

ISTANBUL INTO THE TWENTY-FIRST CENTURY

by Caglar Keyder

I-

During the first decade of the new century Istanbul appeared confident and prospering. There were blocks of newly erected high-rise office buildings, luxury residential compounds and towers, and dozens of shopping malls offering global wares. The center city was beautified and prepared to anchor global networks. Gentrification of the Beyoğlu area and the historical peninsula, as well as the re-building of the waterfront around the Golden Horn created new spaces of leisure and culture. A feverish pace of projects and plans, all designed to enhance Istanbul's standing in the global sweepstakes for investment, revenue and culture, coincided with the preparations for the coveted status: 2010 European Capital of Culture. By the standards of city marketing within a global field of competitors, Istanbul was a success story.

Back in 1980 Istanbul was a fairly typical third-world sprawl. The old city retained most of its glory and the older neighborhoods some of their charm, but the overwhelming impression was one of dilapidation and crowdedness. Environmental degradation in the industrial periphery of the city was matched by the lack of urban amenities in the shantytowns; a constant activity of construction produced the ever-present mud and dust that plagued the streets, and there was an unavoidable gloom of air pollution emanating from old cars and cheap coal. But the city attracted investment and immigrants from the countryside, and performed as the principal transmission mechanism for the “modernization” of the peasantry. Istanbul had been responsible for the absorption of one-fourth of the new urban population in Turkey during the period from 1960 to 1980. The new immigrants could not readily find good employment; but there was a widely shared belief that manufacturing would expand, well-paying jobs would be forthcoming and eventually all households would attain decent comfort. Furthermore, there was provision for the newcomers to access the urban space through informal mechanisms of land occupation and housing construction. As in many cases of third-world urbanization, immigrants were permitted to share in the fruits of growth through a politics of populism which suspended the strictures of the law of property. Takings were modest, but their distribution seemed if

not fair at least not grossly polarizing.

All this changed when Istanbul, as other globalizing cities of the third world after the 1980s, experienced the shock of rapid integration into transnational markets and witnessed the emergence of a new axis of stratification. Those in the new professions who could participate in global networks gained disproportionately in status and income. Istanbul as the primate city in the 1980s was already the centre of high-level services oriented to the national economy. Trade and finance were concentrated in the city, as were the culture and media industries catering to the country as a whole. With globalization and liberalization, however, all these sectors--finance, real estate, advertising and media--experienced explosive growth. Along with culture industries and those service sectors that cater to producers, there was also a resurgence of the art scene, well integrated into global networks. All this growth in activity and employment accelerated with the impetus of tourism which expanded rapidly during the most recent period (now reaching eight million visitors a year), boosted by the city being "discovered" by those in the know and earning a place in the global "cosmopolitan" consciousness.

The predominance of new service sectors and culture industries, even if these account for a smaller proportion of employment in Istanbul compared to London or New York, follows the pattern of de-industrialized global cities around the world. This thin social layer of a new bourgeois and professional class that adopted the lifestyle and consumption habits of their transnational counterparts seems to define a mission for the city, especially because of the obsessive coverage of their lifestyles in the media. The social and cultural ascendance of the new global class is reinforced through carefully cultivated distinctions in lifestyles, residential choice and material consumption, with all the expected ramifications on social and spatial stratification. It is now more clear than ever where the lines of demarcation lie.

II-

There is no doubt that Istanbul's success in capturing a share of the global dazzle is due in large part to the world economy since the 1980s favoring the resurgence of the metropolis: this was a period in which control and management functions of global capital shifted to the great cities of the world and those sectors which are specifically

urban gained ground.¹ Finance increased its share, real estate development became a leading sector and culture industries expanded. This political economic shift by itself, however, will not explain Istanbul's performance: the world economy provides an opportunity but there is also and always resistance against global projects by the potential losers, the "defenders of old space"², those who will be displaced socially and spatially. In Turkey's case anti-globalization was a banner in the hands of the 'nationalists' suspicious of the claims of the Davos crowd; for Istanbul this meant the deflation of the global-city project by the land-bound state elite in Ankara. In fact, until the 1990s it looked as if Istanbul would miss the opportunity. Caught between a political class committed to populist modernization and a timid bourgeoisie reluctant to alienate Ankara's bureaucracy, actors in the city were unable to mobilize significant resources toward global success. Things changed, however, when the conservative-Islamic party that won the local elections in 1994, receiving the bulk of its support from the peripheral neighborhoods of immigrants, proved to be surprisingly pro-business. Their adoption of the neo-liberal discourse found a perfect fit in projects preparing the city for global exhibit, implying that traditional solidarism would be abandoned in favor of chasing after investment. The new urban coalition--the city government, real estate concerns, the bourgeoisie in its manifold manifestations, and the top echelons of the civil society, including the media and the city-boosting foundations funded by businessmen--strived to consolidate the city around their image of gentility.

