The Lost Logic of State-Owned Banks: Mexico, Turkey, and Neoliberalism

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I. Introduction

The following incorporated comparison explores Mexico and Turkey's differing post-1990s experiences with bank privatization.[i] Drawing on a historical materialist analytical framework, I consider the class-based interrelations among the material, institutional, spatial, and discursive dynamics of bank privatization processes as they occur within each state in the wider capitalist world market.[ii] In contrast to understandings based in a liberal tradition, I begin with the idea that the meanings of bank ownership are historically contingent and socially constructed. With the transition to neoliberalism, I argue that all Mexican and Turkish state-owned commercial banks have been restructured to act *as-if* they are private, profit-seeking entities – albeit in distinct forms. While this implies a shift in policy, it embodies a much deeper qualitative change in the meanings of state ownership and privatization than is commonly recognized.[iii]

In the following cases, the governments of Mexico and Turkey began selling the state-owned commercial banks in the early-1990s and in accordance to neoliberal restructuring tenets. However, substantive changes occurred beforehand in Mexico where neoliberal advocates restructured state-owned banks through the 1980s. The López Portillo government (1976-1982) had nationalized (*i.e.*, statized) the entire commercial banking system in 1982 to rescue it from collapse – but in an emerging world market context more and more hostile to state ownership.[iv] While state-owned, neoliberal technocrats used the state banks to usher in wider political economic restructuring more rapidly than otherwise possible, which helped enable a more competitive free market and wider financialization.[v] Then, from 1991 and 1992, the Salinas government (1988-1994) privatized all 18 state banks within 13 months.

Similarly in post-1980s crisis Turkey, seven decades of legitimate state-owned banks came into question, but within a historically mixed banking system. Since the 1990s, consecutive coalitional governments have been privatizing and restructuring state banks little by little. Three significant state-owned banks remain today, which control almost a third of the banking system's assets, and which have become among the most profitable banks not only in Turkey, but also within Europe. The 2000 and 2001 crises, however, were an opportunity for neoliberal advocates to rapidly restructure the state banks, if not immediately transfer ownership to the private sector. In this case, wider neoliberal restructuring preceded and in fact led to the *substantive* privatization of the remaining state banks without a formal change in ownership. Likewise, these processes have deepened the competitive free market and wider financialization.

Looked at comparatively, distinct, divergent, and complex concrete social processes in Mexico and Turkey have converged around all state banks being disciplined by similar competitive and financialization imperatives within a deepening capitalist world market – but at different times and in different spaces. A word of caution, however. State-world market restructuring is neither the simple result of abstract individuality nor agentless structures, but the result of intended and unintended individual and collective agents' choices that are mediated by pre-existing material, institutional, spatial, and discursive constraints (Marx 1959, 320; Engels 1959, 231; Poulantzas 1978).[vi]

I structure my argument as follows. Part one examines what has been said on banking and ownership. Part two continues by briefly establishing the pre-neoliberal historical logic of banking in Mexico and Turkey. Part three, the core of the paper, examines state banking and the transition to neoliberalism from 1982 to 1992 in Mexico relative to Turkey's ongoing neoliberalization and state bank privatization processes. By

way of conclusion, I suggest that the lost logic of state banking may not be something to lament but rather that it offers an opportunity to reconsider real banking alternatives.

I. Review of the Literature

In Mexico and Turkey, much like everywhere, banking and credit formation have played a irreplaceable role enabling the emergence, consolidation, and transformation of capitalism. The specific domestic forms that credit formation has taken vary considerably, however. In core political economies where capitalism first took hold, like the UK and USA, market-based financial systems have tended to develop to meet the expanding needs of domestic capital. In more peripheral political economies where capitalism consolidated later, like Mexico and Turkey, more bank-based financial systems have predominated. These tendencies are by no means a concrete law (*e.g.*, Germany and Japan are more bank-based). In all cases, banking and credit formation depends on a country's specific historical circumstances, domestic class forces, and its location within the world market.

Much of the recent liberal scholarship on bank ownership, however, systematically fails to account for historical differences among countries by aggregating dozens and dozens together. Widely regarded as having produced the benchmark liberal study on bank ownership, La Porta *et al*. (2002) examine 92 countries and argue, following Hayek, that government (meaning 'state', of course) ownership leads to the misallocation of resources that negatively affects productivity and economic growth. Government (*sic*) ownership of banks correlates with countries that are backward, less democratic, statist, poor, interventionist, inefficient, financially underdeveloped, and that display weak property rights. Subsequent studies on bank ownership and performance have extended the dataset to include, for example, 179 countries and up to 50 000 observations (Micco *et al*. 2007). While increasingly impressive in scope, these studies tend only to reproduce La Porta *et al*. (2002), despite illustrating incredible variation in ownership patterns (*e.g.*, Otchere 2005; Boehmer *et al*. 2005; Boubakri *et al*. 2005; Andrews 2005). In the final analysis, by using 'efficiency' and 'profit' as the shared comparative variables, universally applicable across space and time, the authors agree that state-ownership has been disastrous (Megginson 2005).[vii]

While the analyses point towards patterns of some broad statistical import, what is in fact more striking is that the many correlational studies have unambiguously demonstrated that there is no homogenous and simple relationship between narrowly-defined economic variables and bank privatization. Their recognition that correlation does not imply causality (La Porta *et al.* 2002; Bekaert *et al.* 2005, 41), if anything, in fact begs for more detailed study to overcome aggregate simplifications. While comparing abstract levels of private versus state bank ownership (in)efficiencies, these analyses entirely miss that at different historical conjunctures of capitalist development, public and private banks have worked according to necessarily different, and sometimes competing, logics.[viii] In practice, neoliberal technocrats simply re-assert that private banks allocate resources 'more efficiently' than state banks (in Mexico, for example, see ex-head of Mexico's Office of Privatization from 1989 to 1993, Rogozinski 1998, 130) and that "the true meaning of privatization" is when state banks are "delivered to the private sector" (in Turkey, for example, see current Minister of State Babacan, in *The New Anatolian*, 25 Nov 2006). In the end, liberal experts and technocrats reproduce an assumed Hayekian divide between public and private ownership – or precisely that which must be investigated historically.

Institutionalist studies of bank ownership have faired somewhat better in being sensitive to the political construction of differences across time and space. In contrast to

liberal market-led solutions, Weberian-influenced analyses have tended to argue that problems within capitalism can be overcome by the 'machinery of government' (Gerschenkeron 1962). The active role of state and political will is crucial to capitalist stability (Shonfield 1969). Therein, the public control of banking has been understood as entirely legitimate, including state-ownership. With the emergence of neoliberalism, more recent studies have rethought the legitimate role of state.

Increasingly, institutionalists have converged with liberals in accepting efficiency and competitive imperatives as legitimate measures to compare the benefits of privatization. They diverge, however, on the pace and whether these efficiencies can be achieved through better policy or through more direct exposure to the world market (*cf.* Weizsäcker *et al.* 2005b, 360; Stallings 2006).[ix] Privatization itself is most often understood technically as "all initiatives designed to increase the role of private enterprises in using society's resources and producing goods and services by reducing or restricting the roles that governments or public authorities play in such matters" (Weizsäcker *et al.* 2005, 4). Differing from liberals, any number of variations along a public-private continuum are possible, from exposure to market competition to outright ownership transfer (Weizsäcker *et al.* 2005, 6-7). Where the traditional state-market continuum appears inappropriate, additional causal spheres are posited (*e.g.*, civil society, supra- or trans-national, and informal sector) (Shanin and Weizsäcker 2005). In general, the role of extra-market, even political, coordination is privileged over the determinacy of the market (McKeen-Edwards *et al.* 2004). Effective institutional regulation of private and public actors can ensure services act in the public good (Weizsäcker *et al.* 2005, 9).

As Kirkpatrick (1987) points out, if the political goal is to increase efficiency, then policy should privilege exposure to market-based competition (in Karataş 2001, 94-95).[x] Proper management, rather than ownership, is the key to maximizing efficiencies in the marketplace. Drawing on Turkey's experiences, Karataş identifies what is shared among these analyses, namely that state authorities must be ready and able to confront issues around competition policy and monopoly regulation so as "to maximize potential efficiency gains" as the state shifts from producer to regulator (Karataş 2001, 118). Therein, the shift from owner to regulator has spurred a debate around appropriate policy sequencing and strong institutional frameworks, which has been especially important to bank privatization and wider financialization processes (in Turkey, Öniş 2003; in Mexico, Garrido 2005). For comparativists like Stallings, more pragmatic solutions should consider the viability of mixed ownership since strong institutions can overcome the problems associated with either public or private ownership (2006, 9).

However, since better policy can solve productivity, stability, and efficiency problems, it becomes entirely unclear why the state should remain owner of anything. Moreover, what remains as one of the most troubling aspects of current scholarship, both liberal and institutionalist, is the failure to explain why 'efficiency' has become the universal and only legitimate measure.

In analyzing historical events, Marxist scholarship has been able to draw together the historical and social determinants of change by recognizing the interrelated totality of capitalist social relations. Typically drawing on Marx's analysis in *Capital*, volume III (1990), analyses of financial changes have tended to look at the wide panorama of banking institutions, credit, and interest-bearing capital in the development of capitalist production. Hilferding (1981) is a rare example of a Marxian analysis of banking, which focused on the interrelations between industry and banking in Germany, or the formation of what he called finance capital and the importance of the joint stock company. Since then, most Marxian studies have concerned themselves with the broader developments

of capitalism – in relation to credit and crisis (*e.g.*, Lenin 1974; Sweezy 1970; Mandel 1968).

Recent studies have done much to further explore, debate, and refine this broad line of questioning (Harvey 1999; see also Altvater 1993; Clarke 1994; Fine and Saad-Filho 2004). But again, rather than focusing on specific questions of banking and ownership patterns, current Marxian research programs have focused on questions of money and/or financialization (*e.g.*, Bryan and Rafferty 2007; Duménil and Lévy 2005; Panitch and Gindin 2004; on the global south see Soederberg 2004). In fact, when speaking of banking institutions, Marxian analyses of credit have tended to assume commercial banks are all privately owned. But what happens when the state owns some banks for decades, or owns all the banks for a short period, or sells the state banks, or continues to run state banks in a period of financialization?

