

# **NEOLIBERAL URBAN RESTRUCTURING ACCELERATED: GENTRIFICATION IN KARAKÖY, ISTANBUL**

By  
Tomris Özge Gökşen

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Supervisors: Prof. Daniel Monterescu  
Prof. Violetta Zentai

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## **ABSTRACT**

The present study examines the case of a recently gentrified commercial neighborhood in a central area in Istanbul, Karaköy. For three years, the neighborhood has been witnessing the process of gentrification as the neighborhood started to host cultural classes and large businesses, while displacing the former small businesses. Based upon my fieldwork in Karaköy, I reached the conclusion that the process took place in a short period of time and without any opposition owing to the restructuring mechanisms that enabled appropriation of the built environment through negotiation. In parallel with this conclusion, in this thesis I focus on the long term small businesses in Karaköy. By this, I investigate the mechanisms that enabled gentrification to take place through negotiation as a result of the neglected positionality of the small businesses in the process of urban remaking. The study contributes to the gentrification debate by suggesting an undermined angle on its research and proposes the reading of it as a systematically accelerated and facilitated; but subjectively and locally experienced process. My findings are largely based on interviews that I conducted with the long-term small businesses, which are subjected to displacement. All in all, I argue that the case reveals the extent of the neoliberal restructuring processes that positions, discards and neglects the insignificant actors in the urban remaking, which displays the systematic, rapid and accelerated transformation of the urban neighborhoods in globalized cities.

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## INTRODUCTION

Karaköy is a historic commercial coastal neighborhood, which lies in the central area in Istanbul. Only three years ago, the neighborhood was a modest commercial area with small manufacture and commercial shops, sweatshops, warehouses, and restaurants. Recently, however, artistic coffee shops, concert halls and boutiques started to appear in the neighborhood, while at the same time the on-paper *Galataport Project*, which is designed to transform the landscape of the entire historic coast into a touristic, commercial district, has also conditioned land speculation in the neighborhood and intensified the process of gentrification by introducing large capital.

In the last decade, Istanbul has been witnessing numerous gentrification processes through the urban transformation projects initiated by the urban governance and the influx of the professional-managerial and cultural classes to the neglected parts of the city. The result of the movement of these classes and investment in the land has become the increasing rents and changing social environment in these neighborhoods, which conditioned displacement of the former occupants. Being an example of one of these processes, the ongoing process in Karaköy has been operating at a rapid and unresisting form, as the former long-term business owners in the neighborhood started to abandon their workplaces to the new claimants only an a three year period. In order to investigate the mechanisms driving and accelerating the process, in this thesis, I focus on the ways in which the long-term small businesses experienced it and positioned themselves within the process. There are three main themes that this thesis looks at: transformation of the neighborhoods in the form of gentrification in the globalized cities, the urban restructuring mechanisms that enable these transformations and

the projection of these mechanisms upon the positionality of the small businesses as insignificant actors in the restructured city.

Gentrification has become an evident urban phenomenon in the post-1980 period of finance capitalism, in which restructuring of the city's political economy comprised a large part of the recently developed social and political remaking. Since the initial researches on gentrification for fifty years, the phenomenon has been concerning physical, social and economic transformation of the disinvested neighborhoods, which results in displacement of the former occupants. The literature on gentrification has been approaching the phenomenon in diverse ways; as some accented the individual choices and corresponding class-based movement towards urban renewal, while remarking the demand-side of the explanation (Glass 1964; Ley 1986; 1996; Smith 1986); some stressed the economic structural dimensions taking place in the form of gentrification in the last instance as a mode of systematic social transformation, while bringing supply-side explanations to the issue (Beauregard 1986; Smith and Williams 1986; Hackworth and Smith 2001; Hackworth 2002; Atkinson 2004; Smith 2006). Some of the Marxist accounts, however, called for a cautious approach to the phenomenon while identifying it as a "chaotic concept" that proposed the interlinked formulation between the individual choices on the agency level and the power structures in the process of economic restructuring (Rose 1984; Zukin 1987; 2010a; 2010b; Hamnett 1991). Although current debates revolve around remarking different layers of the phenomenon, they, in fact, do this by overstressing either the factors or effects side to explain it, which results in interpreting the process rather in a prescribed sorting. At this juncture, what has been a neglected topic on the issue is the task to agree on considering gentrification as the conjunction of systematically identified institutions, actors and mechanisms of global neoliberal urban restructuring, which would allow moving further by doing the reading of the locally and subjectively experienced side of the process. In that regard, the present study is an

attempt to delineate the contextualized essence of neoliberal restructuring and how it is experienced on the ground by the subjects through systematically operated mechanisms, which are presented by the particular case of a gentrified neighborhood in Istanbul, Karaköy.

The case of Karaköy illustrates the extent of the global urban restructuring processes as taking an accelerated form, which is reflected by gentrification of Karaköy that took place within a short period of time. Based upon the puzzle stemming from the question of how the process was rapid and without opposition, I propose to look at the subjects of the process in order to investigate the local particularities in its experience. In doing that, I mainly benefited from my interviews with the long-term small businesses in the neighborhood, while sticking to a qualitative and ethnographic research agenda. This enabled me to understand who my subjects are, how they experienced the process of gentrification and how it located their positionality in the urban remaking.

My fieldwork in Karaköy illustrated that the rapid and unresisting form of gentrification was mainly enabled by the mechanism of “nuisance value” that provided the space for negotiation between the long-term small businesses and the new claimants. Nuisance value was the exchange value that was given to the long-term shopkeepers in order to make them leave their work places to the new claimants through negotiation. Nuisance value was an informal amount of value that was negotiated between the individuals and was a device that emerged as a result of the revaluation of the land in the neighborhood. As a result of the sectoral shift towards service and tourism sectors and privilege of entrepreneurial activity in the organization of the urban land, Karaköy became an attraction point for the large investors that resulted in the increase in the rents. The increase in the rents and the changing *habitus* of the neighborhood made the long-term small businesses vulnerable, which forced them to negotiate for the nuisance value given by the large investors at the expense of leaving

their work places. The nuisance value in that regard allowed displacement through negotiation, which facilitated rapid and unresisting form of gentrification.

To better understand the complexities of the transformation in Karaköy, I have identified the legal mechanisms as a crucial analytical angle. Legal mechanisms designated by the urban governance were a significant device to enable accelerated transformation of the neighborhood. These were Land-Use Planning (ÇDP)<sup>1</sup> and the New Code of Obligations<sup>2</sup>, which concerned the leaseholder shopkeepers. These two legal regulations manifested how the neoliberal urban restructuring logic operated through discarding the livings and the future of small businesses in the invested neighborhoods. The mechanisms towards investing the inner city land by applying to certain urban governance strategies and how these were experienced by the small businesses in Karaköy, delineated the unequal relations over urban claims through insignificant positionality of the neglected subjects. At this stage, subjects' positionality within the process mattered as the transformation of the neighborhood took place as a form of gentrification through negotiation. This depended on the extent of projecting oneself as an insignificant actor within the process of urban restructuring, as a result of lacking sources of capital and entrepreneurial activity. In that regard, the case that I present with Karaköy teases out the gaps between the mechanisms of neoliberal urban restructuring and its operations by focusing on the patterns of its experience by its subjects.

