RENT-SEEKING IN AN AUTHORITARIAN REGIME: CORPORATE DONATIONS TO THE GOVERNMENT-ORGANIZED NON-GOVERNMENTAL ORGANIZATIONS (GONGOS) IN TURKEY

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Submitted to
Central European University
Department of Political Science

In partial fulfilment of the requirements for the degree of Master of Arts

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Budapest, Hungary

2019

ABSTRACT

Corporate political strategies and rent-seeking activities vary across countries. Political institutions play a key role in determining the rent-seeking activities. However, the new forms of rent-seeking activities are rarely identified and rarely examined with regards to their relation to the political institutions. This work contends that rising authoritarian regimes mold rent-seeking activities differently from what mainstream literature suggests. Based on the case of Turkey, it is contended that the business actors are motivated to spend considerable financial resources for the donations to government-organized non-governmental organizations (GONGOs). Authoritarian governance stipulates the business actors to make GONGO donations to have access to the crony networks and rents. On the other hand, donations facilitate the authoritarian government to legitimize the regime via GONGOs.

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List of Abbreviations

AKP: Adalet ve Kalkınma Partisi

CHP: Cumhuriyet Halk Partisi

CPS: Corporate Political Strategy

HÜDA-PAR: Hür Dava Partisi

ISIS: Islamic State of Iraq and Syria

MHP: Milliyetçi Hareket Partisi

MSP: Millî Selamet Partisi

MÜSİAD: Müstakil Sanayici ve İşadamları Derneği

SME: Small-Medium Enterprises

TOBB: Türkiye Odalar ve Borsalar Birliği

TÜRKONFED: Türk Girişim ve İş Dünyası Konfederasyonu

TÜSİAD: Türk Sanayicileri ve İş İnsanları Derneği

TUSKON: Türkiye İşadamları ve Sanayiciler Konfederasy

Introduction

In August 2014, an education foundation chaired by the son of then-prime minister Recep Tayyip Erdoğan, namely Türkiye Gençlik ve Eğitime Hizmet Vakfı (TÜRGEV), received a $100 million donation from a Saudi company, while the donations made by a group of Turkish companies mounted up to $15 million (CNN Turk, 2014). This was rather an unusual amount of contribution for the case of Turkey where corporate donations to the CSOs are relatively low, $350 on average (Açık Açık, 2017). Nonetheless, the donors were not famous philanthropists but business actors who have done and sought to continue to do business with the Turkish government. The Saudi Company, Royal Protocol, was granted a construction permit 4 months after the donation (Cumhuriyet, 2014a) and some irregularities favoring the donor companies were observed later on (Cumhuriyet, 2014b). Donations for the pro-government charities and NGOs became a widespread way of influencing the government in Turkey (Esen and Gumuscu, 2018, 361). Why did the business actors start supporting some NGOs on an unprecedented scale? Is there a linkage between the political regime and the changing behavior of the business actors?

This work contends that the particularistic policy-making under the rising authoritarian government and development of crony relations in Turkey cause a change in Turkish corporate political strategy (CPS), urging them to support the pro-government civil society organizations (CSOs). The Turkish context indicates that the authoritarian government's search for legitimacy urges the business actors to make financial donations to government-organized non-governmental organizations (GONGOs) in an unprecedented scale since the GONGOs contribute the legitimation of the regime.

Corporate political strategy literature is replete of the analyses on which strategies might business actors adopt to influence the policy-making process. Similarly, the term "rent-seeking" stands for the activities of business actors who aim to benefit the financial transfers created by regulations. Rent-seeking activities may correspond to illegal or corrupt activities as well as they may be pursued legally. Rent-seeking is regarded as an inefficient economic behavior, but it is less related to regime type. The mainstream literature on corporate political strategy and rent-seeking focuses on formal types (lobbying, litigation, campaign donation) or informal types (corruption, bribery).

The case of Turkey provides an example which indicates that rent-seeking activities are far more elaborate. In contrast with a sharp distinction between formality vs. informality, the GONGO donations are completely formal methods to reach an informal end, authoritarian regime legitimation. In this vein, this study explains how the political institutions shape the rent-seeking activities with regards to the authoritarian political institutions and cronyism.

The first chapter elaborates the causal model, dependent and independent variables, case selection, method of the work and the data. In the second chapter, the theoretical background for the work will be summarized with specific regards to corporate political strategy (CPS), rent-seeking and the role of civil society in regime legitimation. The third chapter analyzes the business-politics relations in Turkey before the authoritarian backslide started and provides historical background. The fourth chapter analyzes the rising authoritarian regime during the AKP government and how it has underpinned the development of cronyism. The fifth chapter focuses on the new type of rent-seeking activity under the authoritarian rule, the GONGO donation. The last chapter conveys some concluding remarks and insights about future research.

CHAPTER 1: RESEARCH DESIGN

1.1. Causal Model

Authoritarian governments and cronyism pose a paradoxical relationship. Authoritarian governments do not share power and do not reinforce democratic institutions. Instead, they establish patronal ties or cronies that would protect themselves from being overthrown by political rivals or popular unrest (Hale, 2014). Furthermore, authoritarian governments adopt policies of rent distribution to lure the business actors into patronal or crony networks. Nevertheless, the particularistic nature of rent distribution undermines government legitimacy. Particularistic distribution aggravates the grievances driven by inequality and it consequently threatens the regime in the long run (Collier & Hoeffler, 2004). Authoritarian governments face a paradox: they need crony relations without which they could be overthrown but cronyism may also undermine the popular political support. This authoritarian paradox (Figure 1) is well-inquired in the literature (Gilley, 2003; Nathan, 2003; Brennan, 2013). It will not be examined in this work.

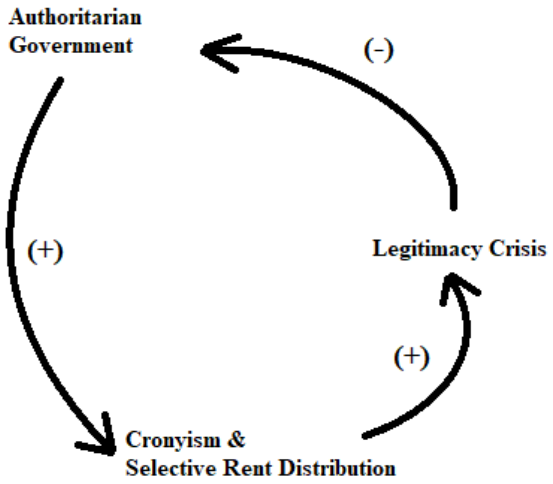

Figure 1

Business actor's financial support to the government-organized NGOs appears as an underexamined intermediary variable (see Figure 2) which counterbalances the paradox in favor of the authoritarian government. Government-organized NGOs (GONGOs) facilitate the legitimation of the authoritarian governments by contributing to the provision of some public services, dispersing the government's political discourse and spreading the ideology that underpins the regime. Beholding this, rational business actor in the authoritarian regime make donations to the pro-government CSOs as a part of their corporate political strategy. Financial support enhances the capacity of government-organized NGOs for regime legitimation. In return, the authoritarian government rewards the business actor with rents through particularistic policy-making.

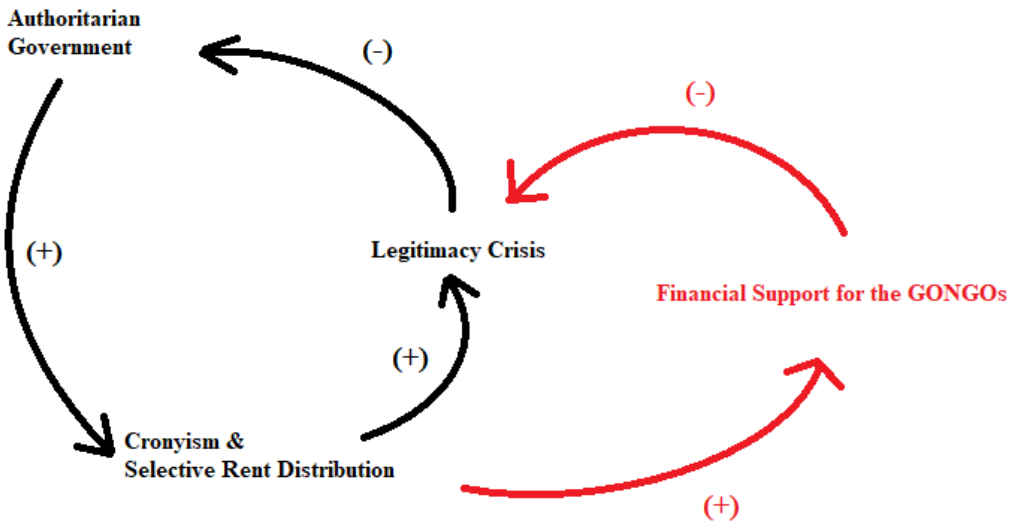

Figure 2

This works focuses on the secondary, counterbalancing causal chamber. Cronyism/patronal politics functions as the independent variable that increases the volume of the financial support to the GONGOs, the intermediary variable. The financial support to the GONGOs helps them to alleviate the legitimacy crisis of the authoritarian government, the dependent variable. The increase in the intermediary variable and the causal mechanism can be best understood in terms

of corporate political strategy (CPS) which refers to the preferences and attitudes of business actors towards the political environment.