The marketing of Istanbul proceeded along expected lines: the historical riches of the city as well as its night-life and culinary diversity were (and are) highlighted, along with dozens of music, art, and film festivals, new museums and exhibits. This, of course, was not a conflict-free process. The archaeological layers of the city's many incarnations were alternative candidates for foregrounding.³ The Byzantine city, the

¹ Allen J. Scott, "Resurgent Metropolis: Economy, Society and Urbanization in an Interconnected World", *International Journal of Urban and Regional Research*, 32, 3, September 2008, pp. 548-64.

² Neil Brenner and Nik Theodore, "Cities and the Geographies of 'Actually Existing Neoliberalism'" in N. Brenner and N. Theodore eds., *Spaces of Neoliberalism: Urban Restructuring in North America and Western Europe*, Oxford, Blackwell, 2002, p.13. Brenner and Theodore are quoting a formulation by Alain Lipietz.

³ There are several articles describing the conflict over Istanbul's advertised identity. Ayfer Bartu, "Who Owns the Old Quarters? Rewriting Histories of the Global Era", in Caglar Keyder ed., *Istanbul: Between the Global and the Local*, Boulder, Rowman and Littlefield, 1999; and Ayse Oncu, "Narrating the Past and Claiming the Present of Istanbul" in N. Diamandouros, T. Dragonas, C. Keyder eds., *Spatial Conceptions of the Nation: Modernizing Geographies in Greece and Turkey*, London, I.B. Tauris,

Ottoman city of many cultures, or the imaginary Islamic city of the devout had to wage battle with the Turkish city of the Republic. Since this last had too narrow a reference and obviously lacked marketing potential, what won out after a few years of competition was an inclusive Ottomanism, a re-imagined rubric encompassing the multifarious heritage that the city could boast of. The elite were happy to display their mansions and *objets* dating from the Empire; churches and synagogues were carefully restored along with mosques and civil architecture. Ottoman art of the nineteenth century became a staple in the new museums where exhibits helped establish that the Ottoman elite had been very much engaged with European art, music, and literature. This was a new (and post-national) representation of the city in which the peripheral modernity of the Empire seamlessly flowed into an aspired status in contemporary global space. What it achieved was a narrative that could be easily appropriated by the global media, the art world, and taste makers who helped put Istanbul on the map—of investors, discerning tourists, curators of exhibits, real-estate developers, buyers of residences in "in" cities of the world, and sundry consumers of culture.

I had written in 1999 that the city had embarked on the path to globalization but the process was haphazard and the results could best be termed "informal globalization".⁴ Istanbul's success in this path, however, has become undeniable in the new century, and it is now grounded in solid institutional foundation. This should be attributed in large measure to the coincidence of political and economic expectations from the city, thus to the coherence of the urban coalitions which strived to upgrade the city's image and marketing potential in the eyes of a footloose global demand—whether for investment, culture, or leisure. Since the mid-1990s, Istanbul has been governed by the same political party, and in fact by its leader Tayyip Erdogan—first as mayor then as party leader and prime minister, but always hands-on when Istanbul was concerned. This is an unusual continuity given the political instability that characterized earlier periods. Especially after the national election in 2002 when Erdogan became the prime minister, the central government allocated resources to upgrade the city's infrastructure; the municipality participated in the project to improve urban services and to make city streets look more becoming. The city's bourgeoisie (and the media that they control) were willing partners in this project. Not only did they benefit directly, both in business initiatives and land development but, through a

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⁴ Caglar Keyder, "The Setting", in C. Keyder ed., *Istanbul: Between the Global and the Local*.

newfound vocation in philanthropy, actively participated in the project. The remarkable spectrum of privately endowed museums that came to existence during the last decade is a case in point. The ongoing series of art exhibits, festivals of jazz, theater, classical music and film, at a scale that plausibly rivals any large European city, has been initiated in most part by non-profit private groups.⁵

The success in advertising the city was a perfect counterpart to the claims and aspirations of the liberalizing government in whose conception Istanbul would be the test case for successful integration into the emerging world of global markets. The new urban coalition facilitated the transition from an informal, unstructured and insufficiently institutionalized globalization toward a more formal and deliberate project aiming to capture a desirable position in global networks. This political change was the major impetus to the successful marketing of the city. With the central government committing itself to a global economic orientation, Istanbul's bourgeoisie found itself in a position where they could unequivocally subscribe to the project. They were no longer hesitant due to uncertainty about the central government's intentions. With the municipality, the central government and the urban elite on the same page, the "marketing" of the city could proceed apace.