In the first chapter, I introduce the theoretical framework on how cities were instrumentalized in the process of integration into the global finance capitalism by the urban

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<sup>1</sup> Çevre Düzeni Planı (ÇDP) is to design the sectoral planning in accordance with the urban environmental planning that is put into practice in 2009. By the plan, Istanbul was opened for urban transformation to regenerate risky earthquake areas and to tender inner city lands to create finance centers. For the link of the Ministry of Environment and Urban Planning, see

<http://www.csb.gov.tr/gm/mpgm/index.php?Sayfa=sayfa&Tur=banner&Id=37>

<sup>2</sup> Yeni Borçlar Kanunu (New Code of Obligations) entered in force in 2012 and was put into practice in July 2014. The code enabled the eviction of the leaseholder shopkeepers out of any reason, who has been operating their businesses over ten years in the same workplace.

restructuring agenda, which will also be presented in its contextualized form in Turkey. After this, I explore the literature on the dynamics that are at issue in the conceptualization of gentrification, while also describing how it took place in Istanbul as an evidence of such instrumentalization until recently. This theoretical and empirical exploration in the first chapter will address the ways in which economic structural conjunctures are manifested in the urban environment in the form of gentrification. After this exploration, I propose the further analysis of how these conjunctures are operated, projected and experienced at the geographical scales, which is presented in the case of Karaköy as this research project promises. Pursuant to such promise, the second chapter presents the case of gentrification in Karaköy to the extent of how it was operated through various mechanisms and was experienced by the subjects with regard to the social and economic imperatives, which are framed by the notions of negotiation and one's positionality over insignificance. The interviews with the long-term small businesses illustrated that the urban restructuring mechanisms operated through one's neglected positionality as a result of lacking capital and entrepreneurial potential, and their corresponding insignificance in the restructuration process, which makes the accelerated appropriation of the built environment for the future claimants and capital accumulation possible.



## CHAPTER 1 - NEOLIBERALISM AND ISTANBUL AS THE CITY OF RESTRUCTURING

In the last decade, Istanbul was regarded as a source in the process of integration into the global capitalism. In respect to this, the city became a part of the scenery for the implementations framed by the neoliberal urban restructuring agenda. Although the process traces back to the 1980s, Istanbul's potential was peculiarly regarded as an important source of economic restructuring in the last decade by Turkey's ruling Justice and Development Party (AKP) (Öktem 2006; Karaman 2013; Aksoy 2014; Yalçın, Çalışkan, Çılgın and Dündar 2014). Considering Istanbul as a significant source in embedding into the global finance capitalism, pro-commercialization AKP developed an array of mechanisms to enable such process. With the collaboration between capital and urban governance, urban transformation projects became an important component of valorizing the land in the inner city neighborhoods through a speculative rent economy that allowed extracting maximum value from the urban space (Harvey 2001). These projects also provided space for the sectoral organization that would restructure the urban land for further capital accumulation and social transformation, in line with the image of "global city" that concentrated on finance, service and tourism sectors (Sassen 1991).

Based upon such proposition of urban restructuring, implementations towards generating a global city took also a part in the formation of a new class of urban pioneers. These pioneers of the globalized city were formed from professional-managerial and cultural classes, who were associated with the restructured sectoral organization of the inner city and made their living predominantly in finance, service and creative sectors. As its sectoral and social skeleton was being restructured towards becoming a global city, Istanbul has been exposed to various mechanisms in conjoining these two layers through putting physical control into force while remaking the organization of the city. In actualizing this task, ÇPD

was put into practice as a mechanism, which was considered as the “constitution of Istanbul” by the urban governance. ÇPD was approved in 2009 and ever since, it has been designing the entire cityscape in accordance with its “global competitiveness” by planning the spatial usage of the sectors (Yalçintan, Çalışkan, Çılgın and Dündar 2014, 58). Both for producing the image of “global city” and providing spaces of consumption for the new urban class, Istanbul has witnessed various processes of “purification” and “rehabilitation” in the neglected historic neighborhoods of the city as forms of “accumulation strategies” through urban regeneration (Harvey 1989). In the last decade in Istanbul, urban transformation projects have been implemented in the underclass neighborhoods that resulted in the violent form of displacement and dispossession of the urban poor<sup>3</sup>, gated communities have become a significant source of capital accumulation in the peripheral land while at the same time reproducing the middle class by propounding security concerns<sup>4</sup> and disinvested inner city neighborhoods have been restructured for the new urban class in the form of gentrification that manifested the privileged position of this class in the urban remaking.

Considering the urban restructuring processes in Istanbul today, in this chapter I contextualize these processes by first exploring theoretical discussion on the implementation of neoliberal restructuring in the urban space. Based upon such theoretical exploration, I will present the literature review on the ways in which gentrification was conceptualized as an evidence of neoliberal urban restructuring that involved various processes, mechanisms and actors conjoining in geographical scales. In the last section of the chapter, I will look at how the phenomenon took place in Istanbul so far in order to locate the case of Karaköy in a particular space and time within the process of neoliberal restructuring of the city.

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<sup>3</sup> For a study on urban transformation projects in Istanbul, see Tuna Kuyucu and Özlem Unsal. "Urban Transformation' as State-led Property Transfer: An Analysis of Two Cases of Urban Renewal in Istanbul." *Urban Studies* 47.7 (2010): 1479-499.

<sup>4</sup> For a study on gated communities in Istanbul, see Serife Genis, "Producing Elite Localities: The Rise of Gated Communities in Istanbul." *Urban Stud. CURS Urban Studies* 44.4 (2007): 771-98.

### ***1.1 Neoliberalism and Urban Restructuring***

Neoliberal urban restructuring was the outcome of the emergence of cities as the significant realm to embed the post-industrial societies (Bell 1973) into the transforming sectors of production in the process of globalization after the Fordist decay. As industrialization was shifting from the core to the periphery within the global boundaries, the cities were also gaining their own significance in deindustrialization of the inner urban space and creating their own peripheries in the outskirts of the city (Sassen 1991; Brenner and Theodore 2002). Deindustrialization of the city was one of the main mechanisms that both enabled and resulted in the organization of the physical, economic and social spaces in the urban center in accordance with the structural transformation of the post-Fordist economies in line with the global neoliberal restructuring agenda.

Scholars researching on neoliberal transformation emphasized the significance of space as the particular realm, where social, political and economic remaking was organized and operated (Lefebvre 1996; Brenner and Theodore 2002; Peck and Tickell 2002; Harvey 2006). This caused scholarly interest, especially among the scholars of human geography, where they call for the attention to the cities in displaying how the temporal condition of neoliberalism expands its scope through spatial organization and engulfs everything that has not yet become within its terrain. According to this direction of the scholarly interest, the neoliberal restructuring mechanisms were being embedded into the bodies, practices and relations through how it was organized in spatial realms, in which the idea of “global city” provided the appropriate component for such design (Sassen 1991; Brenner and Theodore 2002; Atkinson and Bridge 2005; Harvey 2006; Zukin 2006; 2010b; Hackworth 2007; Wacquant 2012; Clark, Larsen and Hansen 2015).

Theories of post-Fordist economic restructuration prescribed the replacement industrial production with the financial markets in the economic realm that brought forward the privilege of service sector, new consumption practices, the emergence of a new class and consequently new forms of inequalities reflected in urban spaces (Sassen-Koob 1984; Smith and Williams 1986; Harvey 1989; Uzun 2006; Zukin 2010b; Kolluoğlu 2014, 21). In 1989, before neoliberalism was popularly conceptualized, David Harvey associated these various domains of restructuring taking place in collaboration of the governance with the individuals, by which he suggested a shift from passive to active forms of governance in the late capitalism. According to this conceptualization, governance reformulated its terrain with the shift from “managerialism” to “entrepreneurialism” especially in the urban realm, where individuals started to take active part in the restructuring practices (Harvey 1989). Later on, in *Spaces of Global Capitalism* in explaining the main motives of the neoliberal governance, he writes:

The fundamental mission of the neoliberal state is to create a ‘good business climate’ and therefore to optimize conditions for capital accumulation no matter what the consequences for employment and social well-being are (2006, 25).

The neoliberal governance in Harvey’s conceptualization is a practice of states, which favors individual entrepreneurship and as a result, regulates the society according to the market, while neglecting those who have no role in the process of accumulation of capital (Harvey 2006). In this new phase of economic restructuring, governance reformulated its terrain of power by expanding the scope of transformation to be practiced by its subjects through the institutional framework that would allow individuals to “enjoy their free entrepreneurial activities” (Harvey 1989; Wacquant 2012).