CPS under the authoritarian regime is an expanding and promising subpart of the CPS literature although it has not reached its full-fledged breadth. The dynamism of the market mechanisms and political innovation make it impossible to map out CPSs completely. Nonetheless, the lack of transparency in authoritarian regimes entails an additional hardship for the CPS studies. This study brings forth a neglected pattern of CPS under authoritarian regimes; the corporate financial support for the government-organized NGOs, with an inquiry of the related variables in the case of Turkey.

1.2. Case Selection

The case of Turkey is selected due to its previously ambiguous state of democracy before the AKP government came into power vis-à-vis the clear backslide to autocracy. The country's abrupt shift from a tutelary democracy performing democratic development to a competitive authoritarian regime (Esen & Gumuscu, 2016) also alters the CPS radically. On the other hand, Turkey is an emerging market wherein the business actors' dependence on the state is high and the CPSs are expected to be ubiquitous. These two conditions make Turkey a perfect case to observe the impact of the crony relations on the patterns of CPSs.

The abovementioned legitimacy paradox of authoritarian regimes is relevant for almost all cases, except for the resource-rich countries where the particularistic allocation of rents may not result in serious grievances and legitimacy crisis (Yom & Gause, 2012), and it is widely discussed in the literature. The function of non-governmental organizations in the authoritarian context is attracting more and more scholarly attention. Thus, the case is suitable to generalize the causal mechanism studied (Gerring, 2008). Identification of similar causal mechanisms in

other countries in the literature review also supports the generalizability of the causal mechanism.

1.3. Method and Data

In this qualitative research, the interrelation between the business actors and support for the GONGOs in an authoritarian context will be analyzed. The Turkish case will be examined with the process tracing method. Process tracing is a method underpinned by the investigation of diagnostic evidence that proves the existence of the causal mechanism and the mechanism is expected to be effective over time (Collier, 2011, p. 824). The fourth and fifth chapters focus on the time-dependent installation of authoritarian institutions and the increase in the financial support for GONGOs, respectively.

A problem that might arise is the seemingly paradoxical relationship between the number of case and the generalizability of the causality (Beck, 2006). The peculiar conditions for the Turkish case are established and well-accepted. Yet, the variables -both in the large and small circles of the causal model- are identifiable in many examples and the causal patterns resemble. The distinguishing feature of the Turkish case is the high frequency and volume of the donations for the GONGOs, which makes the causal model more visible but not less resembling. In other words, the quantitative difference of the intermediary variable does not pose a challenge for the generalizability of the causal model but facilitates the process of its identification.

Another general problem for the corruption and rent-seeking studies is present in this research, too. Lack of information about the rent-seeking activities and non-transparency of the authoritarian governments pose significant problems for academic research (Lancaster & Montinola, 1999). For instance, it is observed that many online reports about the corruption scandals in Turkey were removed or the access to news reported were restricted for the internet

user in Turkey. However, the existing/accessible literature, newspaper reports, CSO reports and the details in the CSO web sites are employed as the data.

CHAPTER 2: THEORETICAL FRAMEWORK

2.1. Corporate Political Strategy

Understanding the nonmarket strategies are crucial to explicate the changing pattern of Turkish business actors. Business actors adopt a variety of strategies to increase their income. Market strategies facilitate them to gain competitive advantage by redesigning production, finance and labor processes. However, market strategies are not sufficiently deployed by Turkish business actors[1]. Noneconomic strategies, on the other hand, are deployed to extort revenues from the nonmarket environment. Nonmarket strategies are inevitable for the business actors who face high levels of state intervention in the economy since the political environment is a major determinant of the nonmarket gains. This is especially relevant for the Turkish case, wherein the correlation between nonmarket strategies and business actor's financial success proves stronger than in many contexts (Parnell, 2018, 136).

Development of authoritarian and crony institutions and the corresponding increase in GONGO donations in Turkey can be better analyzed with an institutionalist perspective. Business actors face political, social, cultural and economic institutions, i.e. the rules of the game (North, 1993, p. 12) when they step in the market. In this vein, nonmarket strategies are also referred as the 'institutional strategies' by Marquis and Raynard (2015) who define them as "the comprehensive set of plans and actions directed at leveraging and shaping socio-political and cultural institutions to maintain or improve an organization's competitive position" (294). The institutionalist approach underscores that the institutional strategies are not the mere inputs for or the ultimate outputs of the institutional framework, but the strategies and the institutional framework are co-determining.

[1] Turkey ranks 53rd, 56th and 53rd out of 60 countries in developing business skills, technological skills and data science, respectively (Coursera 2019, 8-10)

Corporate political strategy (or corporate political activity) is a subtype of institutional strategies which targets the political institutions. Corporate political strategy (CPS) refers to the business actors' strategies, activities, and provision to influence the public policies for its own advantage (Marquis & Raynard, 2015, p 305). The initial scholarly examination of CPSs was predominantly focusing on the legal forms of CPSs, such as campaign contribution to the politicians, lobbying and litigation. Yet, the increasing acceptance for the variance of political institutions and the spread of the institutions across the globe have shifted the weight to institutional analyses of CPSs (Lawton et al., 2013, p. 90-93). The institutional turn has made possible the analysis of non-mainstream political contexts, such as the Turkish case. Therefore, this study pays specific attention to the institutional changes in Turkey and explains the emerging CPS pattern as a CPS against the changing institutional framework.

The literature on corporate social responsibly, another institutional strategy, falls short to explain the GONGO donations in Turkey. Corporate social responsibility is distinguished from the CPS by the institution it targets. Corporate social responsibility creates or preserves the comparative advantage of the company by proving its commitment to a wider social good (Matten & Moon, 2008, p. 405). Business actors aspire to have a direct influence on the public by implementing necessary strategies facing cultural and social institutions. On the other hand, business actors are required to involve more in the societal problems as they become major actors in life and as the globalization blurs the line between the politics and the business (Scherer et al., 2014, p. 147). However, the conceptual distinction between the corporate social responsibility and the CPS is underpinned by the distinction of their target spheres, the public vs. the political spheres, respectively. The public loses its authority over the government in authoritarian regimes. In the Turkish context, GONGO donations are made to influence the government rather than the public.

The institutional perspective allows us to analyze the relationship between CPSs and democratic institutions. CPSs undermine representative democracy and jeopardize the societal good in many ways. CPS may be hazardous by promoting the policies in favor of the corporate interest over the societal good, by preventing the laws protecting the public from negative externalities, and by privatizing some state functions that are notoriously associated with market failure when outsourced to the private sector (Barley, 2007, p. 204). The conflict between societal good and corporate interest is a fundamental phenomenon for the hypothesis of this work. The business actors may contribute to the authoritarian government through GONGO donations. However, this work focuses on the reverse causality for the sake of analytical clarity: the impact of authoritarian government over the changing CPS in Turkey.

Authoritarian government and its formal institutions play a key role in understanding the changing CPS in Turkey. The basic premise in the literature is that the more regulatory a state is, the more the companies involved in CPS (Lux, Crook & Woehr, 2011, p. 228). In this vein, internationalization of markets and the subsequent need for common regulations is an explanatory fact for the increasing emphasis on the CPS in political economy. The problem of public vs. private interest conflict, stemming from the CPS, is partially ameliorated with the establishment of regulatory agencies in the developed world. In Europe, economic regulation is increasingly delegated to the semi-independent and non-majoritarian agencies in order to establish the credibility of the policy commitment (Majone, 1999, p. 4). However, this regulatory framework implies a functioning rule of law and a balanced separation between politics and the economy. In non-democratic contexts, regulatory agencies can be ineffective, and worse, they may help the authoritarian government to have a better grip on society (Liu, 2010, p. 135). For instance, the Turkish case provides a different example wherein the regulatory agencies are ‘transplanted’ and reinforced the executive’s political authority rather than restraining it (Ozel, 2012, p. 127).

The CPS literature considering the emerging market conditions better explains the Turkish case. The emerging markets provide a fertile ground for the CPS literature since the state intervention is present in many formal and informal ways. Emerging markets are identified by their flawed regulatory infrastructure and informal state intervention in the economy (Marquis & Raynard, 2015, p. 300). The informality reduces the predictability of policy-implementation and therefore it shapes the CPS in the emerging markets differently. Instead of adopting institutional strategies, companies may benefit the "managerial ties" between the top-level actors in the company and the government (Peng & Luo, 2000, p. 488). However, these ties are far from being equally distributed across the individuals, but they open the doors for elite-level cronyism between the business and the state.

