is given in the following table:

**Table 2:
Labor Force Participation Rate, Unemployment Rate and Employment Rate for Turkey
and Istanbul (2004-2010)**

	Labor Force Participation Rate (%)		Unemployment Rate (%)		Employment Rate in Working Age Population (%)	
	Turkey	Istanbul	Turkey	Istanbul	Turkey	Istanbul
2004	46.3	45.2	10.8	12.4	41.3	39.6
2005	46.4	46.3	10.6	11.5	41.5	41
2006	46.3	46.6	10.2	11.4	41.5	41.3
2007	46.2	45.7	10.3	10.4	41.5	40.9
2008	46.9	46.5	11	11.2	41.7	41.3
2009	47.9	46.7	14	16.8	41.2	38.8
2010	48.8	47.8	11.9	14.3	43	41

Source: TURKSTAT, 2011.

As seen in Table 2, labor force participation rates and employment rates were always lower in Istanbul than in Turkey between 2004 and 2010. The differences were slight in some years, whereas they increased substantially in 2004, 2007, 2009 and 2010. Unemployment rate was also higher in Istanbul than it was in Turkey for all years. The difference was substantial, except for 2007 and 2008. The data supports that policies applied to make Istanbul a global city could not create employment in Istanbul; the situation was worse than the overall situation in Turkey.

The employment distribution by sectors also changed after 1980. The share of service sector increased substantially, share of industry sector enlarged slightly, whereas the share of agriculture sector decreased. A summary of distribution of employment by sectors can be seen in the following Table 3:

Table 3:
Distribution of Employment by Sectors in Turkey (1990-2006)

	Distribution of Employment by Sectors in Turkey (%)		
	Agriculture	Industry	Service
1990*	46.9	15.8	38.2
2000*	36	17.7	46.3
2004	29.1	24.9	46
2005	25.7	26.3	48
2006	24	26.8	49.2
2007	23.5	26.7	49.8
2008	23.7	26.8	49.5
2009	24.6	25.3	50.1
2010	25.2	26.2	48.6

Source: Göztepe, 2007; TURKSTAT, 2011.⁽⁵⁾

However, when we come to Istanbul, we see that the employment distribution by sectors did not change much after 1970. This situation is in contradiction with the claims of Metropolitan mayors of Istanbul, who say that the finance and service sectors enlarged a lot in Istanbul. In Istanbul, the share of service sector in employment increased to 62% in 2009, to its peak. Whereas, in 2001, the share of service sector in employment in developed countries was 72% (Uyanık, 2008). The share of service sector in Turkey is lower than the developed countries and the performance of Istanbul's service sector does not seem to carry the country to the higher levels. The data of change in distribution of employment by sectors in Istanbul can be seen in the following Table 4:

5 The data for years 1990 and 2000 are taken from Göztepe, 2007; data for other years are taken from TURKSTAT, 2011. There are differences of calculation of the two different sources (their numbers for year 2006 are not the same). However, both types of data are useful to see the trends.

Table 4:
Distribution of Employment by Sectors in Istanbul (1970-2006)

	Distribution of Employment by Sectors in Istanbul (%)		
	Agriculture	Industry	Service
1970*	11.1	36.2	52.8
1980*	5.5	41.6	52.9
1990*	5.1	42.4	52.4
2000*	8.1	38.4	53.5
2004	0.5	42.3	57.2
2005	0.4	42.7	56.9
2006	0.4	41.4	58.2
2007	0.3	40.3	59.4
2008	0.4	40.1	59.5
2009	0.3	37.7	62.1
2010	0.4	39.9	59.6

Source: Sedat, 2007; TURKSTAT, 2011.⁽⁶⁾

Unemployment has risen in Istanbul, although the political authorities claimed that the city developed much due to the globalization policies. The possible reasons for such decrease in employment can be found in the change in employment structure. According to the study by Göztepe (2007), the actual working time increased, real wages decreased, unionization rates decreased and the number of working people covered by collective labor agreements decreased substantially in Turkey after the 1980s.