The following study fills this analytical gap and reveals that there is a contested social choice in the meaning and historical organization of a state's banking system without reinforcing any essential character tied to formal ownership. This line of questioning opens a critical space for considering real banking and credit alternatives – ones that maintain a healthy cynicism of a return to state ownership, that challenge the dehumanizing effects of neoliberalism, that keep a conscious eye on the dynamics of global bank capital monopolization, and that are committed to more meaningful and democratic participation.

II. Pre-Neoliberal Banking in Mexico and Turkey

The 20th century opened as a series of booms, crises, imperial aspirations, and wars. The international economic system post-World War I was rendered unstable by British inability and American reticence to manage it. A struggle for foreign markets occurred alongside the increasingly dominant American political economy, which was both protectionist at home and expansionary abroad. US banks led an internationalizing push and by the 1930s three emerged as dominant at home and increasingly so abroad: Chase National Bank, National City Bank of New York, and Guaranty Trust Co. (Beaud 2001, 180).

In this context, many peripheral countries entered into national revolutionary periods, in Mexico from 1910 to 1920 and in what would become Turkey from 1919-1923. While the dynamics of which cannot be explored here, post-Revolutionary Mexico and Turkey emerged along a national capitalist developmental path and by the post-World War II period conformed broadly to the import-substitution industrialization (ISI) or state-led form of capitalism dominant in the world market.[xi]

ISI was materially-based in post-Revolutionary and pre-War production patterns and was intended to broadly limit (a) market-determination of long-term investment decisions and (b) the capacity of international capital to maximize profitability without concern for long-term social interests (*cf.* Cypher 1989, 65). ISI became the dominant context behind post-war capital accumulation by focusing on production for the domestic market and manufacturing capacity (see Saad-Filho and Mollo 2002, 115-16). It enabled a highly concentrated market structure due to both the technologies used and the protectionist policies institutionalized into the 198os. Domestic markets featured rigid mark-up pricing rules determined largely by the dominant firms, which were meant to protect their own revenue and income streams against demand shifts. Price rigidities, however, tended to make political economies more vulnerable to conflict or distributional struggle-based inflation. In Mexico and Turkey, state-ownership was solidified in the service of capitalist productive forces mediated by redistributive measures. Likewise, but it different forms, the bank-based financial systems fed national developmentalism

and the creation of a national bourgeoisie, who benefited enormously from protective measures. It was in this context that what we understand modern banking to be in Mexico and Turkey took shape.

Revolution and Capitalist Consolidation in Mexico

Mexico's pre-neoliberal bank-based system was characterized by increasingly concentrated private domestic ownership within family conglomerates, an interventionist Central Bank, active state development banks, and an inability to counteract crises associated with combined and uneven development.

In the years following the Mexican Revolution (1910-1920), state elites began reconstituting Mexico's political economy more firmly towards capitalism. Presidents Carranza, Obregón, and Calles, the Northern 'Sonora gang' (1917-1934), understood that a viable banking and credit system was vital to post-Revolution capitalist consolidation (Bennett and Sharpe 1980, 171-72). Alongside the office of the President, the Sonora gang shaped the core of state power around the Finance Ministry, the Bank of Mexico, and the early state development banks. The subsequent Cárdenas government (1934-40), while brokering a social peace among capital, labor, and peasants within the state, consolidated the financial system as a political instrument in support of state-led capitalist development, especially with the centralization of monetary emissions and the power of a national currency (Cardero 1984, 20).

In contrast to open markets, the state financial apparatus functioned to sanitize and control excessive liquidity and foreign currency liabilities (Cardero 1984, 27). Well into the 1980s, the Finance Ministry and Bank of Mexico closely regulated and guided the banking system via (1) establishing obligatory reserve requirements, (2) directing a portion of domestic credit to priority sectors, and (3) regulating saving and loan rates (Bustamante 2000, 260). In contrast to Turkey, there were really no effective state-owned commercial banks; however, the state developmental bank, Nacional Financiera (NAFIN), played a role in solving many industrialization problems that the private sector could not or would not well into the 1970s (Bennett and Sharpe 1980, 175).

Early bank workers, as in other sectors, pressed for improved working conditions by trying to organize unions (Cardero 1984, 22). Modest workplace gains were achieved with new regulations in 1937, but also significant compromises. Any collective action that might interfere with banking transactions was prohibited, while hiring and firing conditions remained fully within the realm of private bank owners. Bank workers were asked to minimize their demands in 'national solidarity' to confront the growing financial crisis (not unlike the 1980s neoliberal *Pactos*, or social compromises). Not until the 1982 bank statization were bank workers allowed to form unions.

With the aid of state forces, the post-war commercial banking sector shook off foreign dominance and congealed around domestic private banks – a process of 'Mexicanization' that formed allowed powerful family conglomerates or holding groups to form around banks. Foreign bank capital was subjected to special regulation while state regulation guaranteed the dominance of domestic private commercial banks, which enjoyed a highly profitable and relatively stable environment with few bankruptcies and low systemic risk (Del Ángel-Mubarak 2005, 52-54; Bustamante 2000, 260). Contrary to today's orthodoxy, the Mexicanization of the economy was well-within post-war international *and* American norms of state-led development (*cf.* Helleiner 2006).

To its benefit, bank capital enjoyed a privileged place within the state financial apparatus, which is itself a center of power. From its creation, private bankers were incorporated directly into the administrative council of the Bank of Mexico with whom the government shared the determination of monetary and financial policy with the private banking community. For their part, many financial state managers would take up private

banking after ending an official term, maintaining tight state-bank relations (Cardero 1984, 22-23). Moreover, the ever-cumbersome institutional framework of constantly revised reserve requirements became impossible to interpret consistently. Rather counter-intuitively, this institutional complexity served the interests of Mexican bank capital by ensuring a close relationship, formal and informal, with the Bank of Mexico and the Finance Ministry.

As ISI deepened, so too did the credit needs of capital. In response, the 1970 Banking Law enabled the formal consolidation of already-existing financial webs. The law encouraged bank mergers while crafting a new multiple bank-based financial system – much like the German, French, or Japanese systems (Guillén Romo 2005, 229; Del Ángel-Mubarak 2005, 50). As a reflection of social forces, the law favored already-existing financial groups over smaller banks and independent firms, which *did not* receive preferred interest rates, lighter guarantee requirements, and automatic renewal of lines of credit (Guillén Romo 2005, 232). Between 1970 and 1977, 225 banks merged into 87 (OECD 1992, 170). Already powerful domestic financial groups were able to boost their market power via the centralization and concentration of finance capital.

The combined effects of development were uneven, however, and created lasting spatial, and hence social, effects. One effect derives from state-managed relative prices, which affected distribution: urban areas were protected while rural ones were left unprotected. This created an internal deterioration in the terms of trade between agriculture and industry. Population distribution followed the spatial accumulation patterns as labor migrated from agriculture and mining to the industrial sector and from the rural and regional to the urban mega-cities. Growing urban production and population concentration reinforced the already existing patterns of centralized commercial services, such as finance (Guillén Romo 2005, 198-200). Consistent with Myrdal's (1957) earlier conclusions, Aubey argues that capital, money, and credit flowed from the remainder of Mexico to the core, capital-rich centres further impoverishing already capital-poor areas (1971, 31). The private banking sector exacerbated the sectoral differences by converting the resources of one sector into resources for another. Bank of Mexico reserve requirements and state developmental banks tried but could hardly act as a counter-tendency to capitalist developmental patterns. Thus, the growing need for credits in the urban industrial and commercial sectors simply drew from the rural agricultural sector (Cardero 1984, 37).

Discursively, state-led capitalism has been long legitimized as a defense of the Mexican Revolution, despite growing inequalities, and within a national developmental framework (O'Toole 2003). With an emerging neoliberalism, the discourse changes where nationalism demands more competitive policies involving the deeper subordination of labor, as Bryan (2001) warns us. In Mexico, O'Toole (2003) reminds us how even Mexico's Revolutionary myth has been now subsumed under neoliberalism by domestic elites (O'Toole 2003) – as evident state-paid advertisements today on Mexico City subways encouraging youth to be more competitive and productive workers in the global economy.

Nation-state Formation to Capitalist Consolidation in Turkey

Following the imperialist breaking up of the Ottoman Empire, the particularities of Turkish national developmental sentiments were crystallized in the 1923 Izmir Congress, when Turkey emerged as a country and the Ottoman Empire disappeared forever. Political leadership formalized commitments to encourage a national Muslim-Turk bourgeoisie through state transfers, public-private partnerships, and, in effect, by forming tight state-capital relations (Cokgezen 2000, 528). Like the Mexican Sonora gang, the pro-industrialization Kemalist government understood that crafting a sound banking

sector was vital to capitalist modernization plans and to providing the necessary financing for expanding commercial, industrial, and housing sectors (Eres 2005, 321; BYEGM 2005).

By 1931, the government had established the Turkish Central Bank, which assumed many of the state financial functions previously administered by the European-owned Ottoman Bank. The regulations set out at that time, despite technical changes, remained in force until 1971. For example, the 1936 Banking Law set reserve requirements at 15 percent of bank deposits, which was raised to 20 percent in 1943, all of which were used for internal borrowing purposes (BAT 1999). Like Mexico, and consistent with the needs of state-led capitalist models, the Central Bank played an active role in channeling domestic resources into priority sectors and state-owned enterprises (SOE), rather than applying narrow monetary policies associated with neoliberalism.

In contrast to Mexico, however, the Turkish government actively pursued the use of state-owned commercial banks to aid specific capitalist developmental mandates (see BAT 1999). It must be noted that their purpose was not pure profit-maximization, even though they remained modestly profitable on average, but to support the growth of specific capitalist markets, even though this had an ostensibly social mandate. One political mechanism used was duty losses (now universally reviled by neoliberal technocrats), which subsidized loans to socially-sensitive sectors. Duty losses are understood as state bank claims on the Treasury derived from subsidized lending and the interest accrued to these loans (BAT 2001). To this end, Emlak Bank (1927) was founded as a mortgage and loan bank and Sümerbank (1933) to finance and develop SOEs. Etibank (1935) was geared towards developing mining, mineral marketing, and power supplies and Belediyeler Bank (1933) towards providing loans and technical expertise to municipalities around infrastructure needs. Halk Bank (1938) and Halk Sandıkları (1938) were to offer credits to small tradesman. Of the state-owned banks, Ziraat Bank (1863), the agricultural bank that subsidized crop prices and offered credits to small farmers, has been the most important and remains so. While established much earlier and operated as a joint stock company through the 1930s, in 1937 the government increased Ziraat's capital base and converted it into a state-owned bank.