According to this reading of Harvey and other scholars, the neoliberal governance gained a restructuring agenda in the design of the urban space, in which the urban governance was entrepreneurialized. Entrepreneurial governance was instrumentalized in providing the

setting of market-oriented economic growth for cities (Mayer 2007, 91), where the local state as the regulatory mechanism was replaced by the “local capital” (Brenner and Theodore 2002; Hackworth 2007, 17-18). In line with this purpose, neoliberal governance provided the cities as an instrument for capital accumulation, by producing mechanisms to attract individuals to take an active part in the process of restructuring. Entrepreneurship, financial market approach on the urban land and neglect on those who lacked sources of capital and entrepreneurial activity became the main components of the neoliberal logic that took part in the urban restructuring mechanisms.

Under the light of neoliberal urban restructuring logic, the cities became the reflection of entrepreneurial urban governance that put urban pioneers into effect as the “new saviors of the city” (Atkinson and Bridge 2005, 2). This reflection took its most powerful expression by gentrification of the urban neighborhoods that offered disinvested neighborhoods as the potential “privileged spaces” for the entrepreneurial activities of the new urban class (Ronneberger 2007, 143). This provided the setting for the new middle urban class in order to enjoy their entrepreneurial activities framed by the institutional mechanisms by the urban governance. This paved the way of cities to express themselves in the form of gentrification that brought forward commodification of the urban land, participation of the urban pioneers in the rent seeking economy, privileges over the utilization of the urban space framed by the governance and accordingly discarded positionalities of the former claimants in the gentrified neighborhoods. Gentrification is now a general concept as more and more cities are becoming systematically instrumentalized for the urban restructuring agenda of the globalized cities (Atkinson and Bridge 2005; Smith 2006). Keeping this and the discussion of urban restructuring in mind, in the following section, I look at the literature on gentrification and explore the domains of its occurrence through giving the insights on the evolution that the concept had.

## **1.2 Gentrification Debate**

Japonica Brown-Saracino summarizes the indicators of gentrification as “economic revitalization, the transformation of the build environment and displacement” in a certain neighborhood, while framing its causes as “rise of the neoliberal state, increasing middle class appreciation for features of urban life, the decline of rent control and a free market approach to urban planning” (Brown-Saracino 2010, 15-16). Today, signification and the emergence of the phenomenon appears to be agreed by the scholars, while referring to its association with the neoliberal governance and its projection upon characteristics of the social transformation in the era of global capitalism. Albeit, up to now, the phenomenon itself had an evolutionary process since its initial occurrence, which brought along an entire scholarly debate on what gentrification is, what causes its occurrence and what its factors are, as the concept started to appear in different locales and with particular insights within different spatial and temporal settings.

The initial forms of gentrification took place in England and the United States as a result of deindustrialization of the inner urban neighborhoods and correspondingly the shifting residential organization of the cities. As the industrial character of the cities were being shifted to the urban peripheries, the disinvested working class residential areas were revalorized in order to be embedded into the city economies. Marxist scholar Ruth Glass (1964) was the first who coined the term as the residential movement of the middle class people to the working class neighborhoods. According to Glass, this movement resulted in the displacement of the underclass from the residential working class neighborhoods in London in response to the increase in the land value of these neighborhoods. In the initial conceptualization of the phenomenon by Glass, gentrification was regarded as the outcome of the “middle class view of the city” that brought forward the urban renewal of these areas and correspondingly the

displacement of the former working class residents (Brown-Saracino 2010, 15). The neglected aspect in Glass' conceptualization was the analysis of systematic restructuring mechanisms that would both allow the analysis of the setting of the commodification of the land in the inner city and formation of the new middle class who reclaimed these neighborhoods.

Based upon the framework of commodification of the inner city as a result of the investment of the neglected residential areas, in the 1970s, Neil Smith conceptualized the phenomenon associated with the notion of "rent-gap". In Smith's formulation, the rent-gap was described as the "disparity between the potential ground rent level and the actual ground rent" of housing in the inner city neighborhoods (Smith 1979, 545). In line with the conceptualization of the rent-gap, gentrification was taking place as a result of the revaluation of the inner city as an instrument to commodify space through speculation, in order to extract the maximum potential value from the urban land (Harvey 2006). In this formulation by Smith, gentrification was regarded as a "movement of capital, not people", through which extracting profit from the urban land was maximized (Smith 1979; Atkinson and Bridge 2005, 5). The rent-gap approach has become an influential analytical tool in researching on current form of gentrification, since its expressions are mainly associated with commodification of the land in any of its occurrence in different localities.

For fifty years since its initial conceptualization, gentrification has become a global concept, while expressing itself mainly associated with the emergence of the form of "global city" in different geographies (Hackworth and Smith 2001; Hackworth 2002; Atkinson 2004; Atkinson and Bridge 2005). The scope of the phenomenon has been expanding into different localities, especially in the aftermath of the invention of the post-1980 finance capitalism. Being a part of neoliberal transformation, this new mode of capitalism celebrated the imperative to financialize the economies, which depended on the motive of financial capital

accumulation as a result of the shifting production dynamics after the process of deindustrialization. Under this era of financialization, as David Harvey puts it, cities have become the forms of “expressions of capital”, where the capitalized social relations are manifested and operated through the “culture of entrepreneurialism, speculation and body politic” that took place in the setting of urban spaces (Zukin 2006, 104). In light of this framing, the economic restructuring did not only concern financially determined spatial organization of the urban space; but also the restructuring of individual experiences as well.

As a result of the projection of the phenomenon on the individual experiences, some voice on the role of human agency within the process started to appear in the literature. Focusing on the role of agency, gentrification was approached as the outcome of demands by the new middle class depending on its newly formed consumption activities. Considering the role of agency, Neil Smith approached individual choices within a framework of “immediate and systematic process of social differentiation”, while defining such a preference of urban remaking as “consumer sovereignty” in which gentrification was a result of privileging one consumer group over the other with regard to the utilization of urban space (Smith 1996; 2006). In this framing, the gentrification was concerned as the outcome of “gentrifiable spaces” provided by the local government to the middle class in order to allow contribution to the circulation of capital through consumption and rent-gap (Beauregard 1986, 47; Islam 2006, 126), rather than solely being the result of individual choices. Apart from locating agency within such structural approach, some of the scholars approached individual choices solely as an outcome of the consumption practices of the newly emerged middle class (Hamnett 1991; Ley 1986; 1996). These studies focused on the new middle class within the process of gentrification, while arguing that gentrifying the neighborhood was the response to the claims of providing spaces that would fit the lifestyles of the consumer class of the post-industrial society.



As an alternative to structure and agency debate on the concept, Sharon Zukin provides the analysis of gentrification between the dynamics of capital and culture, and market and place (Zukin 1987; 2010a). She identifies the concept as the social transformation of the local identity of a particular urban landscape into the “international market culture”, where the neighborhood is appropriated for the “elements of a new urban class” (Zukin 2010a, 37; 2010b). More in particular, the claims over authenticity by this class in the neglected parts of the city become an important device in “commodifying space through cultural power” (Zukin 2010b, 31). This conceptualization, which involves both the economic and cultural sides of the phenomenon, displays an inspiration from Bourdieu’s concept of *habitus* that aims at bringing structure and agency together in the sociological theory (Bourdieu 1977). Based on his concept of *habitus*, Bourdieu approaches gentrification as the movement of cultural capital by the individual actors who bring their “economic habitus” into these neighborhoods with a new business climate (Bourdieu 1994). According to such Bourdieusian understanding of the phenomenon, gentrification presents a two-sided story while indicating appropriation of the neighborhood both *by* and *for* the new urban class through bringing the power of cultural capital expressed by the means of the market. Based upon such framing, the financial market economy with a global agenda brings along the necessity to transform the urban landscape that would enable capital accumulation through bringing an entrepreneurial business climate and cultural power over space together. In this respect, the practitioners of gentrification are regarded as the urban pioneers who are appropriated for the transformation of the economy through instrumentalization of the urban space. According to this approach, gentrification is made evident as an entrepreneurial project similar to Harvey’s urban governance in late capitalism rather than solely being a structural or agency led outcome.