The close ties between state and business elites in emerging markets shape the coordination between the two (or lack of it). In many emerging economies including Turkey, Mexico, and MENA countries, the boundary between the embeddedness of political autonomy and cronyism is somehow blurred (Özel, 2014, p. 20). In emerging markets, CPS can easily feed into the crony ties that are directly connected to governmental institutions. The assumption for an indirect influence on insulated autonomy would be insufficient to explain these connections. However, the analytical impotency to differentiate cronyism and embedded autonomy is not an ultimate dead-and for the CPS literature. This is rather a consequence of the dichotomic assumption of the formal and informal institutions which distributes of nonmarket rents. Formality can easily be abused by authoritarian leaders who deploy the formal rules to cover their arbitrary decisions (Hanson, 2011). The literature on the CPSs in non-democratic contexts will be reviewed later, after another body of literature, the rent-seeking (and its costs), is presented.

2.2. Rent-Seeking and Its Costs

CPS literature disregards the material consequences of CPSs although it is fundamental for the analytical perspective of this work. A more integrated approach, the rent-seeking literature, conceptualizes emphasizes the welfare loss due to the resources spent on CPSs. Rent-seeking is the strategic behavior of economic actors to influence the policy-makers in order to receive transfers without producing additional welfare (Krueger, 1974, p. 300). However, the rent-seeking cost is not only a personal loss of business actors but also welfare loss for society. The expenditures to capture or to benefit the regulations are not included in the "deadweight loss" calculations that mainstream economy literature provides (Tullock, 1967, p. 226), it is the allocation of resources to the unproductive sectors, such as campaign donations, bribery or litigation, that creates the welfare loss. The NGO donations for the Turkish case are rent-seeking costs since they specifically target the pro-government NGOs and they preclude directing financial resources to the very unproductive 'sector' of GONGOs. In contrast with a context where NGOs get their funds according to their merits, a secondary welfare loss created through the shift of funds from efficient NGOs to not-necessarily-efficient GONGOs.

Rent-seeking is a competitive activity and the volume of the resources spent are not only determined by the volume of the transfer, but it also depends how much the competition between multiple economic actors would raise the costs (Krueger, 1974, p. 292). Rent-seeking actors can receive a limited number of rents and therefore they have to increase the expenditure in order to outperform other rent-seekers. Rent-seeking in a rising authoritarian and an emerging market would require more costs to prove the loyalty to the regime and to please the leaders. The regulatory capture expenditures, made by multiple economic actors, can even exceed the total amount of the rent that has been pursued. The theory is particularly important for countries where state intervention is vast. Krueger's (1974) examples of India and Turkey indicate that rent-seeking costs can exceed the amount of expected rents when the competition is present

(295). This trend is still ongoing in the Turkish case, especially in the construction sector. The limited supply of lands and construction permits stirs the competition in GONGO donations.

Furthermore, economic actors do not only react to the existing policies but spend resources to motivate policy-makers to change or adopt regulations that would favor themselves (Tullock, 1967, p. 231). The argument of Tullock is especially relevant for the countries where the state is highly responsive to the interest groups. Heper and Keyman (1998) argue that the transition from single-party to multi-party system deteriorated the state autonomy, fostered economic competition for rents and entailed deeper patronal relations between the parties and economic actors in Turkey (262). The frequent legal changes in the Public Procurement Law, 29 changes during a course of 9 years (Buğra & Savaşkan, 2014, p. 126) is a symptom in the Turkish legal framework engendered by rent-seeking activities.

The attention paid by the authoritarian Turkish government to the GONGOs and their financial resources indicates that rent-seeking expenditures can be solicited by politicians, too. Rent-seeking costs are not only 'supplied' by the economic actors, but they are also 'demanded' by the policy-makers. Political actors extort political rents (i.e. rent-seeking costs) from the business actors by abusing the political power they hold (McChesney, 1987, p. 102). In an authoritarian regime, where check and balance mechanism are superseded by executive arbitration, this pattern is expected to be prevalent. Business actors can stretch the formal framework for their own benefit more than they can in a democratic context. Similarly, politicians can easily extort rents by using the extra-legal means of reward and punishment. Nonetheless, rent-extortion may not be solely motivated by personal material interest, but it can aim regime sustainability in authoritarian contexts, in which cronyism appears as a key concept.

2.3. Political Institutions and Rent-Seeking

The institutional perspective on the rent-seeking is useful for comprehending the causal relationship between the political institutions and the forms of rent-seeking. Adly (2009) contends that the concept of state capture attributes the responsibility of particularistic policy-making to the business actors who use their economic leverage over the political actors, while the term cronyism recognizes the politicians as the founder of particularistic ties in order to consolidate political power (7). Allocation of rents to the (possible) cronies aims to maintain the grip of political power more than it entails personal material income (Adly, 2009, p. 8). Cronyism, as a political institution, is strikingly observable and relevant for the case of Turkey where the regulations are changed, bent or overruled by executive decrees in order to assist the pro-government capital owners (Bugra & Savaskan, 2014; Esen & Gumuscu, 2018). The fact that Turkey is an emerging market limits the arbitration over the distribution of rents to and this results in an institutional framework called 'crony capitalism'. Crony capitalism is a is "a system in which those close to the political authorities who make and enforce policies receives favors that have a large economic value" (Haber, 2002, p. xii). This work, along with Adly's (2009) conceptualization, contends that crony capitalism is established by the political leadership in the Turkish case.

Crony relations vary depending on economic development and regime type. In developed high-income countries, cronyism facilitates the rent-seeking activities which are compatible with the rule of law such as lobbying or litigation, and the rents are distributed via legitimate methods such as tax exemption or tailored regulations (Aligica et al., 2014, p. 165). In low-income countries where the *actual* rule of law does not exist, crony capitalism aims to establish a *de-facto* rule of law that temporarily functions as the property rights for rent-seekers (166). However, this perspective frames the policy-makers as mere mediators between the low economic development and high economic expectations. In contrast, the Turkish case

exemplifies the role of political preferences in de-institutionalization for authoritarian regime consolidation although it erodes the existing rule of law.

Aligica and Tarco's (2014) approach is adopted by many scholars, and it implies a dichotomy between a democratic, developed, high-income country model vis-à-vis a non-democratic, underdeveloped, low-income model. It is a theoretical drawback for the political economy literature to assume two mutually exclusive sets of regimes. This dichotomy ignores how the transition periods, authoritarian backslides, and hybrid regimes occur and what is the role of cronyism in these processes. Furthermore, it obfuscates the role of authoritarian politicians in the making of crony capitalism.

More elaborate analyses of the political regimes can provide a better starting point to understand the role of politics in the making of crony capitalism. In a competitive authoritarian regime, democratic formal institutions and authoritarian informal institutions can co-exist (Esen & Gümüşçü, 2016, p. 1583). Esen and Gümüşçü (2016) claim that the governing party in Turkey, AKP, had simultaneously disregarded the formal procedures by not curtailing court decisions (1592) and exploited the legal instruments to legitimize its actions for rent distribution (1594). In other words, crony relations can be established with the assistance of social trust in formal institutions while informal institutions are also being introduced. The instrumentalization of formality brings forth the question of "lawfulness" of the rent distribution.

Crony ties may undermine the regime stability in the long-term while it endorses the crony relations and regime stability in the short term. Lambsdorff (2002) points out the endogeneity problem of rent-seeking in authoritarian regimes. It is possible that the rulers make laws and procedures that "legalize" the corrupt distribution of wealth (Lambsdorff, 2002, p. 104). In many authoritarian regimes, patronal relations and rent distribution are sustained within the legal framework. The legal framework functions as a legal blanket for the leaders' arbitration

in order to "legitimize" the crony ties. Yet, this strategy can undermine public support to the authoritarian leaders and regime legitimacy altogether. Secondly, the crony networks that are based on corrupt relations are small circles of the business elite. Aggravated income inequality might also result in less support for the regime. These result in a legitimacy problem for the authoritarian governments. The GONGOs are devised as a solution for such a legitimacy crisis and this will be explained in this chapter. The remainder of this chapter addresses the topics of civil society and government legitimacy, and how they are theoretically integrated into the rent-seeking literature for the sake of understanding the case of Turkey.

2.4. Authoritarianism, Legitimacy and the Civil Society

It is important to understand what civil society is, before analyzing its relation to the regime legitimacy. The liberal perspective defines civil society as a social sphere different from the political sphere and the economic sphere. In this vein, it is usually referred to as the "third sector", the first and second being the government and the business (United Nations, 2018). However, civil society should not be understood as the remnants of the private sphere when the economic sphere is subtracted from it. Scholars attribute some specific functions and *modus operandi* to the civil society. Habermas (1991) defines civil society as a sum of "more or less spontaneously created associations, organizations and movements, which find, take up, condense and amplify the resonance of social problems in private life, and pass it on to the political realm or public sphere" (Habermas, 1991, cited in Aliyev 2015, p. 24). In this liberal definition, civil society is not understood as a static social entity, but it is dynamic, overtaking some functions for the society and it constantly interacts with the political and economic spheres.