Post-electoral victory of the Democrat Party in 1950, the first generation of domestic capitalists enjoyed favorable policy expression within a new more liberal economic trajectory – the Turkish government moved to reduce trade barriers and accelerate processes of internationalization by increasing trade in goods and services (Aydın 2005, 9). The liberalization experiment, however, encouraged speculative activity, which became increasingly detrimental to the whole of the capitalist economy. The government responded by re-establishing firmer controls on banking activity (Cosar 1999, 126). By the late-1950s, a high trade deficit and foreign exchange shortage led the government to devalue the currency, which did not alleviate the crisis situation (Eres 2005, 323). Out of this domestic socio-economic and political situation of instability rose the 1960 military coup.

In this period, state-civil society (*i.e.,* market) relations were organized more systematically (Cokgezen 2000, 528-31). In 1950, the Union of Chambers and Stock Exchange (TOBB) was established in law to represent business interests; with time, it became dominated by small- and medium-size enterprise (SME) capital often located in smaller urban centers. ISI had encouraged the formation of increasingly powerful and concentrated groups of capitalists into monopolistic holding groups, which conflicted with the interests of SMEs. In 1971, they split and the powerful Turkish Industrialist and Businessmen Association (TUSIAD) was formed. TUSIAD became dominated by six large holding groups, Koc, Sabanci, Dogus, Tekfen, Is Bank, and Cukurova, each of

which had a commercial bank at the core, much like large Mexican holding companies. In the interim, the Banks Association of Turkey (BAT) was established by law in 1958 as a legal entity and representative body of all banks operating in Turkey. Albeit mediated by the presence of state banks, the BAT formalized bank capitals' presence within the state, like TUSIAD and TOBB, fomalizing tight state-markets relations.

Whereas in Mexico, fragmented private banks could not fulfill the growing needs of capital spurring a state-encouraged consolidation process into large universal banks held by holding groups, in Turkey, by contrast, state-owned banks alone were incapable of fulfilling the mounting credit requirements. State-ownership, as opposed to fragmented private ownership, encouraged the self-organization of domestic capital around private banks. Unsurprisingly, those capitalists who established the new private banks lent to their own shareholders and fulfilled their own capital requirements (Eres 2005, 323).[xii] Moreover, liberalization and growth intensified domestic competition within the banking sector. In response, multi-branch banking expanded to capture more deposits and smaller local banks were merged or liquidated. This began to form a more concentrated capital stock as a response to competition – while deepening competition itself in the process (*cf.*, BAT 1999; Cosar 1999, 125; Eres 2005, 323).

Following crisis in the late-1950s, the government reversed the post-war liberalization experiment and began to re-assert state- over market-led capitalist development. Bank deposit and lending rates were government-adjusted according to ISI policy priorities and the development plans. This trajectory was set out in the first of three 'Five Year Plans' beginning in 1962 and lasting until the late-1970s, during which state authorities encouraged long term credit provision while placing substantial controls over banking activities (Cosar 1999, 126). Low reserve requirements and high real interest rates for investment loans enabled banks to profit reasonably (BAT 1999).

Similar to Mexico, the effects of uneven and combined development within Turkey manifested in the absolute dominance of the three main regions around Istanbul, Ankara, and Izmir, which accounted for about three quarters of both deposits and credits from the 1960s to 1980s (BAT 1965, 1971, 1981). This implies an incredible spatial concentration of class-based political economic power over time and signals the reproduction of internal core/periphery development patterns. The large conglomerates' profit-seeking activities concentrated their activities in these regions, wherein 88 percent of the holding companies are established, but especially around Istanbul (Cokgezen 2000, 530). At times, this has sparked rural and urban intra-capital conflict (e.g., between TOBB, as rural SOEs, and TUSIAD, urban conglomerates).

While state banks do not operate outside this spatial logic, state banks made modest attempts to compensate for regional disparities (as the Central Bank did in Mexico). Significantly more credits over deposits were made available in Izmir and the remaining seven peripheral regions from the late-1960s to 1980. It is not clear, however, if state banks were actively redistributing credit away from the capital rich regions.

Even with its relatively more stable growth patterns, state-led capitalism was not free of crisis tendencies. While optimism remained in the early-1970s, widening trade deficit, current account imbalances associated with expenditure increases, and inflationary pressures were acting upon peripheral governments in such a way that short-term responses were taking precedence over long-term planning. ISI measures crafted a protected market that helped to ensure profits and growth for domestic capitalists, however, the subsidized and inflationary form of industrialization, as well as foreign exchange constraints, exacerbated the external deficits and inflation (Eres 2005, 324). In consequence, two crises hit Mexico and Turkey, one in 1976 and another in 1982 –

the latter debt crisis serving as an opportunity to restructure their political economies along first generation neoliberal reforms (*cf.*, Cypher 1989).

In these two comparative cases, two different forms emerged within the encompassing logic of post-war state-led capitalism, which share a legitimate role for a politicized state presence in the economy. The formal presence of the state in the economy emerged as an objective necessity for capitalist development [which dehistoricized hypothetical deductive accounts of which post-war financial 'repression' models fail to account (*e.g.*, Shaw 1973; McKinnon 1973]. Development was legitimized around a nationalistic discourse, which involved redistributive compromises from both capital and labor. However, state-led capitalism in Mexico and Turkey did not emerge without contradictions. Pre-existing patterns of social inequality were mildly mitigated, but in doing so structurally deepened class-formation patterns. For its part, domestic capital was able to augment its power both in the internal market and formally within the state. Domestic core/periphery spatial dynamics were (re)produced, not unlike wider core/periphery relations in the world market. The historical specificity of banking, be it state or private, was thus mediated by the structural context of state-led capitalism. However, the specific forms taken resulted from the individual and collective class-based decisions and actions made within each country, decisions themselves contextualized by the specific material, institutional, spatial, and discursive dynamics of post-war Mexico and Turkey. Neoliberalism formed out of this context.

III. Neoliberalism and State Bank Restructuring and Privatization

In the post-war era, the political economies of Mexico and Turkey converged towards creating and being disciplined by a state-led capitalist world market, albeit in rather different concrete forms as banking shows. Likewise, as their post-1980s political economies have changed, so have they created and converged towards being disciplined by neoliberal world market competitive and financial imperatives – but, again, in different concrete forms. In Mexico, the 1982 statization enabled neoliberalism to emerge more rapidly than otherwise possible. By contrast, state-owned bank privatization has substantively occurred through mergers and organizational restructuring more so than through the formal transfer of ownership, in a sense slowing common notions of neoliberalization. In both cases, state-owned banks have been penetrated by neoliberal discipline prior to their formal sell-off. In Mexico this translated into a rapid sell-off whereas in Turkey it has not, yet.

Statization to Privatization in Mexico, 1982-1992

In Mexico, the 1982 commercial bank statization by outgoing President López Portillo is well-documented but under-theorized in light of its impact on the emergence of neoliberalism.[xiii] Taken amidst crisis, bank statization reset state-capital relations within the power bloc in what was meant to be a capitalist system-saving act and structural shift to retrench *state-led* capitalist development.[xiv] Counter-intuitively, however, the 1982 bank statization had the unintended consequence of enabling a more rapid transition to *market-led* capitalist development (*i.e.*, neoliberalism) than otherwise possible. More obviously, without statization, bank privatization would have had no historical basis in Mexico. I do not suggest that this was the only possible path to neoliberalism, but as Mexico's most significant statization/privatization couplet it was integral.[xv]

The immediate circumstances leading up to the 1982 debt crisis included the decline in the world market price of oil in 1981, the growth in public debt to compensate for lost

revenues, and the sharp decline in the flow of foreign exchange (Rogozinski 1998, 130-31). Successive peso devaluations, currency speculation, and capital flight were aggravating the deteriorating public finance position and balance of payments problems. External debt payments were temporarily halted in August 1982, which brought the economy to a point of grave instability with inflation increasing to 100 percent and cumulative devaluation that year of 466 percent in the free exchange rate and 268 percent in the controlled exchange rate (Rogozinski 1998, 131). Unemployment was rising and real wages falling drastically.

In March 1982, President López Portillo had asked key advisors present all possible options to stem the acute problem of the peso and its value relative to the US dollar (Tello 1984, 9-11). Like the 1976 crisis, four orthodox policies were initially presented. These included further peso devaluation, floating the peso, instituting exchange controls, and simply allowing the February 1982 devaluation more time. The so-called "fifth option" presented was bank statization – an idea debated since the mid-1970s among structuralist economists to re-assert state control over the economy.

Social resistance to implementing the fifth option was considered in advance (Tello 1984, 13-14). The fear of mass cash withdrawals was real, but could be initially managed via state controls. Backlash from industrial capital could be mitigated through a series of financial and exchange rate measures. Bank labor could be courted by offering unionization. Possible repercussions from foreign governments and capitals, especially American, weighed heavily. While some feared a US boycott, López Portillo reasoned this would remain at an ideological level as American interests would not be directly threatened; the only foreign bank, Citibank, would be left alone (as in bank statizations elsewhere at the time, see Maxfield 1992). Indeed, once formalized, foreign capitals were reassured by the state's ownership of foreign debt obligations, effectively guaranteeing their repayment. López Portillo and advisors, however, were well aware that statization would trigger a showdown between (a) the state and presidency and (b) the private sector, headed by the bankers.

In this volatile context, López Portillo exercised the institutional power of the presidency on 1 September 1982 and brought the banks within the state apparatus by decree (*i.e.*, the so-called nationalization). At the same time, a system of exchange controls was put in place. The President legitimized the decision as a defense of the Mexican revolution against a powerful and corrupt banking elite.

Banking capital reacted unsurprisingly with alarm – many large holding groups had suddenly lost the core of their economic groups and the self-capacity to channel public savings into their industrial and commercial arms. In the three-month political vacuum between presidencies, the social forces and ex-bankers opposed to statization gained ground as they framed the decree as an abuse of the presidency by a vane and outgoing president. It was clear, however, that the long held social pact between capital and state had suffered a fracture, at the expense of capital (Ramírez 1994, 21). Popular support, however, exploded following the announcement as supporters filled the Zócalo (the plaza in front of the Presidential Palace) taking López Portillo by surprise. Leftist hopes for an unorthodox exit to the crisis would not be realized, however, as the economic crisis did not immediately subside, and incoming President de la Madrid would use statization to pursue a distinctly neoliberal developmental path.