Real wages with regards to the Consumer Price Index decreased to 95.3 in 2006; whereas labor productivity increased to 163.1 (it is taken as 1997=100) (Göztepe, 2007). Unionization rate decreased from 67% in 1996 to 58% in 2006; and the number of workers covered by collective labor agreements decreased from 800000 in 1990 to 300000 in 2004. These figures become more dramatic if the increasing ratio of unregistered working is considered. 31.8% of people working in Istanbul were unregistered to social security in 2006 (Sedat, 2007). All these indicators show that the working conditions and employee rights deteriorated in Turkey in the globalization era. There is not a reason to think that Istanbul was excluded from this deterioration.

6 The data for years 1970, 1980, 1990 and 2000 are taken from Sedat, 2007; data for other years are taken from TURKSTAT, 2011. There are differences of calculation of the two different sources (their numbers for year 2006 are not the same). However, both types of data are useful to see the trends.

Göztepe (2007) gives information about the working hours from 1988 to 2006, utilizing data of TURKSTAT. It is seen in Table 4 that the share of employed people who work more than 40 hours a week increased very much after 1980s. The 2006 data for Istanbul is given by Sedat (2007) that 96.8% of workers in Istanbul were working more than 40 hours and 64.9% were working for more than 50 hours a week.

Table 5:
Distribution of Employed by Actual Working Hours in a Week (%) (1988-2005)

	<40 Hours	40 Hours	>40 Hours
1988	19.4	21.2	56.8
1995	20.3	13.0	66.1
2000	23.1	13.1	63.5
2005	16.6	11.5	68.8

Source: Göztepe, 2007.

These data show that the globalization and the policies to make Istanbul a global city did not create job opportunities for Istanbul's population. The unemployment rate increased in the recent years, in parallel to the increase of unemployment in Turkey. Increasing unemployment rates indicate decreasing bargaining power for workers and decreasing real wages. The decrease in unionization and coverage of collective labor agreements in Turkey indicates a deterioration of worker's rights and job security. Actual working hours increased in the country as a whole in the period after 1980s; and the working hours in Istanbul are much longer than the country average.

b. Changes in land market and spatial polarization in İstanbul in globalization era

Urban policies to make Istanbul a global city create substantial rents for domestic and foreign capital and redistributes real income to the detriment of low-income people. In parallel to Keyder's writings, the neoliberal policies applied in Istanbul created a demand for luxury consumption in Istanbul and land became more valuable for domestic and foreign capital (Keyder, 1993: 107). The luxury consumption demand included demand for luxury hotels, residents, office buildings, malls and other service facilities, which were to be built in the city center. There is an "*inflation of five-star hotels*", according to Keyder (1993: 107). However, some parts the city center was occupied by low-income communities and industrial facilities. The increase in demand for land in the city center and the increase in land value made it impossible for settlements of low-income people and industry facilities to stay in the city center.

Industrial facilities in Istanbul city center were gradually replaced (Şen, 2006; Göztepe, 2007). They were carried to suburban (Çekmeköy, Sarıgazi etc.) or neighbor cities

(Tekirdağ, Kocaeli etc.). This replacement created substantial rents as the spaces were reused for consumption facilities. Industrial facilities of Haliç, Zeytinburnu, Paşabahçe, Galata regions are replaced now, and the new plans for revitalizing these areas aim to build consumption facilities, like hotels, malls, buildings for recreational activities, etc. However, employment opportunities that are created by such facilities are less than the employment of former industrial facilities. Furthermore, the employment opportunities in such service sectors are flexible (Şen, 2006). This is in parallel to Harvey's explanation that decisions about land use must consider the redistributive effects on real income. Policies of land use in Istanbul ignore the working and living conditions of settled populations.

Urban transformation projects of Istanbul include the restoration of old buildings. For example, the Süleymaniye Project aims to restore nearly two thousand buildings in the Süleymaniye District on the historical peninsula of Istanbul (Şen, 2006).