The liberal conception of civil society is not helpful in understanding the role of government-organized NGOs (GONGOs) for the authoritarian context. The purported independence of civil

society from the political and economic sphere is contested by the scholars who criticize the liberal model of the state. Gramsci defines civil society and state as inherently interconnected. In contrast with the liberal concept of civil society, Gramscian civil society is a facilitator of the privileged class to exert and maintain its dominance over subaltern portions of society (Buttigieg, 1995, p. 4). Civil society is a means for furthering the non-coercive control over the subaltern populations and for producing their consent (Buttigieg, 1995, p. 28). In other words, civil society is an extension of the state rather than an antagonistic power nor checks on political power. Nevertheless, the very fact that GONGOs need financial resources points that Gramscian concept of omnipotent state does not explain their existence. Instead, this implies that authoritarian governments aim to sustain their hegemony by means of GONGO activities.

The institutional perspective provides the necessary analytical tools to combine the two perspectives and to understand civil society by focusing on its functions. Civil society is necessary for "the articulation and actualization of particular social visions" but it remains in a "normative framework" while doing so (Najam, 2000, p. 3). This definition incorporates both perspectives: civil society is an alternative to the political sphere where new political choices may be made, yet the former is somehow legitimizing the latter. However, the balance between the alternative political sphere and the legitimizing function can vary across the institutional settings. In this vein, it is important to consider how the authoritarian regimes benefit the functions of civil society.

In contrast with the Western European countries with strong "third sectors", authoritarian regimes do not host strong civil societies. This fact leaves us with a complex civil society-state relation. Authoritarian regimes pursue many methods to restrict the opposition emerging from the civil sphere (Gilbert, 2016; Gilbert & Mohseni, 2018; Skokova et al., 2018). The most notorious strategies are repression and rivalry, defined as the attempts for outlawing NGOs, and preventing them from properly functioning through regulations, respectively (Coston, 1998, p.

364). Another strategy presented by Coston (1998) is competition. State agencies and NGOs may compete on certain societal issues and this yields inefficient outcomes due to lack of complementation between the two (Coston, 1998, p. 365). However, this model is lacking many new strategies developed by authoritarian governments.

The concepts of repression, rivalry and competition are not sufficient to explain the importance of the role of GONGO. Legitimation of authoritarian regime plays a key role to understand the relationship between the government and the civil society. Gerschewski (2013) maintains that legitimation is one of three strategies adopted by authoritarian governments for regime stability (19). The penetration of the government via the GONGOs constitutes a significant part of legitimation. Authoritarian governments can instrumentalize NGOs or create GONGOs in order to better access to society. Civil society can function as a medium for disseminating the dominant ideology (Aliyev, 2015, p. 127). They may also function as vote-bases during the façade elections (Giersdorf & Croissant, 2011, p. 11) or as propagators of the authoritarian governments in the information wars between the government and opposition (13). GONGOs are created and funded with similar concerns in the Turkish context. However, GONGOs can not sufficiently determine the function of civil society and therefore authoritarian governments need further strategies to control the independent NGOs.

Besides their pro-government activities, GONGOs absorb the limited financial resources supplied by the business actors and financially 'crowd out' the independent NGOs. Authoritarian governments selectively support or oppress the NGOs based on their cooperative capacity (Skokova et al., 2018, p. 545). NGOs are selectively encouraged or discouraged through increased regulation of the establishing and sustaining the NGO operations (Gilbert & Mohseni, 2018, p. 21) or through selective funding and central control mechanisms (Skokova et al., 2018, p. 542-547). Gilbert (2016) argues that selective support for the NGOs by the Russian government "crowds out" the Russian NGOs who challenge the government's policies.

In many authoritarian regimes, the competition between the state and independent NGOs is delegated to GONGOs. The prevalent activities of Turkish GONGOs in man's sectors prove that uneven distribution of corporate donations shapes the civil sphere in favor of the regime.

The very existence of GONGOs is a symptom for the dependence of the authoritarian government on civil society. Lewis (2013) borrows the definition for two overlapping functions of civil society suggested by Young (2000) and contends that authoritarian governments benefit the self-organizational capacity of civil society which can partially deliver public services for the marginalized or peripherical communities while repressing the deliberative function of CSOs (Lewis, 2013, p. 332). For instance, the AKP government has shown an increasing dependence on the GONGOs after the alliance between the AKP and Gulen movement was dissolved because the latter was occupying a central role in the provision of education, culture and humanitarian relief services (Yilmaz, 2010, p. 118). NGOs are valuable for their better assessment and provision tailored for the local needs. However, authoritarian governments repress or eradicate dissident ideas and practices or emerging local leaders in the self-help CSOs if they are not co-opted by the government agencies (Thayet, 2009, p. 12; Spires, 2001, p. 36). Many pro-government civil organizations in Turkey (if not GONGOs) such as Furkan Foundation and Gulen movement was harshly targeted by the authoritarian government after they were perceived as dissidents.

2.5. Towards an Integrated Theoretical Framework

As aforementioned, the cronyism in Turkey is not an accumulation of CPSs or rent-seeking activities but rather it was deliberately installed by the government for political concerns. The state was the dominant factor in determining the policies with its extensive authority in the form of a single party government until 1950. Turkish state continuously intervened the civil sphere and deployed coercion rather than deliberation in order to further republican values and avoid

reaction against the abrupt policy changes (Dikici-Bilgin, 2009, p. 10). In the AKP era, the state became more permissive to the identity- and interest-based NGOs to emerge (Dikici-Bilgin, 2009, p. 14) but the authoritarian and interventionist character of the state remained identical.

The literature on cronyism/rent-seeking and the civil society are somehow disconnected even though both are deeply influenced by the authoritarian government in Turkey. In the mainstream literature, rent-seeking costs may appear in the notorious forms from bribery, political campaign contributions, litigation. However, the rent-seeking expenditures are also directed to GONGOs (Esen & Gumuscu, 2016, p. 1590; Esen & Gumuscu, 2018, p. 362). Although legal and extra-legal restrictions on the civil society are broadly debated in the literature, the impact of regime change on the CPS and rent-seeking behavior is less explored. In this work, the theoretical gap in the literature, i.e. how the authoritarian regime alters the rent-seeking behavior is bridged to the empirical reality of a new type of rent-seeking activity, the financial contribution to GONGOs. This study aims to explore this new phenomenon in order to make theoretical contributions to both kinds of literature.

CHAPTER 3: THE INSTITUTIONAL CONTEXT BEFORE THE AKP GOVERNMENT

Turkey is a late-modernizing country wherein the economic actors could not accumulate sufficient capital to establish basic market economy institutions (Shambayati, 1994, p. 311).[2] Instead, this role was undertaken by the central government. The aspiration of the founding party CHP (*Cumhuriyet Halk Partisi,* Republican People's Party*)* for a modern economy was coinciding with a worldwide shift to statism after the Great Depression. The state has started functioning as a developmental state beginning with the early 1930s. Basic economic activities and vital public services were provided by state enterprises (Colpan, 201, p. 487). On the other hand, private actors have been benefitting protectionist economic policies and receiving rents. The capital accumulation strategy became fruitful as early as the 1940s (Heper & Keyman, 1998, p. 261). Beginning with the late 1950s, Turkey was colored more by import substitution policies and public investment. Consequently, the business elites were increasingly benefitting the rents created by the state (Shambayati, 1994, p. 316). Krueger (1974) maintains that the rents created by state intervention consisted of approximately 15% of GNP in Turkey in 1968 (294).

Government responsiveness to the business actors was a determinant factor on how the business actors and the politicians were interacting. The transition from the single party to multiparty system altered the government capacity to make decisions autonomously. The founding state elite, with its idealist aspirations, was withdrawing from the policy-making except for its sporadic interventions via coup d'états (Heper & Keyman, 1998, p. 261). The new political elite

[2] It should be noted that a significant amount of welfare was accumulated by the non-Muslim community in the late Ottoman era. However, the non-Muslim communities were expropriated by coercive and legal means (see Clark 1972)

was extremely responsive to the demands of the business actors since they needed to connect with the broader public to receive more votes. On the other hand, the import substitution policy was indeed successful in accumulating capital and creating a business elite. The rent-benefitting business actors became the leaders in the non-public sector (Shambayati, 1994, p. 315). However, the organized interest groups were not as effective as the clientelist and patronal ties.

Business organizations did not appear as significant political actors, and lobbying was not a prevalent CPS in Turkey until the 1990s. Instead, the responsiveness of politicians towards their constituents entailed in a lack of coherent economic policy-making in Turkey (Heper & Keyman, 1998, p. 262). The economy was trapped in a high-inflation-low-tax paradox since politicians were adopting unguided policies to please the voters of different interests. This lack of coordination resulted in 3 major economic crises and many minor crises throughout the 1990s.