Considering this entire debate on gentrification and its association with the neoliberal urban restructuring, I propose that Harvey’s focus on creating spaces for further capital

accumulation through rent-gap displays the extent of how the urban restructuring is run by the entrepreneurial activity of the individuals. The phenomenon of gentrification is a crucial concept while referring to the neoliberal urban restructuring, as it is both a factor and the outcome of neoliberal restructuring that is experienced in all fields of the process. The collaboration of culture and capital and the urban pioneers and urban governance gives us the signal that gentrification cannot be regarded solely by either its demand-side nor supply side, as the current form of global neoliberalism conditions market and capital to prevail (Zukin 2010). The market culture makes urban spaces to be appropriated for the privileged urban class, entrepreneurial activities and further capital accumulation, as it is operated through the mechanism of rent-gap in its expression with gentrification. In this thesis I argue that urban governance provides the setting for urban restructuring process by using mechanisms to attract entrepreneurial activity to the disinvested neighborhoods. The emergence and rise of a new urban class with certain consumption characteristics on the other hand, conditions the spread of these activities across the inner city neighborhoods, through which their own *habitus* is introduced in these areas (Bourdieu 1994). Entry of a new *habitus* results in displacement of the former occupants who no longer be able to afford the rents and fails to take part in the market activity. As I argue in this thesis that subjects' positionalities appear as an important aspect in doing the reading of urban restructuring, as the losers in the process are systematically becoming the neglected and insignificant actors in the urban remaking. This also conditions and results in the occurrence of the phenomenon with locally specific and subjectively experienced mechanisms, but with globally systematized logic of the neoliberal restructuring. In order to locate Karaköy within the urban restructuring process in Istanbul in the form of gentrification, in the following section, I give the overview of how gentrification took place in Istanbul until recently.

### **1.3 Gentrification in Istanbul**

Gentrification in Turkey was a significant outcome of the post-1980 neoliberalization of the economy by state policies, which aimed at attracting global flows of capital through foreign trade and foreign direct investments (Islam 2005; Karaman 2013). During this process as part of a global agenda as discussed above, financialization of the economy significantly predicated on the extent that cities provided the space for the neoliberal urban regeneration that would allow financial market to operate capital accumulation. In the process of globalization, while the inner parts of Istanbul were being deindustrialized on behalf of the service sector, the manufacture and underclass neighborhoods have been exposed to the influx of the leisure and entertainment businesses operated by the entrepreneurs from the cultural classes. This allowed land speculation and entry of large investments in these areas. As a result of such process, the former residents and businesses in these neighborhoods were displaced from the invested urban lands to be replaced by the privileged urban pioneers.

Although gentrification took place in the same manner with the model of global city, scholars focusing on the phenomenon in the context of Turkey call for the attention to the analysis of the “characteristics of its actors” and the “timing of the interventions” while considering the actual reflections and the phases of the process (Behar and Pérouse 2006, 2). As elsewhere, the emergence of the new urban class in Istanbul was the outcome of the decay of Fordist industrialization and the rise of the financialized sectors that were concentrated in the inner city. Tolga Islam argues that gentrification in Istanbul was mainly the outcome of creation of “potential gentrifiers through economic, cultural and spatial restructuring processes” concurred with the same period of the state-led financialization (Islam 2005, 128). The creation of a new consumption class was coupled with the transformation of the urban landscape and therefore the creation of potential gentrifiable areas (Beauregard 1986; Islam 2005).

Tolga Islam identifies three distinct waves of gentrification in Istanbul (Islam 2005, 127). According to Islam, first wave occurred around the Bosphorus coast in the early 1980s. This first wave took place in a rather “gentle” form that did not result in the displacement of the old inhabitants, who were protected under *the Bosphorus Development Law* of 1983. The actors that took in the first wave of gentrification in Istanbul were the people who were searching for “new lifestyles”, who lived abroad and had the aim to make the central but neglected corners of the city spectacular through taking the lead in the “beautification movement” of the historic residential neighborhoods in the city (Islam 2005; Behar and Pérouse 2006). The second wave began in the historic Beyoğlu district in the late 1980s both in the form of residential and commercial gentrification that was done by creating a potential gentrifiable environment with the construction of apartments and establishment of leisure activities appealing to the cultural classes. The third wave according to Islam’s analysis took place in a systematic and violent form of gentrification as it spread to the poor neighborhoods, Fener and Balat in Fatih district, in which ethnic minorities and lower-class migrant groups lived. The process was taken by the Municipality as a rehabilitation program of the area, which was funded by the European Commission and caused displacement of many families of the district to the periphery.

These waves of gentrification in Istanbul illustrate that the phenomenon started by a sporadic form led by the individuals and ended up with the systematic form of its expression in the last instance. Such evolution is important to remark the systematization and acceleration of the process of urban restructuring in Istanbul as evidenced by the cases of gentrification that took place so far. Systematization also brings along the involvement of more individuals in the process, as the phenomenon, today, takes place in sporadic corners in the city led by the cultural classes and large investors, within the setting provided by the

urban governance and large investors. This will be presented by the case of Karaköy in the following chapter.

## METHODOLOGY

The methodological and theoretical stance of this thesis proposes the analysis of neoliberal logic with regard to the ways in which it takes place on the ground and in particular geographical scales (Brenner and Theodore 2002) that is evidenced by the phenomenon of gentrification in the case of Karaköy. Sticking to this research agenda suggested by Brenner and Theodore, in this research, I apply to the methodological position that focuses on how the financial market-oriented restructuring mechanisms and their actors are conjoined in one geographical scale in particular ways. Accordingly, in articulating the empirical material, I mainly focused on how things conjoined, by whom, when and where in order to contextualize neoliberalism, its logic and its relation to the concept of gentrification.

In articulating the second focus of the research that looks at the subjective experience of gentrification, I located the subjects and their positionings within the framing of neoliberal urban restructuring process. In that regard, gentrification was regarded as an outcome of “path-dependent interactions” of the encounter of “local trajectories with the global patterns of capital accumulation” (Kalb 1997, 6-7), which are traced through subjectively experienced mechanisms in Karaköy. As argued in the thesis, contextualized reflections of the concepts of gentrification and urban restructuring gain an important role in specifying the processes, actors and mechanisms and the forms in which they are reflected (Behar and Perouse 2006). Based upon such a methodological approach, the case of gentrification in Karaköy is considered as the follow-up process of neoliberal restructuring of the urban landscape in Istanbul. Mapping out the layers of the process was enabled by the interviews with my subjects in contextualizing the process within the framing of how their positionalities mattered in the occurrence of gentrification in Karaköy. In that regard, subjects’ positionalities

were important for my research question, and therefore how they experienced the process consisted the main part of how I analyzed the empirical material from the field.

In conducting the research, interviews were used as a tool to grasp in-depth knowledge like subjective experiences of gentrification and how the process affected their lives. In grasping the projection of gentrification on the built environment and on the discarded subjects of the urban remaking, I mainly did interviews with the long-term business owners, although I also conducted several interviews with the newcomer business owners. In that regard, interviews both with the *losers* and the *winners* enabled me to grasp different projections and trajectories of the process in the neighborhood and to map out the layers more clearly. By doing so, subjectivization of the people taking a part within the process and their ways of narrating it delineated the projection of the broader economic structures on the ground.

During my three-week fieldwork, I conducted twelve interviews, in which overall eighteen people were involved. Most of the interviews were random, which took place as I have entered into the shops of the small businesses and asked for an interview from half an hour to one-hour. Only a few of the interviews took place by snowballing and appointments. With the long-term shopkeepers, most of the interviews took place while they were doing their jobs and with different people being involved in the interviews. Among my subjects, while four people were the newcomers, the rest of the informants have been operating their jobs in the neighborhood between the time period of fifteen and sixty years.

As it was only a three-week fieldwork, it was not possible for me to observe how the process of gentrification had been operating in the neighborhood in time. With regard to such practical limitation, I had to depend my information on the statements and narratives of my subjects rather than going any further into the actually observable transformation of the

neighborhood. Also, I had to restrict the site that I did my fieldwork to a particular area in Karaköy, in the end line of *Tophane* and below *Perşembe Pazarı*. In that regard, the present study does not implicate the transformation of the built environment in the entire neighborhood.