Neoliberal Structural Adjustment: The incoming de la Madrid presidency had not foreseen bank statization, but soon recognized the powerful tool handed to them by the outgoing López Portillo. Pro-market state technocrats were able to massage state bank ownership to their benefit. As the first step, the more conservative Miguel Mancera replaced Carlos Tello, the author of statization, as head of the Bank of Mexico. More

profoundly, macroeconomic stabilization and transforming Mexico's protected state-led economy into a market-oriented one was to follow (Ortíz 1993, 257).[xvi]

The de la Madrid administration's *Immediate Program of Economic Reorganization* (IPER), sponsored by the IMF and endorsed by domestic capital, embodied what would in time be understood as the Washington consensus.[xvii] The IPER called for the following: (1) public sector austerity and restrictive credit polices, (2) real exchange rate devaluation, (3) SOE price liberation, (4) trade liberalization and GATT membership (est. 1985), (5) internalization of foreign capital, (6) export promotion through *maquiladoras*, and (7) SOE privatization (Ramírez 1994, 23).

The results were dramatic. Public expenditures dropped, as much as 50 percent to 70 percent within some SOEs (OECD 1992, 130-31). New public spending patterns emerged along generic 'social sectors' lines to lubricate the harshness of structural adjustment. Neoliberal technocrats lauded the early macroeconomic results: the primary fiscal balance, excluding interest payments, went from a 5 percent deficit in 1983 to a 5 percent surplus by 1987 [80 percent of which, technocrats recognize, derived from reduced state expenditures (Ortíz 1993, 257)]. High inflation and interest rates, advocates qualify, thwarted these austerity efforts as domestic imbalances grew alongside the collapse in oil prices, the lack of foreign credit, and the transfer of domestic resources abroad through debt service (Ortíz 1993, 257). The 1987 Mexican stock market crash reversed many of the austerity-induced gains as the fiscal deficit grew to over 16 percent, inflation at nearly 160 percent, and renewed capital flight.

International debt management helped bridge the volatile transition to neoliberalism through the 1985 Baker Plan and the 1989 Brady Plan (Cypher 1989, 65-66). The 1985 Baker Plan encouraged governments to open to the exterior as a response to ISI. The March 1989 Brady Plan likewise injected new life into the emerging international strategy for managing external debt (CEPAL Executive Secretary Gert Rosenthal, *El Financiaro*, 28 May 1990, 70).

Labor control was key to the IPER and to enhancing international competitiveness in tradable goods. The Mexican comparative advantage would increasingly rest on cheap labor, which could be crafted by a government-authored freeze in money wages below the rate of peso devaluation. With every one percent increase in the real exchange rate, real wages decreased by 0.49 percent since they were not indexed to inflation (Ramírez 1994, 26). Threatening a general strike, some modest recovery in wages were achieved by the end of the 1980s, formalized in the state-capital-labor *Pactos* in the 1980s and 1990s.

Privatization, however, was and remains the vanguard policy of neoliberalization in Mexico, as in others (*cf*. Marois 2005). And where privatization was made a formal condition, as in post-1980s debt renegotiations and access to international flows of credit and capital, the ideas embedded in the agreements themselves were then used by subsequent Mexican (and Turkish) governments to help legitimize and accelerate neoliberalization via the sell-off of state-owned enterprises, including state banks.

At the same time, privatization was domestically cast as a renewed defense of the Constitution, in stark contrast to the post-war period. Like the IPER and structural adjustment, privatization intentions were institutionalized in the National Development Plan (1983-88), wherein neoliberal advocates reinterpreted Article 28 of the Constitution: the strategic areas and priority activities that the state *must* promote were reinterpreted such that they *could* be open to private sector involvement (Rogozinski 1998, 89). 'Non-strategic' SOEs, however, *must* be sold off to liberate public resources, permitting the government to "focus on activities of true strategic importance to national development" while boosting economic efficiency (Rogozinski 1989, 50).

The government approached privatization in two phases, by contextual necessity and by conscious design. The first phase under de la Madrid sought to launch privatization and win public acceptance and confidence (Rogozinski 1998, 86). The smallest SOEs were privatized so as to learn institutionally and increase "awareness" (Rogozinski 1998, 86). A second phase beginning in 1986 was pursued vigorously by the Salinas administration (1988-1994). Overall, SOE numbers fell from 1155 in 1982, to 737 in 1986, to 280 in 1990, and to 223 by May 1992 (OECD 1992, 89). From 1984 to 1989 inclusive, early privatizations generated only about $2 billion. By contrast, the Salinas administration's efforts generated $22.75 billion in revenue, with 1991 being the peak year at $10.72 billion (SHCP 1994). More than half of this total derived from the sale of the 18 state banks for $12.27 billion between 1991 and 1992, which alone represents 51 percent of the total revenue obtained by the sale of SOEs from 1989 to 1994 (Rogozinski 1998, 130). Contextually, of a total $96 billion in privatization revenues from 1988 to 1993 in the whole of the third world, Mexico totaled about $25 billion, or nearly one quarter (MacLeod 2005, 37). The Mexican state-owned banks alone, as such, equaled almost 13 percent of *all* third world privatizations from 1988-93.

Amidst wider neoliberalization processes, the commercial banks are Mexico's most spectacular statization/privatization couplet, a role made more remarkable by the socio-economic role taken as agents of neoliberalization. I will explore the role as agents first in my discussion of the logic behind Mexican state-owned banks.

State-owned Banks: Many comprehensive studies of Mexico's neoliberal experiences have not recognized the role of state-owned agent banks (*e.g.*, Dussel Peters 2000; Guillén Romo 2005). However, as the former head of Mexico's Office of Privatization recognized, the institutional learning and growing expertise of the state-owned agent banks made it possible to privatize more SOEs more rapidly (Rogozinski 1998, 91).

Once a SOE was designated for sale, it was reassigned to the Ministry of Finance (SHCP). An agent bank, which had to be a domestic commercial bank by law, was then assigned as the sales agent for the Federal government (Rogozinski 1998, 88; SHCP 1994, 16). During this period and until 1992, all domestic commercial banks were state-owned banks. The choice of bank depended on whether a particular bank had expertise in the SOE sector, its workload, its past record in handling privatizations, and whether the bank had interests in the SOE being sold off (e.g., as a prior creditor or with any of the buyers as financier) (Rogozinski 1998, 92). The state-owned agent banks then jointly developed privatization strategies with the Office for Privatization of the SHCP and would, in the end, analyze bids and make recommendations to the SHCP regarding the best offers for SOEs (SHCP 1994, 16-18). From start to finish, agent banks were integral to the overall privatization process.

As agent banks, the state banks profited from the commissions paid for handling SOE preparation, equivalent to one percent of the price paid for the shares, developed their market-based capacities, and internalized neoliberal logic by accepting and coordinating SOE privatization (*cf.*, MacLeod 2005, 48-49).[xviii] As Rogozinski writes, "[b]ecause privatization is a dynamic process, experience was gained constantly, with the result that each sale in a given sector was carried out more rapidly than the last, but always in compliance with the original guidelines and strictly in accordance with each step of the process." (1998, 92)

In contrast to Turkey, for example, the government had total and direct access to banking services in the service of privatization, which could not of been had so concretely pre-1982. Moreover, in acting as agents of neoliberalization, the market-led logic of neoliberalism became embedded in the organization of these public institutions and their public workers, who became the bearers of neoliberal market discipline. That

is, in enabling the transformation of Mexico's political economy, state banks transformed themselves. By the late-1980s, the state apparatus was prepared to initiate a more aggressive privatization phase, of which state-owned bank privatization itself would be the centerpiece.

In terms of the wider banking sector itself, the incoming de la Madrid administration attempted to normalize state-capital relations. While the immediate attempts of ex-bankers' to have statization declared illegal failed, their power within the state did not simply fade away given the historically tight state-capital relation. The indemnification terms were especially generous for the ex-owners. Nine year negotiable bonds were issued at an interest rate equal to 90-day deposits (Burke 1983, 27). Moreover, the sale was tax-free, which ex-bankers took it as an opportunity to exert more pressure on the government and demand a retreat of the state in finance (Tello 1984, 17). The bonds could be used to purchase other SOEs, which they were at bargain prices, or to purchase up to one percent of a state bank (the maximum any one individual or institution could own). Private participation in any one state bank could not exceed 34 percent of capital. Contrary to state 'democratization' discourse, only the wealthiest of Mexicans, including many ex-bankers, were able to participate in state bank shares. The measure, however, neither satisfied the ex-bankers nor pleased those who supported bank statization in the first place (Tello 1984, 16). By the time of privatization in 1991-1992, only three of the eighteen state banks remained 100 percent state-owned; most had non-voting participation between 25 to the maximum 34 percent (*e.g.*, Banamex was 70.71 percent state-owned, Serfín 66.98 percent, and Banorte 66 percent; Unal and Navarro 1999, 72).

Beyond private participation, statization did much more to rationalize the sector according to neoliberal tenets. Most strikingly, the *non-bank* financial intermediaries acquired with the commercial banks in 1982 were rapidly privatized. This was not only to appease domestic capital, but also to put the state banks into direct competition with a private, parallel *market*-based financial sector. State technocrats legitimated parallel financialization as fundamental for economic modernization, poverty reduction, economic efficiency, and competitiveness (Ortíz 1993, 258). Credit growth would be encouraged and a monetary system crafted that did not rely on targeted credits or interest rate controls, but on the "transmission of market signals" (OECD 1992, 173).

At the same time, the government opted to maintain almost intact the internal banking operations erected by the private sector. Almost no managerial restructuring took place as only bank presidents were removed, arguably to avoid bureaucratization (OECD 1992, 175; MacLeod 2005, 44). The government then initiated a process of state-led sectoral consolidation (excluding the two remaining non-state commercial banks, the union-owned Banco Obrero and US-owned Citibank Mexico) (Unal and Navarro 1999, 63). Prior to the first 1983 merger, nine banks were liquidated or simply closed leaving 49 banks. Of these 49 banks, 20 regional banks were merged with mid-size banks leaving 29 state commercial institutions in 1983. The second 1985 merger reduced these 29 banks into 19, which were reduced to 18 institutions in 1986 with the merger of Serfín and Credito Mexicano. These 18 core state banks remained until privatization.