3.1. Many Crises and Initial Reforms

The turn of the century was years of crises and reforms in Turkey. As institutions are consequences of continuities and ruptures, it is important to track their historical paths to better understand how the CPSs were shaped in the past. In this chapter, the crises during the late 1990s and the reforms in early 2000s, which paved the way to the rise of the AKP, will be presented and the role of the business elite will be discussed. Three threads of crises (and reforms) can be identified in this period. First, the formal institutional framework against democratization and market transition was a big impediment for the democratic consolidation in Turkey. The elite cooperation in politics, as well as the business group's support for the accession the EU, resulted in the initiation of formal institutional reforms. Secondly, serial economic crises due to lack of coherent economic policy-making had been a pressing problem. The emerging cooperation between different segments of business, labor, and political elites

motivated the reformer. Lastly, the high levels of fragmentation within the political elite and business groups prevented Turkey from having stable government and sufficient elaboration business interests, until the AKP comes into power. Yet, the fragmentation consolidated into dual political blocs, providing a base for the majoritarian policies in the late AKP period.

The legal impediments against democratization were always present in the history of the Turkish Republic. After several coup d'états and many constitutions provisioning one-party rule (1928-1946), multiparty system, bicameralism (1960-1970) and then unicameral parliamentarism with strong executive powers beginning from 1980, the lack of credibility on institutions itself resulted in an unstable ground to the attempts for democratization (Ozpek, 2012). The unstable trajectory of political institutions was accompanied with many other formal impediments which were entrenched in the 1980 Constitution. The 10% electoral threshold precluding many parties (especially the minority/Kurdish parties) to involve in electoral competition, the dominance of military bureaucracy in the politics embodied in the bimonthly-meeting *Milli Güvenlik Kurulu* (National Security Council), insufficient minority rights affecting non-Muslim and Kurdish populations, legal existence of death penalty, the vague definition of the crime of 'insulting Turkishness', and abstention from signing international conventions against torture and forced disappearance was only few of the legal impediments against democratic consolidation (Tank, 2001, p. 220; Bayer & Öniş, 2010, p. 188; Öniş, 2015, p. 27).

Turkish accession process to the European Union (EU) had a pivotal role in motivating the politicians as well as other segments of society to change formal institutions. Turkey's inclusion in the EU Customs Union in 1996, the official declaration for its eligibility to join the EU in 1997 and candidate status in 1999 provided necessary political will for the politicians to initiate and continue the democratic reforms (Schimmelfennig et al., 2003, p. 509). The commitment to the EU model of democracy entailed many political and economic reforms, including the

abolition of the death penalty, and signaled a commitment for democratization ironically in contrast with the governmental instability of the 1990s[3]. Additionally, the business elite preferences regarding the legal reforms have been altered by the increasing commitment to the 'Europeanization'. The secular business elites, although possessing deep ideological and personalistic links with the nationalist-Eurosceptic Kemalist establishment, had taken the side with pro-European reforms (Bayer & Öniş, 2010, p. 196). On the other hand, the globalist/economic-liberal clique within the conservative/Islamist business groups had struggled to drive the radical Islamist parties towards a moderate, internationalist policy position (Başkan, 2010, p. 408). In this vein, the political elite and business actors were coordinating an unprecedented scale.

The second set of crises and reforms in this period were taking place in the market institutions. Turkey had long suffered from the lack of coherent economic policy-making, but economic policies oscillated between the protectionist Kemalist preferences and economic-liberal Islamist preferences (Heper & Keyman, 1998, p. 261-262). The neoliberal shift in the global paradigm increased the leverage for the proponents of the open market in Turkey after 1980. However, the neoliberal stipulation for deregulation and the competitive economy was implemented via eradication of rule of law, broadening personalistic ties, and informal incentives for an export-oriented economy (Özel, 2014, p. 42). The pro-business political environment during the 1990s was notorious for continuous charges of corruption (Buğra & Savaşkan, 2014, p. 89-90). The broadening base of clientelist ties both with the pro-protectionism big business and pro-open market small and medium enterprises (SMEs) urged the politically unstable governments to appease both groups by granting more subsidies and public investments with lower tariffs and

[3] Between 1991-2002, seven coalition and two minority governments consisted of combinations of eight parties were formed.

tax burden. Consequently, shocked with a currency crisis in 1994, the Turkish economy only deteriorated afterward, until 2002.

The economic predicaments brought the highly-fragmented political elite together, business groups and other segments of society. The financial crisis of 2000-2001 urged the coalition parties, rival business groups (Islamists vs. seculars) and even labor organizations. The possible consequences of crises seemed to be too high for any societal group whose elites could not afford to avoid a collective action of reformation (Özel, 2014, p. 269). Consequently, bolstered with the pro-EU democratization wave, the reforms were initiated by Kemal Derviş, a senior official worked in World Bank, International Monet Fund and United Nations Development Programme, who was then appointed as the Minister of Economic Affairs of Turkey. The lack of domestic political support for Derviş turned out to be a disadvantage for the reformation process (Öziş, 2004, p. 117). Nonetheless, the reformist spirit in democratic and economic institutions was taken over by the AKP in 2002 albeit temporarily.

The last critical problem Turkey faced during the 1990s and early 2000s was the high levels of institutional, political and within-business fragmentation. The history of modern Turkey was marked by the hegemony of the Kemalist state elite and fragmentations it had created. The Kemalist state elite usually referred to as 'the Turkish state', had been too strong in Turkish politics (Heper & Keyman, 1998, p. 259). The military governments intermittently deprived the elected politicians of political authority and transferred it to the pro-Kemalist political elite. Authentic political institutions were precluded from maintaining, and this entailed in an institutional fragmentation rather than consolidation (Özel, 2014, p. 71). Military governments prevented the political parties to institutionalize. Labor-repressive and anti-communist precautions were immediately taken after the 1980 coup d'état, while the role for secular watchdog was shared among the Constitutional Courts and the National Security Council, who indeed exercised their authority via party closures and issuing threatful memoranda,

respectively. Non-institutionalized political parties explain the circulation of numerous leaders, new parties and coalition government throughout the 1990s.

The fragmentation within the business elite was very characteristic of Turkish interest groups. Although the liberal economic theory defines the market actors in atomistic and non-cooperative terms, the political economy literature suggests that business actors are inclined to cooperate and establish alliances in order to protect themselves from arbitrary interventions and rent-extraction (Oh & Varcin, 2002, p. 715; Lambsdorff, 2002, p. 119-120). However, the lack of coherent economic policies and the substitution initial corporatist structures with clientelist ties beginning with the 1950s (Heper & Keyman, 1998) created many business actors with fundamentally conflicting interests. The interest groups in Turkey operated through several cleavages: commercialists vs. industrialists, SMEs vs. conglomerates, state-grown central elite vs. peripherical 'self-made' business people, Islamist vs. seculars (Özel, 2014, p. 61-66). The diversifications proceed to exist and engendered overlapping memberships in many groups rather than evolving and converging by the time passing. Consequently, many business associations like TÜSİAD, MÜSİAD, TÜRKONFED, TUSKON along with formal business peak association TOBB, were formed and claimed to represent the business interest in Turkey. The fragmentation was also taking place within the organizations, too (Bayer & Öniş, 2010, p. 195; Başkan, 2010, p. 407; Özel, 2014, p. 62). In other words, the business elite could not provide the necessary collaboration for reforms until it became unavoidable for all. These three problems in Turkish institutions, economy, and society have characterized the context in which political Islam has risen and paved the way for the AKP government.

3.2. The Rise of Political Islam

The empowerment and institutionalization of political Islam were taking place during the period of crises and attempts of reformation. However, the impact of crises and reforms on the have

been different on the political Islam in Turkey than other political ideologies. In this chapter, the rise of political Islam, its eventual embodiment in the AKP and co-evolution of Turkish business elite will be discussed with references to the institutional patterns discussed above. It should be noticed that this chapter does not consider the sporadic terrorist attacks in Turkey (mainly caused by the Turkish Hezbollah and the ISIS) and local-level Islamic organizations but specifically focuses on the organization of political Islam on the party and business elite levels. Additionally, the minor Islamist parties that could not pass the electoral threshold will be excluded from the analysis although some key actors on the local level, such as the pro-Kurdish Islamist party HÜDA-PAR, would be left aside.

Political Islam, i.e. the adoption of Islamic discourse and mobilization of believers for political and economic elite interests (Yilmaz et al., 2017, p. 50), took many forms in the Turkish political history. Beginning with the very first national elections after the one-party rule, many parties adopted conservative tones to appease the peripherical-conservative electorate who felt antagonized and marginalized by the authoritarian secular state-elite. However, it was only in 1972 when an alliance of some conservative political elites and economically marginalized SMEs, called *Milli Görüş* (National Outlook), established an overtly Islamist party that would go into the parliament: the *Milli Selamet Partisi* (the MSP) (Gumuscu, 2010, p. 845). National Outlook movement gave birth to many Islamist parties which were shut down by the military government (the MSP) or by the constitutional court on the basis of unconstitutional activities of radical Islamism (the Welfare Party, the Virtue Party).