Another limitation of the research was to foresee how the process would end up as it was still in the process of transition. Such limitation challenged me to make a nuanced analysis of the group of “gentrifiers” that are implied both as cultural classes and large investors in this thesis. Although I believe that these two groups should be distinguished, I made use of this limitation by doing my research largely on the long-term small businesses in the neighborhood, which ultimately framed the focus of analysis in the thesis.



## CHAPTER 2 – GENTRIFICATION IN KARAKÖY: APPROPRIATING THE SETTING FOR ACCUMULATION AND POSITIONING THE INSIGNIFICANT

So far, I provided both theoretical and empirical background to the neoliberal urban restructuring processes that have been taking place in Istanbul. The identification of these processes was made by exploring the insights behind the concept of gentrification, which became the evidence of the neoliberal urban restructuring processes at the last instance. In this chapter, by focusing on the case of Karaköy, I first look at how different interactions with the market trajectory and regulatory mechanisms were operated in the neighborhood on its way to be gentrified. This is done by providing the setting to the social and economic transformation of the neighborhood, which is formulated based upon the narratives of the long-term small businesses. After doing this, I make the analysis of how the transformation of the neighborhood was an example of appropriating the neighborhood for certain class that is associated with providing the setting of future investments and capital accumulation at the expense of the former occupants. Regarding the process as a form of appropriation, I identified particular mechanisms that enabled the operation of the process in a rapid and unresisting form, which are the nuisance value and the New Code of Obligations. By the fact of being a rapid and unresisting form of gentrification depending on these mechanisms, I conclude the thesis by arguing that these mechanisms systematically put the long-term small businesses into the position of being neglected within the urban restructuring process. With this conclusion, I propose that systematically accelerated transformation of the globalized cities requires the analysis of the experiences of its subjects, who end up in negotiating as a result of gaining an insignificant position within the process of urban remaking.

### **2.1 Setting: Sectoral Shift and Operation of Rent-Seeking**

Karaköy is a historic commercial neighborhood, which until the closure of the *Customs Bureau* in 1986 has witnessed the dominance of the manufacturing sector in its business

characteristics. Until now, the neighborhood has been witnessing different forms of transformation in the same space, as a result of the interaction between different sectors and actors within different periods of time. As I have grasped from my informants, transformation has been a familiar concept for Karaköy as it has been witnessing “three different transformation processes” so far. Until 1986, there was the *Customs’ Office*<sup>5</sup> operating in the neighborhood that also shaped the sectoral character of Karaköy accordingly, where large commercial buildings and manufacture shops were opened. After 1986 when the Customs were closed, a new market was formed, which was operated with the merchants from postsocialist Russia and Eastern Europe who came by ships. Suitcase trading<sup>6</sup> made with these merchants resulted in the transformation of the shops in the neighborhood into the *Russian Bazaar* that enabled commerce with these merchants.

Suitcase trading was an informal activity that resulted in “unexpected globalization” of Turkey and did not experience any intervention by the state. Its informality was the outcome of the “indifference” that was shown by the state to the global market in the 1990s (Keyder 1999, 32). Çağlar Keyder (1999) argues that the reason for the fact that the Bazaar did not engender any urban transformation in the neighborhood was that Istanbul, back then, had the pre-modern function of an “international market city”, rather than a fully-fledged globalized one. In that regard, Turkey’s economy depended on the “manufacturing and shop keeping form of a potential, rather than service or information economy”, which is the crucial sectoral component of post-industrial global cities (Sassen 1991; Keyder 1999, 33). After the

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<sup>5</sup> Customs Office was the main source of the commercial character in the neighborhood until 1986. It was established in Karaköy as an outcome of the coastal centrality of the neighborhood. By the process of deindustrialization, it was moved to the Asian side of the city, by which Karaköy harbor started to be utilized for touristic activities.

<sup>6</sup> When the Customs was closed and Karaköy harbor became a touristic space, merchants from the postsocialist Russia and Eastern Europe started to do commerce around the neighborhood. These merchants were selling the products that they carried from these geographies and then carrying the products that they bought from Istanbul to sell back in their countries. It is called suitcase trading, as a result of being an informal import and export activity.

end of the *Russian Bazaar*, *American Bazaar* was in force in the neighborhood, in which American products were sold. These two Bazaars implied that indifference shown to the global capital flows by the state was the reason of why small enterprises did not face any threat of displacement from their neighborhood until the last decade, in which the urban restructuring took place in the form of gentrification in Karaköy.

In the mid-2000s, these two markets waned as a result of decay of the informal mode of global transactions, which confronted intervention by the state. After several years of stagnation in the commercial activity and the land market in the aftermath of this waning, the neighborhood witnessed the influx of cultural classes, when an entrepreneur transformed his coffee-importing office into a coffee shop. The claims over authenticity by these classes in the neglected central areas of the city (Behar and Pérouse 2006; Islam 2006; Zukin 2010b) resulted in the emergence of artistic spaces in Karaköy. While the neighborhood started to transform physically and socially by these classes, the on-paper *Galataport Project*<sup>7</sup> also stepped in and created a “sparkle” that enabled the entry of large capital into the neighborhood by revaluing the space. In that regard, Karaköy is important to illustrate the re-intervention of the state in the process of transforming neighborhoods, owing to the emergence of concerns over global capital flows with regard to their reflection in the city’s economy (Brenner 1998; Atkinson and Bridge 2005, 7).

Sectoral organization of the city became prevalent when urban restructuring took the form of an agenda in order to organize the global capital flows and capital accumulation accordingly. This was explicitly manifested by ÇDP in the case of Turkey, which designed

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<sup>7</sup>Galataport Project, is an urban planning project that is designed to transform the entire historic coast into a commercial touristic complex. The project was declared by the urban governance and was put into tender in 2005. After the first tender, it was denied by the court but then put into tender again and was shifted to a different investor. The construction of the Project was planned to start in early 2015, but is still waiting for the court decision. There has been opposition from the public against project, with the claim that it will transform the coast into a non-public area for rent seeking.

the sectoral organization of the city by privileging the service and touristic sectors in the inner city, while withdrawing the manufacturing and industrial sectors to the outskirts. With regard to this agenda, *Galataport Project* was an expression of the governance strategy to introduce rent-seeking mechanism into Karaköy. The declaration of the *Galataport Project* was a factor that accelerated land speculation in the Karaköy that drew large investors, in addition to the cultural classes in the neighborhood. In that regard, the *Project* refers to a crucial point in manifesting the relationship between state and capital, while delineating the initiative of the urban governance in utilizing rent seeking economy to be organized and operated by the individuals in inner city neighborhoods.

By the closure and moving of the *Customs' Bureau*, the waning of the *Russian* and *American Bazaars*, the influx of the service sector businesses into the neighborhood and the speculations over the *Galataport Project* finally resulted in the dominance of the service sector in the neighborhood. Previously in Karaköy, the three large commercial buildings in the neighborhood, which used to be the “lifelines” of the small businesses in the neighborhood, were providing work and living for the small businesses. The eviction of these buildings to be transformed into hotels after the process of gentrification was the main evidence of how the neighborhood was restructured in accordance with the service and touristic sectors, while undermining the former content of commerce in the neighborhood. Besides the changing *habitus* of the neighborhood with the entry of cultural classes and large capital (Bourdieu 1994), the privilege of the sectoral shift at the expense of the former commercial characteristics, constituted one of the main reasons of why the manufacture and commercial stores could not carry on their businesses any more. Two of my informants were formerly truck drivers, who used to work with the offices in these buildings and as an outcome of the process, one of them started to make his living by vending orange juice and the other one became a parking lot owner.