III-

The period during which this urban growth coalition⁶ came together witnessed the most recent wave of global expansion during which Istanbul participated in the relentless inflation of global fund circuits. In the prelude to the crisis of 2008 there was a disproportionate expansion of the financial sector in the world, translating to speculative investment primarily in financial assets. Real estate was also considered to be subject to speculation and residential and office space prices increased rapidly in all global cities. In fact, what triggered the bursting of the bubble was the defaulting of debtors on their mortgage payments. The East Asia crisis of 1997 had been triggered in the same manner, as a result of the bubble in real estate prices which had been bid up by easy credit. Developers in Bangkok and Seoul had constructed an excess of office buildings and housing using cheap loans, and had been caught short by the sudden collapse of the market. Istanbul in the 1990s had escaped this

⁵ See Sibel Yardimci, *Kentsel Degisim ve Festivalizm: Kuresellesen Istanbul'da Bienal, Istanbul, Iletisim*, 2005.

⁶ John R. Logan and Harvey L. Molotch, *Urban Fortunes: The Political Economy of Space*, Berkeley, U. of California Press, 1988.

dynamic, mostly because the legal conditions for such an expansion were lacking. Turkey did undergo a crisis in 2001, the last of a series of home-made crises stemming from ill-conceived economic policies in Ankara. The governance repairs that were instituted in its aftermath readied Turkey for a much less encumbered economy and a banking system as far as the inflow of capital and various kinds of short-term funds was concerned. As a result the financial expansion of the period 2002-2008 found a counterpart in the flooding of Turkey's "emerging economy", with an unprecedented volume of foreign funds. There was a huge and increasing volume of money searching for opportunities around the globe, and the Turkish economy was considered to be a surer bet than most. This money found its way through the banking system to new real-estate development corporations which financed both the construction firms and the buyers. Foreign capital also arrived in the form of partnerships with local developers. Inasmuch as financialization, meaning the preference for liquid assets, was the prevailing tenor of the global conjuncture, most of the investment thus occasioned sought to identify speculative opportunities. Istanbul, as a city where population continued to increase and where both office buildings and residential stock were in dire need of upgrading, seemed to provide such opportunity, especially since developments mostly occurred in areas where ground was being freshly broken. The story of Istanbul's physical expansion in this most recent period is the coinciding of the speculative bubble with the newly concocted "neo-liberal" strategy vis à vis urban growth.

An essential component of this strategy lies in normalizing the property relation on land. Ottoman laws on private ownership were ambivalent at best, even though a new and comprehensive legislation on land had been issued in 1858 and added onto in subsequent years. Private property on land, outside of urban boundaries, was not a clear category. Uncultivated land was state property. Although the Republic adopted a version of the Napoleonic Code as the Civil Code in 1926, the Armenian massacres, war deaths, immigration from imperial territories to the land that remained as Turkey, the fleeing of the Greek population in the aftermath of the World War, and the Exchange of Populations with the Greek state in 1923-24 had created a highly uncertain situation in terms of ownership of land. The departure of non-Muslims from Istanbul continued, such that in absolute numbers only a few thousand Greeks, around 50 000 Armenians and 25 000 Jews remained in the 1970s (out of a population of 2.5 million in 1975) compared to the early years of the Republic when

one-third of the 700 000 population in 1927 were non-Muslim. The property left behind was rarely subject to orderly transfer. With this situation in the background the immigrant population filling the city after the 1950s could be met with populist leniency when they squatted on public land, agricultural fields with no residential permit, or "empty" housing and land abandoned recently. As is well known, their implicit right to squat and engage in informal construction of *gecekondu* was recognized but the property status was never rectified, with the result that until recently perhaps half of all buildings in Istanbul were to some degree illegal.⁷

The reason to remember this well known history is in order to underline the difficulty it would pose to land development at the pace Istanbul witnessed in the 'noughts decade. Accordingly, it has been the case during this decade that policies and planning have sought to re-regulate land that was already ceded to the squatters, attempting to create a 'lawful' city out of the chaotic string of villages whose agglomeration Istanbul has become. A new legislation gives extraordinary powers to municipalities to clear illegal construction and forcibly move their inhabitants to designated neighbourhoods.⁸ In Istanbul this prerogative has been bolstered by "earthquake legislation" giving the power to the metropolitan municipality to demolish buildings thought to be unprepared for the eventual big tremor. Plans have been announced to demolish 85,000 *gecekondu* houses and move their inhabitants to low-cost high-rise projects in the far reaches of the metropolitan area. The Mass Housing Directorate (TOKI), which has acquired extraordinary powers, allowing its decision makers to construct on public land, escaping all planning and zoning scrutiny, has spearheaded the production of space through the extension of the residential area. TOKI is now responsible for 7-8% of all housing starts and its powerful director justifies its operations as constituting a housing policy consonant with Turkey being a "social state".⁹ In fact, there has been no housing policy attempting to respond to the vast inflow of immigrants into the cities, except for the benign neglect that created the *gecekondu* neighbourhoods. Unlike housing policies in most European cities, the government (TOKI has a special status as an agency directly under the office of the prime ministry and thus escapes bureaucratic scrutiny) since 2002 seems to have