The business communities residing in the peripherical small cities, agitated by the economic marginalization that they faced throughout decades, supported the parties of National Outlook movement (Gulalp, 2001, p. 435). However, the political paradox that MSP faced, having its electoral base in the SMEs who aspire to grow bigger in one hand, and challenging the developmental policies that created the secular elite on the other, could only be solved via

particularistic treatments albeit temporarily. Indeed, the MSP distributed rent among its supporters and established clientelist relations with the business elite during its term in many ministries in the late 1970s (Shambayati, 1994, p. 317; Buğra and Savaşkan, 2014, p. 83).

Although clientelism was not new to the Turkish politics (Heper & Keyman, 1998, p. 262), the Islamist clientelism was an endeavor to transform the common experiences of marginalization of conservative business groups and politicians into a crony network that is underpinned not only by material or political interest but also religious values. On the other hand, the inconsistent economic policy position of the MSP was replaced by the radicalism of a series of Islamist parties during the early 1990s. The secular state elite, then represented by the military bureaucracy, became more tolerant for the political Islam due to the fear of a socialist revolution that would galvanize the under-class individuals (Onis, 1997, p. 750).

A new Islamist party, the Welfare Party, was founded a decade after MSP was shut down by the military government in 1981. The new Islamist party, the Welfare Party, was a coalition of still-marginalized SMEs and the urban 'losers of neoliberal policies' (Gumuscu, 2010, p. 845) whose interests were articulated in a balanced mixture of a return to the Islamic fundamental of the society and a vaguely defined socioeconomic system called 'the Just Order'. However, the clientelism of the Welfare Party could not prevent the controversies within the party and the conservative bloc created by the serial economic crises. As a solution, the party leaders let more radical Islamist cliques raise their voices in order to maintain the integrity of the party and to consolidate the electorate (Heper & Keyman, 1998, p. 270). Yet, stagnating growth rates, insufficient commitment to the open market policies by the Islamist parties and the ameliorating relationship with the EU (i.e. the European market) shifted the conservative business elites to a more moderate stance which was also adopted by the reformist group in the Virtue party, the

successor[4] of the Welfare Party (Başkan, 2010, p. 408). Nonetheless, the 30-year-old alliance between the emerging conservative business groups and Islamist political elite was shattered, and the conservative business groups continued their alliance with the reformist group who broke away from the National Outlook movement to establish a moderate Islamist party committed to liberal economic policies, the AKP.

3.3. The Rise of Islamist Business Elite

The rise of political Islam and the rise of Islamist business elite are deeply interconnected in the Turkish context. This chapter explains the parallelism and the alliance between the two groups. The developmental state policies were influential beginning from the first years of the Turkish Republic. The endeavor to build a 'national economy', evoked by the post-independence nationalist sentiments, was followed by import substitution industrialism (ISI) policy after the 1950s. This developmental continuity resulted in high levels of state intervention in the economy for over 50 years and entailed the emergence of a state-dependent business elite (Özel, 2014, p. 29-30). However, developmental state policies were tightly coupled to the elite-level adherence to secularism. In this vein, the 'state dependence' of business elite precluded it from following any nonmarket strategy that would associate it to the Islamist politics or any other dissident element that challenges the secular *status quo.* (Özel, 2014, p. 32). The conservative business elite was strong enough to articulate its interests only after 1970.

The Islamist political elite (especially Necmettin Erbakan, the founding figure of the National Outlook movement) started articulating the problems of SMEs and uttered their marginalized position vis-à-vis the big companies during the 1970s. For instance, Erbakan had successfully

[4] The Virtue Party was established when the Constitutional Court was found guilty of unconstitutional activities related to radical Islamism.

gathered the SMEs around him and gained the support of conservative SMEs in small and peripherical Anatolian cities during the election for the presidency in the Union of Chambers (Buğra, 1998, p. 525). Then, the network based on the economic and value-based marginalization was carried into party politics. Conservative SMEs gathered around the National Outlook during the 1970s and supported the affiliated political parties (Gulalp, 2001, p. 435). This pattern continued during the 1990s in a more organized form.

The alliance between the National Outlook movement and conservative SMEs took an important turn during the 1990s for two reasons. First, the relatively tolerant attitude of the state elite over the Islamist discourse in the public sphere (Onis, 1997, p. 750) facilitated the conservative business elite to frame itself as a religion-based marginalized social group and to differentiate itself from the Kemalist urban-based business actors. The conservative business elite claimed that they are not only disadvantaged but they are also different from the state-grown business elites with regards to their values. Increasing the emphasis on the adherence to Islamic norms, Islamic conception of justice, enmity against 'capitalist greed', the conservative business elite started representing itself as the 'Islamist business' (Savaşkan & Buğra, 2014, p. 205-206). It is purported that the systematic exclusion of non-urban SMEs from having their share from the growing industrial pie was not coincidental but religion-based discrimination. The alleged exclusion had constituted an important part of Islamist business identity, and its cooperation with Islamist parties and the AKP. Victimization of Islamist business entailed in the arguments for a compensatory justice and laid the grounds for political particularism in favor of the Islamist SMEs (Savaşkan & Buğra, 2014, p. 210).

Furthermore, many business associations, including the Independent Industrialists and Businessmen Association (*MÜSİAD),* were established by the new Islamist business actors during 1990s. MÜSİAD was distinguished from other dominant interest groups, the TOBB, and the TÜSİAD, by its political Islamist inclinations. MÜSİAD prioritized the establishment of

Islamist cultural and political institutions, and its leadership in determining the domestic political agenda rather than solely contending for economic interests (Savaşkan & Buğra, 2014, p. 168). In this vein, MÜSİAD assumed to two interconnected functions: building the institutions for political Islam in Turkey and pursuing business interests. However, these functions were not separate and MÜSİAD deployed the religious identity and Islamist networks to have a competitive advantage. The Islamist network was serving as a relational capital for the Islamist companies (Savaşkan & Buğra, 2014, p. 198). MÜSİAD created information-sharing mechanisms for the Islamist SMEs to keep up with the recent developments, broadened the ties between politicians and business actors and built connections between the domestic SMEs and international actors (Baskan, 2010, p. 404). These network-building attempts provided Islamists SMEs a competitive advantage.

However, it should be noted that Islamist parties could not build a government and the networks remained separate from the state (Silverman, 2014, p. 132). On the contrary, the secular state elite was still influential in politics as well as in the economy. During the winter of 1997 the military bureaucracy, symbolized by the date of 28 February when the National Security Council met, overtly targeted Islamist business and political elite. The military 'strongly advised' the government to take necessary actions against religious fundamentalism and openly called for a boycott against products of Islamist conglomerates (Silverman, 2014, p. 139). Consequently, the only government build by a coalition of center-right and political Islamist was indirectly ousted by the government. The indirect coup exacerbated the emphasis on victimization which has become a recurrent topic throughout the AKP era.

CHAPTER 4: RISING AUTHORITARIANISM IN THE AKP ERA

The political crises brought forth a new actor, the AKP. The overlapping institutional and economic crises, surging political Islamism and the rise of Islamist business elite are fairly sufficient for the initial popular and business support for the AKP. The AKP government was cherished by a majority of voters[5] and by all business groups for its pro-Western, economic liberal yet conservative policy stance made the (Bayer and Öniş 2010, 189). However, the AKP changed its initial political position along with its strategy for its succession in power. This section covers the three periods of the AKP government: the reform period (2002-2007), the stagnation period (2007-2011), and the polarization period (2011-today) with regards to its foundational elements for current business political strategies. This chapter explicates the AKP's strategies for authoritarian consolidation and how these strategies changed the institutional framework so that it entailed the emergence of a new pattern of CPS.

4.1. Initial Institutional Reforms and Democratization

In 2002, the AKP found itself in a leadership position during the institutional reforms and the EU accession process. The AKP was not the initiator of the reform process nor a mediator for the intended institutional change, but it was rather a moderate Islamist party which had just broken away from the dominant Islamist party and had addressed the crisis-driven material discontents. Instead of taking over the reformist momentum and deepening the integration process to the EU, the AKP government legalized some of the already-planned institutional reforms and resisted some other reforms through which the government would delegate the

[5] Turkish voters gave the governmental authority to center-left parties for only 18 years out of 69 years of electoral history. None of the left parties who won the majority of votes have received sufficient votes to form a cabinet by itself.

authority to independent agencies (Esen & Gumuscu, 2018, p. 352). The selective institutional change was aggravated by a structural impediment to the reforms. The independent regulatory agencies (IRAs) were planned to 'be transplanted' from the model countries of EU by an increasing executive discretion and circumventing the existing legal framework but without adapting IRAs to the domestic institutional framework (Özel, 2012, p. 122). The IRAs were not entrenched in the institutional framework and therefore they could not evolve into key agencies in economic policy-making. The AKP politicized the semi-entrenched IRAs and they remained under the direct control of the center (Esen & Gumuscu, 2018, p. 353).