The SHCP-led mergers were part of spatial development strategy to create a banking sector in which five banks would be local/regional, seven would be multiregional, and six would be large national banking institutions – all coexisting in one state-owned and -run system (BAM 2006). The national banks were meant to finance large public and private investment projects as well as support and develop external commercial operations. Multi-regional banks were to focus attention on those regions of

concentrated economic activity and centers of consumption and to specialize credit activities around these areas. The regional or local banks were to support economic decentralization and channel resources to local market and client needs.

Based on profitability and efficiency imperatives, the government also authored a period of austerity with limited growth in the number of state bank branches and staff. While the number of potential banks users grew by 33.9 percent from 1982-88, the number of branches expanded by only .05 percent and actual number of users by 10.7 percent (*El Financiero*, 13 June 1990, 3). Austerity reduced bank expenses by 21 percent, creating an increase of 12.6 percent in the financial margin. State banks also reduced non-performing loans significantly from 1982-87 and generally improved portfolio quality from before statization (OECD 1992, 175). Competition heated as market-based finance increased and banks had to compete with lower interest rates in the financial markets. The Banks' Association complained that the while brokerage firms enjoyed freedom, banks were restricted by excessive regulation and fiscal obligations (*El Financiero*, 4 June 1990, 3).

With the crisis of 1986, not unlike in Turkey at this time, the banking system became the main financing source for public expenses, which was achieved through official reserve requirements. Any attempts to use the banks to channel funds into priority sectors of the economy faltered as their resources instead financed public sector debt and invested in oil to help pay off foreign debt (MacLeod 2005, 46). By 1987, this was leading to intensified disintermediation and parallel market competition. The problems of state-owned banks *in* capitalism and amidst debt-discipline came to a head and increased pressure to privatize the banking system emerged.

Operational privatization measures began in 1988 and followed through to formal bank privatization in 1991-92. Among the reforms first initiated, the government began to remove quantitative credit granting restrictions, reserve requirements, and interest rate regulations. State-owned bank managers were given greater autonomy, while the bank institutions were exposed to intensified market competition, especially post-1989 capital account opening (OECD 1992, 175). These changes formed the immediate context and logic around bank privatization, while reconstituting the historical and social meanings of public versus private ownership.

The formal sell-off of state-owned banks was rapid (about one bank every three weeks) with the total sale proceeds reaching about $12 billion, considerably higher than the four or so billion dollars anticipated (of which only a fraction actually accrued to state coffers after commissions, transaction costs, debt settlements, etc).

The structural effects of the sale can be illustrated via a few specific cases – Banca Serfín, Banamex, and Banorte, three of Mexico's largest banks. The nationalized Banca Serfín was privatized in 1992, essentially to the same Mexican Sada family group who previously owned it. Then, post-1995 crisis, the Sada family-led group began selling some shares to foreign bank capital including General Electric, HSBC, and Spanish giant Santander – as initially allowed by Mexican legislation. By 1999, full foreign ownership was permitted and Santander took control of Banca Serfin in 1999. Banamex, nationalized from the Legorreta family, was privatized in 1991 to Mexican financier Roberto Hernandéz and partners (including Alfredo Harp Helú). Emerging relatively well from the 1995 crisis, Banamex increased its market share by acquiring smaller banks, increasing the concentration of banking capital in Mexico. In 2002, US-based Citigroup completed its acquisition of Banamex in the then largest emerging market financial-services transaction ever for $12.5 billion, illustrating the intensification of banking sector competition. Following its 1982 statization, Banorte was consolidated with another state bank and came to be the most profitable Mexican state bank. It was privatized in 1992 to a Monterrey-based group headed by Roberto Gonzalez Barrera.

Since then, Banorte has expanded domestically by acquiring failing banks and has come to be one of Mexico's largest banks, while remaining domestically-owned. While increasing the concentration of banking domestically, Banorte has begun to internationalize more aggressively by purchasing small, regional American banks to help capture the lucrative US-Mexico remittance market.

Currently, foreign ownership now exceeds 85 percent and is dominated by Spanish, Canadian, American, and British banking capitals. Even by liberal accounts, however, efficiency and domestic productive finance have been put in question as small- and medium sized productive enterprises, not to mention people of little or no real capital savings, have been starved of credits. Moreover, service fees are significantly higher than in the global north and most bank credit is directed towards government credits [Avalos and Trillo 2006; Guillén Romo 2005]. The inability of the market-disciplined banking system to feed anything but the most lucrative credit requirements cannot be explained away as a mere market-failure, but rather as the natural consequence of a deepened profit-maximization logic and neoliberal competitive imperatives.

Unsold Bank Privatization in Turkey

Privatization has occurred differently in Turkey, even though making state banks operate on the basis of "market rules and profitability" was fundamental to restructuring post-2000 and 2001 crises (BAT 2001).

Turkey's neoliberal transition, like Mexico's, was initiated amidst social and political crisis, including the Turkish military's longest political intervention (September 1980 to November 1983). The military intervention was legitimized as necessary to overcome crisis, which also implied deep neoliberal restructuring towards free market discipline. The military government was followed by a limited transition to parliamentary democracy in 1983, a fuller transition to liberal democracy in 1987, and a consistent government commitment to neoliberal reform.

Early government policy encouraged export-oriented industrialization (EOI), economic deregulation, and the initial liberalization of financial markets. Interest-rates and foreign exchange rates were liberalized and many price controls were removed. The government's intent was to increase world market integration by increasing competitiveness and, by extension, efficiency. The World Bank and IMF supported and mediated market-led structural adjustment, which was understood as the only possible cure for Turkey's growing foreign debt, foreign exchange shortages, trade deficits, high inflation, and unemployment (Odekon 2005, 23). The neoliberal orientation sought to change the role of state in capitalist development. On the one hand, rather than directly participating in the economy, state resources would be used to support private capital formation. On the other hand, state investment was restructured and directed towards infrastructure like electricity, highways, and telecommunications (Cokgezen 2000, 532).

Turgut Özal was a key actor and ideological proponent heading domestic efforts to restructure Turkey's political economy. Özal acted as the Minister of Economy from 1980 to 1982 and Prime Minister from 1983-1989, during which time the Executive enjoyed highly concentrated power until 1987. Özal was then President from 1989 to 1993. Özal's party (1983-87, Motherland Party, ANAP) was the first political party to explicitly support market-based profit-seeking capitalist accumulation as a development strategy since the Democrat Party in the early-1950s. For neoliberal technocrats, the 1980s shift to a world market orientation was hailed as a model of success (Odekon 2005, 31). However, the initial export-led industrialization path, which relied on currency depreciation, export subsidies, and wage suppression, reached its limits by 1988 (Duman *et al*. 2005, 127).

The government responded via deeper financialization, marked by capital account liberalization in 1989, which was intended to open a "temporary breathing space" and allow the government to maintain "high growth by recourse to short-term borrowing in an environment of endemic fiscal disequilibrium" (Öniş 2006, 249). It also created new fragilities as foreign capital became one of the main sources of capital alongside deposits, while liberalization enabled domestic foreign currency substitution (BAT 1999).

Privatization, as in all post-1980s structural adjustment programs, has been a vanguard policy enabling neoliberalization. Turkey's particular history within the changing capitalist world market has meant privatization processes have proceeded – but not as decisively as elsewhere (*e.g.*, Mexico and Argentina). More partial transfers of ownership characterize privatization rather than the complete withdrawal of state-ownership (Karataş 2001, 118). As we will see in the case of state-owned banks, moreover, privatization has also implied a more qualitative re-organizational dimension as SOEs internalize private, profit-seeking behavior as their *modus vivendi*.

To help ideologically organize and legitimize the privatization plan, the Özal administration hired the US-based Morgan Guaranty Bank. Of the fourteen objectives identified by Morgan Guaranty, six key ones stand out and are commonly recast in various forms and principles to help legitimize neoliberalization. The six objectives include: (1) to transfer almost half of "economic decision-making process" from the public to the private sphere to increase the effectiveness of market forces, (2) to promote efficiency, increase competition, and improve SOE productivity, (3) to develop a viable capital market and encourage the wider distribution of shares (*i.e.*, democratization), (4) to reduce the weight of SOE on the state budget, (5) to reduce the size of the public sector and it monopolistic characteristics, and (6) to raise resources for the Treasury (Morgan Guaranty Report 1986, in Karataş 2001, 95).

The first major privatization occurred in 1988 with the sale of Teletas (a telephone and communications firm) followed by a few dozen more SOEs through to 1991, many of them being involved with cement (Karataş 2001, 95). Bank privatization did not immediately follow the 1982 debt crisis when the Turkish government liquidated a few private banks; there was no statization *per se*. State banks maintain a significant share of the banking sector and continued their mandated roles until the 2000 and 2001 crises.

In sharp contrast to Mexico, changes to state banks were mostly through liquidations and merges, with only modest privatizations in the 1990s. For example, Sümerbank was Turkey's first significant state bank privatization in 1995, sold to the textile arm of the domestic family group Garipoglu for $103.5 million. This was followed by the sale of Anadolu Bank for $69.5 million and Deniz Bank for $66 million in May 1997, then Eti Bank in May 1998 for $155.5 million. As we see, the proceeds have been minor compared to Mexico's $12 billion. However, the largest and most important, Ziraat, Halk, and Vakifbank, remain formally state-owned and –controlled, although slated for privatization.

In contrast to Mexico, then, the formal sale of Turkish state-owned banks does not represent the pinnacle but rather the prologue to privatization. Post-1982 statization, Mexican state and government authorities acted to maintain, enhance, and neoliberalize the private sector logic already present within the Mexican banks. In Turkey, state banks have essentially always been 'state' banks and institutionally guided by specific social mandates, however disciplined within state-led capitalist world market. In contrast to Mexico, then, a more profound organizational transformation has occurred. Privatization has been less about ownership transfer, even though it remains the shared ultimate goal of neoliberal advocates. Turkish state-owned banks have gone through a

long period of restructuring, partly due to their original mandate and partly due to troubles in selling them off rapidly. As a result, and while still state-owned, Turkish state-owned banks have come to function more profoundly *as-if* they were private, profit-seeking institutions. In this qualitative sense, the privatization of state-owned banks was substantively achieved, even without a formal transfer of ownership, post-2000 and 2001 crises via the neoliberal Transition to a Strong Economy programme, which featured a specific banking sector reforms programme.