Similar projects are foreseen for several regions for Istanbul, including Tarlabası, Ayvansaray, Yedikule, Fener-Balat etc. The transformation project for the Tarlabası district included assembly of 5-6 historical houses in one block, together with malls and hotels. However, settlers of these regions are not considered, and their property rights have not been respected. First of all, the tenants of these houses are not considered in these projects; they have to find new houses to live in. A second and more important point is the change in property rights on these houses. Once the urban transformation project is accepted, owners of these houses have two options: to pay for the restoration, or to sell the property right of the house to the municipality in return for expropriation price. As these areas are generally occupied by low-income people, it is not likely that the house owners can afford high restoration costs. In this case, the responsible municipality purchases the houses from the owners and sells them in real estate market for market prices after restoration is completed. This is a clear process of private property transfer between different social classes.

On the other hand, even though property owners do not sell their houses in the scope of urban transformation projects before restoration starts, they will have difficulties to live in these restored districts. Because, the social environment will change, as the new buildings will be more expensive. Their new neighbors will be richer, and the goods and services supplied in these districts will be more expensive. It is possible that old settlers of the districts will sell their houses due to increasing costs of living and leave these districts. This will be an indirect transfer of property rights in the restored regions, after the restoration process is completed (Şen, 2006).

The urban transformation projects are claimed by policy makers to “*create new districts that high-, middle- and low-income people will live in together*” (Erdem, 2006). However, this does not seem possible. Foreign capital is strongly interested in investment in these projects. It is expected, as the investment value of the Tarlabaşı Project is said to be 10 million dollars, excluding the land value. The property rights of these regions, traditionally occupied by low-income people are transferred to capitalist class, through direct and indirect mechanisms supported by the state and municipalities. These are important steps that accelerate the social polarization in Istanbul.

Ahmet Misbah Demircan, current mayor of Beyoğlu Municipality said that the urban transformation project prepared for Tarlabaşı will make this district “*the Champs Elysees of Istanbul*” (cited by Erdem, 2006). This statement is explanatory for urban policies put in effect in Istanbul. The sense of “*competition in the league global cities*”, expressed by Keyder in the beginning of 1990s (Keyder, 1993), is adopted by the policy makers. The tendency adopted by policy makers about urban transformation projects ignores the possible social results of these projects, which displaces masses of people from their settlements. The neoliberal policies that prioritize market necessities are dominant (Şen, 2006).

Gated communities are one of the factors that triggered social polarization in Istanbul. This type of settlement became common in the city after 1990s. Çınar et al. (2006) observed that gated communities have formed mainly after the 1980s, when the neoliberal policies were implemented in Turkey and the consumption needs of newly-emerging middle class were shaped under the impact of globalization trends. The housing developments in Istanbul changed drastically in the 1990s under these circumstances, from small scale singular housing to large scale plural housing production. Gated communities emerged as a result of these changes.

The gated communities were built to satisfy the luxury house demand of new middle class (Çınar et al., 2006). The luxury house settlements are isolated from the exterior space with high walls and private security personnel. Apart from this isolation from outside, gated communities imply a life style and new consumption patterns isolated from the outer space (Özgür, 2006). In these gated communities, public space is privatized. Sports facilities, recreation areas, education facilities are special to the gated community and banned for the people outside this community. Gated communities can satisfy all their needs in their communities, so their relations with the outside decrease substantially. These communities are isolated from the municipality of that locality, too; because they finance their road maintenance, park maintenance, security etc., which are normally satisfied by the local municipalities. The gated communities become independent from the local municipality by this way. The gated communities are not only isolated from the outer areas; but they are also isolated from each other.

Especially middle- and high- income, well-educated employees of finance and service sectors live in gated communities (Özgür, 2006). These people with an ability to pay come together to protect themselves from the possible harms of “outside” (theft, etc.), to create a socially-defined location and to protect the value of their land. However, such a social structure is not based on common social values; but it is based on the ability to pay enough money.

The gated communities both emerge within the Istanbul city center and in the periphery of Istanbul. In the city center, they consist of few tower blocks, called residences. These blocks symbolize prestige and high social status for upper-middle and high-income people. These towers are built in the recent years and their number in the city center is increasing. These towers are located in the busiest streets of Istanbul, near to the service sector axis; near Beyoğlu-Şişli-Mecidiyeköy-Levent centers. The value of these properties is very high (Çınar et. al, 2006).