The success in the EU accession process and 'democratic openings' had characterized the period. The AKP implemented a series of 'controlled democratic openings' as many new governments in other unconsolidated democracies do (Schwedler, 2006, p. 35). The democratic reforms were also sluggish: the AKP granted limited linguistic rights for the Kurdish population and lifted the ban on head veils in universities only in 2008. However, the overall quality of civil liberties was indeed improving (Freedom House, 2002-2007) and the negotiations between the EU and Turkey has officially started in 2005. The initial commitment for the reforms, actual reforms taking place -although selective- and improving democratic quality brought about a rapid economic success. The economy of Turkey steadily grew around 7% each year except for the 2008 crisis. This, in turn, preserved the business actor's support for the AKP.

The democratic performance was effective in improving the relationship between business and the state, but it was not a sufficient condition. The AKP's ostensible commitment to the institutional reform and pro-Western foreign policy was pleasing all portions of the business elite. The business associations associated to the former state elite such as TÜSİAD (*Türk Sanayicileri ve İş İnsanları Derneği,* Turkish Industry, and Business Association) had toned down their criticism against the AKP government and the political problems were less frequently mentioned in association's reports (Bayer & Öniş, 2010, p. 189). Intellectuals

considered the reforms during the AKP's first term as a chance for a 'normalization in democracy' since the political authority of the military bureaucracy was vanishing (Insel, 2003, p. 300) and a possibility for a genuine conservative democratic party in Turkey (Özbudun, 2006, p. 548). However, the initial commitment for the institutional and democratic reforms was either selective or they were undone later.

4.2. 'Economic Democratization' and Selective Inclusion

The selective character of the institutional reforms rapidly turned the democratization process into the first steps of the establishment of a crony network. The AKP government started selecting the institutional reforms, expanding its executive authority and curbing the independence of regulatory agencies in order to attract the business actors into the crony networks (Özel, 2014, p. 122). On the other hand, the government involved in particularistic state-business relationships. The government has frequently changed the laws and regulations of the tenders and public procurements (Savaşkan & Buğra, 2014, p. 125), central and municipal governments issued closed or negotiated tenders[6] (127), privileged the pro-government companies for mining and hydropower plant licenses (134-135), legalized tax exemptions specifically targeting some crony companies (147). These changes paved the way for crony capitalism (Aligica & Tarko, 2014) in Turkey. In this period, the involvement in the crony networks was not depending on rent-seeking activities but rather on the former political connections between the Islamist business elite and the political elite.

The long-established alliance between the Islamist business elite and Islamist political elite has grown its fruits in terms of the former's inclusion into the crony network. The discourse on 'economic victimhood', used by Islamist business elite during the 1990s, was married to the

[6] According to Turkish law, companies can compete in a closed tender only if they are invited. Negotiated tenders are open for everyone but the tenderer is legally titled to choose any bid and negotiate the details later on.

AKP's emphasis on the 'political victims' of the secular state elite. The AKP government has increasingly capitalized on the ban of the head veil in universities and public offices and on the systematic exclusion of religious high school students from higher education (Kaya, 2015, p. 48). On the other hand, state-created rents were unevenly distributed among the business groups in favor of the Islamist business on the grounds of 'economic democratization' (Ozel, 2014, p. 143). It is important to understand that the uneven distribution of rents did not undermine the government legitimacy in this period since it was perceived as a strategy of financial compensation for the previous injustices against the Islamist business circles. Non-Islamist old business actors remained far more dominant in the economy although the politically-affiliated actors grew bigger until 2011 (Özcan & Gündüz, 2015, p. 62-65). The old political allies of the government were selectively included in the higher ranks of the economy without striking change in rent-seeking behavior.

4.3. Rising Authoritarianism and Cronyism

For many scholars, the parliamentary election in 2011 is starting date for the authoritarian turn in Turkey (Esen and Gumuscu, 2016; Onis, 2015; Tas, 2015). The re-election for the party was interpreted as approval for its extensive use of executive powers, rapid decision-making and conservative policy choices (Tas, 2015, p. 779-780). The AKP distorted further the political playing field by politicizing the state institutions (Esen and Gumuscu, 2016, p. 1587), curtailing the press freedom (p. 1588). Decreasing space for liberties was also altering the relationship between the business and the government. The criticisms made by non-aligned business groups were harshly discredited. For instance, the-Prime Minister Erdoğan has publicly disdained the TÜSİAD's inquiry on two subsequent events army causalities, the killing of 39 civilians during an army operation ("Erdoğan: Ümit Boyner," 2012). The backlashes on the critical business actors were part of a broader political strategy of polarization.

Political polarization became the central strategy in this authoritarian period. The AKP has increasingly stressed a majoritarian definition of democracy. On the other hand, dissidents were associated with the former state elites and especially with a still-ongoing threat of military intervention in politics. TÜSİAD's criticism over the proposed changes in the education system was framed as "ideologically motivated" and "biased" by then-Prime Minister Erdoğan, who also blamed the TÜSİAD taking the side of the military during 28 February ("Erdoğan'dan TÜSİAD'a sert," 2012). Similarly, non-business dissident actors such as the Gezi Park Protestors were blamed of plotting a coup d'état against the government, and Erdoğan claimed that "the 50% of the population is barely staying calm" (against the protestors) ("Erdoğan: Türkiye'nin yüzde," 2013). The AKP government combined this populist discourse with the continuing emphasis on "conservative victimhood".

The political polarization along the lines of "the victim conservatives" and "statist seculars" was an attempt for regime legitimation because the expanding crony networks and erosion of the rule of law were creating a legitimacy crisis. The government claimed that the AKP-supporting majority have an "unequal standing" (Mayer, 2001, p. 152) vis-à-vis the statist secular minority. On the other hand, the public resources and rents were transferred to a narrow segment of the business elite. The AKP government used selective tax amnesties for cronies, informed crony business actors before the regulatory changes, punished the non-aligned companies via auditions, defied court rules and appointed trustees to the bankrupted companies (Esen and Gumuscu, 2018, p. 358-360). In return, companies are involved more and more rent-seeking in the form of support for pro-government charities, campaign donations and contributing public services (Esen and Gumuscu, 2018, p. 361-362). The polarization strategy was also influential among the business actors.

The 'polar cohesion' in Turkey is an integration process of the business elite in two poles, one within the crony network and one outside of it (Ozel, 2014, p. 140). The peculiarity of the Turkish case is that the AKP government has chosen the disadvantaged, economically marginalized business actors to build up its crony network. In contrast, the powerful business actors were excluded out of the crony network. Yet, the declining electoral success[7] and severe international criticism have changed this pattern. The AKP's crony network, conceived as the political allies made of business actors (Adly, 2009), is now open for a broader segment of the business elite in order to have more resources to maintain the regime legitimacy. This, in turn, increases competition between the potential cronies which is manifested in a new type of rent-seeking activity: the GONGO donations. The remainder of this work will focus on this emerging rent-seeking activity.

[7] The voter support for the AKP has declined from the absolute majority of the votes to 42% in 2018 parliamentary election. In 2019 local election, the AKP receieved 42% of votes but only in alliance with the ultranationalist party MHP.

CHAPTER 5: THE GONGO DONATIONS AS A RENT-SEEKING ACTIVITY

5.1. An Emerging Trend in the Rent-Seeking Activities: Donations for the Government-Organized Nongovernmental Organizations

A new form of rent-seeking cost, the donations for the government-organized nongovernmental organization (GONGOs) emerged in the Turkish context. Given the long history of clientelism in Turkish politics (Heper & Keyman, 1998; Savaşkan & Buğra, 2014) it is not surprising that the rent-seeking companies to make donations for the pro-government actors in civil society. However, the functions of 'coopted CSOs' in the Turkish context is crucial to understand why the business actors, especially the Islamist business elites, are urged to make donations for the pro-government NGOs.

First, the pro-government CSOs undertake some welfare state functions without antagonizing the underprivileged social groups against the state. This role of civil society provides social infrastructure for the Islamist business groups. Secondly, the pro-government NGOs assists the government to sustain its hegemony by spreading the shared ideology and discourse within the country as well as internationally. Lastly, pro-government NGOs sustains a broad network of Islamist political elite and business elite via the promotion of an Islamic way to serve people.

5.2. The 'Decentralized' Welfare State and the Civil Society

Similar to its precursors Welfare Party, the AKP was also elected by a coalition of underclass voters and Islamist SMEs. The success of political Islamists in organizing the informal security nets into well-functioning neoliberal local governments has led them to the office. However, unlike its counterparts in other countries, the functions of the welfare state were aimed to be undertaken by some specific CSOs with Islamist characters. The AKP governments in the local

governments aimed to substitute the institutions of the welfare state with Islamist charities and foundations, therefore both alleviating the demands for more social benefits and proving its commitment to Islamist values and networks without breaching the secularist provisions of the Constitution (Sarkissian & Özer, 2009, p. 18). The charity and education organizations started taking over some roles of the state in a manner consistent with rising Islamist politics.