Sectoral privilege and strategy of rent seeking were the main mechanisms that were utilized in order to globalize city as part of an urban restructuring agenda, which brought along involvement of the state in collaboration with the cultural classes and large investors. The process of gentrification in that regard, illustrates the process of appropriating the inner city neighborhoods for the future claimants and future investments within the framework of producing the global city. This displays the privilege of capital and potential of entrepreneurial activity of the cultural classes and large investors at the expense of the losers, who define their positionality with regard to their insignificant role within the process. In illustrating this, in the next section I look at how appropriation of the built environment took place in the form of gentrification in Karaköy.

## ***2.2 Appropriating the Built Environment for Accumulation: Prevalence of Capital***

While I was conducting the research, Karaköy was the mixture of both long-term small businesses on the one hand, and the hotels under construction, artistic cafés, upper-middle class restaurants and boutiques on the other. The neighborhood was the conjunction point of the small businesses from the neglected manufacturing sector and the privileged service sector that reflected the authentic side of the city, where the cosmopolitan urban experience (Behar and Pérouse 2006; Zukin 2010a; 2010b) of “drinking coffee next to the welder” was offered to the cultural industries (Figure 1). The identification of who gentrifies or transforms the neighborhood is a complex issue, as at the outset, the transformation began by an entrepreneur and continued by the influx of the cultural classes into the neighborhood. As the neighborhood became more and more popular and the *Galataport Project* created speculation over the land, large investors have been involved in the process, while the cultural classes also continued swarming around the neighborhood. The long-term shopkeepers on the other hand, started to abandon their work places without any opposition as the investors offered them the

nuisance value in order make them to abandon their workplaces without opposition. In order to remark the intensity of the process, during my fieldwork, the old churches around the neighborhood were being restored and three main buildings in the neighborhood that used to be large commercial buildings were being transformed into hotels. The process of abandoning the neighborhood to the new businesses has already been occurring during my fieldwork, as four of the long-term shopkeepers that I interviewed with were waiting to leave their places to the claimants, while two of them had already left their former businesses to the newcomers by receiving nuisance value and shut down their businesses.



**Figure 1.** A newly opened coffee shop on a street where the abandoned warehouses are (photo by the author)

The mechanism of nuisance value in Karaköy allows the reading of the transformation of the city centers as the spaces where capital prevails. The value was considered as being attractive for the long-term small businesses, as it was becoming difficult to resist the increasing rents and disappearing customer mass of the long-term small businesses with the changing *habitus* of the neighborhood. The collaboration of cultural classes and large investors with the urban governance on the operativeness of the rent seeking economy,

displays that culture and capital expansion in the restructured cities go hand in hand, which reveals that a “synthesis between culture and capital” should be considered in doing the reading of gentrification (Zukin 1987, 130; 2010a; 2010b). Prevalence of capital and entrepreneurial activity in reclaiming the urban neighborhoods illustrates the privilege of both the capital owners and cultural classes that is framed within the urban restructuring agenda through sectoral privilege and rent seeking mechanism. This collaboration presents “gentrifiers” as a nested category, as the restructuring mechanisms positions them as privileged actors of the process, in contrast to the insignificant positionality of the former occupants who lacked capital and entrepreneurial potential. In that regard, rather than making the analysis of the “gentrifier” class, this thesis proposes the exploration of who the losers of this process are and to what extent who they are depended on the ways in which the process revealed itself in rapid and unresisting form of gentrification. This kind of a reading allows a further exploration of the power structures in the urban space as reflected in the lives of the losers and in their positionality within the urban restructuring process, which end up in neglect of their livings.

The ongoing process in Karaköy implicates the encounter of the former occupants with the new claimants in terms of encountering with different forms of capital and potentialities. The financialization of the economy and the urban policies accordingly (Harvey 2005; 2006; Clark, Larsen and Hansen 2015) put sectoral shift as a necessary component of valorizing the inner city neighborhoods (Hackworth and Smith 2001; Hackworth 2002; Smith 2006) through operating rent-gap (Smith 1979; 1996; 2006). With regard to the consideration of global cities as the spaces to accumulate, the service sector with large investments is encouraged to engulf the small businesses in the central districts of the city, while the industrial and small commercial businesses are driven out to the outskirts in the process of integrating the city into the global neoliberal economy (Smith and Williams 1986; Sassen 1991; Özdemir 2002;

Atkinson and Bridge 2005; Uzun 2006; Yalçintan, Çalışkan, Çılgın and Dündar 2014, 50).

In Istanbul, this has been put within a legal framework through ÇDP, by which the spatial organization of the city has been reformulated according to the sectoral advantage. In Karaköy, although the process started by the authenticity seeking cultural industries that swarmed around the disinvested manufacturing and industrial sites of the city, rent-gap in the last instance was enabled by this group, by which the process ended up with the involvement of large investors. Smith (2006) terms the initial process as “sporadic gentrification”, while referring to the role of cultural industries in appropriating the built environment for future investments and capital accumulation. This illustrates that urban spaces are being prepared for a certain class and further capital accumulation, which reflects the collaboration of capital and culture in engendering investment and land speculation that would end up in displacement of the former occupants (Zukin 1987; 2010a; 2010b).

Part of being the global form of occurrence of gentrification, the mechanisms of sectoral shift, privilege of capital and entrepreneurial potentiality, and operation of rent-seeking economy constituted the setting of the process of transformation in Karaköy. On the subjectively experienced part of the story, activities for transformation in the neighborhood were regarded as “preparation” while referring to the facts that old churches and buildings were being painted and the old tenants were being evicted through the nuisance value (Figure 2). In that regard, the changing *habitus* of the neighborhood was regarded as “being for the *Galataport Project*”, as one former shopkeeper who closed his enterprise after receiving the nuisance value expressed the mode of transformation. Although the process was a form between culture and capital currently, it was more regarded as the former stage of establishing the appropriate environment for systematic capital accumulation in the neighborhood to be operated by the *Galataport Project*. In that regard, according to my subjects, the cultural



industries were playing the role of a “bridge” between disinvestment and investment of the neighborhood (Zukin 1987; Islam 2006). Ultimately, the involvement of the large investors encouraged by the urban governance was regarded as the main goal of the transformation process in the neighborhood. In respect to this interpretation, the process was considered as a systematic form of transformation of the built environment for further accumulation, which was driven by the individuals who are capable of articulating the sources of capital and entrepreneurial activity.



**Figure 2.** On the left, restoration of a building in the neighborhood and on the right, construction of Karaköy Hotel that used to be a large commercial building (photos by the author)

The important point here is to consider the outcome of these different layers conjoining in the form of gentrification, which illustrates the mode of expression of how the neighborhoods of global cities are being transformed into the spaces of rent-seeking, financial

market and cultural power. By the framing of the global city, these expressions are taken systematically in the form of sectoral privilege that is put into practice through legal regulations of the urban governance, which would enable capital accumulation through pulling the cultural classes and investors into these neighborhoods. This form of urban restructuring is expressed by gentrification, which becomes a strategy to provide the setting for appropriating the built environment for further accumulation by determining on who could, would and should make benefit of this process.

The appropriation of the built environment for the future claimants and investments is the signifier of who *become* the winner and the loser as a consequence of the restructuring process. The determination of the distinction between the loser and the winner and the mechanism that conditions such a distinction, are important layers to point out in understanding the mode of restructuration of urban spaces as subjectively and locally experienced processes. Layers that condition this distinction offer the analysis of the urban restructuring processes by pointing out the subjectively experienced conditions and consequences of it. In doing that, in the following part of the chapter, I look at the particular mechanisms practiced on the small businesses in appropriating the neighborhood, which provided space for the losers to identify their insignificant positionality in remaking of the cities.

### ***2.3 Gentrification as Negotiation or “He Who Pays the Piper Calls the Tune”***

Thus far, I illustrated that the motive for capital accumulation in accordance with the global neoliberal restructuring agenda, which resulted in the circulation of the mechanisms of rent-seeking and sectoral privilege. As the governance operated these mechanisms in organizing the utilization of the urban land, the outcome of these mechanisms designated who will make use of such utilization in the process of urban remaking. Cultural classes and large investors

were the main actors who took a part in appropriating the neighborhoods for urban restructuring that took place in the form of gentrification. I argued that the urban restructuring mechanisms illustrated that gentrification in Karaköy was the former stage of a systematic process of transformation as evidenced by the motive for the *Galataport Project*. These showed that capital both was the device and the motive in appropriating the built environment. In this section, I explore the how individuals instrumentalized capital, which enabled negotiation in the process of appropriation.