On the other hand, some gated communities are located in the periphery of the city, outside the borders of metropolitan municipality. They are located in the forests of Northern Istanbul in Sarıyer, Zekeriyaköy or in Ümraniye, Çekmeköy regions. These gated communities put more emphasis on the sports facilities and environmental advantages. Also, they are free from the stricter planning and legal processes of metropolitan municipality and they can apply different planning methods. The expanding of city boundaries to the environmentally rich areas is an example of land use decision that created unequal results for different groups of people; a fact that is indicated by Harvey (1989).

A study carried by Özgür (2006) in Çekmeköy is useful to understand the formation of gated communities outside the city boundaries and the social polarization they created. Çekmeköy region is preferred mainly by high-income people for residence because it is a forested area. It is outside the city center and actually far away from it; but it is near highways, so people owning cars can reach to the city center easily. Several housing estates are built in Çekmeköy in the last years. The estates built in Çekmeköy give sports and education opportunities. However, low-income people also live in Çekmeköy outside these estates and they lack the opportunities that those living in estates have. The public areas, roads and parks are not clean and secure. Mass transport is done only by means of buses; it is limited to two areas of Istanbul (Kadıköy and Üsküdar) and is not comfortable. There was only one public school in that region in 2006.

Özgür (2006) carried a survey in two newly built housing estates in Çekmeköy and the outer quarter, Hamidiye. Accordingly, there are substantial differences between those two groups of people, in terms of education level, employment, and private property. In

the Hamidiye Quarter, 22.45% of people declared that they did not go to school, 45% of them got primary education and only 10% got higher education. However, in neighboring housing estates, these percentages were totally different; ~60% of people living in housing estates got higher education.

If employment is considered, the majority of people living in the Hamidiye Quarter were blue-collar workers (23% manufacturing, 4% building, 8% transportation and storage and only 18% are in the public service sector and finance sector); whereas a majority of people living in housing estates were white-collar workers of public service sector and finance sector (for Gökdeniz Estate, 24% white-collar workers in manufacturing sector, 38% in public service sector and 17% in finance sector; in Villa Belde Estate, 59% in finance sector and 25% public service sector). There is a significant difference in employment between those living in the closed gated communities and those living in shantytown (Özgür, 2006). Many people living in the Hamidiye Quarter said that they go to the housing estates to work; for security, cleaning and child care services. But this type of employment is not formal, registered and permanent, generally without social security or retirement payments. So, they cannot be considered as formally employed.

With respect to private property, there is also significant difference. In Hamidiye Quarter, only 64% of household own the house they live in, whereas this ratio in Villa Belde Estate is 89%. Only 65% of households have a car in Hamidiye District and no household has a second car. Whereas, in Gökdeniz Housing Estate, all households have at least one car; 64% of households have two cars and 7% of households have three cars. In Villa Belde Estate, again all households have at least one car, 33% have two cars and 22% have three cars (Özgür, 2006). Çekmeköy is located outside the city center and having a car is very important for transportation, as mentioned before. So, the significant difference in car ownership between the two groups of people is highly indicative for inequality in life standards between those two groups of people.

The example of Çekmeköy is important to show the social polarization between people living in newly built housing estates and near to housing estates. People living near but outside housing estates are at a disadvantage, with regards to the road, park and leisure facilities, transportation services and security services. The environmental advantages of suburban residents are exploited by middle- and high-income people; while low-income people have difficulties in finding employment, reaching education facilities and having transportation services etc.