The concentration of state-CSO collaboration in the hands of several pro-government CSOs had altered the company social responsibility pattern. For instance, education-related services such as student accommodation, cultural activities, provision of educational materials, financial aid and academic support are increasingly devolved to private and civil partners of the government (Eder, 2010, p. 174-175). The dominance of pro-government CSOs in education has risen after 2016. The alliance between the Gülen movement, a religious community with over 900 private education institutions and 550 auxiliary private courses in Turkey and 1,000 around the world, started breaking down after during the abovementioned corruption scandals, allegedly 'plotted' by the pro-Gülen prosecutors. Hundreds of thousands of public servants and business people were dismissed and prosecuted after their alleged involvement in the coup attempt in 2016 and all educational institutions were shut down. The AKP government attempted to fill the vacuum created by the closure of private educations institutions by transferring such properties to pro-government CSOs (Kandiyoti & Emanet, 2017, p. 872). However, the lost material resources are required to be matched with functioning organizations.

In this context, pro-government civil society organizations receive high sums of donations from the companies who seek rents. A major scandal regarding the education foundation *Türkiye Gençlik ve Eğitime Hizmet Vakfı (TÜRGEV),* which chaired by the son of the then-Prime Minister Erdoğan shows how uneven is the distribution of donations across CSOs. During the investigation of 17-25 December corruption scandal involving the AKP elite, it is disclosed that TÜRGEV has received 30 million Turkish liras by some domestic contributors ("Yap bağışı

kap," 2014) and over 100 million USD (around 230 million Turkish liras then) from a Saudi Arabian company ("TÜRGEV'e yapılan 99 milyon," 2014). Later it is also revealed that these contributions were made by some rent-seeking companies in return for construction licenses, favoritism in public tenders and license for touristic facilities ("TÜRGEV'e bağış yapan," 2014).

The donations may be in the form of land, too ("O arsaları Bilal'e," 2014). The donations to the well-established education CSOs in striking contrast with the pro-government CSOs. In 2015, the total contributions from corporations to the *Çağdaş Yaşamı Destekleme Derneği* remained at 18 million Turkish Liras (ÇYDD, 2014 Financial Report), and the contributions for *Darüşşafaka Foundation* received donations just over 23 million Turkish (Darüşşafaka Triannual Reports, 2014).

It should be underscored that the amount of donation (250 million USD) was announced by the then-Deputy Prime Minister Bülent Arınç and it might not reflect the reality since the high-level politicians are involved in crony relations. The non-transparency of financial resources is another problem for the devolution of welfare services from the state to CSOs (Eder, p. 2010, 183). For instance, no Islamist nor pro-government CSOs are parts the network called *Açık Açık* ("Frankly" or "Transparently") which aims to analyze and report the financial sources of member CSOs in Turkey (Açık Açık, 2017, p. 6). Not only the pro-government CSOs are not transparent, but also the large amounts of funds are being diverted from more professional, high-quality CSOs to newly established CSOs without sufficient human capital. This type of rent-seeking causes a welfare loss by decreasing the efficiency in the civil sector.

5.3. The Legitimating Role of the Pro-Government CSOs

Another function of the pro-government CSOs is to reinforce the durability of the regime. CSOs support, legitimize and collaborate with the authoritarian regimes and may play down their

'civil' aspect (Hsu, 2010; Wischerman, 2013; Lorch & Bunk, 2017; Lewis, 2013). Many pro-government CSOs publicly support the government during the election periods and share the common discourse on crucial topics ("Yüzlerce STK'dan AK Parti'ye," 2018). The CSOs which are associated with the AKP government collect more financial support than the others (Kıraç, 2016). For instance, *Türk Silahlı Kuvvetlerini Güçlendirme Vakfı* (TSKGV, Foundation for Strengthening the Turkish Armed Forces) has received 5 million Turkish Liras in 2017 in contrast to 30 million Turkish Liras in 2018 (TSKGV, Comparative Financial Report 2017-2018) after its position in the formal hierarchy ranked up, making it better connected with the government ("TSK Güçlendirme Vakfı'nda," 2018).

Direct participation of business people in the Board of Directors in the pro-government CSOs such as "15 July Association", "Archery Foundation" or "Foundation to Spread the Wisdom" is another proof for the connection between such CSOs and foundations. On one hand, these foundations are deeply connected to political symbolism of the AKP government. 15 July Association was established to cherish the memory the social mobilization and resistance against the coup which became one of the main bases for the politicized 'victimhood' of the AKP government (Taş, 2018, p. 11), the Archery Foundation refers to the Ottomanist nostalgia in the Turkish politics (Sarkissian & Ozler, 2009, p. 27) while the Foundation to Spread the Wisdom promotes Islamic alternative of the mainstream education. On the other hand, these CSOs are directly connected to the government and they are occasionally represented by the son of President Erdoğan, Bilal Erdoğan who is also part of the Board of Directors in all these organizations. Given the limited time of business people, it is plausible to assume that the relationship between the business people and CSOs is an economic relationship one rather than a merely organizational one. Therefore, business actors choose to financially and politically support the pro-government organizations which underpin the legitimacy of the AKP's authoritarian government.

5.4. The 'Civil Maintenance' of Islamist Network

The last function of the pro-government CSOs is to maintain and reproduce the social, cultural and ideological basis of the Islamist network. The Islamist character of the pro-government CSOs is facilitating the government to please its conservative electorate by committing Islamist values while bypassing the possible reaction of any veto-players that would preclude such activities on the basis of secular provisions of the Constitution (Sarkissian & Ozler, 2009, p. 18).

Furthermore, the government alters the ideas and behavior of the voter in favor of the AKP via its assistance for the Islamic CSOs (Doyle, 2018, p. 455). Islamist network-building is especially effective in the education sector. As exemplified earlier, pro-government CSOs such as TÜRGEV are funded by rent-seeking business actors. Funded by big business, these foundations do not only support academic support but shapes the socialization of student by providing conditional scholarships, accommodation and social activities leading them to a more religious lifestyle (Yilmaz, 2018, p. 23-24). The role of CSO is crucial for the Islamist business elite who deploys the Islamist network for competitive advantage.

Mosque construction organizations is an example of abovementioned network-building. According to Turkish law, mosques are not constructed with public funds but with private donations made in formal CSOs. These CSOS become influential in organizing activities in and around the mosque or promoting the mosque. Nonetheless, the CSOs of the symbolic mosques are funded by big business as a part of their public relations campaign ("Taksim'e camiyi yapan," 2017; "Çamlıca camii için," 2012). Financial contribution to the mosque construction can be both conceptualized as corporate social responsibility, too. Yet, it is striking that the funds were extorted from the construction companies rather than being completely voluntary ("Çamlıca ve Mimar," 2014). On the other hand, the donations are specifically targeting some 'mega-project'

mosques, which are erected as symbolic amalgamations of political Islam and crony construction companies-led economic growth.

CONCLUSION

Existing corporate political strategy (CPS) and rent-seeking literature primarily focus on already-established methods. Anglo-Saxon way of lobbying and litigation and the European corporatism seem to dominate the representation of CPS activities in the literature. However, the scholarly silence against the variance of CPS and rent-seeking activities is but narrowing the field for empirical studies and preventing new theories to flourish. The economic, political and cultural institutions are in the interplay with the business actors' behaviors and they are engendering new forms of CPSs and rent-seeking activities.

Regimes and government types are the political institutions that shape rent-seeking activities the most since these very activities aim to receive rents created by the policy decisions. The CPS literature is limited by a dichotomy of democratic vs. authoritarian regimes. In democratic regimes, lobbying, campaign donations, and litigation are the prevalent CPS and rent-seeking activities while authoritarian regimes are associated with corruption and patronal politics. This characterization is not fundamentally flawed although it is missing. The impacts of democratic transition, hybrid regimes and authoritarian backsliding over the CPS and rent-seeking activities are rarely examined

This empirical work maintains that the authoritarian backslide is indeed effective in creating new types of rent-seeking activities. The case of Turkey indicates that making donations to the government-organized NGO can be a form of rent-seeking activity. It is argued that the expansion of crony relations and insufficiency of the initial Islamist alliance against the Kemalist state elite have resulted in a legitimacy crisis that is undermining the foundations of the majoritarian competitive authoritarianism in Turkey. The civil society actors, embodied in the GONGOs, are employed to solve this legitimacy crisis. Consequently, the GONGO

donations became a means of rent-seeking competition between the business actors and a way of proving their loyalty to the crony relations.

It is an unanswered question whether the GONGO donations are effective and whether GONGOs are actually contribution the regime legitimation. Nevertheless, it is certain that the authoritarianism of the AKP government is still deteriorating the representative institutions to consolidate its power. By the time this work has been written the local election in the Turkish metropolitan of Istanbul was nullified on the basis of "electoral faults" ("YSK İstanbul seçimini," 2019). This proves that the authoritarian regime is developing new strategies to persist. The examination of new forms rent-seeking activities in reaction to the changing authoritarian political strategies are expected to be done by the future researchers.

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