Apart from the systematic appropriation of the neglected neighborhoods in global cities, mechanism of nuisance value had a significant role in illustrating the accelerated form of the process of restructuring. Among the long-term small business owners that I have spent time and interviewed with, the nuisance value was one of the main themes of the conversations. Nuisance value was a current theme that became prevalent after the entrance of the cultural classes and large capital into the neighborhood. The value was given to the long-term shopkeepers informally as a “hush money” in order to prevent them from “resisting for leaving their work places”. It both signified what this value meant for the lives of the small business owners and the unequal positionalities of the subjects of urban restructuring. Nuisance value, as a device to negotiate on the claims over the neighborhood, manifested the privilege of the cultural classes and large investors over the small business owners. It was an important mechanism that enabled transformation to take place in a rapid form and without opposition. Nuisance value, in that regard, signified the agency strategy in appropriating the built environment as a gentrifiable space (Beauregard 1986; Islam 2006).

Nuisance value enabled considering the process drawn by the lines of negotiation and “agreement” that eliminated the notions of exclusion and victimization with regard to the positionality of the long-term occupants. In the narrative of the long-term small business

owners, notion of leaving their work places after receiving nuisance value was going back and forth between “abandonment” and “displacement” depending on one’s interpretation of the whole process. For some of the business owners, the newcomers were regarded as “putting pressure” on the old tenants with the money that they handed in, while for some of them it was regarded as “getting one’s due”. The former type of interpretation was stemming from the tension of increase in the rents and their lack of potentialities of making their living under these circumstances. Within this framework, nuisance value was regarded as a device that “silenced everyone”, since “he who pays the piper would call the tune” as one of the long-term small business owner expressed it. This showed that capital was regarded as an important instrument to have the power to appropriate the urban space.

On the other side of the story, however, for some of the long-term occupants nuisance value was regarded as a form of discarding and exploiting the unequal positionalities between the investors and small businesses. One of the long-term occupiers explained the nuisance value as such:

There are a lot of people who aspire here for two years. I was in an inactive position until two years ago, but now some people retire me, make me to get my pension and sit down. Now, put a zero next to the amount of the rent that you get from this place, multiply it with two, rent it out so that you will earn, I will get retirement and the other people shall do whatever they want here.

As stated in this subject’s words, while discarding the small businesses within the process, nuisance value make them to take part in the rent economy at the same time, as a result of the fact of receiving a modest amount of the share from the rent-gap. This, however, does not implicate an active participation as a form of entrepreneurial activity, rather, this results in the shift in their status of making their living as “retired”. In that regard, nuisance value illustrated the hypocrisy of the rent economy that privileges the potential subjects of capital accumulation, while only representing an instrument by the winners of the restructuring process to the extent that it allows displacement through negotiation.

For my long-term informants, the system of rent seeking operated by creating mechanisms that enabled the intensification of transformation, which privileged the big investors at the expense of the small businesses. Often, the long-term small businesses regarded themselves as being “small” and “helpless”, as privilege of the large investors by the state was acknowledged, in contrast to their neglected positions that were framed by the state regulations against them. The New Code of Obligations was regarded as the purest manifestation of how the small shopkeepers were systematically becoming vulnerable through law as the new code allowed property owners to evict the leaseholder shopkeepers who have been occupying their workplaces more than ten years out of any reason. The circulation of the code illustrated how the urban restructuring was facilitated and accelerated through law making; not only in the residential areas, but also in the work places that one earned one’s living. By this code, the speculative rent economy of the inner city land was enabled and accelerated that led to the precarity of the leaseholder small businesses, whose present businesses in the neighborhood depended on limited sources of capital and entrepreneurial activity. Reinforcement for the revaluation of the urban land by the above-mentioned mechanisms and the legal regulation that disregarded the small businesses made them even more vulnerable to the rent-gap and the operation of businesses. When I asked one of the shopkeepers what the purpose of such code was, he answered: “We should ask the state and the government” while another shopkeeper intervened the interview by answering as “this is all about rent seeking”. The mechanisms to discard small businesses as insignificant actors were regarded as a systematic form of restructuring the nature of small businesses with regard to the organization of the urban land.

The way out of the vulnerability on the other hand, was imagined as the capability to articulate capital or entrepreneurial potential. When one of my informants offered “incorporation” as the solution to get out from their vulnerable situation, another one reacted

by stating:

And then the big ones shall oppress the small ones. There is an imbalanced code in Turkey right now, in which the big investors oppress the small businesses. This is a system. This is capitalism. Each neighborhood is like that right now; it is not only Karaköy. They open several shopping malls and it kills all the small shopkeepers. You have set in your way, and then a man comes, gives you the money and asks you to leave. But you have an order here! I shall curse such world! They are trying to destroy small businesses.

Making a living by the shopkeepers became significantly more challenging by the New Code of Obligations, which put them in a vulnerable and precarious position. Most of them were already economically depressed as they were paying their taxes with penal. One of my subjects described the positionality of the small businesses in the neighborhood as such:

We are called as shopkeepers but we do not earn much. I haven't been able to pay my social security for eight years, since I cannot earn that money. Since I cannot earn that money, I am obliged to be open to those who aspire this place. I say to myself that the conditions are bad now, and therefore I do not want to risk the nuisance value. So, I am looking for an adventurer who wants to spend his money for jam.

Being a debtor as a result of the shifting conditions of small businesses revealed the fact that restructuring mechanisms not only discarded the small businesses in the process, but also it systematically suspended their status as the “claimants” in the inner city neighborhoods by making their position vulnerable in occupying the land through law.

The vulnerability stemming from the sectoral shift and rent-gap, the new code, the attractiveness of the nuisance value and changing *habitus* of their businesses environment in the neighborhood put them into the position of being obliged to resign their current conditions and “abandon” the neighborhood for the privileged classes through negotiation (Figure 3). Although they did not frame the process as exclusion or displacement, their economic conditions and situatedness calls for such positionality within the process, as a result of their current status of lacking capital and entrepreneurial potential.



**Figure 3.** A café in the neighborhood, English translation of the name of the place is “Neighborhood People”, with a portrayal of “the” neighborhood people (photo by the author)

## **2.4 Seeing Displacement as Revitalization**

The urban restructuring mechanisms of sectoral privilege and rent-gap, nuisance value as agent strategy and the code displayed that appropriation of the built environment ended up discarding the small businesses systematically. Furthermore, positionalities stemming from these mechanisms and processes took an important place in highlighting how gentrification was evidenced in this neighborhood in an accelerated form. Based upon the life stories and stories of the neighborhood that I grasped from my informants, I reached the conclusion that one’s agency in leaving the place without opposition could not be conceptualized as voluntary action, but could be done with regard to one’s own positionality and projection of who is the *winner* and who *they are*. Such projection was framed with regard to their experience of the transformation of the neighborhood within the scope of the economic and social imperatives and situatedness that is both experienced and represented (Beauregard 1984; 1986; Smith 1984; Atkinson 2004). Positioning the long-term occupants requires the reading of the events



and reasons that brought these workplaces in this particular neighborhood and that resulted in the displacement of them (Beauregard 1984). In addition, it also requires the analysis of the mechanisms that enabled the process to take place through negotiation.