Transition to a Strong Economy: While materially devastating for many Turkish people, the two banking crises challenged but did not delegitimize capitalist banking in Turkey. Rather, neoliberal technocrats recognized the 2000 and 2001 crises as an opportunity to do in Turkey what may not have been possible otherwise – namely, to correct the market failures of the 1980s (Chhibber 2004, 12). In this, state personnel were able to exert extraordinary influence over the banking system's institutional structure and, by extension, its market structure. This ideologically-organized response aimed to deepen market-led capitalism and renew Turkey's openness to the world market via the Transition to a Strong Economy (TSE) (*cf*. BRSA 2002).

The December 1999 Disinflation Programme was the immediate backdrop to the TSE, itself a response to ongoing neoliberalization problems. Briefly, an uncomfortable but stable three party coalition approved the 1999 Programme under IMF guidance. This, alongside being drawn into the Group of 20 and Turkey's EU candidacy announcement in late-1999, encouraged a series of zealous market- and EU-oriented political economic reforms buttressed by what advocates saw as real macroeconomic progress. Supported with over $11 billion in credits, the Programme formed an extension to the July 1998 IMF Staff Monitoring Program and involved a new three-year Stand-by Agreement. The Programme's goals were to (1) reduce inflation, (2) reduce real interest rates, (3) create economic growth, and (4) encourage effective and fair allocation of economic resources. Its main pillars included tight fiscal and monetary policies, ambitious structural reforms, and a pre-determined exchange rate as a nominal anchor to help reduce inflation (BAT 1999b).

The first ten months of the Programme were relatively successful in its own terms, largely attaining its monetary, fiscal, and exchange rate goals (Duman *et al*. 2005, 129). The TL appreciated, $15.5 billion in foreign capital entered by October 2000, and inflation and interest rates fell giving some respite to the government budget. However, according to the *Economist*, the Disinflation Programme may have, if anything, been a victim of its own success as the economy boomed with falling inflation and interest rates (02 February 2001, Vol. 358 Issue 8210, p25). People began buying more and more imports, which went up 32 percent while exports stagnated (Duman *et al*. 2005, 129). Investors and the IMF became nervous whether foreign capital inflows could cover both the consuming consumers and the as-always capital-needy Turkish state. Optimism quickly shifted to doubt, the cost of money began to go up, again, and banks that had bet on cheaper money failed. The results were severe. Two banking crises struck in 2000 and 2001. Given the ease with which money could enter and leave, foreign capital took flight and the political economy began to crumble under flailing banks and escalating interest rates.

The TSE, as such, was a reassertion of neoliberalism legitimized, again, as the answer to financial instability and the crisis of investor confidence (BAT 2001; BRSA 2002). Announced in March 2001 by the new incoming Minister of the Economy, Kemal Derviş (a long-time World Bank executive), the TSE programme redoubled state efforts to exorcise still-existing structural weaknesses associated with state-led capitalism, strengthen good governance, and improve sound economic management (BRSA 2002)

– the stuff of second generation IMF neoliberal reforms. The effective solution, according to Derviş, was to “separate the economic from the political” (in BAT, June 2001) – or, in other words, de-politicize economic processes.

By 14 April 2001, Derviş had outlined the three-stage TSE programme (BAT 2001). First, immediate steps to resolve the banking crisis would be taken to regain investor confidence in Turkey’s financial markets. Second, measures would be taken to restore stability in the money and foreign exchange markets. Finally, by the end of 2001, macroeconomic balance were to be re-established to enable sustainable growth. Within this frame of reference, fifteen new laws were announced in four areas: (a) financial sector restructuring, (b) public sector transparency enhancement and public finance strengthening, (c) economic competition and efficiency enhancement, and (b) social solidarity strengthening. Therein, the Banking Sector Restructuring Program was widely recognized as the cornerstone of wider reform.

The Banking Sector Restructuring Program

In dialogue with IMF and WB officials, the May 2001 Banking Sector Restructuring Program (BSRP) was crafted and carried out by the Banking Regulation and Supervision Agency (BRSA), which had been placed under the control of Derviş (BRSA 2002). The BSRP was legitimized as able to “eliminate distortions in the financial sector and adopt regulations to promote an efficient, globally competitive and sound Turkish banking sector”. The 2001 BSRP was based on the following four main features: (1) regulatory and supervisory framework enhancement, (2) quick Saving Deposit Insurance Fund (SDIF) bank resolution, (3) private bank strengthening, and (4) state bank restructuring.

Institution-Building: In brief, the government amended the 1999 Banking Law (#4389), as follows: changes to bank capital and capital requirements, a broadened definition of credit, a fine-tuned determination of credit limits, changes to non-performing loan provisions, harmonization of banks’ participations in other companies according to EU directives, enhanced balance sheet reporting, tightened capital requirements for mergers and acquisitions, clarification of the receivables of the SDIF banks, and a requirement that special finance institutions establish a savings insurance fund. The changes augmented the regulatory power of the BRSA and SDIF, while bringing Turkey closer to EU compliance (BRSA 2001c).

The 2001 BSRP encouraged the consolidation and concentration of the banking sector via mergers and acquisitions (BRSA 2001b; BRSA 2001c; 2003, 66). To this end, the government authorized a series of tax incentives and new BRSA-authored regulations to ease the process in June 2001 (amended in September 2001 and again October 2002). The consolidation process envisioned the internalization of foreign bank capital and the formation of domestic-foreign joint banking ventures. For example, higher liquidity requirements, in a system where liquidity is low, meant domestic banks would *have* to seek out foreign sources of funding. Mergers and acquisitions were understood as vital to enhancing efficiency and guarding against sectoral instability.

At the same time, corporate and tax legislation was altered to facilitate the transformation of financial-industrial groups into separate financial and corporate conglomerates (BRSA 2001c). The rules around related-lending and associated loan limits were stiffened. The BRSA also recognized that something also had to be done about the 100 percent deposit insurance. Finally, to deepen financialization by providing the Turkish banking sector with a variety of tools to hedge against risks, the Capital Markets Board of Turkey established a derivatives market under the Istanbul Stock Exchange on 19 July 2001 (BRSA 2001b).

The Saving Deposit Insurance Fund: Since 1997, 20 failed banks have been transferred to the SDIF and their liabilities assumed. Three had been assumed under the previous Bank Law (#3182) and 17 under the 1999 Bank Law. Of the 17 since 1999, five were assumed due to solvency and liquidity problems and twelve banks were assumed due to severe balance sheet distortions and that the banks were used "in favor of the majority shareholders thereby creating losses on the part of the bank" (BRSA 2003, 17).

In the wake of 2000 and 2001 crises, the government announced that the state would cover all liabilities "with the purpose of protecting the banking system" even though only about $17 billion in savings were subject to the deposit insurance (BRSA 2003, 20). At the date of transfer, total liabilities of the banks taken over by the SDIF equaled about $32 billion. Of this, just over one third of liabilities belonged directly to the failed banks' majority shareholders in excess of the legal limits, or about $11 billion (BRSA 2003, 24).

With the implementation of Derviş' BSRP, a series of SDIF mergers and re-sales occurred, however, the resolution of the SDIF banks has taken longer than expected (BYEGM 2005). This is due to wider political economic volatility. Moreover, public opinion has not been kind to the BRSA and its collection efforts, which asserts that it maintains "an intensive struggle, on legal grounds, for the recovery of receivables, protection of public rights and punishment of those having responsibility" (BRSA 2003, 39).

Private Banks: The BRSA did not immediately intervene in the remaining private banks in the first year following the crises. It opted instead to leave recovery to shareholder capital injections and to voluntary mergers (Steinherr *et al.* 2004, 5). The market-based strategy proved insufficient and by late-2001 an extended recession and decline in credit brought the BRSA back into the private sector fold. In response, the BRSA crafted an institutional framework that enabled the resolution of non-performing loans through the 'Istanbul Approach' and the establishment of an Asset Management Corporation (Steinherr *et al.* 2004, 5).

The Istanbul Approach (or, the Restructuring of Debts to Financial Sector) was a state-led project to assist private sector companies that had become insolvent due to the financial crises so that they can continue to operate and regain solvency. As of September 2003, there were 100 small-scale and 208 large-scale companies under the Istanbul Approach including an array of commercial, financial, and industrial firms attached to banks and powerful economic groups (BRSA 2003, 49-52). The ownership of the larger firms was heavily concentrated within 32 business groups. The class dynamic of private capital debt restructuring was also spatially concentrated – primarily around Istanbul (where 140 of 226 signed agreements are located), followed by Ankara, and Izmir.

State Banks: BSRP Financial and Operational Restructuring

The direction the government would take with state-owned banks in the BSRP had already been presaged in the 22 December 1999 IMF Letter of Intent, itself linked to the 1999 Bank Law (BAT 2000). Therein, the government imagined a clear market-led approach for existing state-owned banks:

> The long standing problems of the state-owned banks will be addressed by strengthening their oversight and developing strategic corporate plans, operational restructuring, and financial and capital restructuring plans with phased-in timetables, which will be initiated in year 2000. Pursuing actions will be

> taken to begin the *commercialization* of Ziraat Bank and Halk Bank with an eventual privatization goal. In the interim, in order to impose *financial discipline* on the operations of these banks, while improving their cash management, cash transfers to cover losses on subsidized lending have been specified in the 2000 budget. … these services will be *more properly priced* in the future. Management of the state-owned banks is expected to maintain the *profitability* of the state-owned banks under this tighter budget constraint. (1999 IMF Letter of Intent, in BAT 2000)

A number of points need to be highlighted. The first and most obvious point is the intent to privatize the two largest state banks, Ziraat and Halk – here meaning the formal transfer of ownership rights. Less obvious, yet no less substantive, forms of privatization are also present, however. This involves the commercialization and imposed financial discipline on state banks so that they begin operating in and being disciplined by the same competitive pressures and market forces as private banks. As well, the government intends to reconfigure the relationship between the banks and government so that state bank services are more effectively priced – assumedly in line with market determinants. Finally, state banks are to be managed according to profit-maximization criteria.