⁷ Caglar Keyder, "The Housing Market from Informal to Global", in C. Keyder ed., *Istanbul: Between the Local and the Global*.

⁸ See Ayfer Bartu and Biray Kirli-Kolluoglu, "Emerging Spaces of Neoliberalism: A Gated Town and a Public Housing Project in Istanbul", *New Perspectives on Turkey*, 39, Fall 2008.

⁹ *Taraf*, November 28, 2009, <http://www.taraf.com.tr/haber/44735.htm>

decided that ownership rather than tenancy should be the goal for low-income families. TOKI's low income housing is sold, in a means-tested manner, cheaply and with small monthly payments (100 TL or \$65 a month) with long term payment schedules. The development of new lands as residential areas on the edges of the urban constellation is part of this project as well. TOKI creates new residential spaces and contracts private firms to build apartment blocks where they get a share of the flats; thus it is also instrumental in opening new areas as residential districts, around which other developments follow. Where TOKI goes the municipality has no choice but to follow, with both public and private development oriented to fully benefit from the externalities introduced by infrastructure projects.

Istanbul's sprawl has gravitated in recent years around the "Second Bridge" over the Bosphorus. The roads connecting to this new bridge are a sort of beltway for the city, but as it has been the case for other highways, they have fast become surrounded by business and housing during the last ten years. The second bridge which was opened in 1988 and its connecting roads have added substantially (perhaps one-third as much) to the spatial spread of the city as it used to exist at the end of the 1980s. There are now projects for a third bridge to the North, which together with its connecting roads, would open yet more fresh ground for development. Metropolitan Istanbul is already encroaching into its peripheries, in effect adding smaller cities to its urban area in a serial manner. It has become a sprawl without any clear divide to mark its limits. In official configuration the borders of the metropolitan municipality have been expanded to coincide with those of the province: there are now no independent settlements within the Istanbul province; all villages and rural centers have been made into neighbourhoods within the megapolis. The prospect of endless growth in this same vein is a recipe for creating a geographical monster covering the entire area between the Marmara and the Black Sea coasts and gnawing into the remaining woodlands in the North of the city.

This development may signify a future that is closer to the European model, with the center city as the tourist showcase, full of restaurants, cafés, and entertainment venues which share the space with upscale residential neighbourhoods; a primarily middle-class, expensive and marginalizing core, with its poorer neighbourhoods waiting to be gentrified, or officially 'regenerated' under the auspices of TOKI. Circumscribing the center in the proximate belt are the old peripheral neighbourhoods,

which once were the *gecekond* areas and are now turned into *banlieus* of middle and lower income habitation. In the outer belt, alongside what used to be industrial zones, are large areas dedicated to more genteel lifestyles in gated compounds with swimming pools, university and hospital campuses, but also high rises for the aspiring middle-class and the new housing for the poor built by TOKI.

Much of this expansionary dynamic into the outer spread was an artefact of the optimism that prevailed prior to the crash of 2008, and thus in no small measure a product of speculative frenzy. As in East Asia prior to 1997 and in the U.S. in 2008, Istanbul has also ended up with an enormous bubble of excess real estate, in the form of office buildings, shopping centers, and middle-class residential development. These new developments sought to avoid the proximity of old *gecekond* areas and tapped into new areas, with the result that there is now a large surplus of residential, commercial and office space, chasing after a strained clientele. The crisis demonstrated that Istanbul has in fact become part of the global arena in that its real estate bubble was fuelled directly or indirectly by the rapid financialization and credit expansion experienced in the world economy prior to the crash. A glut of office towers, unoccupied apartment blocks, and boarded up shopping malls now dot the landscape, causing a sharp downturn in construction sector employment (historically the biggest source of demand for unskilled labor) whose dimensions are yet to be revealed. The chances are that there will be a long wait until the existing stock finds utilization through attrition, upgrading and expanding activity. The new apartment buildings in high rises represented a transition to more modern dwellings by the new service-sector employed generations whose parents lived in the ramshackle neighborhoods of former shantytowns. Expansion of credit allowed them to invest in new residences as well as the modern conveniences of apartment living. This is why the cessation of new construction and land development may signal a larger downturn for the city in terms of absorbing investment and creating employment, portending an unavoidable period of relative stagnation.