In locating the position of the neglected subjects within the process, the framing of revitalization by my informants was a substantial analytical tool for me to investigate the relationship between capital, potential and insignificance that is evidenced in the discourse on the privilege of the big investors over the small businesses. Such evidence was a signifier of the conceptualization of gentrification as a domain of “revitalization”, which at the same time resulted in the displacement of one group on behalf of the other (Brown-Saracino 2010, 15-16). Atkinson and Bridge (2005) calls this as “new urban colonialism”, and Smith as “consumer sovereignty” (Smith 1994; 1996; 2003; Zukin 2010b) as market culture excludes certain groups in the urban realm through the claims over revitalization. In line with this thinking of “consumer sovereignty”, revitalization appears as an important concept in grasping the positionality of both the losers and the winners of the transformation. Among my subjects, the transformation of Istanbul was regarded as part of the process of globalization that was instrumentalized *by* and *for* a certain class. The process of globalization was considered to be revitalizing the city, which at the same time, however, inevitably resulted in to the detriment of the small businesses as a former shopkeeper who took his nuisance value and abandoned his working place stated it:

Istanbul is becoming luxurious like New York and Paris. But this is not a good thing in my personal opinion. It is good that it is becoming valorized; there is investment with the tourists and foreign corporations. But personally, I know that they will kick me out. This is not good for me. It would have been nice if we were not moved out of there. It is good that it is valued, but they have to find a solution for this. There is no balance between the poor and the rich or among neighborhoods in Turkey. If there would have been balance... It has been like India.

In this formulation of seeing gentrification as a form of revitalization, the commodification of the land at the expense of the insignificant actors of the market and the process of capital



accumulation reflected the unequal privileges among the subjects of the urban remaking, which, in this statement, was appropriated for the cultural classes, tourists and investors. Such privilege was the main mechanism that excluded one sector on behalf of the other depending on the capacity to accumulate capital through extracting value from the urban land.

My informants interpreted the process as an example of revitalization, which explained their resignation in the process. This was significant the most while referring to the notion of “liveliness” of the neighborhood, in which it was regarded as a notion that predicated on one’s positionality within the process. The notion of “liveliness” that was used as a reference point by my informants illustrated how the long-term shopkeepers experienced the change, as they felt the vulnerable and precarious situation that they found themselves in with the transformation of the neighborhood. Although the long-term shopkeepers used the word “liveliness” both for the new and old character of the neighborhood, such as “it was livelier before” and “now it is lively”, there seemed as if there was no difference between the two situations in words, although in ways in which they experienced it, there was (Figure 4). While describing the transformation, the closure of the large commercial buildings was regarded as the beginning of the process of transformation of their business environment, as these buildings were the “lifelines” of the neighborhood. After the closure of these buildings, when the former sectoral character of the neighborhood had waned, the livings of the small businesses in the neighborhood were undermined. As a result of the strong link between the commercial life and the consumption activities in the built environment (Bourdieu 1994; Zukin 2010a), customers’ profile also changed with the influx of the cultural industries in the neighborhood that brought the shopkeepers to a standstill. Although the process was regarded as an intervention to their businesses, the transformation was regarded as a “motion” or “revival” that brought liveliness to the neighborhood. The long-term shopkeepers also thought that *Galataport* was going to be good for the neighborhood and tourism, although they knew

that this would not make any difference for their businesses. A pump repairman, who was operating his father's occupation for forty-nine years, described the current position of his as he was "waiting to appraise his shop as a result of the change of the neighborhood as is". He described the situation of his neither as "stagnation of his business" nor as "displacement". While describing his position, he was referring to the revaluation of the land in Karaköy and had the imaginary that his shop would become either a café or a restaurant and that he was incapable of doing such, since he had no capital.

According to their interpretation of the process, the long-term shopkeepers were leaving the neighborhood as a result of the sectoral shift in Karaköy, the disappearance of their customer mass accordingly and the potential and capital that they lacked in relation to the new claimants. What pulled the investors to the neighborhood was interpreted as the ownership of capital they had and the "light that they had seen" in the neighborhood with the "sparkle" that the *Project* initiated. In contrast to the fact of having rationalizing the motives of the big investors, the shopkeepers imagined themselves as "ordinary people" and for that matter they could not "analyze the process that much". The long-term shopkeepers projected a strong relationship between such entrepreneurial act articulated by the ownership of capital and the organization of the urban space as a result of operation of the rent-gap in the neighborhood (Smith 1986; Islam 2004). According to their interpretation of the process, the notion of revitalization implied that the "real claimants of the city" were occupying the neighborhood as a result of their privileged positionality of doing so, and therefore the small businesses were obliged to agree on abandoning their work places by taking the nuisance value.



**Figure 4.** Karaköy on a Sunday afternoon. The first figure is in the street where a vintage sell took place and the second one is in where the manufacture shops that do not operate on Sundays located.

## CONCLUSIONS

Considering Istanbul as a “mass of gentrified areas” in being embedded into the process of globalization (Aksoy 2014, 44), in this thesis I investigated the mechanisms and experiences that allowed the process to be present on the ground. Gentrification is now global and it is a signifier of how global capitalism operated through its implementations in urban neighborhoods one by one. Istanbul in that regard supplies peculiar materials on how the privileged urban class has been formed and took the lead in transforming neighborhoods in line with the global image of the cities in the last decade.

The findings of the research displayed how the transformation of the neighborhoods took the form of gentrification as a result of the encounter of the global neoliberal structures and their projection on the ground. These projections, as it was presented by the positionality of the small businesses in the gentrified neighborhood, were facilitated through urban restructuring mechanisms of sectoral privilege and rent-gap, and the code of obligations operated on the small businesses. As these mechanisms provided the setting for the restructuring, strategy of nuisance value and positionality over insignificant accelerated the process by taking place through negotiation.

Furthermore, the interviews with the long-term occupants illustrated that gentrification in Karaköy was only the initial and former stage of further capital accumulation in the urban space. The process of gentrification in the neighborhood was the initial process of appropriating the built environment for the *real* claimants of the city, who could participate in the rent seeking economy of the globalized city. As I illustrated in this thesis by the research I conducted on the long-term small businesses in Karaköy, this initial form of urban restructuring operated in an unresisting, negotiated way. In order to understand these notions of negotiation, however, I looked at how the *losers* experienced the process, which allowed

me to delineate various mechanisms that took place in particular forms of neoliberal restructuring agenda.

The research displayed that gentrification in Karaköy was initiated neither solely by the urban governance, nor the cultural industries. The conclusion of this finding was that gentrification, as the evidence of neoliberal urban restructuring, was the encounter point of who was going to be the winner and the loser in the future of the neighborhoods in globalized cities. As I illustrated in the thesis, gentrification in Karaköy operated through negotiation that is conditioned by the urban restructuring mechanism and the participation of the privileged urban classes in the speculative rent economy. With my research on small businesses in Karaköy, I pointed out considering the positionality of the losers, whose experience of gentrification is important to conceptualize the phenomenon by looking at how the line between the loser and the winner is drawn within the urban restructuring process. In that regard, Karaköy displayed that by regarding oneself as the insignificant actor in the urban remaking process, the long-term small businesses have become obliged to “abandon the place”. This obligation was formulated by the urban restructuring mechanisms of sectoral organization and speculative rent economy, nuisance value as an agency strategy and the code of obligations. All these together displayed that small businesses were made vulnerable systematically, which also made them to subjectively position themselves as insignificant actors of the urban remaking.

Today, gentrification is a generalized (Smith 2006) and global (Atkinson and Bridge 2005) concept. As I also explored in the theoretical chapter of the thesis, there has been a broad debate on its expression as the conjuncture of the processes of deindustrialization, globalization of cities, formation of the urban class and etc. A different angle to investigate its projection in particular localities could offer a more nuanced debate on the insights of

neoliberal urban restructuring, rather than discussing solely either its factors or effects, or debating on to what extent it is associated with the global neoliberal structures. As I positioned my argument in the thesis, gentrification in its current global form *is* the evidence and the strategy of neoliberal urban restructuring. I displayed this by investigating numerous mechanisms that enabled this process, which were projected on the subjective experience and positionality of my subjects. In fact, Karaköy is only a specific example of the restructuring processes that are operated in numerous corners of the city. Keeping this in mind, a research motive to investigate the particularities of “actually existing neoliberalisms”, as suggested by Brenner and Theodore (2002), would open up the space to explore the reformulated and accelerated form of neoliberal restructuring.

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