Amidst the emerging crisis, but prior to its actual explosion, no time was wasted in taking action. In February 2000, the government set a new interest rate mechanism for Ziraat and Halk banks to eliminate duty losses accruing from credit subsidies (OECD 2001b, 205) – effectively making their social mandates market-determined. Attempts at formal bank privatization were actively pursued. Following the Parliamentary approval of a bill allowing the government to enact "decrees with the force of law" in June 2000, legal changes enabling the privatization of the state-owned Vakifbank were pushed through. However, the Constitutional Court rescinded the rule-by-decree bill in October and, by extension, the Vakifbank privatization decree (OECD 2001b, 206). A Vakifbank privatization law was soon resurrected and put into effect again by November 2000 (although it has yet to be fully sold-off). At the same time, a Public Banks bill took effect legally enabling the commercialization and privatization of the other three state banks, Ziraat, Halk, and Emlak as called for in the 1999 Letter of Intent (OECD 2001b, 207).

However, it was in the wake of the 2000 and 2001 crises, as the *Economist* recognizes, that government and state agents made the greatest efforts to restructure state banks so that, as institutions, they functioned act *as-if* they were private, profit-seeking, market-disciplined banks (8 December 2001, Vol. 361, Iss. 8251, p. 86). Engin Akcakoca, head of the then 15-month old BRSA, spearheaded efforts aided by Vural Akisik, head of the two largest state-owned banks, Ziraat and Halk. Prior to assuming these two public sector posts, both men ran private banks for years. Restructuring efforts were successful in their own liberal terms, such that the state banks became more profitable with fewer branches and fewer personnel. To achieve profitability, the BRSA initiated a two-pronged approach to state bank restructuring that featured immediate financial restructuring and ongoing operational restructuring (BRSA 2002).

Immediate Financial Restructuring: By and large completed by the end of 2001, financial restructuring concentrated on (1) the liquidation of duty losses, (2) the elimination of short-term liabilities, (3) the strengthening of the capital base, and (4) the establishment of market-determined deposit rates and efficient loan management (BRSA 2002).

(a) The Liquidation of Duty Losses:

In 2001, the Treasury issued TL 23 quadrillion in special government bonds, securitizing duty losses while offering capitalization support to state banks. A far deeper institutional change occurred, however. Nearly 100 regulations, including Council of Ministers' Decrees and Laws, that had enabled state bank subsidized lending and associated duty losses were annulled to prevent any future 'political' allocation of duty losses. Among the most important changes, the following sub-paragraph 1(b) of Article 20 of the 1999 Banking Act #4389 was *annulled* (BAT 2001):

> *Article 20.1.(b): The Council of Ministers shall be authorized to create or dissolve funds in order to guide credits in accordance with objectives of development plans and to provide resources required for such funds from accrued interests or otherwise. The Council of Ministers may delegate its authority stated in paragraph (a) to the Central Bank.*

In effect, deleting Article 20.1.(b) erased the banks' state-led logic and collapsed the substantive difference between state-owned and private banks in Turkey.

(b) Reducing Short Term Liabilities:
State banks improved liquidity by selling state securities or repurchase transactions with the Central Bank and by eliminating their short-term liabilities to the private sector. The BRSA extended the minimum maturity period on repurchase transactions to a week or longer to reduce maturity mismatch and liquidity risk. The Treasury allowed the early redemption of government securities to help stabilize state banks' liquidity position and to relieve pressure on the short-term borrowing market by state banks.

(c) Strenghtening the Capital Structure:
The Treasury injected securities and cash into state banks to strengthen their capital base early in 2001 while shareholders' equity rose. As such, and despite an increase in non-performing loans amidst crisis, state bank capital adequacy ratios improved noticeably (especially as government securities carry a zero credit risk weight).

(d) Market-determined deposit rates and efficient loan management:
To promote "efficiency and productivity", regulatory changes enabled state banks to determine their loan interest rates based on resource cost and market conditions. As a result, the BRSA suggests that state banks have become increasingly "prudent" in handling bad loans and setting aside appropriate provisions, creating a more transparent balance sheet (which assumedly enhances sectoral stability). The extension of market-determination further distanced the banks from the previous state-led logic.

Ongoing Operational Restructuring: The immediate steps fed and shaped deeper, ongoing restructuring. To achieve privatization and corporatization, the BRSA set about restructuring state bank operations at all levels, including their institutional organization, technologies, human resources, financial control, planning, risk management, and services (BRSA 2002). Restructuring was legitimized as enabling the state banks to operate according to modern banking requirements and amidst international competition.

First, bank operations were professionalized. Managerial control of Ziraat, Emlak, and Halk was transferred to a Joint Board of Directors (*cf.*, BRSA 2003; BAT 2001). Professional bankers were to be appointed to de-politicize the Board's work. The Council of Ministers granted the Board all necessary authority to restructure and prepare the state banks for privatization.

At the same time, an independent audit of the state banks was ordered, the Turkish banking sector was progressively harmonized according to EU directives, and a state bank monitoring system was set up to more closely scrutinize profits, losses, liquidity, and interest rate margins (BRSA 2002). State bank asset yields and liability costs began to be monitored on a weekly basis and balance sheets and income statements of state bank branches on a daily basis. The BRSA has institutionalized an intense discipline organized around profitability. In the words of the BAT, the "operation of the public banks on the basis of market rules and profitability" is fundamental (BAT 2001).

The BRSA published a number of amendments in June 2001, which clarified provisions around the privatization of Ziraat, Halk, and Emlak. Of note, the banking license of Emlak was cancelled and its head office and all branches were folded into Ziraat as of July 2001 (BRSA 2002). The BRSA also oversaw the substantial material reorganization of state-owned banks under the BSRP. Within 18 months (June 2001 to December 2002), the number of state bank employees was reduced by over 40 percent (excluding Vakifbank). State-owned bank branches were reduced by over 30 percent. As a result, the asset size per bank employee doubled from $0.7 million in December 2001 to $1.4 million by August 2003. Likewise in the same period, asset size per branch increased dramatically – almost doubling from $13.9 million to $26.1 million (BRSA 2003, 13-14). With the implementation of the foregoing reforms, the substantive privatization – meaning the deepening of capitalists' disciplinary power within the state and capital within the wider world market – of the state-owned banks was achieved.

A snapshot of the current state bank sector structure is as follows. The earlier privatized Sümerbank subsequently failed during the 2000-01 crises, was taken over by the SDIF, merged with five other banks, and was re-privatized in 2002 to another domestically-owned bank, Oyakbank. Vakifbank has been through several failed privatization attempts since the 2000. In November 2005, a public offering for 25.18 percent sold for $1.27 billion in November 2005, though Vakifbank remains majority state-owned under the General Directorate of Foundations. While indirectly state-owned, it has been attempting to internationalize by seeking opportunities in, for example, Iraq. Halkbank remains state-owned and is Turkey's second largest state bank. The Turkish government announced plans in March 2005 to have a Goldman Sachs-led consortium advise on its immediate sale. In early-2007, all government signals indicated a full block sale by May 2007; however, given upcoming national elections, about a quarter of Halk Bank's share have instead been placed on the auction block. There is both domestic and foreign banking capital interest being expressed in Halkbank, of which state banks are prohibited from participating. The largest state-owned bank (and largest bank in Turkey until early-2007), Ziraat Bank, remains so but also has been targeted for privatization as part of IMF conditionality; however, most recent government statements do not envision its sale for ten years. Nonetheless, the end result of organizational restructuring has been a visible and dramatic change in state-owned bank profitability levels. So much so that by 2006 Ziraat bank was the most profitable bank in Turkey, net profiting almost $1.5 billion, and the ninth most profitable bank in Europe in 2005. All in all, the BSRP served to discipline both private and state banks according to a more organized market-led development model, neoliberalism.

IV. Conclusion and Alternatives

The foregoing incorporated comparison has enabled us to examine bank privatization across different spaces and at different times. The organizing concepts of neoliberalism,

privatization, and financialization in their particular material, institutional, spatial, and discursive dynamics have helped give coherent meaning to ostensibly 'most different' cases. We see that in place of agentless structures, specific individual and collective agents' decisions taken within states in the world market have changed and recreated the generalizing disciplinary context of the world market through which concrete events, in turn, are realized.

In their concrete histories, neither domestic capital nor state agents knew the limits to state-led capitalism nor the balance between the particular needs of individual capitals and the general needs of capitalism. In Mexico, the material effects of the 1980s debt crisis drove bank statization in an attempt to rescue ISI; however, the institutional consequences of statization were massaged by class-based actors seeking to neoliberalize the political economy to their benefit. Modest attempts to mitigate earlier uneven and combined spatial developmental inequalities were made with little success, while state-owned banks themselves became agents of privatization and the turn to market-based approaches to development. Rapid restructuring and a rapid formal sell-off characterize state-owned bank privatization in Mexico.

In Turkey, the much longer state-owned bank institutional configuration collided differently with the 1980s debt crisis, which resulted in a unique neoliberalization process. While minor sell-offs occurred in the mid-1990s, state-owned bank privatization has been more about organizational restructuring towards market-based discipline than being formally subsumed to private ownership. Ideological and discursive pressures remain to privatize the remaining state banks, but the material and spatial forces are not as intense given Turkey's mixed and open system (as opposed to Mexico's absolute state-owned system from 1982 to 1992). Capital has room to move within the domestic political economy.

In recognizing the real differences between these two experiences in time and space, one must nonetheless take care not to miss the proverbial forest through the trees. In both cases the state banks were reorganized to act *as-if* they were private, profit-seeking entities (although more profoundly in Turkey). This real reorganization has itself enabled the wider, more abstract disciplinary context of profit-maximization as the only legitimate organizing principle, regardless of ownership. As such, the divergent concrete experiences of Mexican and Turkish state bank privatization processes have in fact deepened the capitalist world market and associated competitive and financialization imperatives.

This is important because even what little room to move that existed under state-led capitalism for competing developmental logics and democratic input has been jettisoned entirely from the agenda. Only market-led development, mediated by market-friendly competitive and profit-maximizing institutions, is now deemed legitimate despite ongoing material, institutional, spatial, and discursive inequalities. In uncritically accepting this, what liberal convergence and institutionalist divergence analyses miss is how under neoliberal capitalism the actions and options of social agents have converged towards being increasingly structured by free market competitive and financial imperatives *while* being at the same time organized into more and more complex workplaces, territories, and state systems tending to greater differentiation (Albo 2005).

In the end, positions that deny the social and class-character of neoliberalism and market-led development deny social issues of power and struggle – thereby reinforcing the status quo and perpetuating highly unequal power distributions in the state and the world market. In a sense, this imbeds "an uncritical acceptance of socially constructed systems of inequality, scarcity, and poverty" (Klak 1998, 4). Thus, there is a need to move beyond institutions and policy, without jettisoning them, to examine how individual and collective agents make decisions amidst underlying power relations and

structures (Greenfield 2005). Moreover, alternatives must consider how to collapse the ultimately false divide between political and economic processes that address socially structured inequalities head-on.