IV-

Globalization is not only the intensifying of networks penetrating national spaces; it also signifies the eventual transformation of political preferences by means of the globalizers gaining ascendancy¹⁰. Political actors commit to the prospective rewards

¹⁰ Cf. William Robinson, "Social Theory and Globalization: The Rise of a

of the capitalist market and relinquish their past commitments to the nation, the civic entity, or the community—in other words, to the social. They merge with new clients whose resources and control over the media produce a new kind of persuasion. As corporate elites integrate into global circuits, politicians become convinced that accommodating the needs of the new economy will become the key to satisfying their constituency. Unequal rewards are naturalized in the rhetoric of the market while polarization, segregation, and exclusion are treated as unfortunate damage. One dimension of this new hegemony is the willingness to institute markets to rule over the allocation of all goods, leading to a deepening of commodification.¹¹ In the case of Istanbul in the new century, the crucial new market was in land. It can be argued that what has allowed the city's particular kind of development in this decade has been the final commodification of land. In the process leading to this state of affairs, Turkey's long history of hesitant and controlled engagement with the market constituted a formidable impediment. Both the political obduracy of Ankara politicians when faced with the possibility of Istanbul escaping their orbit, and the structural resistance to land being transformed into a simple commodity, were instances of barriers that had to be cleared for the project of neo-liberal globalization to succeed. As Istanbul's performance was the inevitable showcase and the gauge for this success this is where the political transformation had to prove its capability.

The political transformation led to the repair of the traditional tension between the city and the seat of power in Ankara. Much has been written on the historical origins of this mutual suspicion, which often translated to an uncomfortable co-existence between the bureaucrats and the businessmen, if not to frequent undermining of the capitalist prerogative, in the name of accommodating the popular will. In its most recent incarnation, it was the state elite of Ankara hoping to undermine T. Erdogan when he became the mayor in 1994. Until the elections in 2002, the uneasy condominium between AKP and the state elite in Ankara meant that Istanbul's globalization proceeded in a haphazard manner, often suffering reversal and finding paths that amounted to muddling through. Since then, however, Istanbul's businessmen have found willing partners in politicians in their quest to valorise the city's real estate and to commodify and market its attractions. This was the key to the

Transnational State", *Theory and Society*, 30, 2001, pp. 157-200.

¹¹ As Polanyi would say, land is a fictitious commodity whose commodification potentially poses greater problems than ordinary goods that are actually produced for sale. Cf. Karl Polanyi, *The Great Transformation*,

formation of successful urban coalitions which translated to more rapid growth in the expansion of globalized sectors, employment, and housing.

The institution of a market in land was also the result of a political shift, with a somewhat longer history, that led to the production of commodified space, as well as to the determination by the market of the spatial allocation of income and status groups in the city. Until recently, most empty land around the city was owned by the state. As Istanbul's population increased and immigrants flooded into the city political authorities found it expedient to implicitly permit the occupation of public land for the construction of informal housing. Eventually, however, land became scarce and the politics of populist accommodation started to falter: municipal governments became more interested in consolidating their built spaces as prosperous neighbourhoods out of which they could collect taxes. Local politicians received the message that the best use for the land from hereon would be the most revenue bringing option—not the one maximizing opportunities for political patronage. After populist inclinations were defeated land became the object of speculation to an unprecedented scale; it was no longer the object of small corruption but of large-scale developments, determining the direction of spatial expansion of the city. The introduction of foreign funds, easier availability of bank loans, and new legislation regulating mortgage, accelerated the process. Infrastructure projects and highway building by the public sector served to blaze the path. TOKI participated in this development both by cleaning urban land of remnants of squatter housing, and by developing low-income housing in the perimeter of the city. Regeneration cleared space with ambiguous status and opened it to gentrification; expansion to the periphery created new spaces for development. Public land was brought onto the market when TOKI designated areas for development and allowed contractors to build housing in exchange for a share of the units.

The onset of such privatization implies an untrammelled operation of the market, which in turn promises that spatial segregation will now work in the predicted manner, segregating populations along lines of income and capital. The global has worked its magic: under the coherent urban coalition it gave rise to a land market was instituted; with the commodification of land, Istanbul will now become a true capitalist city. New perspectives will be needed to understand its social fabric and to develop an appropriate politics with which to address its inequities.