5. Conclusion

Globalization policies for Istanbul, suggested by scholars including Keyder in 1990s, included decentralization of industry and support of service sector; and urban transformation in central parts of the city, and expanding the boundaries of the city to the suburban areas. These policies were adopted by the governments and municipality administrations that were in power after the 1980s. Istanbul experienced a transformation in parallel to these policies. Industry was decentralized and the central parts of the city were subject to urban transformation policies and new settlements were opened in suburban areas. These policies are continuing. However, they did not create a total welfare for the citizens. Employment opportunities were not created enough to satisfy the increasing demand for employment, and the created employment opportunities were not secure and well-paid in general. Urban transformation projects concluded in transfer of private property rights on land in the city centre from low-income people to capital groups and high-income people. Ordinary people were removed from the city centre. This process is also continuing. Expanding the boundaries of the city created high-quality living opportunities for well-educated and high-income people, while others faced increased difficulties of transportation and living. The decisions for land use in Istanbul resulted in very unbalanced opportunities for different groups of people. In summary, the urban transformation and economic development that Istanbul experienced since the policies towards making the city “global” are applied did not contribute to the general welfare that Keyder had expected. They rather intensified the inequalities and social polarization within the city, in parallel to the expectations of Harvey.

REFERENCES

- Çınar, Candan, Füsun Çizmeci and Almula Köksal (2006)** “The New Address of Social Polarization in Istanbul: Gated Communities”, Paper presented to 42nd ISoCarp Cangress. Retrieved from http://www.isocarp.net/data/case_studies/854.pdf, Date accessed: 05.05.2014.
- Erdem, Selim Efe (2010)** “Geçmiş Diriliyor” *Radikal* (2006, April 20), <http://www.radikal.com.tr/haber.php?haberno=184973>, Date accessed: 05.05.2014.
- Firidin Özgür, Ebru (2006)** “Sosyal ve Mekansal Ayrışma ÇerçeveSinde Yeni Konutlaşma Eğilimleri: Kapalı Siteler, İstanbul, Çekmeköy Örneği”, *Planlama*, 2006(4), p.79-94.
- Göztepe, Özay (2007)** “Küreselleşme Sürecinde Türkiye İşgücü Piyasası”, *Çalışma ve Toplum*, 2007(3), p.81-116.
- Harvey, David (1989)** *The Urban Experience*, Baltimore: Johns Hopkins University.
- Harvey, David (1999)** *Social Justice and the City*, Oxford: Blackwell.

- ILO (2010)** *General Employment Trends: January 2010*, Geneva: ILO.
- ILO (2011)** *Underemployment*, <http://www.ilo.org/global/statistics-and-databases/statistics-overview-and-topics/underemployment/lang--en/index.htm>, Date accessed: 05.05.2014.
- Keyder, Çağlar (1993)** *Ulusal Kalkınmacılığın İflası*, İstanbul: Metis.
- Keyder, Çağlar (2005)** "Globalization and Social Exclusion in Istanbul", *International Journal of Urban and Regional Research*, 129(1), p.124-34.
- Keyder, Çağlar (2010)** "Capital City Resurgent: Istanbul since the 1980s", *New Perspectives on Turkey*, 43, p.177-186.
- Keyder, Çağlar and Ahmet Öncü (1994)** "Globalization of a Third-World Metropolis: Istanbul in the 1980s", *Review (Fernand Braudel Center)*, 17(3), p.383-421.
- Murat, Sedat (2007)** *Dünden Bugüne İstanbul'un İşgücü ve İstihdam Yaptısı*, İstanbul: İstanbul Ticaret Odası.
- Öktem, Binnur (2006)** "Neoliberal Küreselleşmenin Kentlerde İnşası: AKP'nin Küresel Kent Söylemi ve İstanbul'un Kentsel Dönüşüm Projeleri", *Planlama*, 2006(2), p.53-63.
- Şen, Besime (2006)** "Ekonomik Gelişmenin Kültürel Stratejileri: İstanbul Kent Merkezleri ve Tarihi Kentsel Alanların Yeniden Yapılandırılması", *Planlama*, 2006(2), p.65-76.
- TURKSTAT (2011)** *Labour Statistics*, http://www.tuik.gov.tr/VeriBilgi.do?tb_id=25&ust_id=8, Date accessed: 05.05.2014.
- Uyanık, Yücel (2008)** "Neoliberal Küreselleşme Sürecinde İşgücü Piyasaları", *Gazi Üniversitesi İktisadi ve İdari Bilimler Fakültesi Dergisi*, 10(2), p.209-224.
- Yapıcı, Mücella (2005)** "İstanbul ve Kentsel Dönüşüm Projeleri", *Mimarlık Dergisi*, 322.