By way of conclusion, I would like to suggest some alternatives for consideration – an admittedly risky, but nonetheless necessary, exercise (one not often well-received among critical theorists, often dismissed as mere 'problem-solving'). In this, we can, and should, draw direction from critical practitioners. In the words of Carlos Lage, Cuban Vice-President, "Integration is cooperation and solidarity. To think about humans and not markets means subordinating the economy to politics, and not subordinating politics to business, banks, and trans-nationals." [at 5th ALBA (Bolivarian Alternative for the Americas) Summit in Venezuela, in *venezuelanalysis.com*, 29 April 2007] While in its infancy and not well-developed yet, the ALBA initiative does point us in a different direction, one that is legitimized domestically and democratically.

Substantive alternatives must thus address state-led competitive austerity and individual competitive self-reliance in search of substantively democratic and human centered approaches. Indeed, possible alternative banking models have long existed in Mexico in the form of *cajas populares*, or community-based banks. Likewise, the recent 2006 Nobel Prize winning Grameen Bank has been hailed as a real alternative. However, in both cases, it is more than obvious that these are small-time, short-term providers of 'band-aid' credit that work well-within the confines of profit-maximization and individual self reliance.

What must be struggled for are much larger, more local, and collectively controlled forms of organization over developmental credit allocation. State agencies may well play a vital role in establishing and regulating such agencies. The machinery of government would have to be re-asserted forcefully as there can be no doubt domestic and foreign bank capital would resist viciously. However, control could not stay in the hands of government alone if any exit to the current developmental conundrum is hoped for. Meanigful democratization requires putting decision-making in the hands of the local community relative to their wider social context. Large institutions would have to be established to provide any substantive and viable alternatives to the stranglehold of a handful of global banking monopolies that currently exist, often profiting individually over $20 billion annually (*e.g.*, Citibank in 2005) – equivalent to all Mexican workers remittances for the same year or the proceeds from PEMEX, the state-run Mexican oil giant.

What this means is a commitment to democratic, even politicized, allocation of credit for local development – much like Lage mentioned above. Credit allocation must be recognized as an ultimately social activity with social implications. While heretic to liberal analyses, who revile the politicization of economic processes, it appears as the only viable approach capable to instituting collective control over one's community. Otherwise, credit, and by extension development, will remain in the hands of large global banks and market-based financial intermediaries whose priority is profit making, not human development or poverty alleviation.

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[i] An incorporated comparison research strategy integrates the multiple and singular comparative forms (McMichael 1990, 392-93). The multiple form investigates a continuously evolving process through time- and space-differentiated instances of a historically singular process (in this case, capitalism and the emergence of neoliberalism). The singular form investigates a cross-section or variation in or across space within a historical conjuncture (here, bank privatization in each country). The two comparative forms may be combined as mutually conditioning, with the multiple form as a generalizing thrust and the singular as a particularizing one (McMichael 1990, 389). An incorporated comparison integrates theory and history such

that both abstract individuality and abstract generality are avoided so as to “try to perceive the unity in diversity without reifying either” (McMichael 1990, 395). Therein, comparing most different cases, like Mexico and Turkey, is argued to yield more substantial analytical results (Przeworski and Tuene 1970; Hay 2002).

[ii] Drawn from Poulantzas (1978). Albo (2003) points to this state-world market nexus when he notes that the nation-state appears, on one hand, as the historically-specific institutionalization of class relations and, on other, as the mediator of a wider set of social relations of differentiated accumulation patterns established by the world market. In my approach, the state is distinguished from ‘governments’ and is understood as a social relation and field of class struggle mediated by material, institutional, spatial, and discursive dynamics (Poulantzas 1978). While I disagree with her derivationist roots, von Braunmuhl offers some insight into the capitalist world market, which she understood as “an international, state-organized and specifically structured, all-encompassing effective international context of competition” within which states change and consolidate themselves forming their unique political economic structures (1978, 167). I add that the world market is a real abstraction, i.e., arising out of capitalism, and composed of abstract and universal flows of money, credit, capital, and ideas.

[iii] In contrast to mainstream scholarship, I understand privatization as the deepening of capitalists’ disciplinary power within the state and capital within the wider world market. Privatization is not equated with the withering away of the state (*cf.*, Strange 1996), but is understood as a class-based process that restructures the state (Panitch 1994; Marois 2005). Considered along evolving state-capital-labor relations, privatization is recognized as strengthening state institutions in terms of building its capacity to enforce market regulation by shedding those productive functions that directly implicated it in distributional struggles (Taylor 2006, 44).

[iv] Nationalization is the official term used, however, this makes sense only at the level of discourse and has no real material or institutional basis, and a very weak spatial connotation, in terms of belonging to a Mexican ‘nation’. To avoid confusion, I opt for the more precise term statization.

[v] My understanding of financialization, as in liberal approaches, is seen as increasing the role of financial motives, markets, actors and institutions in domestic and international economies in such a way that the dominance of market-determination over state-mediated financial flows has been extended and intensified (*cf.* Epstein 2005, 3; Grabel 2002). Unlike liberals, this is not understood as the positive extension of voluntary individual exchange relations but as a social and conflict-ridden class-based strategy designed to augment profitability. As such, financialization is tied to neoliberalism, itself an expression of the reasserted power of finance capital in the power bloc and over labor in general (*cf.* Duménil and Lévy 2005, 17). Like privatization, this is a domestically driven, state-authored process that occurs within the wider context of a capitalist world market. This contrasts with some understandings that locate power institutionally above and beyond global south states in an international context that is “beyond the control of the developing countries themselves” (Stallings 2006, 23).

[vi] While privileging class within this framework, I nonetheless recognize the importance of race- and gender-based material, institutional, spatial, and discursive dynamics – even if I cannot incorporate them all here due to space constraints and my own analytical limitations.

[vii] It is worth quoting at length a liberal definition of efficiency relative to banking (often absent and assumed within most studies). Ozkan-Gunay and Tektas define efficiency measures as “the level of output obtained with a given amount of input, such as a cost per unit. A more efficient unit means it obtains a higher output using the same amount of input, or it obtains the same level of output using a lower level of input. Efficiency analyses can be used for separating production units such as banks in the financial sector that by some standard perform well from those that perform poorly.” (2006, 421) An efficient bank, they continue, is one that can “create a relatively high volume of income-generating assets and liabilities as well as one that can generate a relatively high level of income from service and intermediation operations with a given level of inputs.” (2006, 424). Universally for liberal and institutionalist analyses, the efficiency measure has come to be represented by profitability variables for both public and private banks, effectively collapsing the two categories as synonyms.

[viii] Moreover, as Micco *et al*. and Andrews (2005) recognize and as I can attest to, whether to classify a bank as state-owned or not and whether it has been privatized is riddled with complexity and contradictory information. This is very problematic for correlational studies, many of which include banks whose operations were assumed by state insurance organizations but were not in any meaningful sense state-owned. These previously private banks heavily distort aggregate results against state-owned banks.

[ix] I recognize the danger of overgeneralization, which may gloss over the diversity found within institutional analyses. Nonetheless, institutional analyses tend to share a concern for political direction over the more market-led liberals. For example, Huber and Solt (2004) suggest that neoliberal reforms have been disappointing as a whole and that governments should opt for a more cautious trajectory. Citing the varieties of capitalism literature (*e.g.*, Hall and Soskice 2001), Huber and Solt argue that the institutional context, be it political parties, constitutional structure, labor and employment organizations, determines

economic performance, poverty, and inequality levels, which cannot be subject to standardized neoliberal policy prescriptions. By contrast, Walton (2004) argues that neoliberal market-led reforms have generally been beneficial, if disappointing in light of initial expectations. Influenced by the new institutional economics of North (1990), Walton recognizes that a radical retreat to a minimal state is itself detrimental to development, but rejects institutionalist calls for slow paced reform. In the end, more open trade and financial markets determine greater growth and efficiency. Thus, the debate revolves around whether capitalist development is best achieved by deeper markets or better political rule-making.

[x] Mügge (2006) offers a very nuanced study, which recognizes that public institutions, in fact, can be dominated by private interests. While sharing affinities to my analysis, Mügge fails to explain the contextual rationality as to how and why this occurs at a given point in history.

[xi] On Mexico, see Cockcroft 1998; On Turkey, see Savran 2002; for a more global overview, see Beaud 2001, Ch. 5.

[xii] For example, Demirbank (Iron Bank; est. 1953) resulted from the self-organization of merchant capitalists tied to iron and steel, who formed the majority of its shareholders (Cosar 1999, 125).

[xiii] A recent edited book in Spanish testifies to this (del Ángel-Mobarak *et al.* 2005). However, the contributions do not bridge the relation between statization and neoliberalism, the exception being Minushkin (2005), albeit in an overly deterministic approach.

[xiv] A power bloc is composed of various capital fractions (including financial, industrial, commercial, and agro-export, as well as foreign and domestic capitals) that seek and find formal and informal representation within the state apparatus.

[xv] For example, Babb 2005 explores the legitimizing role of foreign trained Mexican economists, Soederberg (2001) the state- and class-based dynamics of neoliberalism as a new form of political domination, and Cypher (1989) on how the debt crisis offered an opportunity in crisis to restructure the Mexican political economy.

[xvi] US-educated (economics, Stanford) Guillermo Ortíz has served as Mexico's ambassador to the IMF, as the Minister of Finance (1994-1998), and as the Governor of the Bank of Mexico (1998-2006). He has been a key architect of Mexican neoliberalism.

[xvii] It is important to recall that neoliberalization is not possible without domestic support. For example, in joint ventures with foreign capital, domestic capitalists, represented by the likes of Mexico's Business Coordinating Council, vocally advocated and supported neoliberal structural adjustment (Cypher 1989, 63-64). Babb (2005) documents the Mexican state actors involved in neoliberalization. Ercan and Oguz (2006) concur in the case of Turkey, pointing to the double-contingency of not only willing foreign capitals wanting to enter, but also willing domestic capitals interested in international collaboration.

[xviii] Post-bank privatization, private banks became agent banks and profited by sales commission, calculated at a varying rate from 0.25% to 3.0% depending on the amount paid for the shares (Rogozinski 1998, 98).

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